

*nedap Annual Report 2010*

*The joy of  
relevant solutions*



The background of the entire page is a solid gold color. Overlaid on this are several thick, white, three-dimensional-looking ribbons that curve and loop across the page in various directions, creating a sense of movement and depth. The ribbons have soft shadows, giving them a tactile appearance.

Annual report of the  
N.V. Nederlandsche Apparatenfabriek "Nedap"  
on its eighty-first financial year 2010  
Founded 27 September 1929  
Quoted on NYSE Euronext since 1947  
**nedap**

Relevant solutions for **HEALTHCARE**

Relevant solutions for **LIBRARIES**

Relevant solutions for **FARMERS AND THEIR ANIMALS**

Relevant solutions for **A BETTER AND SAFER**

**ENVIRONMENT AND WORKING CONDITIONS**

Relevant solutions for **ENERGY MANAGEMENT**

Relevant solutions for **LIGHTING AND CLEAN DRINKING WATER**

Relevant solutions for **GREEN RETAILERS**

Relevant solutions **THAT MATTER**

## The joy of relevant solutions

The artist beams with pleasure as he creates a painting on a large canvas. He lets his imagination run riot, his delight visibly reflected in the colourful work of art. He shows it to his friends. They are appreciative but critical; their comments and suggestions even further enhance the painting. The end product is brilliant. The artist is praised by those around him and rightly proud of his achievement. But his real moment of triumph comes when a museum purchases his work. Now his work is truly meaningful; now everyone can enjoy it.

Working at Nedap is really no different. Everyone is working on innovative solutions, which are always the result of knowledge, skill and imagination. And fantasy and creativity are needed to solve complex problems in any field. This makes the work pleasurable and challenging. After all, the work itself is rewarding.

Nedap's products nearly always contribute to a better and safer living and working environment. They provide sustainable solutions that are highly beneficial for society, and are applied in a wide variety of sectors such as retail, healthcare, building management, cattle farming, libraries, energy management and water purification. This social aspect is precisely what gives an extra dimension to the work of Nedap's employees. They give added meaning to the products: their products.

This annual report spotlights an array of personalities and their products: employees of Nedap who are working on solutions that matter.

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## To the shareholders

### Financial statements and dividend

We are pleased to present you with the 2010 Annual Report, which contains the Report of the Board of Management, the Financial Statements and Other Information, Miscellaneous and Corporate Governance sections. The financial statements have been audited by KPMG Accountants N.V., whose unqualified Independent Auditor's Report is included in the Other Information.

A delegation of the Supervisory Board took part in the audit evaluation meeting between KPMG Accountants N.V. and the Board of Management. The Supervisory Board also discussed the 2010 Annual Report and the Independent Auditor's Report with the Board of Management in the auditor's presence. We are convinced that this report is a sound basis for our accountability obligations in respect of our supervision of the actions of the Board of Management. This opinion is based on the discussions we held with the Board of Management and the auditor as well as on the information drawn from periodic reports received and discussed during the course of the year. We therefore recommend that you adopt the 2010 Financial Statements.

After a sharp drop in 2009, Nedap's revenue and results recovered in 2010. Revenue rose from € 115.2 million to € 133.6 million, and the profit grew from € 1.1 million in 2009 to € 8.8 million after taxes in 2010. Earnings per share were € 1.30 compared to € 0.16 for 2009. Solvency fell from 44% to almost 40%, mainly as a result of increased activities. The innovative character of the group and often project-oriented nature of its orders means that a solvency ratio of about 45%, based on organic growth is considered desirable. With this in mind, in accordance with Article 45(1) of the articles of association, the Board of Management and the Supervisory Board have decided that € 2.1 million should be added to the reserves, leaving € 6.6 million available as a dividend. The dividend per share is therefore € 0.98 per share (2009: € 0.14); a payout of 75%.

### Meetings and activities

2010 has been a demanding year. In addition to scheduled meetings, the talks on TKH Group NV and the Nedap strategy discussions took up a lot of time and attention. The Supervisory Board held four scheduled meetings with the Board of Management in 2010. Recurring agenda items were: the periodic financial reports (ten per year) and the overall state of affairs. We receive an extensive financial report and commentary on performance from the Board of Management shortly after the close of each financial period.

Nedap's strategy, in particular that of a number of market groups, was also discussed extensively at a separate meeting which was also attended by various market-group leaders. The targets underlying this strategy and the related conditions were also addressed. We received insights into the most relevant competitors, the position of Nedap and its products in the various markets, and the main risks and opportunities.

Furthermore, at the end of each year, the Board of Management also presents a commentary on the operating policy for the next two years based on the then available knowledge, with numerical backup for the coming year, and the developments expected in the second year. In the periodic reports mentioned above these prognoses are compared to the actual performance.

In addition, the social aspects of doing business relevant to Nedap and Nedap's approach to sustainable entrepreneurship were discussed. Corporate social responsibility is a given for Nedap. As an implicit rather than explicit element in our operations, the search for a balance between financial results, social interests and the environment has been anchored in our way of working for years. By making this sustainable way of working more evident to others, including our current and potential customers, Nedap can also use this to differentiate itself positively from competitors.

The evaluation of the design and operation of the internal risk management and control systems is discussed each year with the Board of Management. These systems and any major changes in them are also discussed with the auditor. No major changes are anticipated. Partly in view of the company's size, we have decided jointly with the Board of Management that Nedap does not need an internal auditor.

During the year, we held meetings, some of which were not attended by the Board of Management, to discuss our own performance and that of the Board of Management, both collectively and individually, along with the variable remuneration. These discussions were open and critical. In addition, we discussed the advocated proactive approach of the Supervisory Board and its individual members covering the key areas within the Board and whether or not to set up committees. Partly given Nedap's limited size, the Supervisory Board does not believe it is necessary or desirable to set up committees provided that we work with special key areas. Supervisory directors report on their findings with respect to their special key areas in Supervisory Board meetings. There was also further development of the training programme for supervisory directors in order to ensure that expertise within the Board remains at a high level.

In addition to the meetings, the chairman of the Supervisory Board and the managing director were in regular contact to prepare agenda items for the meetings of the Supervisory Board and to supervise the company's performance. The Board of Management's contacts with shareholders were also a matter for discussion. The other supervisory directors have contact with Nedap's staff as they or Nedap wish. Meetings with market group leaders, directors of subsidiaries and the works council are important sources of information on working methods and the situation at Nedap.

During the year, after interest was expressed by TKH Group NV about a possible merger of the two companies, we met with the Board of Management a number of times and held several conference calls. We also took part in the discussions with TKH Group NV in this context. After careful consideration, we and the Board of Management came to the opinion that, with its strategic choices, individual culture and solid financial base, Nedap would create greater value for customers, employees and shareholders as an independent company than in a possible merger with TKH Group NV. Mr van der Velden did not take part in the discussions or decision-making because of a conflict of interests, as he was at the time a supervisory director of both TKH Group NV and Nedap. All the other supervisory directors were present. All members attended the scheduled meetings.

### **Membership of the Supervisory Board**

Prof. Berkhout and Mr Veninga retired as supervisory directors at the general meeting of shareholders on 29 April 2010. Mr Westermann had been appointed as a supervisory director during the shareholders' meeting of 2009, in view of Prof. Berkhout's departure. Prof. Berkhout had been a member of the Board since 1997, focusing particular attention on innovation and technology. He would always have a surprising contribution for the Board. Driven by innovation, his lack of conventionality kept his environment and, therefore, also the Supervisory Board, alert. A key consideration was how to develop innovations commercially. We would like to thank Prof. Berkhout for his involvement, interest and contributions to the Supervisory Board.

As the general meeting of shareholders and the works council indicated that they would not be making nominations for the vacancy created by the departure of Mr Veninga, the general meeting of shareholders appointed Ms D.W.J. Theyse on our recommendation as a member of the Supervisory Board. Ms Theyse further reinforces the Board's financial expertise in particular.

We were sad to see Mr Veninga leave the Board. We know him to be a conscientious man, open to very pleasant co-operation. He had been involved with Nedap since 2005, focusing in particular on financial competence, a role that will now be taken by Ms Theyse. The Board thanks Mr Veninga for his contribution to the Supervisory Board.

Partly given its limited size, the Supervisory Board does not have audit, remuneration or selection and appointment committees. As a result, the full Board is designated to perform the duties of the audit and other committees; any decisions are taken collectively.

The Supervisory Board believes that it can fulfil its statutory duty to supervise and advise the Board of Management in an effective manner. All the members of the Supervisory Board meet the requirements of the Corporate Governance Code (III.2.1) with respect to their independence and expertise.

### **Remuneration of the Board of Management**

The details of the remuneration policy are described in the Corporate Governance section and in the financial statements under Board of Management's remuneration. No changes in the remuneration policy are envisaged for the coming financial year.

### **Remuneration of the Supervisory Board**

The remuneration is set out in the financial statements under Supervisory Board's remuneration.

Finally, we would like to express our appreciation for the efforts of the Board of Management and all the company's employees, which have resulted in good growth in revenue and results despite the still hesitant economic recovery.

Groenlo, 3 March 2011

The Supervisory Board:

A. van der Velden, chairman  
J.P. Bahlmann, vice-chairman  
D.W.J. Theyse  
M.C. Westermann

## Profile of the Supervisory Board

Nedap is a medium-sized company whose long-term policy aims to create sustainable added value for customers, employees and shareholders through organic growth in revenue and profits, with a central role for diversification and innovation based on the company's expertise. The Supervisory Board has to take account of these basic principles when supervising the Board of Management; it must also support the Board of Management with advice.

To this end, the Supervisory Board must have a balanced membership combining management experience and wide-ranging knowledge in the fields of finance, technology and industrial marketing with an affinity and feeling for:

- entrepreneurship;
- hands-on management in a flat organisation which is based on distinctiveness;
- an organisation in which sales, development and production operate as one unit;
- working methods that focus on responsibility;
- a creative process of innovation;
- developments in society.

In general, the Supervisory Board should adopt a critical attitude towards the Board of Management. Its members must be independent of the company and of each other and display complementary qualities. The Supervisory Board aims for a mixed membership that reflects the society in which Nedap operates.

The Board will not structurally have more than five members.

## Details of the Supervisory Board

At 3 March 2011

### A. van der Velden (70), chairman, male

Wide management experience, in-depth knowledge of technology, knowledge of and experience with shareholders, financial insight, organisational know-how and communication skills.

Nationality	:	Dutch
Profession/most recent position	:	Executive Director Corus Group plc.
Other relevant positions	:	Deputy Chairman of the Environmental Impact Reporting Committee Member of the Committee on Development Aid/Advisory Council on International Issues
Initial appointment	:	24 May 2005
Current term of office	:	2007-2011
Supervisory Board memberships	:	Vitens N.V.

**Prof. J.P. Bahlmann (60), vice-chairman, female**

Wide management experience, financial insight, knowledge of and experience in business strategy, skilled at adapting organisations in a changing environment.

Nationality	:	Dutch
Profession/principal position	:	Chairman of the Board of Commissioners of the Dutch Media Authority
Other relevant positions	:	(Part-time) Professor of Business Economics at Utrecht University
Initial appointment	:	29 May 1997
Current term of office	:	2009-2013
Supervisory Board memberships	:	ING Bank Max Havelaar De Baak Management Centrum VNO-NCW MVO Nederland Toneelgroep Amsterdam

**D.W.J. Theyse (42), female**

Thorough financial knowledge, management experience and up-to-date and practical knowledge and experience with listed companies and the related regulatory environment.

Nationality	:	Dutch
Profession/principal position	:	Executive Director Kempen & Co Corporate Finance
Other relevant positions	:	None
Initial appointment	:	29 April 2010
Current term of office	:	2010-2014
Supervisory Board memberships	:	None

**M.C. Westermann MBA (58), male**

Wide management experience, entrepreneurship, commercial focus, broad expertise in ICT, feeling for innovation.

Nationality	:	Dutch
Profession/principal position	:	Independent consultant and entrepreneur Director of Motek B.V.
Other relevant positions	:	Member of the Board of Inspiration of Burgerpolis
Initial appointment	:	12 May 2009
Current term of office	:	2009-2013
Supervisory Board memberships	:	Berenschot ENUM Stichting Internet Domeinregistratie Nederland





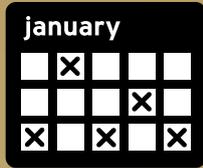
Patrick Scholten

—“Developing new functionalities for our application so we can offer seniors the care they deserve.”—

André Foeken

—“We bring the providers and recipients of care closer together. Jointly organising care is better for everyone.”—

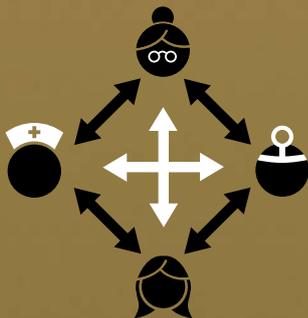
Handy when the carer/nurse visits.



A network with the client centre-stage



Cooperation between formal care (institutions) and informal care (family/friends)



Simple, clear and always available



## Caren\* a clear picture for the family caregiver

When is the nurse due to visit dad, mum, grandpa or grandma? What tasks will my relatives or friends take on? And when? Carezorgt.nl, the free care portal of Nedap Health, allows family and care workers to jointly organise care for the client. The result: more time for care.

For years, over 40,000 home care employees have been using the Nedap Healthcare planning and registration system as part of their daily routine. Carezorgt.nl closes the circle between clients, family and health workers. After all, help from the family is indispensable in caring for parents, grandparents or friends. Not only because of the rising demand for care and nurses' busy work schedules, but also because clients feel better with family and friends around. Carezorgt.nl makes it easy to work out a schedule and divide the tasks.

How does Carezorgt.nl work? Family, friends and acquaintances are invited to join the client's personal health network. Sending messages or sharing information is easy. The diary shows which family members are scheduled to do particular tasks and when. Scheduled visits by health workers are also indicated. The data in Carezorgt.nl are automatically synchronised with Ons\* planning.

—*“Carezorgt.nl makes it easier for family to fit care for dad, mum, grandpa or grandma into their daily lives.”*—

Matthijs Langenberg

—“Increasing daily job satisfaction among more than forty thousand care workers. Creating more time for care.”—



Mike Wolterink

—“Ageing calls for smart solutions to guarantee good care for our near and dear ones.”—

Anne Verjans

—“Caren gives health care providers the appreciation they deserve. And Caren encourages others to do their bit.”—

### 2010 in brief

After a sharp drop in 2009, Nedap's revenue and results recovered in 2010. The decision to end traditional supply activities, concentrate production in Inventi B.V. and continue investing in development and marketing led to an improvement in our position in different markets.

Despite the still hesitant economic recovery, we see good opportunities for growth in various sectors. The structural savings from reorganising the production activities in 2009 were fully reinvested in product innovation and strengthening the commercial organisation in 2010.

Revenue was up 16% from € 115.2 million to € 133.6 million, and profit rose by € 7.7 million to € 8.8 million after taxes (2009: € 1.1 million). Earnings per share were € 1.30 compared to € 0.16 for 2009. Solvency fell from 44% to almost 40% as a result of the increased activities. Nedap aims for solvency of about 45%, and consequently 75% of the profit is being paid as dividend, compared to 90% in previous years. The dividend per share is, therefore, € 0.98 (2009: € 0.14).

### Supervisory Board and Board of Management

Prof. Berkhout and Mr Veninga retired as supervisory directors at the general meeting of shareholders on 29 April 2010 in accordance with the retirement schedule. Prof. Berkhout put his knowledge of technology and innovation at the service of Nedap from 1997, the year of his initial appointment. His ability to present the practical benefits of technological advances was particularly appreciated. Mr Veninga was able to advise and assist the company with a pragmatic approach to the rapidly more complex legislation and regulation of listed companies. We are therefore very grateful to Prof. Berkhout and Mr Veninga for what they were able to do as supervisory directors for the further development of the company.

During the shareholders' meeting, Ms D.W.J. Theyse was appointed as supervisory director to succeed Mr Veninga. Her wide and thorough financial knowledge is an asset to the Supervisory Board. Mr M.C. Westermann had joined the Supervisory Board in 2009 with a view to Prof. Berkhout's departure in 2010.

During the year, Nedap was approached by TKH Group NV ("TKH") to investigate the possibility of the two companies merging. The Board of Management and the Supervisory Board came to the conclusion that, with its strategic choices, individual culture and solid financial base, Nedap would create greater value for customers, employees and shareholders as an independent company and saw insufficient basis for further exploratory discussions with TKH. We, therefore, see TKH's subsequent purchase of a 5.06% holding in the company as a sign of confidence in the strategic course of Nedap.

## Employees and organisation

In 2010, there was a major effort to complete the organisational changes started in 2009. The run-down of our traditional supplier activities was undertaken energetically, and clear and appropriate arrangements on terminating current obligations were made with all customers in this segment. Employees were transferred to the groups that develop and market their own products under the Nedap name, as this generates higher returns.

The relocation of production from Groenlo to Inventi B.V. in Neede was completed ahead of time during the past year. Inventi B.V., a wholly owned subsidiary, is fully set up for the serial manufacture of our products. Having a small core of Nedap employees work with a large group of 'flex workers' enables a keen cost price to be combined with full control over the production processes. This means we continue to have a high degree of flexibility to respond quickly to commercial opportunities. We also retain specialised knowledge of electronics production, which is important in developing new products in-house.

In 2010, we reinvested the structural savings these changes generated in our organisation into product innovation and expanding commercial effectiveness. All market groups intensified marketing activities and further professionalised the marketing materials. Our visibility with potential customers has increased strongly and this led to appealing commercial results during the year. All market groups launched new products while many of our competitors in various sectors chose or were forced to cut back strongly on product development. As a result, we managed to take the initiative in almost every market.

These steps will help ensure that, better than in the past, we will be able to translate our company's potential into concrete financial results, an absolute requirement for continuing on our independent course. Achieving these organisational changes placed great demands on our employees in 2010. We would therefore like to thank them for their efforts, flexibility and perseverance.

It becomes clearer each year that the talent of our employees is in fact the decisive factor in our competitive strength. The standards we set for our employees are, therefore, ever higher. As well as in terms of educational level, we have increasingly higher expectations with regard to continuous learning, creativity, entrepreneurship, perseverance and collegiality. However, the growth in our employees' qualities leads directly to higher standards being placed on our organisation. Talented employees expect an attractive working environment, significant attention to personal growth and open communications. This requires managers to have a leadership style focused on inspiring rather than controlling.

Greater attention will be given to Nedap's profile as an employer in order to have the necessary talent in the future. In any event, the combination of high-quality technology, socially relevant subjects and personal entrepreneurship at Nedap is an excellent foundation for distinguishing ourselves positively from our competitors. Investment in product development and commercial activities led to an increase in the permanent workforce, from 601 at the beginning of 2010 to 652 by the end of the year. The average number of employees in 2010 was 632 compared to 652 in 2009. Added value per employee, a key indicator for us, rose sharply during the year, from € 121,000 to € 143,000. The average age was steady at 42 years. The absenteeism rate, excluding maternity leave, was 1.9% during the year (2009: 2.9%).

A new collective labour agreement for the period 1 April 2010 to 31 March 2011 was agreed with the trade unions, including a pay rise of 1% and a one-off payment of 0.25% of salary on 1 July 2010. The introduction of a new commuting allowance was a response to the trend of engaging employees from a much wider area than just around Groenlo.

For the first time, Nedap employees were represented as shareholders at the annual general meeting in 2010 through the Stichting Medewerkerparticipatie Nedap. Since the beginning of 2010, employees have been able to acquire depositary receipts for Nedap shares. We believe that this ability to become a depositary receipt holder in the company is in line with the entrepreneurship that is asked of employees. It also allows employees to voice their opinions at the general meeting of shareholders when important decisions are being taken on Nedap's direction and future.

Each year, employees may decide to use their profit share to purchase depositary receipts for Nedap shares. The depositary receipts are locked up for a period of four years. In addition to a purchase discount of 10% on the depositary receipt price, subject to certain conditions, one bonus depositary receipt is distributed for each four depositary receipts after four years. The full dividend on each share is attributed to the depositary receipt holder. It is expected that the Stichting Medewerkerparticipatie Nedap will eventually build up a holding of a few percent in the total share capital of the company. On 4 January 2010, every employee who had a permanent contract with the company at that time received 20 depositary receipts from the company to mark the foundation of the Stichting. At the end of 2010, the Stichting owned 14,512 Nedap shares, for which it had issued depositary receipts.

There were elections for a new works council in early 2010. The high turnout emphasised the importance that Nedap employees attach to an active, representative works council. The new works council, with a largely new membership, closely monitored the ongoing organisational changes at Nedap. In open and constructive discussions with the Board of Management, it continually looks for ways in which the company's objectives can be achieved while taking the employees' interests into account. We would, therefore, like to thank the works council for its contribution to Nedap's further development.

## Market

The markets in which we operate are changing fundamentally: many basic principles on which business strategies are based no longer fully apply. In more and more markets, the decisive factor is no longer the company's size but the quality of its employees. Increasingly often, a small team of talented and driven people achieve more than a large organisation which seems to have all the necessary resources. Such a team uses a combination of technical talent and a major market focus to either win a leading market position or create an entirely new market. To support this working method, Nedap is organised in compact market groups, each of which has its own development and sales force. This improves direct contact with the market and speeds up decision-making. Rapid feedback on new technological applications ensures that genuine user value is found more effectively. This forms the basis for reinforcing and expanding our market positions.

In recent years, the various market groups have taken a leading role around the world in a range of technologies. An example of this is Near Field Communication (NFC) technology, which is now close to a breakthrough. Among a large number of applications, NFC allows mobile phones to be used for contactless credit card payments and access control. Nedap has been a pioneer building up practical experience with NFC since 2005. Tens of thousands of healthcare providers currently use NFC phones every day to simply and reliably record the healthcare they have provided. The good balance we have managed to find between new technology and practical applications means that we are now a partner in talks with major mobile phone manufacturers. For example, we are at the forefront when new developments are being discussed and when NFC is introduced in other markets. We also play a leading role in areas such as dynamic object location, energy-efficient wireless networks and the successor to the barcode, the Electronic Product Code.

Nedap's strength lies in combining the focus of a market group with a wide portfolio of activities across the organisation. New insights into technology, markets and entrepreneurship in one market group are being taken up by other market groups all the time. This means that Nedap is innovating faster and at lower cost than many of its competitors.

Once again in 2010, significant attention was paid to translating the new technical functionality of our products into practical, concrete benefits for our customers. In many of our markets, this has led to a clear refocusing of our various key segments. The selective focus on a given segment ensures that selling propositions gain strength. Certainly now that our products and systems are being sold more often by business partners, the demands that we place on marketing materials to support sales are increasing. Partly as a result of additional investment in this area, we expect to make great progress in our marketing activities in the next few years.

## **Agri**

Cattle farming had a mixed year in 2010. After a difficult start, milk prices recovered in the second half of the year. Meat and piglet prices differed strongly from region to region during the year. Combined with the reluctance of banks to lend, the result in significant sales markets was the sector's limited willingness to invest. Nevertheless, the revenue of the Agri market group (automation, management and information systems for dairy farming and pig breeding) recovered from the second half of 2010 and, in the end, there was clear growth compared to 2009.

Despite the less favourable market conditions, the Agri market group continued to invest in product innovation. Good progress was made on a new milk meter which, thanks to a completely new and patented measuring principle, has no moving parts and is therefore low maintenance. As a result of the compact design, this milk meter can be used in every type of milking parlour and milking machine. A new product has also been developed for heat detection in cows. The unique feature of this product is that it uses the internet to automatically notify the company that handles artificial insemination for the farm when an individual cow is in heat. The first field trials of both products in 2010 were successful, and they are expected to generate their first revenue in the current year.

In the pig-breeding sector, we have achieved a leading global role with our Nedap Velos electronic feeding system for sows. In 2010, we expanded the Nedap Velos product line with sorting and weighing equipment incorporating electronic identification. Pigs can be housed in larger groups in an animal-friendly manner, while the animals can be weighed individually for an optimal feeding strategy. This product is strengthening our position in the global pig-breeding industry.

A new product group was introduced at the end of last year for the goat, sheep and beef cattle sectors. The product group, called Nedap Live!D, consists of new electronic ear-tags and identification equipment. Electronic identification and registration of cattle is becoming a legal requirement in more and more countries. The new product group is focusing on the major growth expected as a result.

Our new products offer possibilities for developing new distribution channels. We are creating additional sales opportunities through beef cattle breeding organisations with the new generation of oestrus detectors. Our contacts in the identification and registration of cattle offer us the opportunity to use our identification equipment in completely new areas, such as auctions, trucks and abattoirs, in addition to the traditional ones. Thanks to our permanent presence in China, we have been able to expand our dealer network and make direct sales in the agricultural sector there.

In 2011, cattle farming is expected to gradually further recover around the world, but there will be major regional differences in the rate of recovery. With the expansion of its product portfolio and number of distribution channels, and with a stronger sales team, the Agri market group expects to be able to increase revenue in 2011.

## **AVI**

The AVI market group (Automatic Vehicle Identification) clearly suffered from the worldwide slowdown in construction activities. Fewer projects led to a slight decrease in revenue in 2010.

The main challenge for the market group is to increase the number of projects using long-range vehicle identification. This is the identification of a vehicle and/or its driver at a distance of up to ten metres and allows completely new types of management and security. Lack of familiarity with the functionality of our products and customers' perception of high prices mean that long-range vehicle identification is not yet a standard feature of new security projects. The new UHF reader, uPass Reach®, means that the market group now definitely has a wide and attractively priced range of long-range reader products suited to a wide variety of applications. A start was made in the second half of 2010 on the development of new marketing materials specifically designed to increase familiarity with the possibilities offered by these products. We expect this to bear fruit in the course of 2011.

The number of Dutch municipalities using our systems for city-access grew further in 2010. More than thirty municipalities currently make daily use of our technology to keep town centres pedestrian friendly without adversely affecting commercial activity. Other services based on the strength of our Vehicle Management Controller have also been developed and applied. We now offer an ever wider range of solutions for municipalities' mobility issues, such as dynamic calculation of expected travelling times on different routes through a town and enforcing environmental zones. In 2011, considerable work will be done to open up foreign markets with the Vehicle Management Controller.

As the global economy is recovering we expect the number of projects using automatic vehicle identification to increase. In view of this expected recovery, greater attention to marketing and the increased strength of the product portfolio, the AVI market group is counting on revenue growth for 2011.

## Education

Revenue of the Education market group (access control and automated student presence and absence registration) was stable in 2010. Spending cuts meant that there were almost no new projects in the Dutch education sector. Thanks to intensive marketing we won a number of major orders in England, thus creating a sound basis for the future. On balance, we succeeded in maintaining our revenue. Based on the positive developments in England and the prospect of schools in the Netherlands soon having scope to invest again, we are confident that there will again be healthy growth in the next few years.

Nedap AEOS®, our security management platform, makes up an ever greater part of sales in the Education market group. To make better use of the two market group's development and sales strength, the Education and Security Management market groups will merge with effect from 2011.

## Election Systems

Sales of the Election Systems market group were again very limited in 2010. Following renewed experience with written ballots, calls for a new generation of voting machines have increased. Prototypes of our new generation systems were successfully used experimentally at a number of polling stations during the 2010 Dutch parliamentary elections. Despite the underlying basic principle of the machine being acknowledged in various studies internationally, only a limited number of countries have taken concrete legislative steps to permit this new voting method.

In countries where investments are still being made in voting machines, the nature of the procurement process has changed significantly. In the past, voting machines were purchased at municipal level, where the operational benefits are most obvious. Purchasing decisions on voting machines are now taken in large one-off tenders at central government level. The distinguishing strength of our solution is no longer decisive in purchase decisions. This creates a new market dynamic which requires a completely different market approach from the market group. This all-or-nothing approach by countries makes this market less attractive to us.

We continue to keep an eye on the situation and closely monitor developments on voting machines, and we will deploy further activities when attractive market opportunities present themselves.



Wouter Klunder

—“Thanks to our systems,  
libraries can stay open  
even in tough economic times.”—



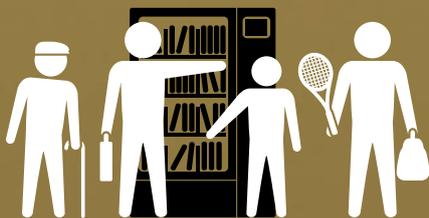
Sharon Beening

—“Knowledge and culture are so very important.  
Now library staff can get back to spreading  
their passion for books.”—

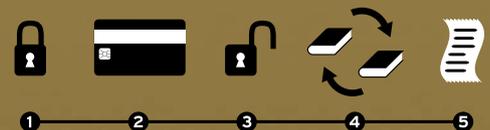
Fits any location such as a supermarket, nursing home or petrol station



Accessible to everyone



Simple, unmanned operation



## The Smallest Branch\*

“Everything of value is vulnerable,” the Dutch poet Lucebert once said. In many countries libraries are under pressure. The number of paying members is declining. Meanwhile, the internet and e-readers are displacing printed books. Libraries are being forced to cut back or even close their doors.

The Smallest Branch from Nedap Library Solutions is helping make our important cultural heritage resilient and more alive. With the automated bookcase, books can be borrowed and returned ‘at any street corner’ without requiring any staff. All the Smallest Branch needs is a location with a plug and an internet connection, such as the neighbourhood supermarket, cultural centre, hospital, nursing home, petrol station or sports canteen.

The Smallest Branch works in virtually the same way as a traditional library. You simply insert your member card to unlock the door and make your choice from a selection of about 120 books. After selecting the books and closing the door, the bookcase issues a receipt. Meanwhile, using RFID technology, the intelligent bookcase has linked the borrower to the borrowed books and sent the data to the central Library Management System. As soon as the books are returned, the system is updated.

—*“Mini library branch  
brings books closer  
to people”*—

The bookcase attracts people and gives community life a fresh impulse. This means The Smallest Branch helps keep small village centres viable and allows books to be borrowed and returned at retirement/nursing homes 24/7. Wherever people are unable to visit a library, The Smallest Branch brings the books closer to them. For everyone who wants to widen their world through books.



Lieuwe Roosenschoon

—“If people can no longer get to the books, you have to get the books to the people.”—



Stefan Henzen

—“Automated borrowing and returning of books creates time to turn libraries into meeting places.”—

## Healthcare

The Healthcare market group (automation of healthcare professionals' administration) delivered, yet again, an excellent performance with convincing growth in revenue in 2010. The decision to continue ongoing investment in the functionality, user-friendliness and reliability of the software has meant that, this year as well, a large number of healthcare institutions have migrated to Nedap products. At the end of 2010, over 40,000 healthcare professionals were using Nedap systems every day.

The product range of the Healthcare market group has been expanded strongly in recent years. As well as healthcare registration systems, Nedap now also offers solutions for staff planning, handling messages to official bodies, electronic client files and the release of information to clients and employees. These individual applications were integrated into an all-inclusive solution in 2010. With the introduction of Ons<sup>®</sup>, we now offer a single system that supports the entire healthcare logistics and administration process.

This allows healthcare institutions to move entirely to Ons<sup>®</sup> and get rid of the patchwork of other applications used to support the healthcare process. As well as major cost savings, Ons<sup>®</sup> offers greater insight into day-to-day progress and, therefore, valuable management information. The first large healthcare organisations have successfully transferred to Ons<sup>®</sup> in 2011.

Using technology previously developed for the healthcare market, the market group developed PEP<sup>®</sup>, a solution for the timesheet issue in the temporary employment industry. This powerful combination of hardware and software relieves temporary employment agencies of paperwork, leading to a sharp reduction in administrative costs. Continuing attention to ease of use ensures a high level of appreciation from both temporary employment organisations and their customers. At the end of the year, PEP was already in use at over 2,000 businesses and, consequently, the number of time sheets processed has grown rapidly. The first tentative steps abroad were taken in 2010. Initial projects in Germany, Belgium and France showed that there are attractive growth opportunities for PEP abroad.

Ongoing attention to product innovation and marketing has strengthened Nedap Healthcare's market position further and increased our lead over the competition. We see good opportunities for growth in the Dutch healthcare market in the coming year with the expansion of our area of operations from homecare to care and nursing homes and mental healthcare. The activities with PEP in the temporary employment industry also offer us excellent prospects.

## Library Solutions

The Library Solutions market group (RFID self-service systems for libraries) managed to achieve revenue growth in 2010 despite heavy price erosion. A sharp increase in competition is creating major movements in the market. Various parties have already decided to withdraw from this market and have sold their activities. There is almost no investment in product innovation. We, therefore, regard these developments as a good time to strengthen our market position and expand further internationally.

The introduction of Nedap Librix<sup>®</sup> is a major step. This entirely new product line offers the essential building blocks for simply and quickly creating customer-specific solutions for libraries. Smart combinations of standard components, such as RFID readers, intelligent bookcases and checkouts mean that business partners can respond quickly to market demand.

Librix Online is a major part of our new product strategy. This online software platform links all Nedap products installed in different libraries to a central location. Breakdowns are identified almost immediately and, where possible, resolved remotely. New software functionality can also be distributed easily to multiple libraries. Therefore our business partners can offer a better service to libraries at lower cost. Librix Online also offers libraries a wealth of new information. Insight into visitor numbers and the use of the equipment now allows libraries to align their services better to public demand.

The introduction of Nedap Librix is supported by a wide range of new marketing materials, which gives a significant boost to our own sales activities as well as those of our business partners. We are also better able to convert former competitors into loyal business partners, as illustrated by the expansion of our partner networks in Scandinavia, the UK, Turkey, Russia and the Middle East.

With Nedap Librix, the market group is the only party on the market with a full range of products developed specially for libraries. Winning the tender in Hanover (the largest library project in Germany in 2010) and the further strengthening of our position as market leader in the Netherlands and Belgium are significant confirmation that we are on the right track.

Despite the spending cuts by public authorities, we expect that the number of automation projects at libraries around the world will increase. Our new product line has strongly improved our competitive position, and we can quickly start operations in more countries. We trust that the Library Solutions market group will, therefore, generate further growth in the next few years.

### **Locker Management Systems**

Although construction activities in the Netherlands dropped sharply, the revenue of the Locker Management Systems market group (locks and management systems for lockers for clothing, baggage, medicines, etc.) was on the same level in 2010 as in the previous year. The absence of locker projects from traditional customers such as schools and recreational institutions was compensated for by substantial office projects.

Large institutions are more frequently deciding to make flexible use of office buildings, so employees do no longer have a fixed workplace. The demand for smart, electronic locker solutions is increasing strongly, as employees need to be able to store their personal effects securely. For example, the new head office of Rabobank has thousands of lockers seamlessly integrated into the Nedap AEOS security management system. The Locker Management Systems market group foresees further growth particularly in this segment.

The customers and sale channels of the Locker Management Systems and Security Management market groups have increasingly overlapped in recent years. This has prompted the incorporation of Locker Management Systems' activities within the Security Management market group from now on.

## Power Supplies

The Power Supplies market group (electronic controls based on power electronics for lighting, office automation, medical scanning equipment, autonomous energy systems) achieved healthy revenue growth in 2010 with more of its own products under the Nedap brand.

Revenue grew well in the lighting segment. For example, excellent sales were achieved with our wireless-controlled lamp drivers, used to disinfect water with strong UV light. The completion of a large-scale drinking water project in New York City was a boost to revenue. The number of new customers for Nedap lamp drivers has grown not only for UV disinfection, but also for UV curing (drying resins and paint with intensive UV light). Nedap products are renowned in this sector for their excellent performance and reliability, especially at higher powers. We therefore expect solid growth in revenue in the UV segment.

With the Nedap Luxon lamp driver, we now have a product which will enable us to expand our position in the general lighting segment. Slowly but surely, more and more parties are becoming convinced of the quality of our lamp driver equipment, which is used in combination with high-intensity discharge lamps in buildings with high ceilings, such as logistic centres, cold stores, hangars and large retailers.

In recent years, many parties have built up experience with first generation electronic lamp-driver equipment of 250 watts and higher, mainly with similar products from our competitors. By no means all customer experiences with our competitors' products were equally positive. We therefore see considerable doubt among potential customers about investing in electronic lamp-driver equipment. This reluctance in the market was a major reason for us failing to achieve the expected growth in revenue of Nedap Luxon in 2010.

In the past year, therefore, we have installed pilot projects in many segments to convince potential customers of our equipment's reliability. The positive experience with the Nedap Luxon pilots, especially the demonstrated significant energy savings and excellent light quality, have led to orders from our first customers for follow-up projects with Nedap Luxon. In this coming year, significant attention will be paid to informing customers, advisers and business partners of the specific practical results achieved with Nedap Luxon. In addition, we will continue our efforts in expanding the dense sales network in Europe and North America. We opened a sales office in the United States at the end of 2010 to better support sales activities in North America. We expect good opportunities for growth in this market segment, partly as a result of increasingly stricter energy legislation.

Naiade, a compact solar-powered water purification unit, has been used with success in an increasing number of countries. The convincing results achieved with this relatively inexpensive and environmentally friendly method of producing drinking water are getting across to more and more institutions. In this way, we are making a real contribution to reducing fatalities and illness in countries such as Haiti, Afghanistan and Ghana. Although sometimes in tiny steps, we are making progress in gaining the confidence of local authorities and people in an increasing number of countries. Complex and sometimes opaque decision-making processes make it difficult to predict how sales of this product will develop in the next few years.

With the Nedap PowerRouter®, the Power Supplies market group is active in markets for new forms of local energy generation and smart grids. The PowerRouter can process energy from different sources, such as solar cells, wind turbines and generators, at the same time. It can also completely manage this energy and, if necessary, store it temporarily in batteries. The smart software always finds the optimal balance between returns of the electricity generated and the reliability of the power supply.

The PowerRouter incorporates completely new ideas on managing and processing power. The past year demonstrated that the challenges involved were more than just technical in nature. Certification of the PowerRouter in various European countries has taken longer than planned. We were not able to make a real start on delivering and installing our product until the second half of 2010. The first PowerRouters are now running in various countries in Europe and users are satisfied with the return and functionality. The decision to equip the PowerRouter with a standard internet connection has proven to have major advantages in practice. Users have continuous information on the system's revenue, and any problems with solar panels, wind turbines or the electricity grid itself are highlighted immediately.

Good progress has been made on the commercial front. With clear selling propositions that specifically address local legislation and grants, more and more parties are becoming convinced of the benefits of the PowerRouter. The PowerRouter offers significant benefits in yield and ease of installation, especially in countries where the private use of self-generated energy is being encouraged, partly to avoid overloading the existing electricity grid.

Investments in product development and in the commercial organisation have resulted in excellent starting positions in various parts of the lighting and smart grid market. We expect robust growth for this market group in the next few years.

## **Retail**

The Retail market group performed very well in 2010. Despite the still far from ideal market conditions in the retail sector, the market group realised record-high revenue and its market position improved significantly. The new market approach, based on clear propositions for specific market segments, proved successful. With this more focused approach, we were able to convey the specific benefits of our systems to potential customers better than in the past. Apart from their excellent detection performance, the reduced energy consumption of our theft protection systems has proven to be a particularly important selling point, including in the renewal order from the fashion chain H&M. With the introduction of a completely new, environmentally friendly packaging line for our products, we are also responding to the attention that many retail chains are giving to reducing their ecological footprint.

The supermarket segment is a major part of the total retail market. Until recently, Nedap had no specific products for supermarkets and hypermarkets, and we had almost no activity in this segment. However, our new mono-antenna was specially developed for use with a large number of check-outs, as in supermarkets. As a result, Nedap now has a product that is competitive in price and performance for this market segment. This has rapidly led to a number of significant orders from leading European supermarket and hypermarket chains. We are confident that we can expand our market position in this segment further in the next few years.

Alongside detection systems, release equipment and deactivators, a significant part of the total proposition for a market segment involves labels, hard tags and other consumables. Most of these products are produced in China. With the opening of our own office in Hong Kong, we now have our own purchasing team in this region, which puts us in a better position to offer retail organisations a complete package on competitive terms.

With Nedap Cube®, we are focusing on the Store Operations Management Systems market, an entirely new segment that offers us new opportunities for growth. Nedap Cube is largely based on the proven AEOS platform that has been used by the Security Management market group for quite some time now. Nedap Cube offers retailers a single integrated solution for access control, burglary alarms, video surveillance, locker management, energy management, lighting management and time registration. While competitors offer the different functions separately, Nedap is distinguishing itself offering a single, powerful store controller that makes the different functions available through software components. As well as lower investment and installation costs, Nedap Cube offers the retailer complete information on, and control over, the various processes within the retail chain. Meanwhile, the new Nedap Cube system has been installed in shops in different countries.

During 2010, there was considerable investment in a new RFID product line called Nedap Storeid®. Products such as overhead antennas, RFID kits for existing antennas, an elegant hand reader and software for the Cube platform mean that, together with retailers, we can now install the first RFID projects. Nedap focuses mainly on the logistics and sales processes in the store itself. The heart of these RFID products is the UHF reader developed by the AVI market group.

Our investment in new products and marketing has not gone unnoticed, as the first major dealers of competitive brands switched to Nedap in 2010. We expect that this development will continue, thus strongly improving our market position in various countries.

Thanks to our investment in product innovation and commercial activities, the competitive strength of the Retail market group has again improved. We are, therefore, confident about our growth opportunities in the retail sector in the next few years.

## **Security Management**

The Security Management market group (access control, payments, fire and burglar alarms, surveillance and biometrics systems) performed extremely well in 2010. Market share was gained and attractive growth led to record revenue. The ongoing investment in innovation and marketing resulted in a further improvement in the market group's leading position as developer and manufacturer of security systems in Europe.

With the introduction of the Security Controller, the market group has started a strategic repositioning from delivering access control systems to offering security management solutions. The AEOS Security Controller allows different security functions, such as access control, burglar alarms and video surveillance, to be combined in a single unit. The price advantage of the Security Controller increases as more functionality is added to a single controller. The Security Controller is being deployed successfully with leading customers such as the European Commission, Reggefiber and TÜV. The new video surveillance and recording functionality introduced in 2010 was well received by the market.

The number of countries where the market group has activities is growing steadily. The Ministry of Finance in Poland, the soccer stadium in Kiev (where the European Cup final will be played in 2012), and the head office of Unilever in India are only a few examples of major projects we gained in 2010.

As in the retail sector, the sales channels in the security management market have been restructured. Lack of innovation and the decision by a number of manufacturers to undertake their own projects have forced many system integrators to reconsider the choice of their technology supplier. Several leading system integrators moved to Nedap AEOS during the past year. We expect that this trend will continue in the next few years and that our position in the various countries will strengthen further.

The profile and reputation of Nedap AEOS is growing in the security market thanks to the additional investment in marketing activities. In view of this, and also the ongoing product innovation, we believe the Security Management market group will see a further improvement in revenue growth.

## **Specials**

In recent years, it has become increasingly difficult for the Specials group (traditional supply activities with customer-specific products) to translate know-how and skill into acceptable margins. This was the reason for the decision in 2009 not to invest further in these activities and to focus all the time and attention on developing and selling our own products under the Nedap brand.

During the reporting year, we worked hard on making proper arrangements for ending the supplier activities. Revenue enjoyed one-time growth during the year compared to 2009, as a result of a number of final orders. The workforce of the market group will gradually be reduced over the next few years, in line with the further reduction in revenue expected in that period.

## **CIMPL**

During the year, we paid significant attention to improving the knowledge of employees at CIMPL (Construction in Metal and Plastic) in the various production processes. This training enables CIMPL to respond even more flexibly to the strongly changing demand from the market groups.

Time and again, CIMPL's specialist knowledge has proven to be very important to making new designs manufacturable. By incorporating these considerations at an early stage of the design work, the development process is speeded up. It is still a challenge to find a good balance between the prompt and cost-effective production of product parts and the scope needed to work on prototypes.

Close co-operation between CIMPL and Inventi has shown that many improvements can be made in various stages of production. By making clever use of production automation and developing custom tools, we see good opportunities for improving the efficiency of our production processes.

## **Inventi**

The transfer of serial production to Inventi B.V. was almost completed in 2010. This wholly owned subsidiary is set up entirely to produce larger series of fully developed products. The production company works with a small core of Nedap employees, in combination with a large team of flex workers. This working method makes it possible to produce electronics competitively, even in the Netherlands.

We regularly experienced the benefits of the Inventi organisation in the past year. Thanks to Inventi's production expertise, we were able to quickly produce and deliver 2,500 antennas for the German Galeria Kaufhof. The antennas were assembled at a high quality level and in substantially less time thanks to a production tool specially developed by Inventi.

The relocation of electronics manufacturing to Inventi required a great deal of effort. Furthermore, the availability of electronic components was again a major problem in 2010. As well as forcing up prices, unpredictable delivery times for these parts badly disrupted production processes. Together, this meant that we have not yet been able to achieve the desired cost level at Inventi. However, we expect to achieve our cost target in this area in 2011 by focusing on reducing production costs, optimising logistics and improving purchase conditions.

We are convinced that retaining control over production is offering a significant strategic advantage. The reorganisation of the production processes means we keep the ability to respond quickly to market opportunities, whilst manufacturing at keen prices. We also retain within our business the crucial manufacturing know-how that is essential to developing new products.

## **New Business**

Nedap's New Business group has a significant role in translating completely new technologies into specific applications. There is close co-operation with the various market groups on developing promising technologies as far as possible into proofs of concept and testing them in practice. The various technology platforms that Nedap now has ensure a considerable acceleration in the development process. The common practice in this context is to test different competitive technical principles at the same time, in order to make a well-founded feasibility assessment.

RFID is being relied upon in more and more markets and, consequently, the totally accurate reading of RFID tags is ever more important. A major step was taken in the past year towards a new generation of RFID readers using Software Defined Radio. This new approach means that RFID tags can always be read even in the most difficult conditions thanks to clever algorithms. We are the world leader with this new reader technology.

During the reporting year, good progress was made on the development of new technical concepts for localising RFID tags. Knowing the location of people, animals and objects at all times offers completely new opportunities for applications in a large number of markets. Although the technical challenges in these concepts are still considerable, we are confident that the first practical tests will be performed in the current financial year.

Continually updating and expanding our technology portfolio is essential for our competitive strength. In the next few years, we expect to benefit from the decision for continuous investment, even in difficult economic conditions.

## **Financial**

Revenue rose 16% in 2010 to € 133.6 million (2009: € 115.2 million). Added value is calculated by adding the movement in inventories and deducting cost of materials from revenue; this figure was € 90.3 million (67.6% of revenue) in 2010. The added value in 2009 was € 78.8 million (68.4% of revenue). The composition of revenue and more expensive components because of shortages on the world market led to a slightly lower percentage margin. Subcontracting and other external costs rose by € 5.8 million in 2010 to € 34.5 million (2009: € 28.7 million), mainly as a result of higher production, but also higher costs for product development, marketing and streamlining production and logistics processes.

Pay rises due in part to the collective labour agreement and higher bonuses explain most of the € 1.7 million rise in salaries and social security charges. Normal depreciation was up € 0.5 million and impairment losses on intangible fixed assets were down € 0.2 million compared to 2009. There were no restructuring expenses in 2010, compared to € 4.7 million in 2009.

In total, € 0.3 million more was capitalised as non-current assets manufactured in-house than in 2009. The outcome was an operating profit for 2010 of € 10.6 million, or 8.0% of revenue. Ignoring the restructuring expenses, operating profit for 2009 was € 6.7 million (5.8% of revenue). The percentage improvement is therefore almost entirely explained by the increase in revenue.

Net financing expenses fell, despite an increase in the credit requirement of almost € 0.3 million, thanks to lower interest rates and lower costs for interest protection. A strong increase in revenue at the associate Nedap France S.A.S. during the year raised its result after taxes by over € 0.2 million compared to a year earlier.

The effective tax rate for the Nedap Group (excluding the associate) was 17%, thanks in part to the application of the innovation box (2009:18%). The nominal corporate income tax rate in the Netherlands was 25.5%.

These results led to a profit after taxes of € 8.8 million, or 6.6% of revenue. In 2009, the profit was €1.1 million or, if the restructuring expenses are ignored, € 4.7 million (4% of revenue).

Total investment in property, plant and equipment was €6.0 million, and total depreciation was € 6.5 million. An amount of € 2.9 million was invested in intangible fixed assets (capitalised development expenditure), € 1.5 million more than was amortised.

Investment in financial non-current assets fell by € 0.7 million, mainly as a result of the increased obligations of the pension scheme. As a result of the increased activities, current assets rose €10.3 million: € 2.9 million for inventories, € 6.1 million for trade and other receivables and € 1.3 million for cash and cash equivalents and income tax receivable. The revised policy on holding more finished goods in stock and, as a temporary factor, the shortage of components on the world market contributed to the increase in inventories.

Mainly as a result of the increase in activities, solvency (equity excluding undistributed profit divided by total assets) fell from 44.2% at year end 2009 to 39.5% at year end 2010. Non-current liabilities were almost unchanged. Current liabilities rose by € 3.3 million as a result of higher inventories and receivables.

The positive cash flow of € 9.4 million from operating activities ensured that there were no problems in investing € 8.7 million in capital expenditure in 2010. Of the remaining € 0.7 million, € 0.2 million was used to repay loans and the rest to pay part of the dividend. The short-term bank credit line was used for the remainder of the dividend (€ 0.5 million) and to repurchase shares for the Stichting Medewerkerparticipatie Nedap (€ 0.8 million).

## Outlook

Knowledge of customers' business processes and the application of new technologies form the basis for the development of new, original and sustainable applications that offer customers a unique selling point. This qualitative aspect of the revenue, expressed by the high percentage of added value in revenue terms, is a key factor. It has the highest priority and ensures a solid foundation on which Nedap is continuing to build organic growth in revenue and results.

In the short term, revenue and results may be influenced by restraint in the market due to economic conditions. The year 2009 was an extreme example of this, but we saw a clear recovery in 2010. In recent years, we have continued to invest in new products, systems, services and marketing, and this contributed to the recovery in 2010. Once again in 2011, expenditure on marketing and research and development will continue at the same level as in the past.

Based on our current position in the various markets and barring unforeseen circumstances, we expect further growth in revenue and results for 2011.

Groenlo, 3 March 2011

The Board of Management:

R.M. Wegman  
G.J.M. Ezendam



Jan Stekelenburg

—“Very soon, digital technologies will enable enhanced animal recognition, which is good for animal welfare.”—



Lisette Leurink

—“You see our animal-friendly solutions applied all over the world.”—

Gerard Weijers

—“Harnessing technology to use resources more efficiently helps our customers continue providing the growing world population with affordable food.”—

Healthier herd



Simple to attach to neck or leg



Higher yield per cow



90% HEAT DETECTION



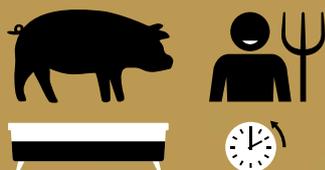
## Lactivator\*

When a cow is in heat, it is more restless than a cow outside the fertile period. Nedap Agri's advanced Lactivator step counter keeps track of every movement, so farmers no longer need to keep a close eye on each member of the herd. It is much easier to carry out this labour-intensive observation task via the computer. Thanks to pure 90% heat detection, the Lactivator predicts the optimal insemination moment.

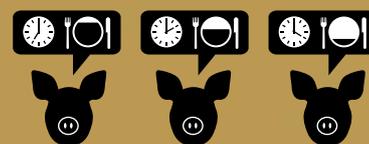
—“No matter how big the herd, the farmer immediately spots cows requiring extra attention.”—

The software provides relevant management information about the condition and health of individual cows. The farmer achieves more efficient production, a better result and a healthier herd with less effort.

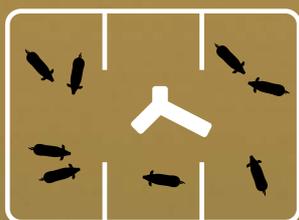
Saving feed and cutting labour hours



Individual feeding at the right time



Maximum freedom of movement



## Pig Feeding Station\*

The Nedap Agri Pig Feeding Station enables pregnant sows to be kept in groups while ensuring that each individual sow receives the right amount of feed. Allowing the animals to move freely in a spacious stall improves the animal's welfare, while enabling the pig farmer to maintain or even improve the production of piglets.

—*“The Pig Feeding Station promotes animal welfare and helps farmers work more efficiently.”*—

Sows can use the Pig Feeding Station in large and small groups. When a hungry sow arrives at the feeding station, it is electronically detected and the optimal amount of feed is dispensed for the sow to enjoy at leisure. The management-by-exception software reports any unusual circumstances to the farmer, allowing him to take immediate and targeted action.

\*Products of Nedap Agri (automation, management and information systems for dairy and pig farming).

Jan Bruggers

*—“I see the beneficial results of our knowledge of animal-friendly feeding stations and stall designs in every continent of the world.”—*

Chris Gerritsen

*—“Cattle farmers not only have a lighter workload but get better results – which means more attention for the animals.”—*



Jacqueline Schuurmans

*—“Thanks to the interaction with cattle farmers, I can develop software that provides exactly the right information.”—*

## Consolidated balance sheet at 31 December

(€ x 1,000)

			2010	2009
			€	€
<b>Assets</b>				
	<i>note</i>			
<b>Non-current assets</b>				
Property, plant and equipment	1	42,914		43,414
Intangible assets	1	7,925		6,397
Investment in associate	2	2,537		2,222
Deferred tax assets	3	472		643
Employee benefits	4	3,100		3,911
			<b>56,948</b>	56,587
<b>Current assets</b>				
Inventories	5	21,635		18,718
Income tax receivable		1,489		1,248
Trade and other receivables	6	28,533		22,423
Cash and cash equivalents	7	4,367		3,361
			<b>56,024</b>	45,750
			<b>112,972</b>	102,337
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	8	669		669
Statutory reserves		8,072		6,530
Reserves		35,854		38,039
		<b>44,595</b>		45,238
Undistributed profit attributable to shareholders		8,718		1,057
			<b>53,313</b>	46,295
Non-controlling interests		129		149
Undistributed profit attributable to non-controlling interests		47		57
			<b>176</b>	206
			<b>53,489</b>	46,501
<b>Non-current liabilities</b>				
Loans	9	17,030		17,273
Derivative financial instruments	10	540		727
Employee benefits	11	1,556		2,292
Deferred tax liabilities	12	3,393		1,867
		<b>22,519</b>		22,159
<b>Current liabilities</b>				
Loans	9	241		235
Bank overdrafts	13	15,356		13,019
Employee benefits	11	764		607
Warranty provision	14	710		796
Income tax payable		63		173
Taxes and social security charges		3,470		3,026
Trade and other payables	15	16,360		15,821
		<b>36,964</b>		33,677
<b>Total liabilities</b>			<b>59,483</b>	55,836
			<b>112,972</b>	102,337

**Consolidated income statement**

(€ x 1,000)

		2010	2009
		€	€
<b>Revenue</b>	16	<b>133,558</b>	115,191
Cost of materials		<b>44,552</b>	35,703
Movement in inventories of finished goods and work in progress	-/-	<b>1,295</b>	711
Subcontracting and other external costs		<b>34,500</b>	28,669
Salaries		<b>34,245</b>	32,637
Social security charges	17	<b>5,941</b>	5,806
Depreciation and amortisation	18	<b>7,479</b>	7,005
Impairment of intangible assets	1	<b>378</b>	558
Restructuring expenses	22	<b>-</b>	4,698
Non-current assets manufactured in-house		<b>-/- 2,863</b>	-/- 2,577
<b>Total operating expenses</b>		<b>122,937</b>	113,210
<b>Operating profit</b>		<b>10,621</b>	1,981
Financing income		<b>146</b>	111
Financing expenses	-/-	<b>1,133</b>	-/- 904
Value movements in derivative financial instruments		<b>187</b>	-/- 291
<b>Net financing expenses</b>		<b>-/- 800</b>	-/- 1,084
Share of profit of associate (after taxes)	19	<b>617</b>	376
<b>Profit before taxes</b>		<b>10,438</b>	1,273
Taxes	20	<b>1,673</b>	159
<b>Profit after taxes</b>		<b>8,765</b>	1,114
Profit attributable to shareholders of Nedap N.V.		<b>8,718</b>	1,057
Profit attributable to non-controlling interests	21	<b>47</b>	57
<b>Profit after taxes</b>		<b>8,765</b>	1,114
Average number of shares in issue	8	<b>6,692,920</b>	6,692,920
Earnings per ordinary share (in €)		<b>1.30</b>	0.16
Diluted earnings per ordinary share (in €)		<b>1.30</b>	0.16

**Consolidated cash flow statement**

(€ x 1,000)

		2010	2009
		€	€
<b>Cash flow from operating activities</b>			
Profit after taxes		8,765	1,114
Adjustments for:			
Depreciation and amortisation	7,479		7,005
Impairment of intangible assets	378		558
Book profit on sale of property, plant and equipment	-/- 110		-/- 40
Exchange gains and losses on participating interests	-/- 7		14
Net financing expenses	800		1,084
Income taxes	1,673		159
		<b>10,213</b>	<b>8,780</b>
Movements in associate:			
Profit after taxes	-/- 617		-/- 376
Dividend received and other movements	302		312
		<b>-/- 315</b>	<b>-/- 64</b>
Movements in trade and other receivables	-/- 6,107		2,852
Movements in inventories	-/- 2,917		855
Movements in taxes and social security charges	444		1,004
Movements in trade and other payables	599		-/- 467
Movements in employee benefits	232		-/- 2,432
Movements in warranty provision	-/- 86		60
		<b>-/- 7,835</b>	<b>1,872</b>
Interest paid	-/- 1,226		-/- 743
Interest received	143		126
Income tax paid	-/- 327		-/- 440
		<b>-/- 1,410</b>	<b>-/- 1,057</b>
		<b>9,418</b>	<b>10,645</b>
<b>Cash flow from investing activities</b>			
Acquisitions of property, plant and equipment	-/- 6,073		-/- 5,761
Acquisitions of intangible assets	-/- 2,932		-/- 2,415
Proceeds from sale of property, plant and equipment	263		247
		<b>-/- 8,742</b>	<b>-/- 7,929</b>
<b>Cash flow from financing activities</b>			
Long-term loans drawn	-		-
Long-term loans repaid	-/- 237		-/- 227
Dividend paid to non-controlling interests	-/- 77		-/- 99
Dividend paid to shareholders of Nedap N.V.	-/- 937		-/- 12,382
Repurchase of shares	-/- 778		-/- 142
		<b>-/- 2,029</b>	<b>-/- 12,850</b>
<b>Movements in cash and cash equivalents and banks</b>		<b>-/- 1,353</b>	<b>-/- 10,134</b>
Cash and cash equivalents and banks at 1 January		<b>-/- 9,658</b>	457
Exchange gains and losses on cash and cash equivalents and banks		<b>22</b>	19
Cash and cash equivalents and banks at 31 December		<b>-/- 10,989</b>	-/- 9,658

## Consolidated statement of changes in equity

(€ x 1,000)

	share capital	statutory reserves	reserves	profit attributable to shareholders	equity attributable to shareholders	non-controlling interests	total equity
	€	€	€	€	€	€	€
Balance at 1 Jan. 2009	669	5,357	37,929	13,774	57,729	248	57,977
Dividend				-/- 12,382	-/- 12,382	-/- 99	-/- 12,481
Appropriation of profit		1,140	252	-/- 1,392	-		-
Repurchase of shares			-/- 142		-/- 142		-/- 142
Profit for the year				1,057	1,057	57	1,114
Exchange gains and losses		33			33		33
Balance at 31 Dec. 2009	669	6,530	38,039	1,057	46,295	206	46,501
Dividend				-/- 937	-/- 937	-/- 77	-/- 1,014
Appropriation of profit		1,527	-/- 1,407	-/- 120	-		-
Repurchase of shares			-/- 778		-/- 778		-/- 778
Profit for the year				8,718	8,718	47	8,765
Exchange gains and losses		15			15		15
Balance at 31 Dec. 2010	669	8,072	35,854	8,718	53,313	176	53,489

At the year-end, the company repurchased 38,343 of its own shares for delivery to the Stichting Medewerkerparticipatie Nedap.

The statutory reserves were as follows:

	2010	2009
	€	€
Capitalised development costs	7,858	6,283
Profit of subsidiaries not freely distributable	345	393
Exchange gains and losses	-/- 131	-/- 146
Total	8,072	6,530

## Notes to the consolidated financial statements

(€ x 1,000, unless stated otherwise)

### Accounting Policies

#### General

N.V. Nederlandsche Apparatenfabriek 'Nedap' is registered in Groenlo, the Netherlands. The 2010 financial statements comprise the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap develops and supplies innovative and sustainable security and electronic control solutions and automation, management and information systems for organisations.

The Supervisory Board and the Board of Management approved the financial statements for publication on 3 March 2011. The financial statements will be submitted to the general meeting of shareholders on 26 April 2011 for adoption.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements are based on historical cost. IFRS-compliant reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and various other factors which in the circumstances are considered fair. The resulting outcomes constitute the basis for judgements on the carrying amounts of assets and liabilities that cannot be simply derived from other sources. The actual outcomes may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only has consequences for that period or in the revision period and future periods if the revision has consequences for both the reporting period and future periods. Estimates relate primarily to tangible and intangible assets and provisions for employee benefits.

Use is made of the option pursuant to Section 402, Book 2 of the Netherlands Civil Code to publish an abridged separate company income statement.

### Basis for consolidation

The financial data of N.V. Nederlandsche Apparatenfabriek 'Nedap' and of the subsidiaries listed below (jointly referred to as Nedap), over which it has a controlling influence, are consolidated in full. Non-controlling interests in equity and the result are disclosed separately.

Nedap Beveiligingstechniek B.V., Groenekan, the Netherlands	90%	holding	
Nsecure B.V., Barendrecht, the Netherlands	100%	"	
Inventi B.V., Neede, the Netherlands	100%	"	
Nedap Deutschland GmbH, Meerbusch, Germany	100%	"	
Nedap Great Britain Ltd., Aldermaston, UK	100%	"	
Nedap Iberia S.A., Alpedrete (Madrid), Spain	90%	"	
Sappers Iberia S.L.	100%	"	of Nedap Iberia S.A.
Nedap Asia Ltd., Hong Kong	100%	"	
Nedap China Ltd., Shanghai, China	100%	"	of Nedap Asia Ltd.
Nedap FZE, Dubai, United Arab Emirates	100%	"	operational from 1 January 2011

The consolidation also includes the Stichting Medewerkerparticipatie Nedap.

Dormant companies are not listed.

The 49.7% associate Nedap France S.A.S., Eragny-sur-Oise, France is not included in the consolidated financial statements. There are normal commercial transactions with this associate which are conducted on arm's length terms that are comparable to those governing transactions with third parties.

Intra-group balances, transactions between these companies and unrealised profits on such transactions are eliminated when preparing the consolidated financial statements. Unrealised profits on Nedap's transactions with the associate are eliminated in proportion to Nedap's interest in that associate.

### Foreign currency

The financial statements are presented in euros, which is Nedap's functional and presentational currency. Results and financial positions of consolidated enterprises denominated a functional currency other than the euro are translated into euros: assets and liabilities are translated at the exchange rate ruling at the balance sheet date, income and expenses are translated at the average exchange rate. Translation gains and losses on participating interests are taken to the statutory reserves.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the transaction date. Gains and losses arising on the settlement of such actions are recognised in the income statement.

## Financial instruments

### *Non-derivative financial instruments*

Non-derivative financial instruments are trade and other receivables, cash and cash equivalents, loans, trade and other payables. Non-derivative financial instruments are recognised at amortised cost less any impairment losses.

### *Derivative financial instruments*

Nedap uses interest rate swaps to hedge interest rate risks. Interest rate swaps are recognised at fair value. Valuation gains and losses are recognised in the income statement as a separate item in net financing expenses. Nedap does not use hedge accounting.

## Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The recognised value of assets manufactured in-house consists of external costs, direct internal costs and overhead costs.

### *Depreciation of property, plant and equipment*

Depreciation is applied on a straight-line basis over the estimated economic life. Land is not depreciated. The annual depreciation rates are:

Buildings	3% or 10%
Machinery	13% or 18%
Plant	7% or 10%
Other property	20%

## Intangible assets

### *Research*

Expenditure on research activities is recognised in the income statement when incurred.

### *Development*

Development expenditure for which future economic benefits can be estimated, that can be reliably measured and that was not incurred for the maintenance of an existing product or adaptation to new market circumstances is capitalised. Development expenditure backed by customer orders is also capitalised.

All other development expenditure is recognised in the income statement. Capitalised development expenditure consists of external and directly attributable internal costs and overheads.

The capitalised projects are technically feasible and Nedap intends to implement them. The company has access to (or is able to obtain) sufficient technical, financial and other resources to finalise and market the products it has developed.

Capitalised development expenditure is chiefly amortised on the basis of units sold.

### **Impairment**

Carrying amounts are reviewed for any indication of impairment in mid-year and at the balance sheet date. If this is the case, the asset is revalued to realisable value, which is the higher of the direct and indirect recoverable amount. Impairment is recognised in the income statement. If, in a subsequent period, an excessive impairment proves to have been applied, the asset's carrying amount is increased to the reassessed realisable value, but no higher than the carrying amount that would have been recognised had the impairment not been recognised. The increase is taken direct to the income statement. Assets in use and those not in use are reviewed for impairment.

### **Associate**

Participating interests over which Nedap exercises significant influence but not control over financial and operational policies are recognised using the equity method established using the accounting policies in the consolidated financial statements.

### **Deferred tax assets**

Deferred tax assets relate to losses brought forward and temporary differences between the carrying amounts of assets and liabilities and the tax bases of these items. Deferred tax assets are calculated, for each fiscal entity, at the rates prevailing on the balance sheet date, and are recognised at nominal value.

### **Inventories**

Inventories are recognised at the lower of cost and net realisable value. Cost is established using the first-in-first-out method (FIFO). Net realisable value is the estimated selling price less estimated costs to be incurred. The cost of work in progress and finished goods includes direct manufacturing costs plus a mark-up for indirect manufacturing and purchasing costs. The valuation of inventories takes the risk of obsolescence into account.

### **Statutory reserves**

These non-distributable reserves are formed for the amount of development costs capitalised on the balance sheet, for exchange gains and losses on subsidiaries and for the share in subsidiaries which cannot be freely obtained.

Statutory reserves have also been included in the consolidated statement of changes in equity to ensure reconciliation with the equity as recognised in the company financial statements.

### **Non-controlling interests**

The non-controlling interests are stated at the share that the minority shareholders hold in the equity of the consolidated company concerned.

### **Provision for employee benefits (pension and early retirement scheme)**

#### *Defined contribution pension scheme*

Nedap has a defined contribution scheme for a small number of employees. Obligations are taken as an expense in the income statement in the period to which they relate.

#### *Defined benefit pension scheme*

Nedap has a defined benefit scheme for the majority of its employees in the Netherlands. This scheme provides for the accrual of a pension on the basis of indexed average pay and a term life insurance for the surviving dependant's pension. The implementation of the scheme has been entrusted to an insurance provider who has guaranteed the defined benefits. A maximum of 25% of the assets are invested in equity funds, the remainder is invested in fixed-income securities.

The net obligation is determined by calculating the present value of the defined benefits and deducting the fair value of the assets from it. This outcome is increased or reduced by the unrecognised actuarial gains and losses. The discount rate is the return at the balance sheet date on good quality bonds whose term approximates the term of Nedap's obligations. The calculations are performed by authorised actuaries according to the 'projected unit credit' method.

Like the actuarial results, the differences between expected and actual results on the fund assets are only taken to the income statement if the total of these accumulated differences in net realisable value and actuarial changes exceeds a corridor of 10% of the higher of the pension scheme obligation or the fair value of the relevant fund investments. The amount by which the corridor is exceeded is added or charged to the result during the employees' remaining period of service.

#### *Early retirement scheme*

This provision was formed on the grounds of the early retirement scheme included in the collective labour agreement. This scheme is only open to employees who were born before 1 January 1950 and who have indicated that they wish to continue making use of it. From the age of 62 until the age of 65, employees receive 80% of their final income, taking account of the increase in the cost of living. The provision is calculated actuarially.

#### **Deferred tax liabilities**

Deferred tax liabilities arise from temporary differences between the carrying amounts of assets and liabilities and the tax bases of these items. Deferred tax liabilities are calculated, for each fiscal entity, at the rates prevailing on the balance sheet date, and recognised at nominal value.

#### **Warranty**

The warranty provision is for claims made by customers under agreed guarantees. The term during which a customer can exercise this right varies between products. The provision is recognised on the basis of expenditure during the year under review and the previous two years. This provision is of a short-term nature.

### Revenue

Revenue is the fair value of the consideration received or receivable from the sale of goods or the provision of services to third parties arising from Nedap's normal operations. Revenue excludes taxes levied on sales and discounts granted.

Revenue from the sale of goods is recognised in the result when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from goods installed by Nedap itself is recognised in the result in proportion to the stage of completion of the installation on the reporting date. The stage of completion is determined from the proportion of costs incurred to the total expected costs.

Revenue from services is recognised for each service or on a straight-line basis over the term of the contract. If service contracts are billed in advance, these amounts are recognised in the balance sheet as amounts received in advance in 'trade and other payables'.

Subsidies are deducted from other external costs during the period to which they relate.

### Financing income and expenses

Financing income and expenses are interest and similar items received from and paid to third parties and gains and losses on interest rate swaps. Financing income and expenses are recognised in the income statement using the effective interest method.

### Taxes

Taxes on profit for the financial year comprise taxes payable and receivable for the reporting period and the movement in deferred taxes. Taxes on profit are recognised in the income statement unless they relate to items taken directly to equity, in which case the related tax is also recognised in equity. Taxes payable and receivable in the reporting period consist of income taxes on the taxable result, which are calculated on the basis of statutory tax rates and tax adjustments relating to earlier financial years.

### Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows denominated in foreign currencies are translated at the exchange rates ruling on the date of the cash flow or at average rates. Interest paid and received is included in the cash flow from operating activities and dividends paid to shareholders are included in the cash flow from financing activities.

### Financial risk management

Nedap has a proper, effective control system whose aims include identifying and limiting risks. The Corporate Governance section sets out the risks and the risk controls.

The use of financial instruments involves the following risks:

#### *Credit risk*

Credit risk is the risk of a financial loss by Nedap if a customer or counterparty in a financial instrument fails to comply with its obligations. Credit risks arise in particular on receivables from customers. Nedap reduces this risk by insuring trade receivables where possible. The risk of non-payment then lies largely with the credit insurance company. If possible, security is requested from trade debtors which cannot be insured. If necessary, a provision for doubtful debts is formed.

#### *Liquidity risk*

Liquidity risk is the risk that Nedap cannot meet its financial obligations when they fall due. Nedap reduces this risk by aiming for a solvency ratio of about 45%, which gives it the ability to draw temporary additional capital if necessary.

#### *Market risk*

Market risk is the risk that Nedap's income is adversely affected by changes in market prices, such as exchange rates, and interest rates.

#### *Exchange rate risk*

Nedap reduces the exchange rate risk by restricting the size of transactions in foreign currencies and, if necessary, hedging these risks. The principal foreign currency is the US dollar. Net transactions in US dollars (on balance, expense) were no more than 7% of revenue (2009: 7%). Net transactions in other currencies were no more than 2% of revenue.

#### *Interest rate risk*

Interest rate risk at Nedap is limited by the use of interest rate swaps to fix interest rates for a large proportion of the loans drawn (€ 12.2 million). A change of 100 basis points in interest rates would affect the profit for the financial year by € 0.2 million (2009: € 0.1 million).

#### *Capital management*

To remain doing business in a way that strengthens it, Nedap uses an operating profit of at least 10% of revenue and a return on equity of 15%-20% as financial standards. The innovative nature of the group and often project-oriented nature of its orders, means a solvency ratio of about 45%, based on organic growth, not including undistributed profits in equity, is desirable.

Since 2010, Nedap N.V.'s employees have been able to participate in the company through Stichting Medewerkerparticipatie Nedap. Employees may use their profit share to acquire depositary receipts for Nedap shares. The Board of Management must contribute at least 50% of their variable annual income after tax to this Stichting in exchange for depositary receipts. Nedap has not granted the Supervisory Board any rights to acquire Nedap shares.

A limited amount of the reserves of Nedap Iberia S.A. are not freely distributable. Under Part 9 of Book 2 of the Netherlands Civil Code, Nedap is also required to maintain a statutory reserve for certain components of the Dutch companies.

There were no other changes in Nedap's capital management strategy during the year. The company and its subsidiaries are not subject to external capital requirements except as disclosed in these financial statements.

### **Segmentation**

Nedap's long-term policy focuses on creating solutions with sustainable meaning for customers, employees and shareholders. It wishes to achieve this through organic growth in revenue and profit based on a culture oriented on the expertise, creativity and entrepreneurialism that the company has built up in the past decades.

Achieving this objective not only requires know-how of technology and market conditions but an increasing degree of knowledge of the customer and applications that our solution finally goes into. The focus of activities on a customer or group of customers (market group) is a significant condition for creating a genuinely distinctive position in the market and sustainable solutions for our customers and their users, and thus also having sustainable meaning for our employees and shareholders.

The technologies used for solutions are closely related and the market groups make a lot of use of each other's technological know-how, products, systems, production resources and market and user experience. This applies for all of Nedap's activities and market groups. This exchange of know-how and resources, without financial settlement, is an ongoing and informal process and, therefore, a vital part of the entrepreneurial culture.

IFRS 8 requires the financial statements to present segment information that is in accordance with the internal information used by the directors to assess performance and allocate resources. Nedap's Board of Management assesses the company's overall result and the performance of the market groups mainly on the basis of its own observations, day-to-day communications with the market groups and development and market prospects. Decisions are taken, staff are deployed and resources are allocated on this basis. This is non-financial information. Nedap does not have separate segments as meant by IFRS 8. The geographical distribution of property, plant and equipment, intangible assets and revenue and the breakdown of revenue into categories are disclosed in the financial statements as required by IFRS 8.

### **New standards and interpretations not yet adopted**

A number of new standards, revisions and amendments to standards and interpretations were not effective at 31 December 2010 and have not been applied in preparing these consolidated financial statements. None of these standards will have a material effect on Nedap's consolidated financial statements.

Susanne Adriaanse

—“Invisible safety of people and possessions contributes to a pleasant working environment.”—



Wouter Kersteman

—“As a designer of AEOS 3.0, I translate innovative technology into user-friendly software.”—

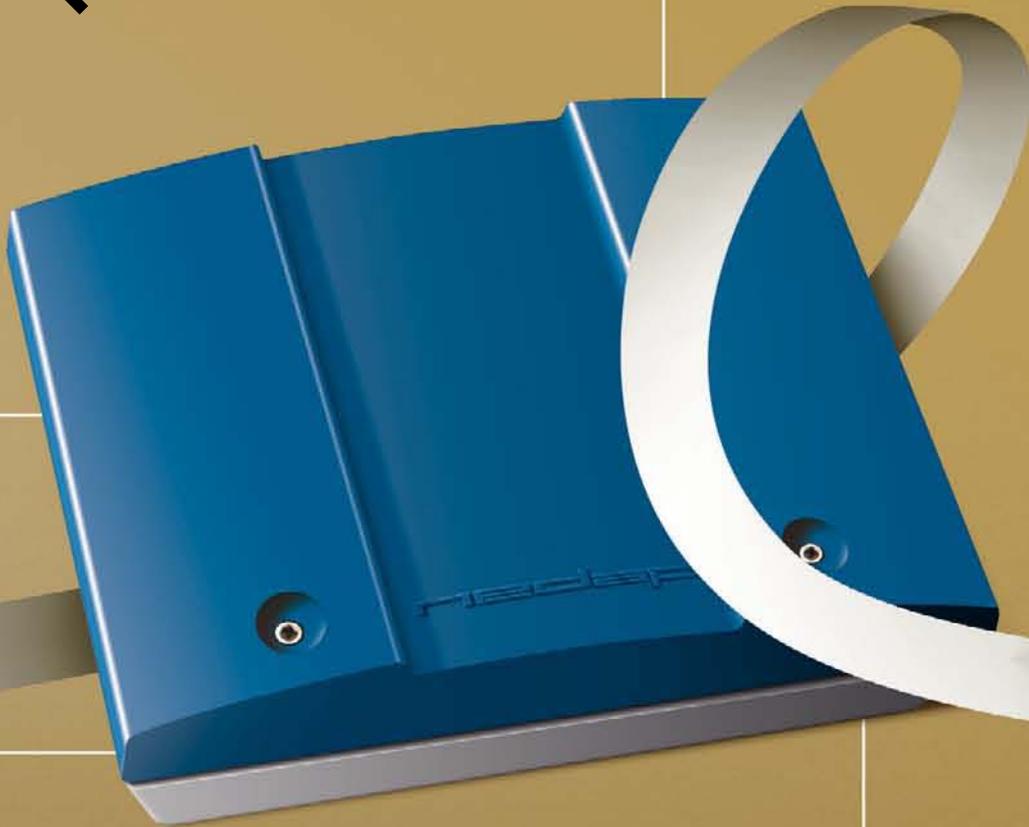
Anton Kuip

—“Creating a safe environment starts with correctly identifying the individuals who are present on-site; our systems do this while respecting the privacy rules.”—

No traffic jams



Reliable measurement up to 10 metres



Driver and vehicle identification



Adjustable reading distance



## AVI (Automatic Vehicle Identification)

There are currently more than 750 million motorised vehicles in the world and this number is expected to double in the coming years. In a society where safety is a growing issue, the ultimate challenge is to safeguard both safety and mobility. Automatic vehicle identification is a vital tool for achieving this.

—*“Making things easier for one, but more difficult for the other: that calls for intelligent, integrated technology.”*—

Nedap AVI supplies RFID readers that can recognise both the vehicle and the driver at a distance of up to 10 metres. The data are immediately processed to determine whether the vehicle and driver are to be granted access. If so, the barrier or gate opens. Vehicle recognition without delay and with maximum comfort!



## AEOS\*

New-Style Working is a rapidly spreading social trend. Anytime, anywhere, anyplace is the watchword, which effectively means that anyone within an organisation can use any workstation anywhere. This calls for a highly sophisticated safety concept, and poses a huge challenge for every security manager.

Nedap Security Management creates a balance between openness and security. AEOS systems for security management use smart technology for the user-friendly protection of modern working environments. The AEOS Security Controller enables various security functions, such as access authorisation, burglary detection and video observation, to be combined on a single controller. A safe and secure productivity-enhancing investment.

\*Product of Nedap Security Management (systems for access control, payments, fire and burglary reports, surveillance and biometrics).

Jan Hofman

—“Our solutions respond to social trends: safety starts at the factory gate.”—



Ben van Zon

—“The challenge is to translate high-grade technology into user-friendly and secure solutions.”—

Koen Hobbelink

—“Nedap City Access turns city centres into attractive shopping precincts, pleasant residential areas and vibrant economic zones.”—

## 1 Property, plant and equipment and intangible assets

	land and buildings	plant and machinery	other equipment*	under construction and prepayments	total property, plant and equipment	intangible assets
	€	€	€	€	€	€
year-end 2008:						
cost	37,102	29,465	54,063	1,053	121,683	10,114
amortisation, depreciation and impairment	12,105	21,101	44,133		77,339	4,856
carrying amount	24,997	8,364	9,930	1,053	44,344	5,258
movements in 2009:						
additions	874	998	2,964	836	5,672	2,415
completed assets under construction			1,053	-/- 1,053	-	
net disposals		-/- 58	-/- 257		-/- 315	
amortisation and depreciation	-/- 1,279	-/- 1,681	-/- 3,327		-/- 6,287	-/- 718
impairment						-/- 558
net movements	-/- 405	-/- 741	433	-/- 217	-/- 930	1,139
year-end 2009:						
cost	37,976	29,892	55,234	836	123,938	11,185
amortisation, depreciation and impairment	13,384	22,269	44,871		80,524	4,788
carrying amount	24,592	7,623	10,363	836	43,414	6,397
movements in 2010:						
additions	343	655	3,917	1,191	6,106	2,932
completed assets under construction			836	-/- 836	-	
net disposals			-/- 153		-/- 153	
amortisation and depreciation	-/- 1,307	-/- 1,550	-/- 3,596		-/- 6,453	-/- 1,026
impairment						-/- 378
net movements	-/- 964	-/- 895	1,004	355	-/- 500	1,528
year-end 2010:						
cost	38,321	30,153	51,199	1,191	120,864	12,539
amortisation, depreciation and impairment	14,693	23,425	39,832		77,950	4,614
carrying amount	23,628	6,728	11,367	1,191	42,914	7,925

\* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

Foreign currency translation gains and losses are ignored, given their small amount.

Property, plant and equipment are insured at new-for-old value.

A mortgage of € 20.3 million (2009: € 20.3 million) has been granted on immovable property as security for all amounts owed to the bank.

The land covers a total area of 59,000 m<sup>2</sup>, of which about 5,000 m<sup>2</sup> is still available for building.

Obligations entered into at the end of the financial year were € 0.5 million (2009: € 0.6 million).

As a result of changed market conditions and different priorities at Nedap, total impairment of € 0.4 million was recognised relating to three projects whose development costs have been capitalised.

Geographical information on the carrying amount of property, plant and equipment:

	2010	2009
	€	€
Netherlands	46,980	46,056
Germany	1,531	1,570
Spain	1,913	1,977
rest of Europe	294	192
other countries	121	17
	<hr/>	<hr/>
total	50,839	49,812

## 2 Investment in associate

This is Nedap France S.A.S., Eragny-sur-Oise, France

	2010	2009
	€	€
net asset value at 1 January	2,222	2,158
profit after taxes	617	376
dividend received	-/- 250	-/- 299
other movements	-/- 52	-/- 13
	<hr/>	<hr/>
net asset value at 31 December	2,537	2,222
Key figures of the associate, on 100% basis		
revenue	19,777	15,366
expenses	18,543	14,615
profit after taxes	1,234	751
total assets at 31 December	14,103	12,629
total liabilities at 31 December	9,029	8,185

Transactions with associate:

sales of goods and services to associate	7,143	5,052
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### 3 Deferred tax assets

The deferred tax assets consist of assets related to loss relief.

	2010	2009
	€	€
balance at 1 January	643	605
movements	-/- 171	38
balance at 31 December	472	643

This relates to assets of three subsidiaries. Certain losses can be carried forward indefinitely and others for 15 years. At 31 December 2010, there were no temporary differences, unrelieved tax losses or unused tax credits available for which no deferred tax assets had been recognised.

### 4 Employee benefits

	2010	2009
	€	€
fair value of the plan assets	56,879	49,804
present value of the obligations	53,080	44,746
	3,799	5,058
unamortised actuarial gains and losses	699	1,147
surplus in the fund	3,100	3,911
Movements in the plan assets:		
balance at 1 January	49,804	44,710
contributions paid in	1,138	3,453
benefits paid	-/- 850	-/- 750
expected return on plan assets	2,196	2,257
actuarial gains and losses	4,591	134
balance at 31 December	56,879	49,804

In 2010, profit sharing of € 1.9 million was received in respect of the previous contract period (2005 to 2009) and this was set off against the contributions paid.

The plan assets consist of:

equities	12,375	10,802
fixed-income securities	42,834	39,404
other	1,670	-/- 402
	56,879	49,804

	<b>2010</b>		2009
	€		€
Movements in the obligations:			
balance at 1 January	<b>44,746</b>		40,189
service costs and interest	<b>3,687</b>		3,494
benefits paid	-/- <b>850</b>	-/-	750
contributions paid in by members	<b>458</b>		437
release of part of future pay rises (curtailment)	-	-/-	482
actuarial gains and losses	<b>5,039</b>		1,858
	<hr/>		<hr/>
balance at 31 December	<b>53,080</b>		44,746
Costs recognised in the income statement:			
service costs	<b>1,248</b>		1,174
interest costs on the obligations	<b>2,439</b>		2,320
expected return on plan assets	-/- <b>2,196</b>	-/-	2,257
	<hr/>		<hr/>
These costs are recognised as social security charges	<b>1,491</b>		1,237
release of part of future pay rises (curtailment)			
these expenses are recognised in restructuring expenses	-	-/-	482
	<hr/>		<hr/>
total	<b>1,491</b>		755

## Historical information:

	<b>2010</b>	2009	2008	2007
	€	€	€	€
fair value of the plan assets	<b>56,879</b>	49,804	44,710	38,910
present value of the obligations	<b>53,080</b>	44,746	40,189	39,151
	<hr/>	<hr/>	<hr/>	<hr/>
surplus or deficit (-/-) in the fund	<b>3,799</b>	5,058	4,521	-/- 241

## Principal actuarial assumptions for measuring the pension plan at the reporting date:

	<b>2010</b>	2009
discount rate for pension entitlements at 31 December	5.20%	5.30%
expected return on plan assets	5.10%	5.10%
annual salary increase for indexation of entitlements	2.50%	2.50%
annual increase for built-in offset	2.50%	2.50%
pay rises for promotion on top of the indexation	1.50%	1.50%

Certain other actuarial assumptions are used, including the Generatietafel 2011 (-1/-1) (2009: GBMV Prognosetafel 2005-2050 (-1/-1)).

The expected return at 31 December 2010 is based on the weighted average expected return of 4.5% (2009: 4.5%) on fixed-income securities and 7.5% (2009: 7.5%) on equities. No more than 25% of the assets are invested in equities; the remainder is in fixed-income securities. In consultation with the pension administrator, which guarantees the pension obligations, the fixed-income portfolio is made up of units in fixed-income investment funds of a company associated with the pension administrator. The choice of funds depends on the duration of the obligations. Investment in equities is through units in funds of the same company associated with the pension administrator.

The actual return on the plan assets was 14.0% (2009: 5.0%).

The agreement with the pension administrator expires at the end of 2014 and incorporates surplus interest sharing and a full distribution of the actuarial gains and losses. The pension administrator continues to be a guarantor for the pension benefits.

Nedap expects to pay contributions of € 3.2 million in 2011.

## 5 Inventories

	2010	2009
	€	€
raw materials and components	<b>10,377</b>	9,098
work in progress	<b>1,720</b>	1,932
products	<b>9,538</b>	7,688
total	<b>21,635</b>	18,718

## 6 Trade and other receivables

	2010	2009
	€	€
trade receivables	<b>23,976</b>	17,614
amounts owed by associate	<b>1,554</b>	1,041
other	<b>3,003</b>	3,768
total	<b>28,533</b>	22,423

Movements in provision for trade receivables that are deemed uncollectible:

	2010	2009
	€	€
balance at 1 January	<b>186</b>	154
withdrawals	<b>-/- 97</b>	84
additions	<b>1</b>	116
balance at 31 December	<b>90</b>	186

The average credit term for trade receivables was 7 weeks in 2010 (2009: 8 weeks).

Where possible, Nedap insures the credit risk in its receivables, with a payout of 85% (2009: 85%). Please see the Financial Risk Management section for a risk analysis.

## 7 Cash and cash equivalents

	2010	2009
	€	€
cash	13	14
banks	4,354	3,347
total	4,367	3,361

Cash and cash equivalents are available on demand.

## 8 Share capital

The company's authorised share capital consists of 15,600,000 ordinary shares of € 0.10 nominal value each and 15,600,000 preference shares of € 0.10 nominal value each. 6,692,920 ordinary shares have been issued.

## 9 Loans

			2010	2009
<i>Type of loan</i>	<i>Nominal interest rate</i>	<i>Maturity date</i>	€	€
Standby roll-over	Euribor + 1.35%	2012	14,000	14,000
Bank loan	Euribor 1 month + 0.5%	2008-2016	2,175	2,275
Annuity loan	Euribor 1 year + 0.8%	2008-2013	178	245
Annuity loan	Euribor 1 year + 0.8%	2008-2021	918	988
Balance at 31 December			17,271	17,508
Repayments due within 1 year			241	235
Repayments due between 1 and 5 years			14,900	14,871
Repayments due after 5 years			2,130	2,402

The fair value of the loans is not materially different from their amortised cost. The financing agreement with the bank for the Standby roll-over loan expires in mid-2012 and does not contain any covenants.

## 10 Derivative financial instruments

The risk of interest rate fluctuations on part of the loans (€ 12.2 million) has been hedged using interest rate swaps, which are recognised at fair value. Valuation gains and losses are recognised in the income statement in net financing expenses. At 31 December 2010 the weighted average maturity of the derivative financial instruments was 2 years. The weighted average effective interest rate was 4.0%.

	2010	2009
	€	€
balance at 1 January	727	436
valuation movements	-/- 187	291
balance at 31 December	540	727

## 11 Employee benefits

This is a provision for early retirement entitlements.

	2010	2009
	€	€
total present value of obligations	2,320	2,899
of which, of a current nature	764	607
Movements in the obligations:		
balance at 1 January	2,899	3,062
service costs and interest	46	346
benefits paid	-/- 625	-/- 509
balance at 31 December	2,320	2,899

Charges included in the income statement:

	2010	2009
	€	€
service costs	7	78
interest cost on the obligations	39	268
These costs are classified as social security charges	46	346

Historical information:

	2010	2009	2008	2007
	€	€	€	€
present value of the obligations	2,320	2,899	3,062	3,255

Principal actuarial assumptions at the reporting date:

	2010	2009
	€	€
discount rate for early retirement entitlements at 31 December	2.50%	2.20%
annual salary increase for indexation of entitlements	2.00%	2.50%

Given the nature of the plan, the retention rate is assumed to be 95%.

## 12 Deferred tax liabilities

	2010	2009
	€	€
property, plant and equipment	1,161	481
intangible assets	1,953	1,513
derivative financial instruments	-/- 81	-/- 134
inventories	103	-/- 3
receivables	-/- 149	-/- 125
provisions	406	135
balance at 31 December	<b>3,393</b>	1,867

Movements in deferred tax liabilities:

	2010	2009
	€	€
balance at 1 January	1,867	1,101
taken to the result (net)	1,526	766
balance at 31 December	<b>3,393</b>	1,867

The deferred tax liabilities have a predominantly long-term nature.

## 13 Bank overdrafts

The maximum current account overdraft under the facility is € 26.2 million (2009: € 26.2 million).

## 14 Warranty provision

	2010		2009
	€		€
balance at 1 January	796		736
withdrawals	-/- 1,164		-/- 1,042
additions	1,078		1,102
balance at 31 December	710		796

The warranty provision has a predominantly short-term nature.

## 15 Trade and other payables

	2010		2009
	€		€
trade payables	4,409		4,734
liabilities on account of investments	201		168
prepayments	3,406		3,141
payable to associate	-		13
other payables	8,344		7,765
total	16,360		15,821

## Off-balance sheet obligations

Long-term financial obligations of group companies:  
(in € x million)

	< 1 year	> 1 year and < 5 years	> 5 years and < 10 years
	€	€	€
2010:			
building rental	0.5	0.4	-
operating leases for vehicles	0.6	0.5	-
operating leases for machinery	0.4	0.2	-
operating leases for ICT	0.2	0.4	-
2009:			
building rental	0.3	0.3	-
operating leases for vehicles	0.7	0.9	-
operating leases for machinery	0.4	0.6	-
operating leases for ICT	0.2	0.6	-

Guarantees issued in relation to building rental were € 0.1 million (2009: € 0.1 million) and other guarantees were € 0.3 million (2009: € 0.4 million).

Nedap leases various business premises. The leases usually have a term of 5 years with a renewal option. Rents are revised annually. Certain production lines are held under operating leases which expire in June 2012. The lease instalments are fixed for the term of the lease. There is also a leasing, maintenance and management contract for hardware and software, which expires at the end of 2013. The costs are fixed per user for the full period of the contract. Two group companies lease their vehicles.

During the year, € 1.8 million (2009 € 1.8 million) was recognised for operating leases in the income statement.

## Related parties

Nedap's related parties are the associate, Nedap France S.A.S., Stichting Preferente Aandelen Nedap and the members of the Supervisory Board and the Board of Management. There were no transactions with related parties during the year under review except as presented in the financial statements.

## 16 Revenue

	2010	2009
	€	€
products, systems and installations	<b>120,762</b>	105,924
services	<b>12,796</b>	9,267
total	<b>133,558</b>	115,191

Services comprise mainly subscriptions and maintenance contracts for Healthcare, Retail and Security Management.

Geographical sales areas:

Netherlands	<b>58,306</b>	55,503
Germany	<b>18,952</b>	14,011
rest of Europe	<b>41,373</b>	33,764
North America	<b>9,459</b>	6,930
other countries	<b>5,468</b>	4,983
total	<b>133,558</b>	115,191

Large customers:

No customer represents sales in excess of 10% of total revenue.

## Cost of research and development

	2010	2009
	€	€
total costs	<b>12,826</b>	11,383
depreciation/amortisation and impairment	<b>1,404</b>	1,276
capitalised costs	-/- <b>2,932</b>	-/- 2,415
subsidies	-/- <b>1,616</b>	-/- 1,133
total	<b>9,682</b>	9,111

## Average number of employees

	2010	2009
Netherlands	555	579
other EU	67	70
Asia	10	3
total	632	652

## 17 Social security charges

	2010	2009
	€	€
early retirement/retirement charges, defined benefit schemes	1,537	1,583
pension charges, defined contribution schemes	62	58
other social security charges	4,342	4,165
total	5,941	5,806

## Board of Management's remuneration

	basic income	variable remuneration	pension- costs	total
	€	€	€	€
2010				
R.M. Wegman	321	102	26	449
G.J.M. Ezendam	255	82	19	356
2009				
R.M. Wegman	315	100	20	435
G.J.M. Ezendam	252	80	23	355
W. Badenhop	84	276*	25	385

On 31 December 2010, Mr Wegman owned 2,649 depository receipts for shares in the company (2009: none) and Mr Ezendam owned 2,119 (2009: none).

Details of the remuneration policy are set out in the Corporate Governance section.

\* Mr Badenhop's basic income was for the period from 1 January to 1 May 2009. Mr Badenhop's variable income was agreed on the termination of his contract of employment.

## Supervisory Board's remuneration

The six Supervisory Board members' total fixed remuneration was € 103 (2009: € 111).

	<b>2010</b>	2009
	€	€
A. van der Velden	<b>30</b>	30
J.P. Bahlmann	<b>22</b>	22
D.W.J. Theyse (from 29 april 2010)	<b>15</b>	–
M.C. Westermann	<b>22</b>	15
A.J. Berkhout (to 29 april 2010)	<b>7</b>	22
M. Veninga (to 29 april 2010)	<b>7</b>	22

## 18 Amortisation and depreciation

	<b>2010</b>	2009
	€	€
development costs	<b>1,026</b>	718
buildings	<b>1,307</b>	1,279
plant and machinery	<b>1,550</b>	1,681
other equipment	<b>3,596</b>	3,327
total	<b>7,479</b>	7,005

## 22 Restructuring costs

	<b>2010</b>	2009
	€	€
Restructuring costs	–	4,698

This related to a restructuring undertaken in 2009 in which a large part of the production facility was transferred from the parent company in Groenlo to Inventi B.V. in Neede. The costs were chiefly redundancy payments.

## 19 Share of profit of associate

This is the result of Nedap France S.A.S., Eragny-sur-Oise, France.

## 20 Taxes

	2010	2009	
	€	€	
profit before taxes, excluding associate	<b>9,821</b>	897	
income tax	<b>310</b>	-/-	569
deferred tax	<b>1,363</b>	728	
total income tax	<b>1,673</b>	159	

Reconciliation of effective tax rate:

	2010		2009			
	€	%	€	%		
Income tax based on the Dutch tax rate	<b>2,504</b>	<b>25.5</b>	229	25.5		
change in domestic tax rate	-/-	-/-	22	-/-	2.5	
effect of tax rate on non-resident subsidiaries	<b>54</b>	<b>0.5</b>	-/-	4	-/-	0.4
non-deductible expenses	<b>32</b>	<b>0.3</b>	33	3.7		
fiscal incentive schemes	-/-	-/-	64	-/-	7.2	
prior-year adjustment	-/-	-/-	13	-/-	1.4	
total	<b>1,673</b>	<b>17.0</b>	159	17.7		

## 21 Profit attributable to non-controlling interests

The portion of the net result of subsidiaries attributable to minority shareholders.



**Balance sheet of Nedap N.V. at 31 December**

(€ x 1,000)

		2010	2009
		€	€
<b>Assets</b>			
	<i>note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	1	33,534	34,503
Intangible assets	1	7,858	6,283
Financial assets	2	11,100	11,018
Employee benefits	3	2,691	3,548
		<b>55,183</b>	55,352
<b>Current assets</b>			
Inventories	4	15,012	14,470
Trade and other receivables	5	25,389	17,976
Cash and cash equivalents	6	353	236
		<b>40,754</b>	32,682
		<b>95,937</b>	88,034
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	7	669	669
Statutory reserves		8,072	6,530
Reserves		35,854	38,039
		<b>44,595</b>	45,238
Result for the year		<b>8,718</b>	1,057
		<b>53,313</b>	46,295
<b>Provisions</b>	8	<b>6,255</b>	5,425
<b>Non-current liabilities</b>	9	<b>14,326</b>	14,524
<b>Current liabilities</b>	10	<b>22,043</b>	21,790
<b>Total liabilities</b>		<b>42,624</b>	41,739
		<b>95,937</b>	88,034

**Income statement of Nedap N.V.**

(€ x 1,000)

	2010	2009
	€	€
Net profit of associates	3,165	1,840
Other net results	5,553	-/- 783
Profit attributable to shareholders	<b>8,718</b>	1,057

## Notes to the financial statements of Nedap N.V.

(€ x1,000 unless stated otherwise)

### Accounting policies

Pursuant to Section 362(8) of Book 2 of the Netherlands Civil Code, Nedap makes use of the option to prepare company financial statements in accordance with the accounting policies used for the consolidated financial statements and in accordance with Part 9 of Book 2 of the Netherlands Civil Code. By using this option, the reconciliation between the consolidated equity and the equity in the company financial statements is maintained.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Please see the notes on the accounting policies for the consolidated financial statements for a description of the accounting policies relating to these standards.

Financial assets include the Nedap group's subsidiaries and associate where significant influence can be exercised over the commercial and financial policy. The subsidiaries and associate are recognised using the equity method established using the accounting policies in the consolidated financial statements. Subsidiaries and associate with an equity deficit are carried at nil. The equity deficit is deducted from amounts receivable from these subsidiaries and associate. The equity of subsidiaries is increased by the value of loans granted to them measured at amortised cost.



Bram van Oort

*—“Households generating their own energy, while energy companies only cover the dips in supply: now that’s what I call a revolutionary transformation.”—*



Bart Willemsen

*—“I combine freedom with responsibility and make sure my efforts produce results.”—*

In-house energy storage is now possible



Using solar power more efficiently



Smart management of your green energy



Generates energy where no power is available



## PowerRouter\*

'You're in charge,' promises the PowerRouter and it does not disappoint. This attractively designed piece of technology turns the consumer into an independent energy producer. The PowerRouter collects energy from wind turbines or solar panels, and distributes it for direct use, storage or sale to the energy company or neighbours.

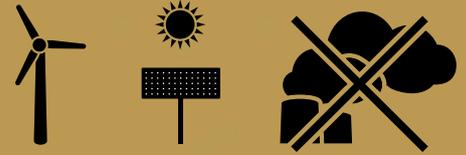
—“*Manage your own energy supply.*”—

Energy saving alone will not prevent our fossil fuel stocks from running out. So renewable energy is a welcome prospect for the future. The PowerRouter from Nedap Power Supplies paves the way for the integration of these energy flows into our energy network. The PowerRouter also helps adjust the

A building block for smart grids



Green instead of grey energy



You're in charge of your own energy



growing imbalance in energy supply and demand. And this, in turn, can be instrumental in avoiding enormous investments in the expansion of the grid.

The PowerRouter enables users to link their own energy sources together to achieve a stable and sustainable energy supply for their homes, neighbourhoods or businesses. Besides enhancing their security of supply and freedom, this also reduces their CO<sub>2</sub> footprint. Via a personal web portal, the PowerRouter provides insight into energy generated and consumed as well as into the user's energy savings and contribution to CO<sub>2</sub> reduction. This is also where you can find the knobs to turn on and manage your own energy network.

Gerard Zennipman

—“Having a PowerRouter on a drilling rig or a remote broadcasting tower eliminates the need for refilling diesel generators.”—



Paul Kamphuis

—“The PowerRouter’s modular concept makes it revolutionary; so you’re always prepared for the future.”—

Anne-Pieter Haytema

—“As the first owner of a PowerRouter, I was able to give useful input for improvements.”—

## 1 Property, plant and equipment and intangible assets

	land and buildings	plant and machinery	other equipment*	under construction and prepayments	total property plant and equipment,	intangible assets
	€	€	€	€	€	€
year-end 2008:						
cost	30,449	27,751	50,590	1,053	109,843	9,345
amortisation, depreciation and impairment	11,729	20,785	42,463		74,977	4,270
carrying amount	18,720	6,966	8,127	1,053	34,866	5,075
movements in 2009:						
additions	869	916	2,387	836	5,008	2,378
completed assets under construction			1,053	-/- 1,053	-	
net disposals		6	-/- 127		-/- 121	
amortisation and depreciation	-/- 1,061	-/- 1,484	-/- 2,705		-/- 5,250	-/- 612
impairment						-/- 558
net movements	-/- 192	-/- 562	608	-/- 217	-/- 363	1,208
year-end 2009:						
cost	31,318	28,159	51,407	836	111,720	10,379
amortisation, depreciation and impairment	12,790	21,755	42,672		77,217	4,096
carrying amount	18,528	6,404	8,735	836	34,503	6,283
movements in 2010:						
additions	289	444	2,605	1,191	4,529	2,894
completed assets under construction			836	-/- 836	-	
net disposals			-/- 103		-/- 103	
amortisation and depreciation	-/- 1,078	-/- 1,346	-/- 2,971		-/- 5,395	-/- 941
impairment						-/- 378
net movements	-/- 789	-/- 902	367	355	-/- 969	1,575
year-end 2010:						
cost	31,607	27,967	46,384	1,191	107,149	11,696
amortisation, depreciation and impairment	13,868	22,465	37,282		73,615	3,838
carrying amount	17,739	5,502	9,102	1,191	33,534	7,858

\* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

Property, plant and equipment are insured at new-for-old value.

A mortgage of € 16.3 million (2009: € 16.3 million) has been granted on immovable property as security for all amounts owed to the bank.

The land covers a total area of 52,000 m<sup>2</sup>, of which about 5,000 m<sup>2</sup> is still available for building.

Obligations entered into at the end of the financial year were € 0.5 million (2009: € 0.6 million).

As a result of changed market conditions and different priorities at Nedap, total impairment of € 0.4 million was recognised relating to three projects whose development costs have been capitalised.

## 2 Financial assets

	2010	2009
	€	€
Subsidiaries:		
value at 1 January	8,796	7,361
additions	–	158
result	2,393	1,464
profit distribution	–/– 2,255	–/– 2,037
movement in amounts owed by subsidiaries	–/– 362	–/– 368
foreign exchange gains and losses	15	31
other movements	–/– 17	–/– 81
value at 31 December	8,570	6,528
new loans granted to subsidiaries	72	2,500
loan repayments by subsidiaries	–/– 79	–/– 232
total value at 31 December	8,563	8,796

Total loans granted to subsidiaries at 31 December 2010: € 4.8 million (2009: € 4.7 million). Surety of € 1.8 million has been provided on immovable property in relation to the above loans.

	2010	2009
	€	€
Associate:		
value at 1 January	2,222	2,158
result	617	376
profit distribution	–/– 250	–/– 299
other movements	–/– 52	–/– 13
value at 31 December	2,537	2,222
total Financial assets at 31 December	11,100	11,018

### 3 Employee benefits

	2010	2009
	€	€
fair value of the plan assets	<b>54,223</b>	47,663
present value of the obligations	<b>50,007</b>	42,323
	<b>4,216</b>	5,340
unamortised actuarial gains and losses	<b>1,525</b>	1,792
surplus in the fund	<b>2,691</b>	3,548
Movements in the plan assets:		
balance at 1 January	<b>47,663</b>	42,898
contributions paid in	<b>864</b>	3,154
benefits paid	-/- <b>850</b>	-/- 750
expected return on plan assets	<b>2,092</b>	2,162
actuarial gains and losses	<b>4,454</b>	199
balance at 31 December	<b>54,223</b>	47,663

In 2010, profit sharing of € 1.9 million was received in respect of the previous contract period (2005 to 2009) and this was set off against the contributions paid.

The plan assets consist of:

equities	<b>11,797</b>	10,338
fixed-income securities	<b>40,834</b>	37,710
other	<b>1,592</b>	-/- 385
	<b>54,223</b>	47,663

Movements in the obligations:

balance at 1 January	<b>42,323</b>	38,285
service costs and interest	<b>3,410</b>	3,213
benefits paid	-/- <b>850</b>	-/- 750
contributions paid in by members	<b>403</b>	389
release of part of future pay rises (curtailment)	-	-/- 482
actuarial gains and losses	<b>4,721</b>	1,668
balance at 31 December	<b>50,007</b>	42,323

Historical information:

	2010	2009	2008	2007
	€	€	€	€
fair value of the plan assets	<b>54,223</b>	47,663	42,898	37,430
present value of the obligations	<b>50,007</b>	42,323	38,285	37,491
surplus or deficit (-/-) in the fund	<b>4,216</b>	5,340	4,613	-/- 61

Please see the notes to the consolidated financial statements for the principal actuarial assumptions for measuring the pension plan.

#### 4 Inventories

	2010	2009
	€	€
raw materials and components	<b>7,726</b>	7,787
work in progress	<b>1,055</b>	1,484
products	<b>6,231</b>	5,199
total	<b>15,012</b>	14,470

#### 5 Trade and other receivables

	2010	2009
	€	€
income tax receivable	<b>1,411</b>	1,155
trade receivables	<b>11,899</b>	9,489
amounts owed by subsidiaries and associate	<b>10,158</b>	4,611
other	<b>1,921</b>	2,721
total	<b>25,389</b>	17,976

€ 0.2 million of the trade and other receivables had a term of longer than one year (2009: € 0.7 million).

Movement in provision for trade receivables that are deemed uncollectible:

balance at 1 January	<b>7</b>	-
withdrawals	<b>-/- 7</b>	-
additions	<b>-</b>	7
balance at 31 December	<b>-</b>	7

## 6 Cash and cash equivalents

	<b>2010</b>	2009
	€	€
cash	<b>9</b>	9
banks	<b>344</b>	227
total	<b>353</b>	236

Cash and cash equivalents are available on demand.

## 7 Equity

Please see the notes to the consolidated financial statements for movements in equity.

## 8 Provisions

	<b>2010</b>	2009
	€	€
employee benefits	<b>2,320</b>	2,899
deferred tax liabilities	<b>3,326</b>	1,814
warranty	<b>609</b>	712
total	<b>6,255</b>	5,425

### Employee benefits

This is a provision for early retirement entitlements.  
Please see the notes to the consolidated financial statements.

## Deferred tax liabilities

	2010	2009
	€	€
property, plant and equipment	1,161	481
intangible assets	1,953	1,513
derivative financial instruments	-/- 81	-/- 134
inventories	103	-/- 3
receivables	-/- 216	-/- 178
provisions	406	135
total	<b>3,326</b>	1,814
Movements in deferred tax liabilities:		
balance at 1 January	1,814	1,061
taken to the result (net)	1,512	753
balance at 31 December	<b>3,326</b>	1,814

The deferred tax liabilities have a predominantly long-term nature.

## Warranty provision

	2010	2009
	€	€
balance at 1 January	712	661
withdrawals	-/- 1,070	-/- 953
additions	967	1,004
balance at 31 December	<b>609</b>	712

The warranty provision has a predominantly short-term nature.

## 9 Non-current liabilities

	2010	2009
	€	€
loans	14,000	14,000
derivative financial instruments	326	524
total	<b>14,326</b>	14,524

## Loans

This is a credit facility with a ceiling of € 14.0 million ending on 1 July 2012, under which amounts of at least € 0.5 million can be withdrawn for a term of no less than 1 month and no more than 12 months. The interest rate is Euribor plus 1.35%.

## Derivative financial instruments

The risk of interest rate fluctuations on part of the loans (€ 10.0 million) has been hedged using interest rate swaps, which are recognised at fair value. Valuation gains and losses are recognised in the income statement. The derivative financial instrument has a maturity of one year at 31 December 2010 and the effective interest rate was 3.9%.

## 10 Current liabilities

	2010	2009
	€	€
bank overdrafts	<b>10,838</b>	11,126
taxes and social security charges	<b>1,458</b>	1,584
trade and other payables	<b>9,747</b>	9,080
	<hr/>	<hr/>
total	<b>22,043</b>	21,790

### Bank overdrafts

The maximum current account overdraft under the facility is € 20 million (2009: € 20 million).

### Trade and other payables

	2010	2009
	€	€
trade payables	<b>2,413</b>	2,214
liabilities on account of investments	<b>169</b>	147
prepayments	<b>1,135</b>	894
other payables	<b>6,030</b>	5,825
	<hr/>	<hr/>
total	<b>9,747</b>	9,080

€ 0.5 million of the trade and other payables had a term longer than one year (2009: € 0.3 million).

## Off-balance sheet obligations

Bank guarantees of € 4.2 million have been issued for group companies.

Nedap N.V. and Inventi B.V. form a fiscal unity for corporate income tax purposes and so each company is jointly and severally liable for the payment of the corporate income tax due.

Nedap N.V. has assumed joint and several liability for the debts arising from the juristic acts of Inventi B.V. pursuant to Section 2:403 of the Netherlands Civil Code.

## Audit fees

The total fee for services provided by KPMG Accountants N.V.

	2010	2009
	€	€
audit of the financial statements	141	119
other services	7	6
total	<b>148</b>	125

The audit fees increased because KPMG also performed audit work in 2010 at a group company that had previously been audited by a different audit organisation.

Groenlo, 3 March 2011

The Board of Management:

R.M. Wegman  
G.J.M. Ezendam

The Supervisory Board:

A. van der Velden, chairman  
J.P. Bahlmann, vice-chairman  
D.W.J. Theyse  
M.C. Westermann

## Statement pursuant to Section 5:25c(2c) of the Financial Supervision Act

To the best of our knowledge,

- 1 the financial statements (including the Other Information pursuant to Section 2:392 of the Netherlands Civil Code) give a true and fair view of the assets, liabilities, financial position and profit or loss of Nedap N.V. and the undertakings included in the consolidation taken as a whole; and
- 2 the report of the Board of Management includes a fair review of the position at 31 December 2010 and of the development and performance of the business during the financial year 2010 of Nedap N.V. and the undertakings included in the consolidation taken as a whole and the 2010 describes the risks facing Nedap N.V.

Groenlo, 3 March 2011

The Board of Management:

R.M. Wegman

G.J.M. Ezendam



### Independent auditor's report

#### Report on the financial statements

We have audited the accompanying financial statements 2010 of N.V. Nederlandsche Apparatenfabriek "Nedap", Groenlo as set out on the pages 38 to 81. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and the consolidated cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of N.V. Nederlandsche Apparatenfabriek "Nedap" as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of N.V. Nederlandsche Apparatenfabriek "Nedap" as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 3 March 2011

KPMG ACCOUNTANTS N.V.

E.J.L. van Leeuwen

## Provisions of the Articles of Association concerning the appropriation of profit in accordance with Article 45

### Paragraph 1:

The portion of profit – the positive balance in the income statement – to be allocated to the reserves shall be determined each year by the Board of Management and the Supervisory Board.

### Paragraph 2:

A dividend shall be paid on the preference shares from the profit remaining after the allocation to the reserves as referred to in the previous paragraph, equivalent to a percentage equal to the sum of the weighted averages of the deposit interest rate of the European Central Bank – weighted by the number of days for which the dividend is paid – plus three per cent (3%). The dividend on preference shares shall be calculated on the paid-up portion of the nominal amount. If, in any year, the profit is insufficient to pay the dividend on the preference shares pursuant to the first sentence of this clause, the shortfall shall as far as possible be paid out of the freely distributable portion of equity.

### Paragraph 3:

Any remaining profit shall be distributed as a dividend on ordinary shares.

### Paragraph 5:

If a loss is incurred in any year, no dividend shall be distributed for that year. Dividends may not be distributed in subsequent years until the loss has been extinguished by profits. The General Meeting may however resolve, upon a joint proposal of the Supervisory Board and the Board of Management, to extinguish such a loss by charging it to the distributable part of equity.

## Appropriation of profit

€ x 1,000

Profit attributable to shareholders	8,718
Other reserves	2,159
	<hr/>
Dividend payable on the ordinary shares	6,559

## Branches

Naamloze vennootschap 'Nederlandsche Apparatenfabriek Nedap', Vilvoorde, Belgium (trading name: Nedap België).



Jeroen Harmsen

—“As the current demand for energy is unsustainable, finding solutions gives my job an extra dimension.”—



Hannie de Graaf

—“Our products help reduce child mortality; that makes me proud of my work.”—

Stefan Bernards

—“Thanks to our solutions, companies can cut costs and improve their ecological footprint; that gives me a real sense of pleasure.”—

Works everywhere at any time

Green, sustainable and CO<sub>2</sub> emission-free water purification

Quick and easy to install

Low costs

4,500 litres a day

costs less than €2 per person per year

under 30 mins.

on

## Naiade\*

### Naiade\*

Named after a Greek water nymph, Naiade provides safe drinking water for small communities in places where this basic necessity of life is unavailable. Compact and easy to ship to disaster areas or remote locations, Naiade can be up and running within a half-hour. In 250 community projects around the world, Naiade is reducing people's risk of contracting life-threatening diseases.

The low-maintenance device has a useful life of seven to ten years. Surface water or pump water is fed in at the top, seeps through a rough and fine filter, after which a built-in UV light unit deactivates the disease-carrying bacteria in the water. Thanks to the solar collector, no expensive infrastructure is required. Even a child can operate the Naiade to protect itself and its family from cholera, dysentery and diarrhoea. Naiade thus lays the foundation for a healthy society.



Carbon Footprint Reduction



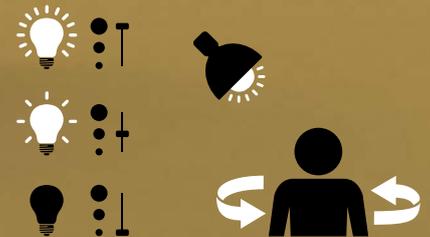
Lower lighting costs



Greater light output and longer life



Dimming and motion activation options



## Luxon\*

Lighting accounts for 25-40% of an average building's power costs. Major power users include aircraft hangars, garden centres, large retail stores, warehouses and production halls, where High Intensity Discharge lamps (HID) are used because of their enormous light output. Switching from a conventional magnetic ballast to efficient electronic Luxon-HID equipment from Nedap Power Supplies immediately leads to a 10% reduction in energy costs.

As a second step, the electronic lamp-driver equipment increases the light output of the HID lamps during their lifetime. Thanks to a more controlled power supply, the core of the lamp turns black less quickly. As a result, Luxon makes life easier for the architect by reducing the need for stringent lighting plan specifications. Combined with the dimming function and wireless control via sensors and software – the third energy-saving step – this enables a significant cost reduction of up to 65%. So the investment is recouped at the speed of light.

\*Products of Nedap Power Supplies (electronic controls based on power electronics for e.g. light and autonomous energy systems).

Martin Gotink

—“Our solution reduces the energy costs for lighting by 65%. Now that gives me energy!”—

Richard Hogenkamp

—“Our customers see our technical solutions as useful and are keen to invest in our products: that stimulates my motivation.”—



René Ooijman

—“It gives me great satisfaction that our products meet the highest safety and quality standards.”—

Paul de Reus

—“Every visit to countries where our Naiade is being used brings the importance of clean drinking water home to me.”—

## Five-year summary

	2010	2009	2008	2007	2006
<b>Operations</b>					€ x 1,000
Revenue	<b>133,558</b>	115,191	142,966	145,823	138,509
Salaries and social security charges	<b>40,186</b>	38,443	39,392	37,047	35,818
Operating profit	<b>10,621</b>	1,981	19,424	19,854	17,456
-as % of revenue	<b>8.0</b>	1.7	13.6	13.6	12.6
Net financing expenses	<b>800</b>	1,084	1,408	1,101	709
Profit after taxes	<b>8,765</b>	1,114	13,884	14,300	12,424
-as % of equity <sup>1)</sup>	<b>19.7</b>	2.5	31.6	33.5	30.0
-as % of revenue	<b>6.6</b>	1.0	9.7	9.8	9.0
Depreciation/amortisation	<b>7,857</b>	7,563	9,464	6,931	7,262
Cashflow <sup>2)</sup>	<b>16,622</b>	8,677	23,348	21,231	19,686
Added value per employee <sup>3)</sup>	<b>143</b>	121	148	146	141
<b>Profit appropriation</b>					€ x 1,000
Profit distributable to shareholders	<b>6,559</b>	937	12,382	12,783	11,043
Retained profit	<b>2,159</b>	120	1,392	1,438	1,297
Profit attributable to non-controlling interests	<b>47</b>	57	110	79	84
<b>Per share van € 0.10 <sup>4)</sup></b>					in €
Cash flow	<b>2.48</b>	1.30	3.49	3.17	2.94
Earnings attributable to shareholders	<b>1.30</b>	0.16	2.06	2.12	1.84
Dividend	<b>0.98</b>	0.14	1.85	1.91	1.65
Highest price	<b>24.59</b>	19.24	31.90	38.35	31.80
Lowest price	<b>16.69</b>	14.50	13.70	27.13	26.00
Price at year-end	<b>24.00</b>	17.30	17.80	31.80	27.75
Price/earnings ratio year-end	<b>18</b>	-	9	15	15
<b>Number of employees</b>					
At year-end	<b>652</b>	601	652	626	618
Average during the year	<b>632</b>	652	644	627	619

	2010	2009	2008	2007	2006
					€ x 1,000
<b>Financing</b>					
Share capital	<b>669</b>	669	669	669	669
Reserves	<b>43,926</b>	44,569	43,286	42,013	40,724
Equity excluding undistributed profit	<b>44,595</b>	45,238	43,955	42,682	41,393
Undistributed profit attributable to shareholders	<b>8,718</b>	1,057	13,774	14,221	12,340
Non-controlling interests	<b>129</b>	149	138	138	138
Undistributed profit attributable to non-controlling interests	<b>47</b>	57	110	79	85
Equity	<b>53,489</b>	46,501	57,977	57,120	53,956
Non-current liabilities	<b>22,519</b>	22,159	21,615	21,069	20,204
Current liabilities	<b>36,964</b>	33,677	23,568	24,272	27,901
Total	<b>112,972</b>	102,337	103,160	102,461	102,061
Equity <sup>1)</sup> as % of total assets	<b>39.5</b>	44.2	42.6	41.7	40.6
					€ x 1,000
<b>Utilisation of capital</b>					
Non-current assets	<b>56,948</b>	56,587	54,007	52,463	49,373
Inventories	<b>21,635</b>	18,718	19,573	20,131	20,198
Trade and other receivables	<b>30,022</b>	23,671	25,482	27,050	29,619
Cash and cash equivalents	<b>4,367</b>	3,361	4,098	2,817	2,871
Current assets	<b>56,024</b>	45,750	49,153	49,998	52,688
Total	<b>112,972</b>	102,337	103,160	102,461	102,061
Additions to non-current assets	<b>9,038</b>	8,087	9,400	10,544	8,202
Inventories as % of revenue	<b>16.2</b>	16.2	13.7	13.8	14.6
Average credit terms for trade receivables in weeks	<b>7</b>	8	8	8	8

1) equity excluding undistributed profit

2) cash flow is the profit after taxes plus depreciation

3) added value per employee is total revenue and movements in inventories less the cost of materials divided by the average number of employees

4) 6,692,920 shares are in issue.

## Companies and management

(At 3 March 2011)

### **N.V. Nederlandsche Apparatenfabriek “Nedap”**

Parallelweg 2  
7141 DC Groenlo

drs. R.M. Wegman (44)  
G.J.M. Ezendam (58)

#### **Market groups**

Agri	A.B.M. Verstege (48)
AVI	M.C. Mijwaart (37)
Election Systems	M. Schippers (45)
Healthcare	R. Schuurman (41)
Library Solutions	W.D. Klunder (32)
New Business	H.J. Kip Btw (65)
Power Supplies	J.C.M. Thomassen (43)
	J. Somsen (46)
Retail	R. Schuurman (41)
Security Management	H.S.J. Schipper MBA (39)
Specials	R.M. Wegman a.i. (44)
CIMPL	M.G. de Jong (61)
	P.G.M. Oostendorp (47)
Inventi	A.G.M. Scharenborg (55)
	M.G.M. Hoitink-te Woerd (39)

### **Nedap Belgium**

Kerkhofstraat 6 B10  
1800 Vilvoorde  
Belgium

J. te Selle (32)

### **Nedap Beveiligingstechniek B.V.**

Groenekanseweg 24A  
3737 AG Groenekan  
The Netherlands

R.C. de Jong (60)

### **Inventi B.V.**

Industrieweg 20  
7161 BX Neede  
The Netherlands

R.M. Wegman (44)

### **Nsecure B.V.**

Lübeck 1  
2993 LK Barendrecht  
The Netherlands

J. van Driel (50)

<b>Nedap France S.A.S.</b> 8-10 Chemin d'Andrésy 95610 Eragny-sur-Oise France	C. Paijens (51) A. Sot (55)
<b>Nedap Deutschland GmbH</b> Otto-Hahnstrasse 3 40670 Meerbusch Germany	I.A.C. van Balveren (44)
<b>Nedap Great Britain Ltd.</b> 1, Hercules House Calleva park Aldermaston, Berkshire RG78DN UK	L.W.C. Holweg (41)
<b>Nedap Iberia S.A.</b> Avenida de los Llanos 18 28430 Alpedrete Madrid Spain	A. Carmona Badillo (51)
<b>Nedap China Ltd.</b> 22/F ONE Lujiazui 68 Yin Cheng Rd(C) Pudong New Area Shanghai 200120 China	H.D. Kranenberg (51)
<b>Nedap Asia Ltd.</b> Austin Plaza 15F, Units 3&4 No 83, Austin Road Kowloon Hong Kong	H.D. Kranenberg (51)
<b>Nedap FZE (from 1 January 2011)</b> DSO Head Quarters D-Wing Office D-205 Dubai United Arab Emirates	N.A. Bragt (33)

Bram Pape

—“Our intelligent Tweet Mirror is a fun factor that leads to a satisfied customer, retailer and ... designer!”—



Danny Haak

—“RFID technology makes work more fun for retail staff and gives them more time for customers.”—

Theo ter Ellen

—“Creating a retail experience that leads to satisfied customers and higher sales.”—

Less shoplifting



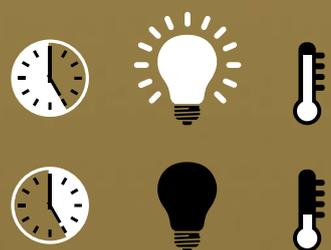
Effective check-out staffing



Managing showcases and doors with cards, eliminates unsafe key system



Substantial savings due to lighting and temperature control



# Cube\*

Cube makes store management easy. This solution provides all the building blocks for real-time management of energy usage, security, stocks and customer behaviour. Cube focuses on improving in-store operations.

Cube introduces the 'simple store'. Instead of a multitude of appliances in the technical area, there is a single compact, reliable and value-for-money designer appliance that operates with only an internet connection. Cube makes use of a single platform, a single simple user interface and is scalable from one to one thousand stores. Cube grows with the retailer block by block and can be remote-serviced to provide absolute peace of mind.

Cube controls the lighting, alternately dimming and brightening to ensure the best possible store experience at all times. The smart coordination of lighting and climate control enables a 30% energy savings. Lower operating expenses make a direct contribution to greening the business.

*—“The lower the operating expenses,  
the greener retailing can be.”—*

Recording store inventory via the light-weight Nedap RFID hand-held scanner takes only seconds, enabling stocks to be replenished quickly and with less staff. As a result, staff have extra time to attend to customers. And they never need to say “sorry, we’re sold out”, which means higher sales and more satisfied customers.

Staff no longer need to carry around a heavy bunch of keys on the job or tap in a PIN-protected door lock with the risk of a prying customer looking over their shoulder. An easy-to-programme card contains all the staff member’s personal details, authorises access to back rooms and check-out system, and is used for punching in and out.

On top of this, Cube offers maximum security thanks to its integration with the product detection systems, access management and the burglary alarm. Cube counts the customers, sees what products attract their interest and how long the customers spend in the store, so that valuable marketing information is immediately clear and the attending staff members can act accordingly.

Charlene Chedi

—“We often find solutions by thinking entirely outside the box. Our corporate culture gives us that scope.”—

Gerben Olthof

—“When you’re out shopping, you come across problems you want to solve. Like reducing false alarms.”—



Sjoerd Luttkholt

—“We work to improve the safety of both people and the retail organisation. Access control and smart article protection, sparing people from hassle and the environment from waste.”—

Hans Hammer

—“Quality in a product or service is not what the supplier puts into it, but what the customer gets out of it and is prepared to pay for. Looking at processes, searching for solutions and marketing the end product is what makes our work so interesting.”—

### Nedap

Nedap has an open, innovative and creative culture oriented towards development and entrepreneurship.

The company focuses on:

developing and supplying innovative and sustainable security and electronic control solutions and automation, management and information systems for organisations.

Nedap concentrates on market segments where its technological know-how, market knowledge and knowledge of the customer's business process can create added value for the customer. These market segments are approached through the company's own sales channels as well as through third parties.

The company is organised into market groups. Each group develops and delivers solutions and possesses knowledge in the fields of technology, markets and customer business processes. Staff are challenged to display entrepreneurship, take responsibility and develop their talents.

The technologies used for the various solutions are closely related so that the market groups use and share each other's technological know-how, products, systems and market experience.

Particular attention is devoted to creating distinctive value in the products and systems to be sold, as well as the associated services. The professionalisation and internationalisation of sales are also high priorities.

The main sales market is still Europe, but sales outside Europe, including the United States and the Far East, are developing.

To continue operating in a manner that makes Nedap strong, it pursues an operating profit of at least 10% of revenue and a return on equity of 15%-20% as financial norms. The dividend policy, which results from the financial policy, is to pay out the entire profit to shareholders less any additions to reserves that are necessary to maintain solvency at the required level. The innovative nature of Nedap and often project-oriented nature of its orders, means a solvency ratio of about 45%, based on organic growth, not including undistributed profits in equity, is desirable.

#### Long-term policy

Nedap's long-term policy is aimed at creating sustainable added value for customers, staff and shareholders. It wants to achieve this through organic growth in revenue and profit with diversification and innovation, based on the company's expertise, playing a central role. Diversification into different market segments not only opens up new growth opportunities, but also makes the company less dependent on economic trends within a single market. Innovation is the basis for delivering added value to the customer: the customer's perception of what the solution is worth in comparison with what competitors offer. Nedap consequently presents itself in a distinct manner within the various markets.

The distinctive strength of the solutions offered by Nedap enables the company to occupy its own place in a given market and ensures that it need not compete exclusively on the basis of price. The added value per employee indicates the extent to which customers accept the distinctive strength of Nedap's solutions and thus reflects the inventiveness and effectiveness of the organisation. Growth in added value (revenue minus materials) and added value per employee are therefore key priorities.

### Responsibilities

A special attitude must be embedded throughout the entire organisation in order to sustain the company's unique character and policy. Diversification and innovation are delicate processes where premature action can be just as harmful as late intervention. For the **staff** this means being receptive to new responsibilities and working methods and feeling comfortable in a constant process of change. For the **Board of Management** this means pursuing entrepreneurship, seeing new developments in the market and technology and making sure that innovation is realised. For the **Supervisory Board** this means stimulating the Board of Management in this innovation process and carrying out adequate supervision while giving the Board of Management sufficient scope for responsible entrepreneurship. The chosen policy requires excellent relations among the Supervisory Board, the Board of Management and staff in order to ensure that new product ideas and marketing strategies can be discussed at an early stage and that successes and setbacks are promptly and frankly evaluated, without leading to a blurring of responsibilities. In this respect, Nedap has put in place a working environment in which the various elements of 'governance' are mutually reinforcing.

### Risk and Risk Management

Risks are an integral part of entrepreneurship. The trick is to limit these risks as far as possible without impeding the company's entrepreneurial drive. The 'Management System' described in the Governance section forms the procedural basis for identifying risks as early as possible and taking measures where necessary. The Controlling Groenlo Department plays a leading role in this respect. The risks at Nedap can be broadly divided into risks that are inherent in entrepreneurship and risks that arise from breaches of company or social standards and regulations, such as fraud.

### Entrepreneurial risks

#### a) Revenue

Nedap's entrepreneurial and project-based nature means that its revenues vary annually. Due to the high added value (in percentage terms) of the company's revenue (revenue minus materials), fluctuations in revenue will generate more than proportionate percentage variances in the result. New products and systems and the project-based nature of the revenue, combined with relatively short project lead and delivery times, make it difficult to estimate future revenue.

Various internal and external factors can also have both a negative and positive impact on revenue. Important factors in this respect are delays during technical and/or market development, start-up problems with new products, intensified price competition, exchange rates (mainly the dollar) and macro-economic developments.

Nedap attempts to limit such risks where possible by means of its added-value-focused diversification policy that is based on the company's expertise. This policy creates opportunities for organic revenue growth, whilst avoiding reliance on developments in a single market.

#### b) Costs

Costs are another area of entrepreneurial risk. At Nedap these principally concern development project costs and product start-up costs. In addition, price increases in commodity and component markets cannot always be immediately passed on to the customer, thus creating pressure on margins. Risks arising from customer insolvency can be reduced through credit insurance. The Controlling Groenlo Department constantly monitors the currency markets and assesses in what situations and to what extent exchange rate risks can and must be hedged.

c) Financial instruments

The risks arising from the use of financial instruments are described in Financial Risk Management in the financial statements.

d) Staff

An important risk factor at Nedap concerns the ability to recruit and retain the right staff. High-quality, entrepreneurial employees, above all, will seek to minimise the aforementioned risks.

**Risks that arise from breaches of company or social standards and regulations, such as fraud**

Apart from social control, managers play an important role in preventing fraud and other forms of inappropriate behaviour at Nedap. They must set the right example and, through 'hands on' management, promote awareness of what is and what is not tolerated. In addition, the Controlling Groenlo Department continuously assesses and monitors the administrative organisations and internal measures of control, devoting extensive attention to the prevention of fraud. During the annual audit, the external auditors discuss the internal control measures aimed at preventing and detecting fraud with various officers in the organisation.

## Social aspects of doing business

### Nedap's culture

Corporate social responsibility, or sustainable business, is a natural part of Nedap and rooted in its corporate culture. It is also part of our corporate objective: to develop and supply innovative and sustainable security and electronic control solutions as well as automation, management and information systems for organisations. Sustainable business is therefore anchored in all our business processes.

Every business decision involves weighing up the interests of the various stakeholders. For many years, the search for a balance between financial results, social interests and the environment has been embedded in our way of working as a matter of course. Sustainable business is an ongoing process, not an end in itself.

Our long-term policy focuses on creating sustainable added value for customers, employees, shareholders and society. We are convinced that sustainable business leads to sustainable growth and creates value.

### Developing and supplying sustainable products, systems and services

At Nedap, quality, safety and sustainability are not just empty words. Every Nedap employee is aware that Nedap products must meet these characteristics. We therefore develop high-quality products, systems and services for our customers that improve their futures (and those of their customers), and deliver them at a fair price.

Production is concentrated as far as possible at our subsidiary, Inventi B.V., in Neede, where the continual aim is to achieve the most efficient possible production process for high-quality sustainable products. While many other companies have outsourced manufacturing to low-wage countries, we keep as much of this work as possible in the Netherlands, partly with a view to retaining employment. We work closely with a sheltered employment service so we can offer people with work limitations a meaningful working environment.

Sustainability is not just about manufacturing sustainable products, but involves the search for new, inventive production methods and the design of the related processes. Social responsibility in purchasing is also important. We therefore also consider the environmental and social aspects of products and components we purchase. Environmental aspects have to do with the impact of the item or the production process on the environment; social aspects include respect for human rights and employment rights. We obey the law in the countries where we operate, support universal human rights and apply high health, safety and environmental standards.

As an international industrial business, we are responsible for protecting and monitoring the surroundings where we operate. We aim to minimise any adverse environmental effects of our activities and, of course, 'prevention is better than cure'. This aim applies to the whole production process and the entire lifecycle of a product – from extraction of raw materials, through manufacturing and use of the product to final disposal/reuse.

We focus on minimising the use of potentially dangerous chemicals in our products. This means that, where appropriate, we want to find ways to reduce consumption or switch to materials with a more favourable effect on the environment.

As raw materials are growing scarcer, we consider it important to try and make efficient use of those materials as well as intermediate goods. As a result, our manufacturing processes result in as little waste as possible. This not only reduces the adverse effect on the environment but also saves costs.

We are focusing on further reducing the amount of packaging materials, reusing packaging, recycling materials and using environmentally-friendly, sustainable packaging materials and lightweight packaging.

The negative environmental impact of electricity generation prompts us to give priority to reducing consumption, including ongoing efforts to make substantial reductions in the energy used by our products. On 1 January 2011, Nedap Groenlo and Inventi B.V. shifted entirely to sustainable electricity, which is generated without the use of environmentally damaging fossil fuels while emitting almost no pollutants. We continue to search for new techniques to reduce energy consumption, including low-energy lighting, presence sensors and ultrasonic humidification.

#### **Healthy commercial results**

A healthy financial situation is a precondition for the company's continuity. To ensure that Nedap can continue doing business in a way that fosters our strength, we use an operating profit of at least 10% of revenue and a return on equity of 15%-20% as financial standards. Given the innovative nature of Nedap as a whole and the often project-oriented nature of its orders, we consider it desirable to maintain a solvency ratio of about 45%, based on organic growth. In principle, the remainder is distributed to the shareholders.

Decision-making takes into account the interests of all stakeholders and a responsible balance is sought, and usually found, between the commercial results, social interests and the environment.

#### **Employees and social responsibility**

Employees and their expertise are critical success factors for Nedap. Our business grows as our people grow, so we attach great importance to their professional and personal development. At Nedap, we do all we can to develop existing talent and to encourage new skills and professional progress. Partly as a result of this, we are able to attract and keep people of the highest quality to help further develop our activities.

Our employees are entitled to work in safe and healthy conditions in attractive surroundings. Given that new ideas and new ways of thinking are essential to remaining competitive, we must foster an environment and mode of thought that encourage the spirit of enterprise and new ideas in people and teams. This means stimulating 'Yes' instead of 'Yes but...', 'Why not' instead of 'Why'. It is a mentality that gets good ideas to market faster. Moreover, we keep people with bright ideas within our company.

Nedap does not have a hierarchical structure and helps its people develop a broad, interested view of the world. We encourage them to ask questions. We can often find a different, better way if we challenge ourselves and our customers to look at things from more than one perspective.

Nedap and society are inextricably linked; one influences the other. A number of important aspects of this are mentioned below.

#### ***Human rights***

Nedap respects the rights set out in the Universal Declaration of Human Rights, which states that every party in society, including businesses, must observe and secure human rights.

#### ***Free enterprise***

We support free enterprise and fair competition. We aim to meet the needs of our customers faster, better and more clearly than our competitors. We compete fiercely but fairly.

#### ***Privacy***

We protect the confidentiality of identifiable personal information regarding customers, employees, business contacts and other individuals.

### *Communication*

Unless absolute confidentiality is required, we aim for open, accurate and timely communication.

### *Integrity and responsibility*

Ethical and responsible conduct is important to our business. If we do the right thing, people know we are a company they can trust. Trust is the basis of good interaction. Integrity and honesty are essential in business transactions: there is no room for bribery or unethical practices, nor for conflicts of interest. And yet, integrity and responsibility go further than that. They are about doing things in the right way, as a company and as individuals.

### *Treating everyone fairly*

We will never discriminate on the basis of race, ethnic background, age, religion, gender, sexual orientation or disability. We want our workforce to be a reflection of the society in which we operate. All our employees can expect fair and equal treatment from the company, irrespective of their job or where they are located.

### *Child labour, forced labour and slavery*

Child labour is defined as any type of work that prevents children from getting an education, damages their physical and/or psychological health, restricts their development or robs them of their childhood or self-respect. At a minimum, Nedap complies with the regulations of the countries in which it operates. Under no circumstances will Nedap use forced labour, employ children in breach of Conventions 138 and 182 of the International Labour Organization or act in breach of the UN Convention on the Rights of the Child.

### *Exploitation*

Exploitation of vulnerable individuals or groups will not be tolerated in any circumstances.

### *Working conditions*

Wages and benefits must fully meet local standards, comply with local legislation and be in line with general principles of justice and fair treatment.

### *Relationships*

We want to do business with companies that subscribe to our ethical values and meet our social and environmental standards.

The theme of this annual report is 'The joy of relevant solutions'. In this report, dozens of Nedap employees share with the reader the pleasure they get from their work. This is because, with Nedap's solutions, they are making a relevant contribution to a better and safer living and working environment, all over the world.

## Governance

The Supervisory Board and Board of Management of Nedap believe they comply with the 'principles of good corporate governance' set out in the Dutch Corporate Governance Code. The 'best practice' provisions are largely complied with. The information required by the Code is provided in various places in the Annual Report.

Reading the 'best practice' provisions it soon becomes apparent that these are aimed at large listed companies. This focus of the Code is understandable given those companies' individual social relevance. Smaller companies, such as Nedap, are, however, organised completely differently from large listed companies. The management is more in touch with daily practice, and so lines of control are less formal and more direct. The nature and smaller size of such companies also means that the control structure is usually less complex and the division of tasks less stringent. Moreover, the supervisory boards of smaller companies tend to be more involved in the company and consequently have a better understanding of what is happening within the company. This, too, obviously improves the quality of supervision in general. In cases where the detailed nature of the 'best practice' provisions is designed to address typical governance issues at large listed companies, the 'apply or explain' rule does not provide enhanced insight into the application of the desired principles of sound corporate governance and supervision at smaller companies. Nevertheless, departures from the provisions will be disclosed and explained as required.

### Management and supervision

Nedap falls within the 'statutory two-tier board system' and so supervisory directors are appointed by the general meeting of shareholders on a nomination of the Supervisory Board. In this connection, the shareholders and the Works Council are also given an opportunity to recommend persons for appointment.

The profile for the size and composition of the Supervisory Board is described in the 'Profile of the Supervisory Board' section in the annual report and also on the company's website. The membership of the Supervisory Board conforms with the profile.

The professional background of the members has also been published. The members are independent of the company and of each other. None of the members holds more supervisory directorships at Dutch listed companies than specified in the Code. The Supervisory Board currently has four members. In view of Nedap's transparency and the limited size of the Supervisory Board, there are no audit, remuneration or selection and appointment committees. Consequently, the full Supervisory Board is designated to perform the duties of the audit and other committees. The chairman of the Supervisory Board oversees the quality and frequency of the information flow on the company's financial performance, market position, product development and organisational progress. The Supervisory Board as a whole assesses the financial and other information.

The remuneration arrangements made with the Board of Management are set out below. The chairman and a member of the Supervisory Board hold annual appraisal interviews with the members of the Board of Management on the basis of predefined targets. The variable income of the Board of Management is determined by the performance of its members with respect to those targets. The maximum variable remuneration is 50% of the fixed annual income.

Given the small size of the Supervisory Board, the experience of its members and the need for flexible working procedures, the Board has not drawn up any formal regulations.

The Board of Management has two members. The Supervisory Board members believe that appointing directors for four-year terms would impede the proper performance of their role within the company. The directors are entrusted with the task of mapping out the company's long-term strategy and translating that strategy into effective policy. Four-year mandates are not sufficient to adequately fulfil this role at a company like Nedap. The annual appraisal interviews also enable the Supervisory Board members to monitor the performance of the directors more effectively than if they were reappointed once every four years.

The members of the Board of Management do not hold supervisory board memberships with any other companies, nor do they hold any interests in other companies that conflict with those of Nedap. Given Nedap's size and market position, the Supervisory Board and the Board of Management see no need to draw up 'regulations concerning ownership of and transactions in securities by board members, other than securities issued by their own company'. It has been agreed that the acquisition of interests in another company that might give rise to a potential conflict of interests shall be avoided and, in case of doubt, shall be discussed in advance. This applies to members of both the Supervisory Board and the Board of Management.

### Remuneration policy for the Board of Management

The aim of the remuneration policy is to have a compensation package for the Board of Management that contributes to attracting and retaining qualified and expert directors, ensuring and advancing the medium and long-term interests of the company.

The compensation package for the Board of Management comprises:

#### I Fixed annual income

Fixed annual income that is revised each year at least by a percentage equal to that of the salary increase provided for in the Nedap's Collective Labour Agreement. The fixed annual income of the finance director is structurally 20% lower than that of the managing director.

#### II Variable annual income

The variable annual income depends on the members of the Board of Management meeting targets set in advance by the Supervisory Board. One third of the variable income is determined by financial targets, one third by targets relating to the development of the internal organisation and one third by targets focusing on the way in which the organisation operates in its environment. 30% of the fixed annual income is paid for performance at target level, with a maximum of 50% of the fixed annual income.

Each director must contribute at least 50% of his variable annual income after tax to Stichting Medewerkerparticipatie Nedap in exchange for depositary receipts. This means that a significant part of the variable income is dependent on the company's long-term performance.

The Supervisory Board may increase or decrease the variable income if in its opinion the calculations lead to an unreasonable outcome. If variable remuneration is granted on the basis of incorrect information, the Supervisory Board is entitled to recover it from the director concerned.

The remuneration package for the Board of Management has been set taking into account internal pay relationships and market information. The remuneration package is reviewed regularly to ensure that it is still competitive and in line with the weight and complexity of the duties.

The pension scheme for the Board of Management is based on average pay, with general salary increases also being included over past years of service. Pension rights are accrued at a rate of 2% per year. The pensionable salary is based on the fixed annual income.

No arrangements have been made with the members of the Board of Management regarding a period of notice or redundancy scheme.

No loans, advances or guarantees have been granted to the directors.

### Management System

Nedap has an adequate and effective Management System which is designed to:

- test actual progress and performance against the objectives,
- enable management to retain control over responsibilities delegated to others,
- manage cash and other flows representing a monetary value within the organisation,
- identify and restrict risks,
- prevent fraud.

The internal information and reporting flows are as follows:

- I Article 20 of the Articles of Association of Nedap N.V. specifies which Board of Management resolutions are subject to the approval of the Supervisory Board.

Each year the Board of Management provides the Supervisory Board with a forecast which, on the basis of the then available knowledge, sets out the company strategy and quantitatively substantiates the projections for the coming year as well as the expected developments for the second year.

The Board of Management also reports regularly (ten times per year) to the Supervisory Board on the actual performance versus budget. The Supervisory Board meets at least four times per year, and more often as necessary, to discuss these reports.

- II The market group managers set out their views each year in a strategic two-year plan. This includes, on the basis of the objective, the plans relating to the market, R&D efforts, staffing and capital investments. The market-group managers also report regularly (ten times per year) to the Board of Management on the actual performance versus the budget. In addition to this reporting system, a regular exchange of information takes place between the Board of Management and market group. This is made easier by the fact that the Board of Management and the market group management are both based in Groenlo.

In addition, the Board of Management and the market group managers also consult prior to any definite decision-making on:

- significant market-related decisions,
- R&D projects,
- staff appointments,
- capital investments.

Certain actions by the management of subsidiaries are also subject to the approval of the Board of Management of Nedap. In addition, a budget (including income statement, balance sheet, capital expenditure, staffing level and cash flow statement) must be submitted for the coming year. Here too regular reports are submitted (ten times a year) to the Board of Management and the market-group management on the actual performance versus budget.

- III** Internally, the Controlling Groenlo Department plays a leading role in the analysis the strategy and the various plans and monitors the implementation versus set targets.

This department ensures that the administrative organisation and data processing are sufficient to ensure the uniform and correct handling of all financial and business matters. It has set up a mandatory, uniform reporting system (including the provision of explanatory notes) that is designed to supply the information required by the Board of Management. The department also ensures the correct, complete and timely delivery of these reports (ten times a year).

The Controlling department monitors the risks, manages value flows within the organisation and ensures that contracts and statutory regulations are complied with, reporting where necessary to the Board of Management. It assesses the various administrative organisations, also devoting attention to the prevention of possible fraud.

In addition, the Controlling department assesses in what situations and to what extent currency risks can and must be hedged. The potential risk arising from insolvent customers is reduced by means of credit insurance.

External reporting is on the basis of the standards laid down by the International Accounting Standards Board and accepted by the European Union.

- IV** The external auditor then acts as objective assessor of this process for the parts relevant to the annual audit.

The Board of Management states that the internal control system as described provides a reasonable degree of assurance that the financial reporting is free of material errors or an incorrect presentation of facts. The financial reports give a true and fair view of the company's financial situation and results of its activities and the required notes. The internal control system has operated satisfactorily during the year under review.

There was intensive contact during the year with the management of subsidiaries and market groups and Controlling department on transactions undertaken by the company and on detailed oral and written reports on revenue, expenses and progress. The Board of Management and market groups are based at the same address; information is exchanged daily.

There were no significant changes to the Management System during the year under review and no significant changes are planned. The organisation currently uses several ERP systems. The aim is to move responsibly towards a single system. A start was made on this in 2008 and it is expected that almost the entire organisation will be using the same ERP system by the end of 2011.

### External communications

Nedap publishes an overview of the company's performance and progress at least five times a year. In addition to the Annual Report, there are first-half and full-year financial reports, supplemented with two interim reports in the spring and autumn on relevant market developments, key events and transactions and their effects on Nedap's financial position, along with a general description of the financial position. These reports and much more information can be found on the website [www.nedap.com](http://www.nedap.com).

### Best practice provisions

Given the company's innovative, project-driven and flexible style of entrepreneurship, Nedap has opted to apply certain provisions of the Corporate Governance Code in a different way. All such instances of non-standard application are explained below in the same order as the Code:

#### **II.1.1 A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.**

Given the long-term nature of Nedap's policy, members of the company's Board of Management are appointed for an indefinite period of time. A director's length of tenure depends on his performance which is reviewed annually by the Supervisory Board.

#### **II.1.3 The Company shall, in any event, employ as instruments of the internal risk management and control system:**

##### **b) a code of conduct should be published on the company's website;**

Nedap and its staff act in an honest and honourable manner. This integrity is not based on a whole range of formal rules, but on what any normal person knows to be right or wrong. Honesty and the courage and freedom to admit one's mistakes are crucial in this connection. Staff should always put the interests of the customer and Nedap first in their actions. Against this background Nedap's management plays a vital role in keeping everyone aware of these principles. Ultimately, a good example will be followed. A written code of conduct would not be appropriate for the type of organisation that Nedap is and would be contrary to the way in which we deal with one another.

#### **II.1.7 The management board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature within the company to the chairman of the management board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board. The arrangements for whistleblowers shall be posted on the company's website.**

The relationships and open structure within the Nedap organisation are such that alleged irregularities can be exposed without fear of repercussions, regardless of the rank or status of the alleged perpetrator. No separate rules are necessary for this purpose.

**II.2.8 The remuneration in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.**

As was pointed out with respect to II.1.1, members of Nedap's Board of Management are appointed for an indefinite period and there is therefore no such thing as a 'first term of office'. In the unfortunate event that a director's performance proves unsatisfactory, then the severance pay will be partly determined by the number of years of service at Nedap.

**II.2.13 The overview referred to in best practice provision II.2.12 shall in any event contain the following information:**

**f) a description of the performance criteria on which the performance-related component of the variable remuneration is dependent in so far as disclosure would not be undesirable because the information is competition sensitive, and of the discretionary component of the variable remuneration that can be fixed by the supervisory board as it sees fit;**

The remuneration package for the Board of Management comprises fixed and variable annual income. The variable annual income depends on the members of the Board of Management meeting targets set in advance by the Supervisory Board. One third of the variable income is determined by financial targets, one third by targets relating to the development of the internal organisation and one third by targets focusing on the way in which the organisation operates in its environment. As far as possible, the Supervisory Board will set quantifiable objectives for these targets. No further details of the targets can be given for competitive reasons.

**g) a summary and account of the methods that will be applied in order to determine whether the performance criteria have been fulfilled;**

As no further details of the targets are being given, it is also difficult to give a summary and account of the methods that will be applied in order to determine whether the performance criteria have been fulfilled.

**h) an ex-ante and ex-post account of the relationship between the chosen performance criteria and the strategic objectives applied, and of the relationship between remuneration and performance.**

As the selected targets cannot be set out in greater detail than in f), an account of the relationship between these targets and the strategic objectives cannot be given to the extent that the targets would have to be disclosed for this. A significant proportion of the variable income is dependant on Nedap's long-term strategy and performance since each director must contribute at least 50% of their variable annual income after tax to Stichting Medewerkerparticipatie Nedap in exchange for depositary receipts. These depositary receipts are locked up for a period of four years. With respect to the relationship between reward and performance ex ante and ex post it is only possible to say that 30% of the fixed annual income is paid for performance at target level, with a maximum of 50% of the fixed annual income.

**II.2.14 The main elements of the contract of a management board member with the company shall be made public after it has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the management board member will be proposed. These elements shall in any event include [...] performance criteria to be applied.**

At Nedap, members of the Board of Management are appointed by the Supervisory Board after announcing the proposed decision to the general meeting. The performance criteria are not set out in greater detail as explained in Remuneration of the Board of Management.

**III.1.1 The division of duties within the supervisory board and the procedure of the supervisory board shall be laid down in terms of reference. The supervisory board's terms of reference shall include a paragraph dealing with its relations with the management board, the general meeting and the central works council or works council. The terms of reference shall be posted on the company's website.**

In view of the nature of the Company and the company-specific working procedures of the Supervisory Board as set out in the Report of the Supervisory Board to the Shareholders, and given also the size of the Board and the desired flexibility, the Supervisory Board considers it undesirable to lay down formal procedures for its dealings with the Board of Management, the General Meeting of Shareholders and the Works Council.

**III.3.3 After their appointment, all supervisory board members shall follow an induction programme, which, in any event, covers general financial and legal affairs, financial reporting by the company, any specific aspects that are unique to the company and its business activities, and the responsibilities of a supervisory board member. The supervisory board shall conduct an annual review to identify any aspects with regard to which the supervisory board members require further training or education during their period of appointment. The company shall play a facilitating role in this respect.**

The size of Nedap as well as its organisational set-up are such that no formal induction programme is necessary. Newly appointed members naturally receive an appropriate introduction, including a visit to the head office in Groenlo.

**III.3.5 A person may be appointed to the supervisory board for a maximum of three four-year terms.**

The Supervisory Board considers that the length of tenure of its members should be determined by their quality and contribution in combination with the specific knowledge they bring to Nedap. The performance of the Supervisory Board and its members are evaluated annually. The Articles of Association stipulate that a member's tenure shall end upon reaching the age of 72.

**III.4.1 The chairman of the supervisory board shall see to it that:**

**a) the supervisory board members follow their induction and education or training programme;**

As pointed out with respect to III. 3. 3, Nedap has no formal induction programme. It goes without saying that the chairman of the Supervisory Board ensures that the competencies of the members of the Supervisory Board match the profile of the Board and that they are effectively inducted into the Company.

**III.6.5 ... The company shall draw up regulations governing ownership of and transactions in securities by management or supervisory board members, other than securities issued by their 'own' company.**

An agreement is in place whereby interests in other companies involving a potential conflict of interests are avoided and, in case of doubt, discussed in advance with the Supervisory Board. Given Nedap's size and market position, the Supervisory Board sees no need to draw up written regulations regarding members of the Board of Management holding and dealing in shares in companies other than Nedap.

**IV.1 Principle**

**..... The Company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.**

Nedap does not have an international shareholder base. Nedap considers that the interest its shareholders have in the Company and its culture is demonstrated by their personal attendance at the General Meeting of Shareholders and, if necessary, their participation in the discussion. Personal attendance is particularly important when matters of substance are being discussed. Shareholders may vote by proxy, where necessary.

**IV.1.4 The policy of the Company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the general meeting of shareholders.**

Nedap's policy on additions to reserves and dividends is directly determined by its strategy and long-term policy and will be discussed in that context. The long-term policy is aimed at creating sustainable added value for customers, staff and shareholders. The policy of additions to reserves and dividends will be a discussion item on the agenda.

**IV.1.5 A resolution to pay a dividend shall be dealt with as a separate agenda item at the general meeting of shareholders.**

As pointed out with respect to IV.1.4, the dividend payment is directly determined by the strategy and the long-term policy. The dividend payment will be explicitly included on the agenda as a separate item.

**IV.3.9 ..... and resolutions for the appointment of management board members [...] shall be submitted separately to the general meeting.**

As explained in II.2.14 directors are appointed by the Supervisory Board after announcing the proposed decision to the general meeting. Consequently, formally no proposal to appoint directors is submitted to the general meeting.

**V.2.1 The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor shall for this purpose attend and be entitled to address this meeting.**

Pursuant to Article 42(3) of the Articles of Association, Nedap's auditor reports on his audit to the Supervisory Board and the Board of Management. The result of his audit is set out in a statement certifying that the financial statements give a true and fair view of the financial position of the Company in conformity with the International Accounting Standards Board and accepted by the European Union and Part 9, Book 2 of the Netherlands Civil Code and that they comply with the statutory provisions for financial statements stipulated in Part 9, Book 2 of the Netherlands Civil Code and, to the extent of his competence, that the Board of Management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code. This independent auditor's report is included in the Other information section.

The activities of the auditor are described in the 'Auditor's responsibility' section of the Independent Auditor's Report. This is self-explanatory.

Independent auditor's reports at Nedap are unqualified, and so no additional clarification is necessary. Should any provisos be included, these will be disclosed and explained in the Annual Report in conformity with the accountability of the Supervisory Board and the Board of Management vis-à-vis the shareholders. In the view of the Supervisory Board and the Board of Management, the presence of the external auditor at the General Meeting of Shareholders is therefore unnecessary.

**V.3.1 The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.**

In view of its size, Nedap does not have an internal auditor (or an audit committee). It goes without saying that the external auditor performs the annual audit with due attention to the existence and implementation of the internal audit and control system. The external auditor attends the meeting of the Supervisory Board at which the financial statements are discussed

Chairman of the  
Supervisory Board:

A. van der Velden

Board of Management:

R.M. Wegman  
G.J.M. Ezendam

## Information on the company structure and control pursuant to the Decree on section 10 of the Takeover Directive

### Capital structure

Nedap's authorised share capital consists of 15,600,000 ordinary shares of € 0.10 nominal value each and 15,600,000 preference shares of € 0.10 nominal value each. The preference shares are registered. The ordinary shares are bearer shares.

The issued share capital is € 669,292 consisting of 6,692,920 ordinary shares.

The ordinary shares are listed on NYSE Euronext Amsterdam and are freely tradable. They are embodied in a 'global note' that is held in custody by Necigef on behalf of the shareholders.

### Stichting Medewerkerparticipatie Nedap

Following the foundation of Stichting Medewerkerparticipatie Nedap (Stichting) in 2009, employees have been able to acquire depositary receipts for shares in Nedap since 1 January 2010. This ability to become a depositary receipt holder in the company is in line with the enterprise that is demanded of the employees. It also offers employees the possibility to be heard through the Stichting at the general meeting of shareholders when fundamental decisions are being taken on Nedap's direction and future.

Each year, employees may decide to use all or part of their profit share for this. The depositary receipts are locked up for a period of four years. In addition to a purchase discount of 10% on the depositary receipt price, subject to certain conditions, one bonus depositary receipt is distributed for each four depositary receipts after four years. The full dividend on each depositary receipt is attributed to the depositary receipt holder. On 31 December 2010, the Stichting owned 14,512 shares in Nedap for which it had issued depositary receipts to employees.

Since 1973, Nedap has been able to issue preference shares as an anti-takeover measure. This protection can be deployed if a third party intends to gain control of the company by acquiring a decisive interest or otherwise attempts to adversely affect Nedap, without ensuring the interests of Nedap, its business and all stakeholders in a satisfactory way.

### Stichting Preferente Aandelen Nedap

To this end, the Stichting Preferente Aandelen Nedap ('Stichting') was set up in 1973. The Stichting looks after the interests of Nedap, its business and all stakeholders, defending as far as possible against influences which could threaten continuity, independence and identity in conflict with those interests.

Nedap has granted the Stichting the right to acquire preference shares (call option) under which, on request, it can acquire preference shares up to a maximum equal to the number of ordinary shares in issue less one at the time the option is exercised.

The call option obliges Nedap to issue the number of preference shares requested by the Stichting whenever it makes that request. Consequently, no further decision by any corporate body of Nedap is required; the decision was taken when the option was granted to the Stichting.

If preference shares are issued, the Stichting has to pay at least 25% of their nominal value in cash.

The members of the Executive Board of the Stichting are:

J.C.M. Hovers, chairman  
 J.C. Jaakke, deputy chairman and secretary  
 J. Lock  
 A.P.M. van der Veer-Vergeer  
 R.P. Voogd

The membership of the Executive Board of the Stichting is intended to ensure the interests of all stakeholders in Nedap in decision-making.

The officers of the Stichting and Nedap share the opinion that Stichting Preferente Aandelen Nedap and Nedap itself are independent of one another within the meaning of section 5.71(1c) of the Financial Supervision Act.

Preference shares take precedence over ordinary shares for dividend distributions and distributions of capital paid in on the shares in the event of Nedap's liquidation.

### Voting rights

Every share is entitled to one vote. There are no restrictions on voting rights. Shareholders who wish to attend the general meeting of shareholders can announce this by the date set by the Board of Management of Nedap, which cannot be earlier than the seventh day before the general meeting, through their bank or broker where the shares are administered, by requesting a receipt which acts as a ticket to the meeting.

### Disclosure pursuant to Act on the Disclosure of Major Holdings in Listed Companies

The Netherlands Authority for the Financial Markets (AFM) published the following information on holdings reported in connection with control and shareholdings:

	<b>March 2011</b>	March 2010
	<b>in %</b>	in %
Cross Options Beheer B.V.	<b>15.11</b>	15.11
Delta Lloyd Deelnemingen Fonds N.V.	<b>13.45</b>	13.45
Aviva plc.	<b>10.41</b>	10.41
ASR Nederland N.V.	<b>8.20</b>	8.20
Kempen Oranje Participaties N.V.	<b>7.11</b>	7.11
Darlin N.V.	<b>5.19</b>	5.19
TKH Group NV	<b>5.06</b>	-
Eureko B.V.	-	5.06
(Stichting Preferente Aandelen Nedap (potential))	<b>(100.00)</b>	(100.00)
Total	<b>64.53</b>	64.53

There are no material transactions between legal or natural persons who hold at least 10% of the shares in Nedap as meant by provision III. 6.4 of the Dutch Corporate Governance Code.

**Appointment and dismissal of directors**

Nedap is a two-tier company and so members of the Board of Management are appointed by the Supervisory Board. The Supervisory Board notifies the general meeting of shareholders of the proposed appointment. The Supervisory Board will not dismiss a director until the general meeting of shareholders has been able to decide on the proposed dismissal.

**Appointment and dismissal of supervisory directors**

Supervisory directors are appointed by the general meeting of shareholders on a proposal of the Supervisory Board, generally for a period of four years. This proposal is made on the basis of a profile drawn up by the Supervisory Board. The general meeting of shareholders and the works council may recommend people as supervisory directors. The works council has an enhanced right of nomination for one member of the Supervisory Board.

The general meeting of shareholders may reject a nomination by an absolute majority of the votes cast representing at least one third of the issued capital.

The Enterprise Section of the Amsterdam Court of Appeal may on application dismiss a supervisory director for neglect of duty, other weighty reasons or significant changes in circumstances such that continuing as supervisory director cannot reasonably be demanded of the company. The application may be submitted by the company, represented by the Supervisory Board, or a representative designated by the general meeting of shareholders or the works council.

The general meeting of shareholders may pass a resolution of no confidence in the entire Supervisory Board by an absolute majority of the votes cast representing at least one third of the issued capital. Such a resolution brings about the immediate dismissal of the members of the Supervisory Board.

**Authority of the Board of Management to issue shares and acquire treasury shares**

The Board of Management is only authorised to issue shares if the general meeting of shareholders appoints it as the body authorised to issue shares. This appointment has not been made. A resolution by the general meeting of shareholders issue shares, to appoint another body as the body authorised to issue shares or the withdrawal of a resolution to appoint can only be passed on a joint proposal of the Supervisory Board and the Board of Management. A resolution to issue preference shares by a body other than the general meeting of shareholders is always subject to co-operation of the Supervisory Board in each specific case. Preferential rights can be limited or excluded by the body appointed to decide on share issues.

Nedap may only acquire its own fully paid shares for no consideration. Acquisition other than for no consideration is only possible if:

- the equity less the acquisition price is no smaller than the paid up and called up portion of the capital plus the reserves required to be kept by law and the articles of association;
- the nominal amount of the treasury shares is no more than 50% of the issued share capital; and
- the General Meeting of Shareholders has so authorised the Board of Management. This authority is not required to acquire the company's own shares or depositary receipts for them for transfer them to employees under an applicable plan.

**Amendment of the articles of association**

Nedap's articles of association may be amended by a resolution of the general meeting of shareholders after prior approval of such resolution by the Supervisory Board and Board of Management.

**Restrictive agreements with shareholders**

To the best of Nedap's knowledge, its shareholders are not a party to an agreement that could lead to restrictions on trading in Nedap shares or on voting rights.

**Significant matters on a take-over bid**

The standby roll-over credit agreement (€ 14 million) that Nedap has entered into with the bank includes a provision under which the bank can demand early repayment of the loan if there is a significant change in control over Nedap's activities.

It is not unusual for other long-term alliances to which Nedap is a party also to include the possibility of terminating the agreement with immediate effect in the event of a 'change of control'. The overall scope of these clauses is not regarded as significant as meant by the Decree on Section 10 of the Takeover Directive.

Nedap has not entered into agreements with directors or other employees under which personal rights to compensation can be derived on termination of their employment after the settlement of a take-over bid for Nedap shares.

## Provisions of the Articles of Association concerning Special Rights

The Supervisory Board and the Board of Management have been granted certain special rights, including:

Art. 10:

Proposal to issue new shares.

Art. 11:

Proposal to restrict or exclude preferential rights.

Art. 18:

Determination of the number of members of the Board of Management.

The Supervisory Board has been granted certain special rights, including:

Art. 23:

Proposal for the setting the remuneration policy for the Board of Management.

Setting the remuneration and other terms of employment of each member of the Board of Management.

Proposal to remunerate the Board of Management in the form of shares or rights to acquire shares

Art. 24:

Setting the number of members of the Supervisory Board. The Board must comprise at least three members.

Art. 25:

Nomination for appointment to the Supervisory Board.

## Provisions of the Articles of Association concerning Approval of Resolutions by the Board of Management in accordance with Article 20

### Paragraph 1:

Without prejudice to provisions elsewhere in these Articles of Association, the following resolutions by the Board of Management shall be subject to the approval of the Supervisory Board:

- a. resolution to issue or acquire shares in or debt instruments payable by the Company or debt instruments payable by a limited partnership or general partnership in which the Company is a fully liable partner;
- b. co-operating with the issue of registered depositary receipts for shares;
- c. applying for the listing of the debt instruments or depositary receipts referred to in a and b on a regulated market or multilateral trading facility, as referred to in Section 1:1 of the Act on Financial Supervision or system comparable with a regulated market or multilateral trading facility in a state not being a Member State or an application for the withdrawal of such listing;
- d. a resolution to enter into or cancel any long-term co-operative relationship between the Company, or any dependent Company, and another legal entity or Company, or in its capacity as a fully liable partner in a limited partnership or general partnership, if such co-operation or cancellation has a substantial impact on the Company;
- e. a resolution to have the Company or any dependent Company take any interest in the share capital of another Company worth no less than one fourth of the Company's issued capital plus reserves as reported in the Company's balance sheet and notes, or a resolution to radically increase or reduce any such interest;
- f. a resolution to make investments involving an amount of no less than one fourth of the Company's issued capital plus reserves as reported in the Company's balance sheet and notes;
- g. a proposal to amend the Articles of Association;
- h. a proposal to dissolve the Company;
- i. a resolution to file a petition in bankruptcy or to apply for a suspension of payments;
- j. a resolution to terminate the employment contracts of a substantial number of employees of the Company or a dependent Company simultaneously or within a short period of time;
- k. a resolution to implement radical changes in the working conditions of a substantial number of employees of the Company or a dependent Company;
- l. a proposal to effectuate a reduction in the issued capital;
- m. a proposal to legally merge the Company within the meaning of Part 7 of Book 2 of the Netherlands Civil Code.

Paragraph 2:

The following resolutions by the Board of Management shall also be subject to the approval of the Supervisory Board:

- a. the determination of the operational and financial objectives of the Company, the strategy pursued to achieve these objectives and the applicable strategic parameters;
- b. a resolution to appoint officials as referred to in Article 19, paragraph 2, and/or to confirmation of their ad hoc status;
- c. a resolution to engage in legal proceedings, with the exception of taking protective measures or measures which brook no delay;
- d. a resolution to acquire, dispose of, or encumber registered property;
- e. a resolution to enter into a contract of suretyship;
- f. a resolution to conclude a loan or credit agreement; should a credit agreement already have been concluded, the consent of the Supervisory Board shall not be necessary for it to be utilised;
- g. a resolution to enter into a merger, or to acquire, wind up, or dispose of a participation;
- h. a resolution to found or close down a branch.

Paragraph 3:

The Supervisory Board may determine that a resolution as referred to in paragraph 2 above will not require its approval if the interest involved does not exceed a value to be determined by the Supervisory Board.

Paragraph 4:

The Board of Management requires the approval of the General Meeting for decisions involving a significant change in the identity or nature of the Company or its business undertakings, including:

- a. transfer of the business undertakings or virtually the entire business undertakings to a third party;
- b. the creation or discontinuation of a long-standing co-operative relationship between the Company or a subsidiary with another legal entity or Company or as a fully liable partner in a general limited partnership if said co-operation or discontinuation thereof has far-reaching implications for the Company;
- c. the acquisition or disposal by the Company or a subsidiary of an associate in the capital of a Company to the value of at least one third of the assets according to the balance sheet with notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with notes, as stated in the most recently adopted financial statements of the Company.

Paragraph 5:

The absence of the approval of the Supervisory Board or the General Meeting for a decision as intended in this article does not impair the representative authority of the Board of Management or its members, except in relation to a decision as referred to in paragraph 1(l) and paragraph 2(a).

Lissa Kooijman

—“Some products lead to greater social awareness. You transfer knowledge and change people’s daily lives.”—

Jacques Hulshof

—“I make sure that we are aware of and comply with the strictest standards and requirements that customers and governments around the world set for our products. That’s a rewarding job.”—



Rianne Breitner

—“Together with seven creative ladies we come up with and prepare surprising and healthy dishes for our restaurant every day.”—



Fons Bluemink

*—“You’re only limited, if you don’t use your capabilities. That’s what we think at Inventi.”—*



Miranda Hoitink

*—“By effectively organising processes, we can offer more appropriate work. At Inventi this leads to a thriving staff.”—*

# Nedap\*

All too often companies look to the future when it comes to Corporate Social Responsibility. What do we want to achieve? What are we going to do? What good intentions can we put on paper? But that is not where CSR starts...It starts in the soul of the organisation; in the hearts of the people who work there. Sustainable entrepreneurship starts by looking in the mirror!

“If it’s not in the heart, the head can’t do it. Creating and doing good stems from the intrinsic drive to want what is good. This characterises the Nedap employees, wherever you encounter them, and at all levels. This characterises the organisation that they form together.”

At Inventi, Nedap’s independent production company, the team is strengthened with people who have work limitations and difficulty finding jobs. They are full-fledged production employees and we challenge them to make full use of their capabilities. By making extra investments and with a little extra effort from the permanent Nedap employees, we put opportunities within their reach – so that their strength becomes Inventi’s strength.

In Nedap’s kitchen and restaurant, there is a deep-felt awareness that ‘good’ can always be better. That’s why the catering ladies put all their culinary creativity into serving up healthy – and surprising – meals for all their colleagues and guests. And they return all the compliments in the form of even tastier dishes.

Quality, safety, sustainability: at Nedap these are not empty phrases. Every Nedap employee is deeply aware that all Nedap products must incorporate these characteristics. Some employees focus on these aspects as part of their daily work: travelling around the world, visiting institutions, participating in conferences, and sitting on committees to ensure that everyone within Nedap knows and stays abreast of what our society wants, both today and tomorrow!

Where there is a will, the way must often still be paved...Nedap paves the way by giving employees the freedom to come up with out-of-the-box solutions, by creating scope to nurture their ideas into innovative products. In this way, a wacky idea in 2010 can evolve into an amazing solution in 2011.

***A solution that matters.***

Johan Roovers

—“Quality is about more than just delivering a perfect product. It is also about avoiding waste.”—



Tonnie te Braake

—“With a little bit of extra explanation, our temporary staff at Inventi with work limitations have no problem operating the testing equipment.”—

## Colofon

Graphic design **Studio Kluif**  
Photography **Arthur Dries**  
Lithography and printing **Drukkerij Tesink**  
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In addition to those photographed, other Nedap employees  
also made a creative contribution to this report.

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This is a translation of the original Dutch report. In the event  
of any conflict of interpretation, the Dutch will prevail.





*See more Nedap projects at  
[www.nedap.com/projects](http://www.nedap.com/projects)*



