

*The art
of simplicity*

Annual Report 2011



The art of simplicity

The Asterisk: a striking element in Nedap's brand-new logo. A symbol of depth and detail, of the bigger picture behind the products and the conviction from which they were created. But also the 'spark' of inspiration and imaginative power.

It is this inspiration that brings solutions to problems. Solutions that really matter and are popping up in more and more areas of our daily lives. Diverse, but rooted in identical values: relevant, innovative, smart but simple. That is art. The art of simplicity.

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To the shareholders

We are pleased to present you with the Report of the Supervisory Board for the year 2011. The past year was a good one for Nedap. The anticipated decline in revenue from the supplier activities was amply compensated by sharply rising sales of the company's own products and services. All market groups worked hard to continue strengthening their market position. New products were developed, business concepts were adapted and new sales channels were created, ensuring that Nedap is now well-positioned to achieve further organic growth in revenue and results in the coming years.

Financial statements

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 final audit meeting between KPMG Accountants N.V. and the Board of Management. The Independent Auditor's Report and the 2011 Annual Report as drawn up by the Board of Management, consisting of the Report of the Board of Management, the Financial Statements, the Other information, Miscellaneous and Corporate Governance, were discussed by the full Supervisory Board with the Board of Management and the auditor.

Based on these discussions and the reports we periodically received from, and discussed with, the Board of Management in 2011, we are convinced that the report for 2011 provides a sound basis for meeting our accountability obligations in respect of our supervision of the actions of the Board of Management. We therefore recommend that you adopt the 2011 Financial Statements, as presented to you.

Dividend

In 2011, Nedap's revenue increased from € 133.6 million to € 152.3 million and the profit after taxes came to € 11.0 million (2010: € 8.8 million). This resulted in an earnings per share of € 1.64 compared to € 1.30 for 2010.

With solvency of over 37%, where the equity is determined excluding undistributed profit, Nedap has a solid equity position. Thanks to this robust financial basis, Nedap was able to continue investing in R&D and in sales & marketing, thus reinforcing its market position. Nedap continues to aim for solvency of 45% in the medium term.

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 € 2.8 million should be added to the reserves, leaving € 8.2 million available as a dividend. The dividend per share is therefore € 1.23 (2010: € 0.98). The payout ratio remains 75%, the same level as in the previous year.

Meetings and activities

In 2011 the concerning economic developments, notably in Europe, the possible consequences for Nedap and necessary contingency measures were a continuous point of attention and discussion with the Board of Management.

In addition to the four scheduled meetings, various extra talks took place regarding the company's strategy. The strategic plan as drawn up by the Board of Management was discussed at length. We obtained good insight into the competitiveness of the various market groups, the diverse markets, the development of the organisation, the strategic objectives and the related conditions, opportunities and risks. Particularly the risk arising from the difficulty of recruiting and retaining suitable employees for Nedap was extensively discussed.

Outside of the scheduled meetings, the Supervisory Board also discussed its composition in view of Mr Van der Velden's departure in 2012.

And Nedap's new branding, which was launched in the past year to boost Nedap's name recognition and enhance its appeal to young talent, was also discussed.

During the year we dealt with such recurring subjects as the budget and the periodic financial reports (10x per year), in which the actual performance is compared with the budget. The design and operation of the internal risk management system was discussed with the Board of Management and the auditor. No major changes are anticipated in this respect. Partly in view of the company's limited size, we have decided together with the Board of the Management that Nedap does not need an internal auditor.

One of the scheduled meetings was held at the wholly-owned subsidiary Inventi B.V. where most of Nedap's production takes place. The Supervisory Board gained insight into the production processes and the important role played by Inventi. With the exception of one meeting at which one supervisory director was absent due to illness, the scheduled meetings of the Supervisory Board were attended by all members.

The Corporate Social Responsibility policy was also discussed and approved by us during the year. It is clear that Nedap is strongly committed to responsible and sustainable entrepreneurship. CSR has long been embedded in Nedap's procedures and processes as a matter of course. CSR comes naturally to us and is not an issue that needs to be specifically highlighted. Thanks to the company's sustainable approach and products, more and more customers are choosing Nedap. Sustainability serves to distinguish you from the competition. And sustainability is a key driver of innovation.

Nedap, technology that matters: Nedap creates intelligent technological solutions for socially relevant themes. Sufficient food for a growing population, clean drinking water across the world and smart sustainable energy networks are just a few examples of the areas in which Nedap is active. Nedap's products and services all have one thing in common: they always offer a solution to a socially relevant problem. It would not be fitting for Nedap to measure this commitment to society in terms of performance objectives – let alone quantitative targets – or results. Our social sponsoring is anonymous for the same reason.

We also 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, as well as the variable remuneration to be awarded to the Board of Management. These discussions were conducted in an open and critical manner, confirming the good working relationship between the Supervisory Board and the Board of Management.

The adopted proactive approach of the Supervisory Board and the individual supervisory directors is partly reflected in visits of individual supervisory directors to Nedap and its subsidiaries. These visits centre on the key areas assigned to specific supervisory directors and the findings are reported back to the full Supervisory Board. Discussions with employees of Nedap and its subsidiaries, including market group leaders, directors of subsidiaries, staff members and the works council, are important for us as a way to deepen our connection with and insight into the developments at Nedap.

Partly given Nedap's limited size, the Supervisory Board continues to take the view that the creation of committees within the Board is neither necessary nor desirable, particularly now that the Supervisory Board has adopted a proactive approach based on special key areas. The full Supervisory Board is therefore designated to perform the duties of the Audit, Remuneration, and Selection and Appointment Committees; any decisions are made jointly by the full Supervisory Board.

The chairman of the Supervisory Board and the managing director have regular contact to discuss the company's performance and any issues that require special attention. The bilateral contacts of the Supervisory Board with shareholders were also discussed. The Board of Management and the Supervisory Board are committed to maintaining good relations with the company's shareholders. Both the company and shareholders can take the initiative for a meeting. The aim is to provide a more complete picture of the developments within Nedap. These talks are always based on information that has already been published. During the talks with shareholders, the company is represented by a member of the Management Board.

As in previous years, the Supervisory Board, together with the Board of Management, evaluated the auditing firm and the auditor as well as the cooperation with them. The Supervisory Board believes that the auditor provided it with all relevant information to carry out its supervisory duties. The auditor found no irregularities in the reporting. The Supervisory Board is satisfied that the auditor is independent and that this independence is not at risk. Based on the good cooperation as well as the quality, involvement, knowledge and vigilance of the current auditor, the Supervisory Board and the Board of Management propose that you appoint KPMG Accountants N.V. as the company's auditor for a period of three years at the next general meeting of shareholders.

Membership of the Supervisory Board

At the general meeting of shareholders on 26 April 2011, Mr A. van der Velden retired by rotation. In view of the age limit set in the articles of association and the required continuity within the Supervisory Board, Mr Van der Velden was reappointed for one (1) year.

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

The Supervisory Board and the Board of Management met several times to discuss the succession of Mr Van der Velden. Partly in view of the work council's reinforced right of recommendation for this vacancy, the vacancy was communicated to and discussed with the works council.

Remuneration

The details of the remuneration policy for the Board of Management are described in the Corporate Governance section of this report. The composition of the remuneration is stated in the financial statements under "Board of Management's Remuneration".

The objectives for the variable part of the remuneration of the members of the Board of Management were determined in the past year. No changes in the remuneration policy are envisaged for the coming financial year.

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

Finally, we would like to express our appreciation to the Board of Management and employees for their involvement and efforts in the past year. Thanks to their hard work and loyalty, Nedap was able to produce a splendid set of results. We would also like to thank the shareholders for their trust in Nedap.

Groenlo, 6 February 2012

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 6 February 2012

A. van der Velden (71), 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	: 2011-2012
Supervisory Board memberships:	Vitens N.V.

Prof. J.P. Bahlmann (61), 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 (43), 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 (59), 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



*Because
you need
clarity in
the complex
world of
security.*





2011 in brief

In 2011, the company's revenue reached a new record. The planned reduction of traditional supply activities was amply offset by the worldwide growth in sales of the company's own products. Thanks to our strategic choice to continually invest in product renewal and marketing, we are becoming steadily more competitive while also strengthening our position in the different markets in which we are active.

Despite the volatile and uncertain economic conditions, we see excellent growth opportunities in the coming years in various sectors. Accordingly, further investments in the organisation's growth potential were made in 2011. We believe this is an excellent time to build an advantage over our competitors and gain market share in several of our markets.

Revenue was up 14% in the financial year from € 133.6 million to € 152.3 million, while the revenue from our own products grew by as much as 20%. Almost all market groups contributed to this organic growth. Profit after taxes grew by € 2.2 million to € 11.0 million (2010: € 8.8 million). Earnings per share were € 1.64 compared to € 1.30 for 2010. The total amount of investments in both property, plant and equipment and working capital served to increase the balance sheet. As a result, solvency (equity excluding undistributed profit expressed as a percentage of total assets) declined from 39.5% at year end 2010 to 37.3% at year end 2011. Based on our aim to have solvency of about 45% in the medium term, 75% of the profit is being paid as dividend, the same level as last year. The dividend per share is therefore € 1.23 (2010: € 0.98).

Supervisory Board and Board of Management

In accordance with the retirement schedule, Mr A. van der Velden retired during the general meeting of shareholders on 26 April 2011. In view of the age limit set in the articles of association, Mr Van der Velden has made himself available for reappointment for one year.

Upon a recommendation of the works council, which had a reinforced right of recommendation for this vacancy, the Supervisory Board nominated Mr Van der Velden for reappointment. The general meeting of shareholders approved this proposal and reappointed Mr Van der Velden for a period of one year.

Employees and organisation

The organisation has undergone radical changes in recent years. Traditional supply activities have now been almost entirely faced out and the serial production of our own products has been transferred to Inventi B.V., a wholly-owned Nedap subsidiary. These changes left the market groups free to devote their full and undivided attention to product renewal and marketing in the past year.

The effects of the fundamental shift from production and operational tasks to more creative and creating activities such as development and commerce are becoming more and more visible throughout the company. The sharpened market focus is evident in new communication materials, among other things, and the redesign of the various buildings has brought us a step closer to creating an inspiring working environment that is better attuned to Nedap's ambitions.

Thanks to investments in innovation and commercial activities, Nedap has managed to achieve solid organic sales growth in the past years. The combination of growth prospects in the markets in which we are active, a renewed product portfolio and more intensive marketing opens up prospects for further growth in the coming years. In order to cope with the expected growth, we must continue to look critically at the internal processes and improve working methods on an ongoing basis. The 'scalability' of the organisation (i.e. our ability to do more with the same number of employees) will therefore be an important theme for the coming years.

Due to the heightened focus on synergy and cross-fertilisation, market groups are increasingly making use of each other's knowledge and expertise on projects. This has considerably accelerated the rate at which 'best practices' are recognised within Nedap and disseminated to other parts of the organisation. The broader use of the internally available knowledge and experience is, in itself, already sufficient to further streamline and speed up business processes.

The fundamental redesign of our business processes can also serve to improve the scalability of the organisation. For example, since last year e-learning is being applied to enable employees of business partners to be trained more quickly without needing to engage more trainers. Parts of our software are also increasingly being developed by partners in such countries as Serbia and Ukraine, while design projects are carried out for us in Paraguay and the United States.

We thus enjoy access to talented people all over the world, without engaging them directly as Nedap employees.

We are also increasingly carrying out critical assessments of which activities we really need to continue doing ourselves, which can be automated and which can be done by or with partners. The overriding objective in all cases is to engage our own staff predominantly in those activities with the highest added value per employee, without losing control of our core processes.

This approach, combined with the growing complexity of both the technologies and the markets in which Nedap is active, inevitably requires us to impose ever-higher demands on our employees. The ability to recruit and retain talented people is an absolute precondition for further growth. During the year, we made good progress in projecting and enhancing Nedap's unique appeal as an organisation. The introduction of the new Nedap logo, with all the supporting marketing material, has significantly increased the company's profile as an employer. Among other things, this is evidenced by a strong increase in the number of open job applications.

However, the recruitment of talented employees alone is not sufficient. The organisation must also be specifically set up to take full advantage of all the available talent. The leadership within the organisation is expected to provide Nedap employees with focus, scope and opportunities. A clear strategic direction enables employees to decide for themselves how they can contribute individually to the organisation's growth. At the same time, there must be sufficient scope to develop their own insights and deploy their own initiatives. Finally, these employees must be handed the opportunity and resources to put their initiatives into practice. In this way, everyone can work towards our common goal: to move markets with technology that matters.

The implementation of major organisational changes, the investments in innovation and commercial activities, and the realisation of revenue and profit growth demanded a lot from our employees in 2011. We are therefore extremely proud of the quality and energy of our employees, and we thank them for the achieved results.

In 2011, the permanent workforce grew by 32 from 652 to 684 at the end of the year. The average number of employees amounted to 673 compared to 632 in 2010. Added value

per employee, a key indicator for us, increased further in 2011 from € 143,000 to over € 152,000. The average age decreased slightly to 41 years. Absenteeism, excluding maternity leave, fell fractionally in the past year to 1.8% (2010: 1.9%).

Nedap N.V. concluded a one-year collective labour agreement (CAO) with the trade unions effective from 1 April 2011, including a pay rise of 2% from 1 June 2011 and a one-off payment of 0.33%. It was also agreed that the profit share Nedap annually awards to employees will be raised from 6% to 6.5% of the parent company's profit before taxes and that every employee will receive the same gross amount.

In 2011 more than 70% of the Nedap employees opted to use the profit-sharing arrangement in order to acquire depositary receipts in Nedap N.V. via Stichting Medewerkerparticipatie Nedap. We are delighted to see so many Nedap employees expressing their involvement with the company in this manner.

Each year, the employee participation plan offers staff the possibility of using their profit share to purchase depositary receipts for Nedap shares. These depositary receipts are locked up for a period of four years. In addition to a purchase discount of 10% on the share price, one bonus depositary receipt is distributed, subject to conditions, 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 Stichting Medewerkerparticipatie Nedap will eventually build up a holding of a few percentages in the total share capital of the company. At the end of 2011, the Stichting owned 28,668 Nedap shares, for which it had issued depositary receipts.

During the year, regular consultation took place between the Board of Management and the works council. The members of the works council were closely involved in the progress of the various initiatives within the organisation. Thanks to the open and constructive communication, difficult issues were immediately raised and we were able to jointly consider the best way to tackle them. In doing so, we consistently sought to balance the company's objectives with the interests of the employees. We therefore thank the works council for their constructive work in the past year.

Market

The various markets in which Nedap operates were not immune to the difficult economic conditions and fundamental shifts, which led to a considerable increase in market volatility. Customers were generally more critical in their purchasing decisions and switched more readily to competing products. In such conditions, long-established stable market positions can be lost overnight. Meanwhile, regional markets are converging into a single global market, in which former regional champions must vie to recapture market share.

However, this volatility also opened up unique opportunities to acquire new market positions. Thanks to the investments in product renewal and marketing, all market groups now have competitive propositions that are clearly communicated to the market. The attention that is devoted to building a global network of business partners, combined with the market group's own offices at strategic locations, ensures that we can respond adequately to the wishes of international customers.

These developments also mean it is more important than ever for our organisation to be flexible, driven and effective. With an organisational structure that is based on autonomous market groups and targeted at specific market segments, we are able to combine this focus with the power and agility of the overall Nedap organisation. As a result, we managed to respond successfully to various new market opportunities in the past year. In this connection, it is essential to rapidly build in-depth knowledge of each market's specific characteristics and issues and find solutions to the challenges that these markets present, partly by making astute use of our Nedap-wide technology base. Taking new propositions to market with a shorter lead time and at lower costs is key to Nedap's competitiveness.

Thanks to many years of investments, we can now rely on powerful technology platforms that are broadly applied within our company. For instance, the core technology that is used for security management systems is now also applied in pig feeding stations, city access control systems, lighting control systems, parking space management, energy management and RFID systems for shops. As these systems all make use of the same "technological DNA", it is relatively easy to share newly developed functionalities with each other and thus market innovations more quickly in seamlessly integrated propositions.

In 2011, we made considerable progress in strengthening our marketing activities. Through our continuous and consistent communication, the Nedap name has gained a much higher profile in the markets in which we are active. Alongside the technical qualities and advantages of our products, the power of our marketing is now also persuading more and more partners to do business with us.

Agri

In the year under review, the combination of the continuous development of new, innovative products with Nedap's considerably increased visibility produced excellent revenue growth for the Agri market group (automation of cattle farming processes that help farmers optimise their business processes and improve animal welfare).

The willingness to invest among cattle farmers showed strong regional and sector discrepancies in 2011. Thanks to rising milk prices, dairy farmers around the world became increasingly willing to invest, despite the higher cost of feed. In West Europe and North America, conditions in the pig-breeding sector remained difficult and investments continued to be subdued. However in Asia, where a rapid professionalisation of the pig-breeding sector is taking place, the high margins resulted in more investments.

The growing scale of dairy operations accelerated demand for automation. With milk prices at healthy levels for the second consecutive year, dairy farmers also had sufficient financial resources to expand their farms or revamp existing installations. Thanks to our continuous renewal, combined with more intensive marketing, manufacturers of milking parlour equipment increasingly decided to switch over to the modern Nedap Velos platform. In the past year this contributed to a substantial rise in revenue in this segment.

The Lactivator RealTime marked the launch of a new generation of heat detection systems. By using new, energy-efficient and wireless communication technology, information on the cow's behaviour is immediately recorded and processed. Apart from determining the ideal moment for insemination earlier and more accurately, the system is also much easier to install. Alongside the existing sales channels of milking parlour suppliers, new sales channels were also created for this product. In this way, cattle improvement organisations are combining our new generation of heat detection systems with cattle breeding data to create entirely novel service propositions.

In view of the rapid market adoption, we foresee healthy growth for this product at home and abroad.

The Agri market group was also able to expand its position in the pig-breeding sector in the past year, with a particularly outstanding performance in China. As demand for pork continues to grow, high investments in further professionalisation and increases in scale can be foreseen in this segment in the coming years. This will lead to a strong surge in the demand for pig feeding stations. Thanks to our investment in a local sales and support team and the local production of the metal parts for the pig feeding stations in China, Nedap is excellently positioned to benefit from the anticipated growth in this market and to consolidate our market leadership in this field.

Agri also did well in West Europe. Despite the poor economic climate in West European pig-breeding sector, more and more companies switched over to group housing based on pig feeding stations, partly in anticipation of new regulations. In the past year, the market group worked hard to expand our sales network in this sector. The first projects in Australia, South America and Africa have been completed, so that we are now active on all continents. Sales are less buoyant in East Europe and North America. However, expansion of the sales team in the United States and more intensive support for selected business partners should serve to give sales a fresh impulse in these regions.

The introduction of the Nedap Velos Sorting system has further widened our product range for the pig-breeding sector to include sorting and weighing systems for pig fattening farms. In addition to pig-breeding farms with sows, this system is also focused on farms that rear pigs for slaughter. The first such systems were successfully installed in the past year. In view of the great interest for our products at the agricultural fairs last year, we foresee good revenue growth in this new segment for us.

In the Identification and Registration market segment Agri is building a market position with new products under the name Nedap Live!D. The core technology consists of intelligent ear tags equipped with powerful RFID readers. Though the first successes have been achieved, vigorous sales, marketing and communication activities need to be undertaken in the coming year in order to secure a solid position in this market.

With its continuously expanding market-driven product portfolio and renewed powerful marketing efforts, this market group remains attractive to both existing and new business partners. Barring unforeseen negative economic developments, we expect to achieve further commercial successes and additional revenue growth in the agricultural market in 2012.

AVI

After a cautious start, the AVI market group (products for vehicle and driver identification as well as wireless parking systems) ended the year on a good note with an increase in revenue. This growth was largely attributable to the new product lines uPASS UHF-reader and SENSIT, while the sharpened marketing focus also contributed to the success. Internationally, the strongest revenue growth was achieved in North and South America.

This market group now offers a complete and complementary product line for vehicle recognition. The extremely robust TRANSIT microwave system, the competitively-priced open standard-based uPASS system and, since 2011, the ANPR Access registration number recognition camera (for situations where tags or transponders cannot be applied in the vehicle), all perfectly complement each other. This extensive product portfolio has further increased the significance of the market group as an important technology partner for our business partners.

The worldwide launch of the SENSIT platform was successful. This solution includes wireless ground sensors for parking bay detection and guidance. Projects have now been carried out all over the world and more are expected to follow in 2012.

In 2011, the city-access control activities were hit by municipal spending cuts in the Netherlands and the number of tenders for this type of solutions plummeted. Based on the current applications and commitments, we expect a cautious revival in 2012. In addition, international sales opportunities for these applications will continue to be cultivated in the coming year.

The growth opportunities of the AVI market group depend largely on regional economic developments. Despite the sombre economic outlook, the AVI market group expects to continue growing its revenue in the coming year on the strength of its broader product portfolio and intensified marketing efforts. Large regional differences will remain, and considerable interest is again expected from South America in particular.

Election Systems

In 2011, the activities surrounding election systems were minimal. In view of the economic issues confronting many European governments, automated election systems are unlikely to return to the political agenda any time soon. This was the most important consideration in disbanding the Election Systems market group in 2011 and reassigning its employees to other market groups.

Healthcare

In 2011 the Healthcare market group (automation of healthcare professionals' administration to create more time for care) again sustained its growth momentum and set a new revenue record. There are already 50,000 healthcare professionals making daily use of Nedap applications. Alongside out-patient and home care, the market group has extended its scope to in-patient, elderly and disability care.

In the past year, this market group made an important step towards expanding and reinforcing its market position. After an intensive development process, Nedap has completed its core application ONS® and is thus able to offer healthcare businesses all necessary functionalities for the administrative support of the entire healthcare provision and invoicing process. Healthcare institutions can greatly simplify their application landscape by eliminating multiple separate applications and thus realise significant savings. The first large home care organisations successfully switched over to ONS in 2011 while implementation processes were started at other healthcare institutions.

With innovative solutions such as Carenzorgt (a portal for carers), the diary and the healthcare file, Nedap aims to assist nurses in their daily work. These solutions simplify basic activities such as maintaining contact with clients and others directly involved. They also provide better support for sharing knowledge and experiences with colleagues.

This innovative functionality confirms Nedap's growing role in the daily work of nursing staff and adds further value to the Nedap solution for healthcare organisations.

PEP® (digital timesheet processing) also contributed to revenue growth in 2011. More and more temporary employment agencies and hiring organisations – notably in the Netherlands and Germany – use PEP to eradicate the cumbersome and time-consuming processing of paper timesheets.

The continuous renewal of the product portfolio and expansion of its field of activity also offer the Healthcare market group good growth potential for the coming years. The PEP activities create prospects for playing a leading role in automated timesheet processing in the European temporary employment industry and hence for further increases in revenue.

Library Solutions

In 2011, the Library Solutions market group (RFID self-service systems for libraries) continued to shift its strategic focus. Rather than implementing complete library projects in the role of systems integrator (where it combines a mix of in-house components and third-party products), the group now concentrates on the development and delivery of an industry-leading product portfolio, from which business partners can pick and choose products to suit the needs of their individual projects.

This strategic reorientation was largely prompted by the sharp squeeze on project implementation prices, alongside the simultaneous recognition of the excellent international growth opportunities for our own in-house products. One example is the new Nedap ECO Reader, which is the only RFID reader specifically developed for libraries. As such, it meets the sector's most stringent detection and reliability requirements. It also combines a top performance with the lowest energy consumption in the industry. The new flexible software platform Bibliocheck NEXT was also well-received in the market. This platform enables our business partners to rapidly translate their knowledge of, and experiences with, the local market into concrete applications for individual libraries. This increases the partner's distinctive capability, while relieving them of the need to make costly investments in the development of a modern, reliable and scalable software platform.

With the new product portfolio named “Librix – powered by Nedap”, this market group has rapidly become a recognisable face in the international market. The combination of unique products with powerful marketing material evidently appeals to many parties and has led to a rapid expansion of our international network. Unfortunately, the good revenue growth in our own Nedap products was not sufficient to entirely offset the decline in the revenue from projects. As a result, this market group’s revenue ended the year lower than in 2010.

The unforgiving economic climate clearly had an effect on the available budgets for cultural institutions, including libraries. In many countries, however, libraries enjoy legal protection while investments in RFID are also seen as a cost-saving measure that will allow the institution to continue functioning in the long term on a lower budget. These factors, combined with the new market approach, growing international partner network and new product launches, are expected to give revenue a renewed impulse in the reasonably near future.

Power Supplies

Once again, the Power Supplies market group (electronic controls based on power electronics for e.g. lighting and autonomous energy systems) showed commendable revenue growth in 2011. Good progress was made in both the lighting and energy systems segments.

Wireless-controlled lamp drivers used to disinfect water using UV light showed healthy growth. One new application of our products in this field concerns the purification of ballast water in the shipping sector using intensive UV light. Ballast water is used to improve the draught, stability and strength of ships that are not (fully) loaded. Every year, about 10 billion tonnes of ballast water is transported around the world. The UV light treatment prevents the global spread of organisms, which can cause damage in other ecosystems, affecting both people and nature locally. New regulation will give a strong impulse to the demand for UV-based ballast water disinfection in the coming years. A growing number of companies are also using Nedap technology for other applications, such as drinking water disinfection and curing (the drying of resins and coatings).

For years Nedap has supplied Philips with drivers for QL induction lighting. Induction lighting involves the transfer of power to the lamp by means of an electromagnetic field. In principle, because these lamps have no electrodes or incandescent filaments, they can last forever. In 2011 it was agreed that Nedap will henceforth carry out its own marketing and distribution of induction lighting in North America. Nedap’s role will thus shift from supplier to that of an active player in this cutting-edge technology market. With induction lighting, we are responding to the growing demand for high-quality ultra-long-life lighting. Last year, for instance, the city of San Diego (California) opted to replace its existing street lighting with Nedap QL lighting. The key considerations in this decision were the high quality of the light, combined with the lowest consumption costs. This market, which we are cultivating from our sales office in the United States, made a good contribution to the market group’s revenue growth in the past year. We foresee further growth in this sector for the coming years.

Within the General Lighting market we managed to further expand our position with Luxon®. Alongside relatively high-power electronic lamp-driver equipment for High Intensity Discharge lamps, the Luxon product line also comprises a web-based software platform for lighting management. The main applications can be found in high bay applications, such as production companies, distribution centres, and hangars, and at large retailers. The development of a finely-meshed sales network in Europe and North America is progressing less rapidly than thought, which reflects the conservative attitude towards electronic lamp-driver equipment in this market segment. This is one of the main reasons for the lower-than-expected revenue growth in 2011. Nevertheless, in view of the high quality of the lighting and the demonstrable energy savings, we expect that Luxon will ultimately achieve its full growth potential.

The convincing results that are being achieved around the world in numerous projects with the Naiade failed to lead to revenue growth in 2011. The Naiade is a compact solar-powered UV water purification unit that offers a relatively cheap and environmentally-friendly way of making water drinkable. It thus makes a considerable contribution to reducing illness and mortality from drinking polluted water and is clearly a powerful proposition. Nevertheless, the character of this market, characterised by complex decision-making and a lack of transparency, makes it difficult to predict the future revenue from this product.

Meanwhile, the revenue from the Nedap PowerRouter® gathered pace in 2011 with a steadily growing number of customers and end users. Many of the supplied systems are connected to the internet and the users log into the myPowerRouter.com web portal on a daily basis to check the performance and revenues from their own system.

One aspect that is extremely popular in many countries is the possibility of configuring the PowerRouter to maximise the amount of the generated solar power that can be used by the owner himself. This 'self-use' option entails that energy surpluses are stored in batteries for later use, thus enabling the owner to also meet most of his energy requirements in the evening and morning. Falling subsidies and rising electricity prices are steadily increasing the financial benefits of this solar energy application. Other advantages are that it strongly reduces the burden on the electricity grid and makes the user much less dependent on grid managers and electricity companies.

During the reporting year the Nedap PowerRouter was certified and launched in the Australian market. Users in this country will mainly benefit from the PowerRouter's "off-grid" propositions, which allow them to build their own energy stations in locations that are remote from the electricity network. Countries with a rudimentary electricity network offer particularly good growth opportunities for such "off-grid" applications of the PowerRouter. We have, for instance, delivered our first systems to India where there is a great need for a reliable energy supply based on a combination of solar panels and diesel-powered generators.

Unfortunately, we were also confronted with setbacks in some promising markets in 2011 due to sudden changes in government policy. This mainly occurred in France and Spain, where demand collapsed overnight. Meanwhile, these markets are starting to come back again. More and more, we see that buyers are not just driven by the prospect of immediate financial gain, but also by the desire to be independent from the energy companies.

In the past year we were closely involved in a number of smart-grid pilot projects. The PowerRouter acts as an intelligent basic building block in this new generation of smart electricity networks. Smart coordination of groups of PowerRouters makes it possible to absorb peaks in generation and consumption. This eliminates the need for large investments in expanding the network capacity, while also making the energy supply more reliable and reducing costs to consumers. Nedap can rely on wide-ranging knowledge in the field of hardware, software and services and sees excellent opportunities to play a leading role in this market segment.

The investments in product development and marketing have resulted in a complete, robust and widely-recognised product portfolio that is tailored to specific market segments. More and more business partners in diverse countries acknowledge the unique characteristics of the PowerRouter and are including it in their product range. To take full advantage of all growth opportunities in the vast energy market, further substantial investments will be necessary in the coming years. We expect solid growth in this segment in the future.

Retail

In 2011, Nedap Retail (security, management and information systems for retail) once again showed good revenue growth. Reinforced support of the partner network and intensive acquisition of new customers boosted sales in Europe. Due to political instability in the Middle East, the revenue in this region fell sharply, while sales in Russia recovered after the severe decline in 2009 and 2010.

The investments in the development of a region-wide sales network in Asia from our office in Shanghai already bore fruit in the form of strong revenue growth in 2011. Alongside European customers, who supply shops in this region with Nedap equipment, local retailers are now also starting to opt for the advantages of our systems.

Competition is fierce among suppliers in the market for theft protection systems, while customers in various regions are contending with a powerful economic headwind. Despite these challenging market conditions, Nedap retained existing customers and managed to acquire new ones. Amongst other things, the worldwide agreement with H&M was extended for two years and the Spanish fashion retailer Desigual switched from competing technology to Nedap systems.

Operating from our branch in Hong Kong, Nedap now offers a broad range of labels and tags that can easily compete on performance and price. By combining these labels and tags with our detection equipment, we are now better able to offer integrated propositions that are more closely attuned to the wishes and requirements of the retailers. The recent launch of the mono antenna based on newly developed pulse/listen technology means that Nedap can now offer a theft protection system that caters to the specific circumstances in the supermarket and hypermarket segment. There is still a lot of potential for improvement in this new technology, so that the performance of this system will certainly be further enhanced in the coming years. This continuing improvement also offers excellent opportunities for strong expansion in this substantial segment of the retail market.

In 2011 we equipped dozens of stores with Cube®, a unique Store Operations Management System. Cube integrates various sub-systems such as theft protection, access control, locker management, video surveillance, lighting management, energy management, time registration and customer counting, into a single scalable solution that can be operated both locally and centrally. Retailers with a large international network are particularly interested in Cube's unique combination of powerful functionality and simple installation and use. With our worldwide network of business partners, we also offer these retailers the option of using a single standardised system all over the world.

A growing number of retailers are exploring the opportunity of tagging articles with an RFID chip for faster, easier and more accurate tracking of stocks and logistical processes. However, though RFID technology offers substantial advantages in theory, pilot projects have revealed practical objections that still impede the large-scale roll-out of this technology. In the past year, a lot of work went into the development of our own in-store RFID proposition: Nedap Store !D®. Store !D comprises diverse complementary components such as antennas, handheld readers, labels and software, which were specially developed for in-store use. The simplicity of the design means that anyone can use Store !D with minimal instruction and benefit immediately from the time-savings and convenience. The first successful pilot projects with our RFID technology were carried out last year and we expect these to be expanded in 2012.

Thanks to the investments in product renewal and marketing, this market group has significantly strengthened its position in the retail market. New market segments with great growth potential are opening up thanks to the mono antenna, Cube and Store !D. Despite the challenging economic climate, we continue to see good growth opportunities for the Retail market group in the coming years.

Security Management

The Security Management market group (access control, registration, payments, fire and intrusion alarms, surveillance, locker management and biometrics systems) once again achieved robust revenue growth in 2011. Our choice to engage in continuous product renewal distinguishes us from the competition. More and more multinational customers appreciate the unique benefits of the AEOS® security management platform. In the past year our position as a leading developer and manufacturer of security systems in Europe was further reinforced.



*Because
you can
stocktake
your entire
shop in a
flash.*





In 2011, the AEOS Security Controller concept was developed further. Within this concept, the installation of diverse "security apps" allows a single controller to simultaneously carry out several security functions such as access control, intrusion detection and video surveillance. With the Security Controller, the market group is no longer seen as a supplier of access control systems, but as a leading provider of security management solutions. The Security Controller has, for instance, been rolled out on a large scale at the fibre glass company Reggefiber to protect and secure hundreds of technical locations throughout the Netherlands. The East European software developer Luxoft has also opted for the AEOS Security Controller for its branch network in St. Petersburg and Bucharest.

Due to globalisation and the attendant mergers and acquisitions, more and more customers are facing worldwide security issues and the need to integrate the diverse systems that are used within their organisations. With the AEOS architecture, which is based on open IT standards, Nedap offers an extremely powerful answer to these challenges and we are increasingly attracting interest from large multinational customers. In 2011, for instance, Renault not only awarded us the contract for its central development campus in Paris, where 12,000 employees work, but also for the carmaker's production locations in Morocco and Portugal.

In the past year, the decision to transfer the activities of the Locker Management Systems market group to the Security Management market group started to bear fruit. Thanks to the seamless integration of locker management within AEOS, we offer unique solutions for organisations that want to start with agile working. In 2011, this led to substantial orders from such customers as Rabobank and Achmea, resulting in record revenue for the Locker Management Systems activities. The group anticipates that this powerful locker management proposition will lead to further success, both in national and international markets.

In view of ongoing digitalisation, the high value of information and developments such as agile working, there is strong growth in the need for network security. The convergence of physical and logical access control will largely determine how organisations deal with security. This IT-driven approach to security calls for solutions that are based on IT standards and are less hardware-dependent.

The AEOS platform gives Nedap an important competitive advantage in the entirely new environment that is currently emerging, as evidenced by our success in winning important international tenders. One telling example is the order we received last year from PostNord AB, the merged Danish and Swedish postal companies, for hundreds of locations involving extensive IT integration.

The international recognition for our solutions and the number of countries in which the market group is making its mark is growing steadily. In Ukraine we have been entrusted with the security of the EURO 2012 stadiums in Kiev and Lviv, while in East Europe we achieved further successes such as the contract for Poznan airport in Poland. The opening of our sales office in Warsaw will give an added impulse to our market position in the region. Meanwhile in China, the technology group Emerson Power has opted for AEOS access control for its branch network.

After merging the Education market group with the Security Management market group, we increased our focus on delivering AEOS security solutions for the schools market. During the year, we stopped marketing our solutions for presence and absence registration.

Nsecure B.V., a wholly-owned Nedap subsidiary, once again posted excellent revenue growth. Alongside system integration activities, Nsecure is achieving increasing success with innovative security and safety services. One good example concerns its bicycle parking solution, which ProRail is introducing at a growing number of train stations.

Our years of investment in the AEOS security management platform have given us a high-profile presence as a technology leader in the security market. In order to translate this high profile into a further reinforcement of our market position, we started an intensive branding campaign and further professionalisation of our marketing organisation in 2011. We are confident that these efforts, alongside our continuous product innovation, will lead to further revenue growth for the Security Management market group.

Specials

As planned, the revenue of the Specials market group (traditional supply activities) continued to be wound down during the year to 6% of total revenue. Acting in close consultation with our customers, virtually all production activities were discontinued or transferred in the course of 2011 and the staff of the market group was significantly reduced. Accordingly, the revenue of this group is also expected to be minimal in the current year.

CIMPL

CIMPL (Construction in Metal and Plastic) worked hard during the year under review to keep pace with the rising volume of sales at the market groups. In addition to the strong growth in demand for housings for the market groups' existing products, moulds and dies were developed for numerous new products.

In the coming years, the major challenge for CIMPL will remain to combine cost-effective production with the rapid manufacture of new product prototypes. The intention is to continue carrying out activities with a high added value and to transfer other tasks to partners in order to gain staff flexibility while retaining crucial production experience.

In addition, we will make further investments in the quality and flexibility of the production processes. Alongside further training for employees, we are also systematically investigating new production techniques in which we need to invest over the coming years to meet the future demand from the market groups.

Inventi

Due to the transfer of all serial production activities, and thanks to the steady sales growth at most market groups, the production activities at Inventi B.V. also increased sharply. Inventi B.V. is a wholly-owned Nedap subsidiary, which is entirely set up to efficiently produce larger series of fully developed products. Thanks to the combination of a permanent team of Nedap employees surrounded by a large team of flex workers, we can produce electronics at a competitive price level, even in the Netherlands.

Last year, great demands were made on the Inventi organisation. The winding down of the traditional supplier activities required considerable additional efforts to transfer the production to other locations outside Nedap. In addition, the availability of electronic components remained a large problem in 2011. Apart from inflating prices, the shortages also made the delivery of parts unpredictable, which had disruptive knock-on effects on the production processes. Due to these difficulties, we have not yet achieved the desired cost level at Inventi. However, the market for electronic components is expected to return to normal soon. This will lead to more stable production conditions and enable us to take further steps towards improving the cost price of our products.

In the past year we again saw how important it is for us to stay in control of our production. This not only allows us to respond flexibly to market opportunities, but allows the knowledge and experience acquired with new production methods to be incorporated more rapidly into the design of new products.

New Business

In 2011, the decision was taken to transfer the activities of the New Business group to the various market groups. As a result, we guarantee even more than before that development efforts support the market group's strategy and are aimed at capturing and expanding market positions.

At the same time, various joint development processes have been launched in the market groups to ensure that, moving forward, our technology portfolio remains up-to-date and in tune with the wishes and requirements of the various markets. Among other things, we are looking at new RFID technologies, wireless networks, machine-to-machine communication, real-time localisation and more flexible and scalable software architectures. These projects are carried out by employees from diverse market groups, which promotes cooperation and cross-fertilisation among all market groups.

Financial

Revenue rose 14% in 2011 to € 152.3 million (2010: € 133.6 million). Added value (revenue minus cost of materials plus the movement in inventories) came to € 102.1 million compared to € 90.3 million in 2010. As a percentage of revenue, the added value decreased fractionally from 67.6% to 67.0%. The reasons for this slight decline included the composition of the revenue, price pressure in some sectors and more expensive components due to scarcity in the world market.

Subcontracting and other external costs increased by € 5.2 million compared to 2010, mainly due to higher production levels. Other contributing factors were increased spending on product development, marketing, the new branding and the streamlining of production and logistics processes.

In 2011, the number of employees rose by 32 to 684 at year end. On average, there were 41 more employees than in 2010. The increase in the number of employees, the changes to the collective labour agreement and higher variable remuneration caused the salaries and social security charges to rise by € 3.5 million.

Normal depreciation was up € 0.6 million and the impairment losses on intangible assets were down € 0.4 million compared to 2010. In total, € 0.5 million more was capitalised as non-current assets manufactured in-house than in 2010. This mainly concerned development projects.

Operating profit for 2011 came to € 13.9 million: 9.1% of revenue. In 2010, operating profit amounted to € 10.6 million, or 8.0% of revenue. This percentage improvement is therefore almost entirely explained by the increase in revenue.

Net financing expenses rose by € 0.1 million due to an increase in the credit requirement. The share of profit of the associate was just over € 0.1 million higher than for 2010, mainly due to revenue growth.

The effective tax rate for the Nedap Group (excluding the associate) was 21% in 2011, thanks in part to the application of the innovation box. The nominal corporate income tax rate in the Netherlands is 25%. In 2010, the effective tax rate was only 17%. This included a one-off tax rebate of € 0.7 million in respect of previous years. Under the innovation box, companies can opt to have income from innovations

taxed at a reduced rate (due to a reduction of the basic taxable income). The agreement with the Tax and Customs Administration was renewed until 31 December 2015.

These results led to a profit after taxes of € 11.0 million (2010: € 8.8 million). This represents 7.2% (2010: 6.6%) of revenue and an increase of 25% compared to last year.

In 2011, substantial investments were made in non-current and current assets. The total investment in property, plant and equipment, including a new SMD production line and modifications to the buildings at various locations, was € 9.4 million. Total depreciation was € 6.9 million. Investment in intangible assets, mainly development projects, amounted to € 3.1 million, € 1.9 million more than was depreciated. The increase in inventories was partly due to the decision to keep higher stocks of finished goods at several locations around the world in order to permit faster and more efficient delivery. Temporary factors, such as difficulties in obtaining components, also contributed to the higher stocks. In addition, increased revenue led to a higher investment in trade receivables. The average credit term for trade receivables, measured in weeks, rose slightly from 7.5 for 2010 to 7.7 for 2011.

Due to these investments, total assets increased from € 113.0 million to € 126.2 million. This caused solvency (equity excluding undistributed profit expressed as a percentage of total assets) to fall from 39.5% at year end 2010 to 37.3% at year end 2011.

The total amount of investments in both non-current assets and working capital, and the dividend paid for 2010, could not be fully financed from the 2011 cash flow. At the end of the year, the amount of credit facilities used had increased by € 6.7 million. At year end 2011 the credit facilities came to € 46.0 million, of which € 39.3 million had been used. Cash and cash equivalents were € 3.3 million. In 2011, the term of the standby roll-over facility of € 14.0 million was extended to 1 February 2013.

Outlook

Knowledge of our 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 at Nedap. It is our top priority and ensures a solid foundation on which Nedap is continuing to build organic growth in revenue and results.

In the past years, we worked steadily to capture and expand positions in markets with attractive growth opportunities. On the strength of our industry-leading product portfolio and increased commercial effectiveness, we expect solid long-term growth in revenue and results.

Barring unforeseen circumstances, we foresee further revenue growth from our Nedap products for 2012. Given the uncertain economic climate we cannot yet say whether this growth will fully offset the decline in revenue of almost € 10 million due to the discontinuation of the supply activities of the Specials market group.

Groenlo, 6 February 2012

The Board of Management:

R.M. Wegman

G.J.M. Ezendam



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you can
save a lot
of energy
if you are
smart.*



Consolidated balance sheet at 31 December

(€ x 1,000)

			2011	2010
			€	€
Assets				
	<i>note</i>			
Non-current assets				
Property, plant and equipment	1	45,023		42,914
Intangible assets	1	9,866		7,925
Investment in associate	2	2,871		2,537
Deferred tax assets	3	489		472
Employee benefits	4	4,157		3,100
			62,406	56,948
Current assets				
Inventories	5	28,142		21,635
Income tax receivable		1,018		1,489
Trade and other receivables	6	31,342		28,533
Cash and cash equivalents	7	3,334		4,367
			63,836	56,024
			126,242	112,972
Equity and liabilities				
Equity				
Share capital	8	669		669
Statutory reserves		10,029		8,072
Reserves		36,359		35,854
		47,057		44,595
Undistributed profit attributable to shareholders		10,979		8,718
			58,036	53,313
Non-controlling interests		120		129
Undistributed profit attributable to non-controlling interests		10		47
			130	176
			58,166	53,489
Non-current liabilities				
Loans	9	16,878		17,030
Derivative financial instruments	10	285		540
Employee benefits	11	774		1,556
Deferred tax liabilities	12	4,799		3,393
		22,736		22,519
Current liabilities				
Loans	9	289		241
Bank overdrafts	13	22,178		15,356
Employee benefits	11	814		764
Warranty provision	14	797		710
Income tax payable		195		63
Taxes and social security charges		3,040		3,470
Trade and other payables	15	18,027		16,360
		45,340		36,964
Total liabilities			68,076	59,483
			126,242	112,972

Consolidated income statement

(€ x 1,000)

		2011	2010
		€	€
Revenue	16	152,345	133,558
Cost of materials		53,983	44,552
Movement in inventories of finished goods and work in progress	-/-	3,706	-/- 1,295
Subcontracting and other external costs		39,715	34,500
Salaries		37,204	34,245
Social security charges	17	6,525	5,941
Depreciation and amortisation	18	8,063	7,479
Impairment of intangible assets	1	-	378
Non-current assets manufactured in-house	-/-	3,324	-/- 2,863
Total operating expenses		138,460	122,937
Operating profit		13,885	10,621
Financing income		155	146
Financing expenses	-/-	1,344	-/- 1,133
Value movements in derivative financial instruments		255	187
Net financing expenses		-/- 934	-/- 800
Share of profit of associate (after taxes)	19	764	617
Profit before taxes		13,715	10,438
Taxes	20	2,726	1,673
Profit after taxes		10,989	8,765
Profit attributable to shareholders of Nedap N.V.		10,979	8,718
Profit attributable to non-controlling interests	21	10	47
Profit after taxes		10,989	8,765
Average number of shares in issue	8	6,692,920	6,692,920
Earnings per ordinary share (in €)		1.64	1.30
Diluted earnings per ordinary share (in €)		1.64	1.30

Consolidated statement of comprehensive income

(€ x 1,000)

	2011	2010
	€	€
Profit after taxes	10,989	8,765
Result recognised directly through equity: Exchange gains and losses	17	15
Total comprehensive income	11,006	8,780
Profit attributable to shareholders of Nedap N.V.	10,996	8,733
Profit attributable to non-controlling interests	10	47
Total comprehensive income	11,006	8,780

Consolidated cash flow statement

(€ x 1,000)

	2011		2010		
	€		€		
Cash flow from operating activities					
Profit after taxes		10,989		8,765	
Adjustments for:					
Depreciation and amortisation	8,063		7,479		
Impairment of intangible assets	-		378		
Book profit on sale of property, plant and equipment	9		-/-	110	
Exchange gains and losses on participating interests	-/-	22	-/-	7	
Net financing expenses	934			800	
Income taxes	2,726			1,673	
		11,710		10,213	
Movements in associate:					
Profit after taxes	-/-	764	-/-	617	
Dividend received and other movements		430		302	
		-/-	334	-/-	315
Movements in trade and other receivables	-/-	2,767	-/-	6,107	
Movements in inventories	-/-	6,507	-/-	2,917	
Movements in taxes and social security charges	-/-	430		444	
Movements in trade and other payables		1,700		599	
Movements in employee benefits	-/-	1,789		232	
Movements in warranty provision		87	-/-	86	
		-/-	9,706	-/-	7,835
Interest paid	-/-	1,299	-/-	1,226	
Interest received		113		143	
Income tax paid	-/-	734	-/-	327	
		-/-	1,920	-/-	1,410
		10,739		9,418	
Cash flow from investing activities					
Acquisitions of property, plant and equipment	-/-	9,438	-/-	6,073	
Acquisitions of intangible assets	-/-	3,075	-/-	2,932	
Proceeds from sale of property, plant and equipment		313		263	
		-/-	12,200	-/-	8,742
Cash flow from financing activities					
Long-term loans drawn		150		-	
Long-term loans repaid	-/-	254	-/-	237	
Dividend paid to non-controlling interests	-/-	56	-/-	77	
Dividend paid to shareholders of Nedap N.V.	-/-	6,559	-/-	937	
Repurchase of shares		286	-/-	778	
		-/-	6,433	-/-	2,029
Movements in cash and cash equivalents and banks					
		-/-	7,894	-/-	1,353
Cash and cash equivalents and banks at 1 January		-/-	10,989	-/-	9,658
Exchange gains and losses on cash and cash equivalents and banks			39		22
Cash and cash equivalents and banks at 31 December		-/-	18,844	-/-	10,989

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. 2010	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
Dividend				-/- 6,559	-/- 6,559	-/- 56	-/- 6,615
Appropriation of profit		1,940	219	-/- 2,159	-		-
Repurchase of shares			286		286		286
Profit for the year				10,979	10,979	10	10,989
Exchange gains and losses		17			17		17
Balance at 31 Dec. 2011	669	10,029	36,359	10,979	58,036	130	58,166

At the year-end, the company repurchased 31,687 (2010: 38,343) of its own shares for delivery to the Stichting Medewerkerparticipatie Nedap.

The statutory reserves were as follows:

	2011	2010
	€	€
Capitalised development costs	9,650	7,858
Profit of subsidiaries not freely distributable	493	345
Exchange gains and losses	-/- 114	-/- 131
Total	10,029	8,072







*Because
security
can also
be visually
attractive.*



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 2011 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 6 February 2012. The financial statements will be submitted to the general meeting of shareholders on 17 April 2012 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.

The consolidation also includes the Stichting Medewerkerparticipatie Nedap.

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.

Nedap Beveiligingstechniek B.V., Groenekan, the Netherl.	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., Theale, Reading, UK	100%	„	
Nedap Iberia S.A., Alpedrete (Madrid), Spain	90%	„	
Sappers Iberia S.L., Alpedrete (Madrid), Spain	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%	„	

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. To a large extent, the capitalised projects are for

lighting and energy systems. Other projects for applications in cattle farming and security systems have also been capitalised.

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

Other

Other intangible assets are carried at historical cost less accumulated amortisation. Amortisation is applied on a straight-line basis over the estimated economic life.

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 4% of revenue (2010: 7%). Net transactions in other currencies were no more than 2% each.

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 (€ 12.1 million). A change of 100 basis points in interest rates would affect the profit for the financial year by € 0.2 million (2010: € 0.2 million). An interest rate swap with a value of € 10.0 million expired on 1 January 2012 and was not renewed

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 revenues and the breakdown of revenues into categories are disclosed in the financial statements as required by IFRS 8.

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) published amendments to the existing IAS 19 rules on employee benefits in mid-2011. These are effective from reporting periods starting on or after 1 January 2013 and will affect the treatment of actuarial gains and losses in Nedap's financial statements.



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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 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 impairment	-/- 1,307	-/- 1,550	-/- 3,596		-/- 6,453	-/- 1,026 -/- 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
movements in 2011:						
additions	1,062	1,846	5,412	1,039	9,359	3,075
completed assets under construction			1,191	-/- 1,191	-	
net disposals		-/- 2	-/- 319		-/- 321	
amortisation and depreciation impairment	-/- 1,326	-/- 1,711	-/- 3,892		-/- 6,929	-/- 1,134
net movements	-/- 264	133	2,392	-/- 152	2,109	1,941
year-end 2011:						
cost	39,381	29,598	53,768	1,039	123,786	15,873
amortisation, depreciation and impairment	16,017	22,737	40,009		78,763	6,007
carrying amount	23,364	6,861	13,759	1,039	45,023	9,866

* 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 € 20.2 million (2010: € 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 m², of which about 5,000 m² is still available for building.

Obligations entered into at the end of the financial year were € 0.2 million (2010: € 0.5 million).

The carrying amount of the other intangible assets at 31 December 2011 was € 0.2 million (2010: nil).

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

	2011	2010
	€	€
Netherlands	50,443	46,980
Germany	1,545	1,531
Spain	1,823	1,913
rest of Europe	855	294
other countries	223	121
	<hr/>	<hr/>
total	54,889	50,839

2 Investment in associate

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

	2011	2010
	€	€
net asset value at 1 January	2,537	2,222
profit after taxes	764	617
dividend received	-/- 250	-/- 250
other movements	-/- 180	-/- 52
	<hr/>	<hr/>
net asset value at 31 December	2,871	2,537

Key figures of the associate, on 100% basis

revenue	20,716	19,777
expenses	19,189	18,543
profit after taxes	1,527	1,234
total assets at 31 December	14,159	14,103
total liabilities at 31 December	8,418	9,029

Transactions with associate:

sales of goods and services to associate	7,757	7,143
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3 Deferred tax assets

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

	2011		2010
	€		€
balance at 1 January	472		643
movements	17	-/-	171
balance at 31 December	489		472

This relates to assets of the three subsidiaries. Certain losses can be carried forward indefinitely and others for 15 years. At 31 December 2011, 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

	2011		2010
	€		€
fair value of the plan assets	69,837		56,879
present value of the obligations	64,680		53,080
	5,157		3,799
unamortised actuarial gains and losses	1,000		699
surplus in the fund	4,157		3,100
Movements in the plan assets:			
balance at 1 January	56,879		49,804
contributions paid in	3,261		1,138
benefits paid	-/- 1,000	-/-	850
expected return on plan assets	2,692		2,196
actuarial gains and losses	8,005		4,591
balance at 31 December	69,837		56,879

In 2010, profit sharing of € 1,9 miljoen was received in respect of the previous contract period and this was set off against the contributions paid.

The plan assets consist of:

equities	12,356		12,375
fixed-income securities	56,631		42,834
other	850		1,670
	69,837		56,879

	2011	2010
	€	€
Movements in the obligations:		
balance at 1 January	53,080	44,746
service costs and interest	4,410	3,687
benefits paid	-/- 1,000	-/- 850
contributions paid in by members	486	458
actuarial gains and losses	7,704	5,039
balance at 31 December	64,680	53,080

Costs recognised as social security charges in the income statement:

service costs	1,569	1,248
interest costs on the obligations	2,841	2,439
expected return on plan assets	-/- 2,692	-/- 2,196
total	1,718	1,491

Historical information:

	2011	2010	2009	2008
	€	€	€	€
fair value of the plan assets	69,837	56,879	49,804	44,710
present value of the obligations	64,680	53,080	44,746	40,189
surplus or deficit (-/-) in the fund	5,157	3,799	5,058	4,521

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

	2011	2010
	€	€
discount rate for pension entitlements at 31 December	4.50%	5.20%
expected return on plan assets	4.60%	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 2012 (-1/-1) (2010: Generatietafel 2011 (-1/-1))





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The expected return at 31 December 2011, for the investment year 2012, is based on the weighted average expected return of 4.0% (2010: 4.5%) on fixed-income securities and 7.0% (2010: 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 19.6% (2010: 14.0%).

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 € 3.4 million in 2012.

5 Inventories

	2011	2010
	€	€
raw materials and components	11,950	10,377
work in progress	1,886	1,720
finished goods	14,306	9,538
total	<u>28,142</u>	<u>21,635</u>

6 Trade and other receivables

	2011	2010
	€	€
trade receivables	26,676	23,976
amounts owed by associate	1,300	1,554
other receivables, prepayments and accrued income	3,366	3,003
total	<u>31,342</u>	<u>28,533</u>

€ 0.4 million of the trade and other receivables had a term of more than one year (2010: € 0.3 million).

Movements in provision for trade receivables that are deemed uncollectible:

	2011	2010
	€	€
balance at 1 January	90	186
withdrawals	-/- 51	-/- 97
additions	79	1
balance at 31 December	<u>118</u>	<u>90</u>

The average credit term for trade receivables was 8 weeks in 2011 (2010: 7 weeks).

Where possible, Nedap insures the credit risk in its receivables, with a payout of 90% (2010: 85%). Please see the Financial Risk Management section for a risk analysis.

7 Cash and cash equivalents

	2011	2010
	€	€
cash	15	13
banks	3,319	4,354
total	3,334	4,367

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

			2011	2010
			€	€
Type of loan	Nominal interest rate	Maturity date		
Standby roll-over	Euribor + 1.30%	2013	14,000	14,000
Bank loan	Euribor 1 month + 0.5%	2008-2021	2,075	2,175
Annuity loan	Euribor 1 year + 0.8%	2008-2013	111	178
Annuity loan	Euribor 1 year + 0.8%	2008-2021	846	918
Bank loan	8.3%	2011-2014	135	-
Balance at 31 December			17,167	17,271
Repayments due within 1 year			289	241
Repayments due between 1 and 5 years			14,925	14,900
Repayments due after 5 years			1,953	2,130

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 on 1 February 2013 and does not contain any covenants.

10 Derivative financial instruments

The risk of interest rate fluctuations on part of the loans (€ 12.1 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 2011 the weighted average maturity of the derivative financial instruments was 7 years. The weighted average effective interest rate was 4.0%. An IRS with a value of € 10.0 million expired on 1 January 2012 and was not renewed.

	2011	2010
	€	€
balance at 1 January	540	727
valuation movements	-/- 255	-/- 187
balance at 31 December	285	540

11 Employee benefits

This is a provision for early retirement entitlements.

	2011	2010
	€	€
total present value of obligations	1,588	2,320
of which, of a current nature	814	764
Movements in the obligations:		
balance at 1 January	2,320	2,899
service costs and interest	74	46
benefits paid	-/- 806	-/- 625
balance at 31 December	1,588	2,320

Service costs and interest are included in the income statement

Historical information:

	2011	2010	2009	2008
	€	€	€	€
present value of the obligations	1,588	2,320	2,899	3,062

Principal actuarial assumptions at the reporting date:

	2011	2010
	€	€
discount rate for early retirement entitlements at 31 December	2.20%	2.50%
annual salary increase for indexation of entitlements	2.00%	2.00%

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

Nedap expects to pay € 0.8 million in benefits in 2012.

12 Deferred tax liabilities

	2011	2010
	€	€
property, plant and equipment	1,877	1,161
intangible assets	2,412	1,953
derivative financial instruments	-	-/-
inventories	147	103
receivables	-/-	149
provisions	515	406
balance at 31 December	4,799	3,393

Movements in deferred tax liabilities:

	2011	2010
	€	€
balance at 1 January	3,393	1,867
taken to the result (net)	1,406	1,526
balance at 31 December	4,799	3,393

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

13 Bank overdrafts

The maximum current account overdraft under the facility is € 28.8 million (2010: € 26.2 million).



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14 Warranty provision

	2011		2010
	€		€
balance at 1 January	710		796
withdrawals	-/- 973		-/- 1,164
additions	1,060		1,078
balance at 31 December	797		710

The warranty provision has a predominantly short-term nature.

15 Trade and other payables

	2011		2010
	€		€
trade payables	5,533		4,409
liabilities on account of investments	123		201
prepayments	3,454		3,406
payable to associate	9		-
other payables, accruals and deferred income	8,908		8,344
total	18,027		16,360

€ 0.5 million of the trade and other payables had a term of more than one year (2010: € 0.5 million).

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
	€	€	€
2011:			
building rental	0.6	1.2	-
operating leases for vehicles	0.6	1.0	-
operating leases for machinery	0.2	-	-
operating leases for ICT	0.2	0.2	-
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	-

Guarantees issued in relation to building rental were € 0.1 million (2010: € 0.1 million) and other guarantees were € 0.2 million (2010: € 0.3 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, € 2.4 million (2010 € 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

	2011	2010
	€	€
products, systems and installations	136,970	120,762
services	15,375	12,796
total	152,345	133,558

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

Geographical sales areas:

Netherlands	54,656	58,306
Germany	22,403	18,952
rest of Europe	50,577	41,373
North America	15,574	9,459
other countries	9,135	5,468
total	152,345	133,558

Large customers:

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

Cost of research and development

	2011	2010
	€	€
total costs	13,787	12,826
depreciation/amortisation and impairment	1,134	1,404
capitalised costs	-/- 3,075	-/- 2,932
subsidies	-/- 1,507	-/- 1,616
total	10,339	9,682

Average number of employees

	2011	2010
Netherlands	585	555
other EU	69	67
Asia	19	10
total	673	632

17 Social security charges

	2011	2010
	€	€
early retirement/retirement charges, defined benefit schemes	1,791	1,537
pension charges, defined contribution schemes	72	62
other social security charges	4,662	4,342
total	6,525	5,941

Board of Management's remuneration

	basic income	variable remuneration	pension- costs	total
	€	€	€	€
2011				
R.M. Wegman	329	126	32	487
G.J.M. Ezendam	261	101	22	384
2010				
R.M. Wegman	321	102	26	449
G.J.M. Ezendam	255	82	19	356

On 31 December 2011, Mr Wegman owned 5,053 depositary receipts for shares in the company (2010: 2,649) and Mr Ezendam owned 4,042 (2010: 2,119).

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

Supervisory Board's remuneration

The four Supervisory Board members' total fixed remuneration was € 96 (2010: € 103).

	2011	2010
	€	€
A. van der Velden	30	30
J.P. Bahlmann	22	22
D.W.J. Theyse (from 29 April 2010)	22	15
M.C. Westermann	22	22
A.J. Berkhout (to 29 April 2010)	–	7
M. Veninga (to 29 April 2010)	–	7

18 Amortisation and depreciation

	2011	2010
	€	€
development costs	1,134	1,026
buildings	1,326	1,307
plant and machinery	1,711	1,550
other equipment	3,892	3,596
total	8,063	7,479

19 Share of profit of associate

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

20 Taxes

	2011	2010
	€	€
profit before taxes, excluding associate	12,951	9,821
income tax	1,337	310
deferred tax	1,389	1,363
total income tax	2,726	1,673

Reconciliation of effective tax rate:

	2011		2010	
	€	%	€	%
Income tax based on the Dutch tax rate	3,238	25.0	2,504	25.5
change in domestic tax rate	-/- 20	-/- 0.2	-/- 22	-/- 0.2
effect of tax rate on non-resident subsidiaries	34	0.3	54	0.5
non-deductible expenses	44	0.3	32	0.3
fiscal incentive schemes	-/- 419	-/- 3.2	-/- 714	-/- 7.3
prior-year adjustment	-/- 151	-/- 1.2	-/- 181	-/- 1.8
total	2,726	21.0	1,673	17.0

21 Profit attributable to non-controlling interests

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



*Because
you want
to generate
your own
sustainable
energy.*





Small white label or plaque next to the artwork.

Balance sheet of Nedap N.V. at 31 December

(€ x 1,000)

		2011	2010
		€	€
Assets			
	<i>noot</i>		
Non-current assets			
Property, plant and equipment	1	34,128	33,534
Intangible assets	1	9,650	7,858
Financial assets	2	13,657	11,100
Employee benefits	3	3,699	2,691
		<hr/>	<hr/>
		61,134	55,183
Current assets			
Inventories	4	18,915	15,012
Trade and other receivables	5	28,872	25,389
Cash and cash equivalents	6	860	353
		<hr/>	<hr/>
		48,647	40,754
		<hr/>	<hr/>
		109,781	95,937
		<hr/> <hr/>	<hr/> <hr/>
Equity and liabilities			
Equity			
Share capital	7	669	669
Statutory reserves		10,029	8,072
Reserves		36,359	35,854
		<hr/>	<hr/>
		47,057	44,595
Result for the year		10,979	8,718
		<hr/>	<hr/>
		58,036	53,313
Provisions	8	7,004	6,255
Non-current liabilities	9	14,000	14,326
Current liabilities	10	30,741	22,043
		<hr/>	<hr/>
Total liabilities		51,745	42,624
		<hr/>	<hr/>
		109,781	95,937
		<hr/> <hr/>	<hr/> <hr/>

Income statement of Nedap N.V.

(€ x 1,000)

	2011	2010
	€	€
Net profit of associates	2,698	3,165
Other net results	8,281	5,553
	<hr/>	<hr/>
Profit attributable to shareholders	10,979	8,718
	<hr/> <hr/>	<hr/> <hr/>

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

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 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 impairment	-/- 1,078	-/- 1,346	-/- 2,971		-/- 5,395	-/- 941
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
movements in 2011:						
additions	304	1,526	3,609	1,039	6,478	2,887
completed assets under construction			1,191	-/- 1,191	-	
net disposals		-/- 26	-/- 237		-/- 263	
amortisation and depreciation impairment	-/- 1,075	-/- 1,471	-/- 3,075		-/- 5,621	-/- 1,095
net movements	-/- 771	-/- 29	1,488	-/- 152	594	1,792
year-end 2011:						
cost	31,911	26,499	47,578	1,039	107,027	14,841
amortisation, depreciation and impairment	14,943	20,968	36,988		72,899	5,191
carrying amount	16,968	5,531	10,590	1,039	34,128	9,650

* 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 € 16.4 million (2010: € 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 m², of which about 5,000 m² is still available for building.

Obligations entered into at the end of the financial year were € 0.1 million (2010: € 0.5 million).

The carrying amount of the other intangible assets at 31 December 2011 was € 0.2 million (2010: nil).

2 Financial assets

	2011		2010
	€		€
Subsidiaries:			
value at 1 January	8,563		8,796
additions	21		–
result	1,910		2,393
profit distribution	–/– 2,383	–/–	2,255
movement in amounts owed by subsidiaries	1,429	–/–	362
foreign exchange gains and losses	17		15
other movements	–/– 245	–/–	17
value at 31 December	9,312		8,570
new loans granted to subsidiaries	1,761		72
loan repayments by subsidiaries	–/– 287	–/–	79
total value at 31 December	10,786		8,563

Total loans granted to subsidiaries at 31 December 2011: € 6.3 million (2010: € 4.8 million). Surety of € 1.7 million has been provided on immovable property in relation to the above loans.

Associate:

value at 1 January	2,537		2,222
result	764		617
profit distribution	–/– 250	–/–	250
other movements	–/– 180	–/–	52
value at 31 December	2,871		2,537
total financial assets at 31 December	13,657		11,100

3 Employee benefits

	2011		2010
	€		€
fair value of the plan assets	66,945		54,223
present value of the obligations	61,060		50,007
	<u>5,885</u>		<u>4,216</u>
unamortised actuarial gains and losses	2,186		1,525
surplus in the fund	<u>3,699</u>		<u>2,691</u>
Movements in the plan assets:			
balance at 1 January	54,223		47,663
contributions paid in	2,917		864
benefits paid	-/- 1,000	-/-	850
expected return on plan assets	2,558		2,092
actuarial gains and losses	8,247		4,454
balance at 31 December	<u>66,945</u>		<u>54,223</u>
In 2010, profit sharing of € 1.9 million was received in respect of the previous contract period and this was set off against the contributions paid.			
The plan assets consist of:			
equities	11,844		11,797
fixed-income securities	54,286		40,834
other	815		1,592
	<u>66,945</u>		<u>54,223</u>
Movements in the obligations:			
balance at 1 January	50,007		42,323
service costs and interest	4,041		3,410
benefits paid	-/- 1,000	-/-	850
contributions paid in by members	426		403
actuarial gains and losses	7,586		4,721
balance at 31 December	<u>61,060</u>		<u>50,007</u>

Historical information:

	2011	2010	2009	2008
	€	€	€	€
fair value of the plan assets	66,945	54,223	47,663	42,898
present value of the obligations	61,060	50,007	42,323	38,285
surplus or deficit (–/–) in the fund	5,885	4,216	5,340	4,613

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

4 Inventories

	2011	2010
	€	€
raw materials and components	8,884	7,726
work in progress	950	1,055
finished goods	9,081	6,231
total	18,915	15,012

5 Trade and other receivables

	2011	2010
	€	€
income tax receivable	905	1,411
trade receivables	16,490	11,899
amounts owed by subsidiaries and associate	9,569	10,158
other receivables, prepayments and accrued income	1,908	1,921
total	28,872	25,389

€ 0.3 million of the trade and other receivables had a term of longer than one year (2010: € 0.2 million).

6 Cash and cash equivalents

	2011	2010
	€	€
cash	8	9
banks	852	344
total	<u>860</u>	<u>353</u>

Cash and cash equivalents are available on demand.

7 Equity

Please see the consolidated statement of changes in equity.

8 Provisions

	2011	2010
	€	€
employee benefits	1,588	2,320
deferred tax liabilities	4,728	3,326
warranty	688	609
total	<u>7,004</u>	<u>6,255</u>

Employee benefits

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

Deferred tax liabilities

	2011		2010
	€		€
property, plant and equipment	1,877		1,161
intangible assets	2,412		1,953
derivative financial instruments	–	–/–	81
inventories	147		103
receivables	–/–	223	–/–
provisions	515		406
total	4,728		3,326
Movements in deferred tax liabilities:			
balance at 1 January	3,326		1,814
taken to the result (net)	1,402		1,512
balance at 31 December	4,728		3,326

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

Warranty provision

	2011		2010
	€		€
balance at 1 January	609		712
withdrawals	–/–	859	–/–
additions	938		967
balance at 31 December	688		609

The warranty provision has a predominantly short-term nature.

9 Non-current liabilities

	2011		2010
	€		€
loans	14,000		14,000
derivative financial instruments	–		326
total	14,000		14,326

Loans

This is a credit facility with a ceiling of € 14.0 million ending on 1 February 2013, 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 1.3%.

10 Current liabilities

	2011	2010
	€	€
bank overdrafts	18,084	10,838
taxes and social security charges	1,353	1,458
amounts owed to associates	1,063	–
trade and other payables, accruals and deferred income	10,241	9,747
total	30,741	22,043

€ 0.3 million of the trade and other payables had a term longer than one year (2010: € 0.5 million).

Bank overdrafts

The maximum current account overdraft under the facility is € 25 million (2010: € 20 million).

Trade and other payables

	2011	2010
	€	€
trade payables	3,067	2,413
liabilities on account of investments	77	169
prepayments	1,000	1,135
other payables, accruals and deferred income	6,097	6,030
total	10,241	9,747

Off-balance sheet obligations

Bank guarantees of € 2.1 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.

	2011	2010
	€	€
audit of the financial statements	135	141
other services	7	7
total	142	148

Groenlo, 6 February 2012

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,

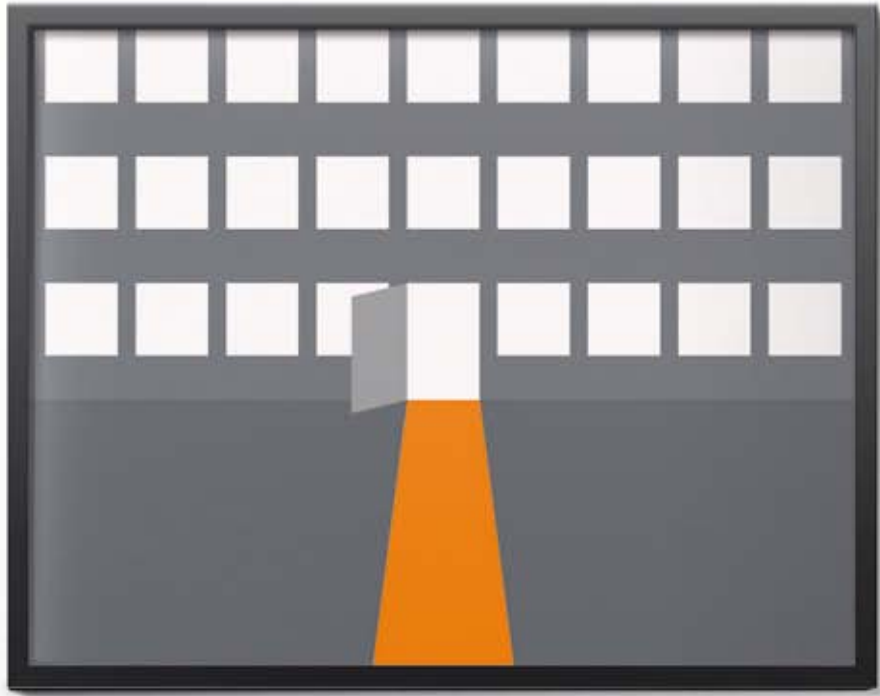
- 1 the financial statements (including the Other information pursuant to Section 2:392 of the Netherlands Civil Code) give a true and fair view of the assets, liabilities, financial position and profit or loss of Nedap N.V. and the undertakings included in the consolidation taken as a whole; and;
- 2 the report of the Board of Management includes a fair review of the position at 31 December 2011 and the development and performance of the business during the financial year 2011 of Nedap N.V. and the undertakings included in the consolidation taken as a whole and the 2011 report describes the risks facing Nedap N.V.

Groenlo, 6 February 2012

The Board of Management:

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





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Independent auditor's report**Report on the financial statements**

We have audited the accompanying financial statements 2011 of N.V. Nederlandsche Apparatenfabriek "Nedap", Groenlo as set out on the pages 28 to 73. 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 2011, 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 2011, 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 2011 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 2011 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, 6 February 2012

KPMG ACCOUNTANTS N.V.
G.L.M. van Hengstum RA

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	10,979
Other reserves	2,747
	<hr/>
Dividend payable on the ordinary shares	8,232

Branches

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

Growing older. Care. Growing older.
Loneliness. Growing older. Proper medication
Growing older. Illnesses and ailments. Growing older.
Shopping. Growing older. No help. Growing older.
Staying independent. Growing older. Panic.
Growing older. The right diet. Growing older.
Personal approach. Growing older. Staying at home.
Growing older. Dignity. Growing older.
Cleaning. Growing older. Company. Growing older.
Finding meaning and purpose. Growing older.
Memory loss. Growing older...

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about your
father, mother,
grandfather or
grandmother.





Five-year summary

	2011	2010	2009	2008	2007
Operations					€ x 1,000
Revenue	152,345	133,558	115,191	142,966	145,823
Salaries and social security charges	43,729	40,186	38,443	39,392	37,047
Operating profit	13,885	10,621	1,981	19,424	19,854
-as % of revenue	9.1	8.0	1.7	13.6	13.6
Net financing expenses	934	800	1,084	1,408	1,101
Profit after taxes	10,989	8,765	1,114	13,884	14,300
-as % of equity ¹⁾	23.4	19.7	2.5	31.6	33.5
-as % of revenue	7.2	6.6	1.0	9.7	9.8
Depreciation/amortisation	8,063	7,857	7,563	9,464	6,931
Cash flow ²⁾	19,052	16,622	8,677	23,348	21,231
Added value per employee ³⁾	152	143	121	148	146
Profit appropriation					€ x 1,000
Profit distributable to shareholders	8,232	6,559	937	12,382	12,783
Retained profit	2,747	2,159	120	1,392	1,438
Profit attributable to non-controlling interests	10	47	57	110	79
Per share of € 0.10 ⁴⁾					in €
Cash flow	2.85	2.48	1.30	3.49	3.17
Earnings attributable to shareholders	1.64	1.30	0.16	2.06	2.12
Dividend	1.23	0.98	0.14	1.85	1.91
Highest price	25.70	24.59	19.24	31.90	38.35
Lowest price	18.17	16.69	14.50	13.70	27.13
Price at year-end	20.01	24.00	17.30	17.80	31.80
Price/earnings ratio year-end	12	18	-	9	15
Number of employees					
At year-end	684	652	601	652	626
Average during the year	673	632	652	644	627

	2011	2010	2009	2008	2007
Financing					€ x 1,000
Share capital	669	669	669	669	669
Reserves	46,388	43,926	44,569	43,286	42,013
Equity excluding undistributed profit	47,057	44,595	45,238	43,955	42,682
Undistributed profit attributable to shareholders	10,979	8,718	1,057	13,774	14,221
Non-controlling interests	120	129	149	138	138
Undistributed profit attributable to non-controlling interests	10	47	57	110	79
Equity	58,166	53,489	46,501	57,977	57,120
Non-current liabilities	22,736	22,519	22,159	21,615	21,069
Current liabilities	45,340	36,964	33,677	23,568	24,272
Total	126,242	112,972	102,337	103,160	102,461
Equity ¹⁾ as % of total assets	37.3	39.5	44.2	42.6	41.7
Utilisation of capital					€ x 1,000
Non-current assets	62,406	56,948	56,587	54,007	52,463
Inventories	28,142	21,635	18,718	19,573	20,131
Trade and other receivables	32,360	30,022	23,671	25,482	27,050
Cash and cash equivalents	3,334	4,367	3,361	4,098	2,817
Current assets	63,836	56,024	45,750	49,153	49,998
Total	126,242	112,972	102,337	103,160	102,461
Additions to non-current assets	12,434	9,038	8,087	9,400	10,544
Inventories as % of revenue	18.5	16.2	16.2	13.7	13.8
Average credit terms for trade receivables in weeks	8	7	8	8	8

1) equity excluding undistributed profit

2) cash flow is the profit after taxes plus depreciation and amortisation

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 6 February 2012)

**N.V. Nederlandsche
Apparatenfabriek "Nedap"**
Parallelweg 2
7141 DC Groenlo

drs. R.M. Wegman (45)
G.J.M. Ezendam (59)

Marketgroups

Agri	A.B.M. Verstege (48)
AVI	M.C. Mijwaart (38)
Healthcare	R. Schuurman (42)
Library Solutions	W.D. Klunder (33)
Power Supplies	J.C.M. Thomassen (43)
	J. Somsen (47)
Retail	R. Schuurman (42)
Security Management	H.S.J. Schipper MBA (40)
Specials	R.M. Wegman a.i. (45)
CIMPL	M.G. de Jong (62)
	P.G.M. Oostendorp (48)
Inventi	A.G.M. Scharenborg (56)
	M.G.M. Hoitink-te Woerd (40)

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1800 Vilvoorde
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T. Elferink (28)

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France

C. Pajens (52)
A. Sot (56)

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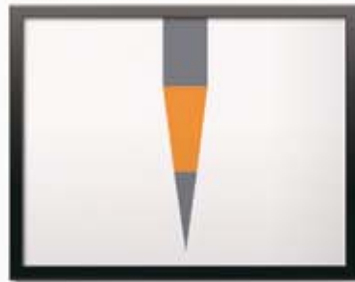
Nedap FZE
DSO Head Quarters, D-205
Dubai Silicon Oasis
Dubai
United Arab Emirates

N.A. Bragt (34)



*Because you
never want
to stand in
line at the
library
again.*





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.

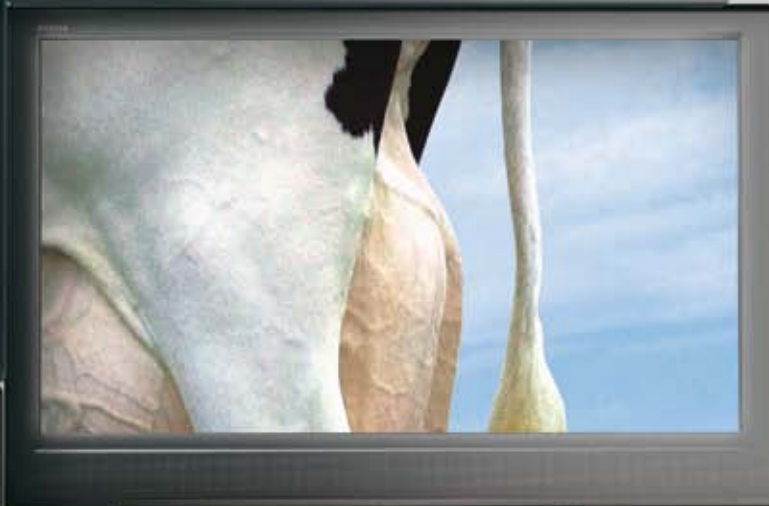
d) Staff

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.





*Because we
want to give
the animals
back a bit of
freedom.*



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.

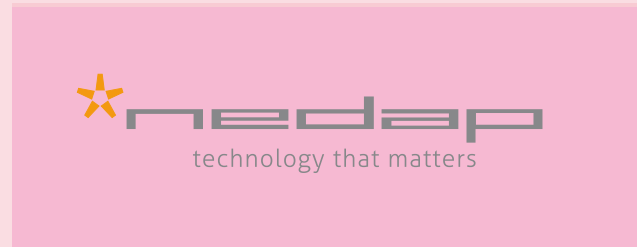
Working conditions

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 new branding launched last year powerfully projects what Nedap stands for:



Nedap realises intelligent, technological solutions for socially relevant themes. Sufficient food for a growing population, clean drinking water across the world and smart sustainable energy networks are just a few examples of the areas in which Nedap is active. Nedap's products and services all have one thing in common: they always offer a solution to a socially relevant problem. Sustainable entrepreneurship – one of the drivers of innovation – is integral to Nedap's strategy which is determined by, and the responsibility of, the Board of Management. Specific performance objectives – let alone quantitative targets – form part of this. After all, sustainable entrepreneurship is a continuous process and not an end in itself.

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. It is expected that almost the entire organisation will be using the same ERP system by the end of 2012.

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.

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





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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 2011, the Stichting owned 28,668 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. Lock, secretary
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:

	February 2012 in %	March 2011 in %
ASR Nederland N.V.	8.20	8.20
Aviva plc.	-	10.41
Cross Options Beheer B.V.	15.11	15.11
Darlin N.V.	5.19	5.19
Decico B.V.	5.01	-
Delta Lloyd Deelnemingen Fonds N.V.	13.45	13.45
Delta Lloyd N.V.	12.60	-
Kempen Oranje Participaties N.V.	7.11	7.11
TKH Group NV	5.06	5.06
(Stichting Preferente Aandelen Nedap (potential))	(100.00)	(100.00)
Totaal	71.73	64.53

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.

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.

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).



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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.



