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*Half-yearly
report 2016*



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Nedap's revenue was up 6% over the first six months of 2016 to €92.0 million (H1 2015: €86.5 million). Excluding the Energy Systems business unit, whose activities are being phased out this year as planned, the growth in revenue amounted to 8%. Operating profit excluding one-off items was up 22% to €7.3 million (H1 2015: €6.0 million), while profit after taxation for the first half of 2016 rose by 5% to €5.8 million (H1 2015: €5.5 million). Earnings per share came in at €0.87 (H1 2015: €0.83).

One-off items had a major impact on profits posted in the first six months of 2015 and 2016. This impact is further detailed in the 'Financial highlights' section of this report.

Supply chain reorganisation

Nedap's supply chain reorganisation is on schedule. Framework agreements have been entered into with five strategic suppliers, who will take care of production for Nedap in Central Europe and the Netherlands. Once the outsourcing process is complete, specialist companies with branches in the Netherlands will take care of logistics. The first externally manufactured products are expected to be delivered over the course of 2016, with suppliers taking care of the largest volume in 2017. The outsourcing process is due to be completed by the end of 2017, but can be accelerated or decelerated where necessary, since continuity of customer deliveries is leading.

The insights gained so far confirm the strategic and financial assumptions on which the decision to reorganise the supply chain was based. Outsourcing will lower the cost of sales of our products by around 10% on average. Given the current mix and volume of revenue, this decrease should lead to a structural annual cost reduction of at least €4 million.

Nedap's balance sheet total will see a structural decrease of at least €10 million due to divestments of tangible fixed assets (machinery and equipment) and a reduction in inventories. Expectations are that the tangible fixed assets can be sold for at least their book value. However, part of the inventories will probably have to be sold at a lower value, which will result in one-off costs. The size of the loss in value can be reliably estimated at the end of 2016.

The outsourcing will have a further positive impact on net working capital thanks to the payment terms agreed with strategic suppliers.

The outsourcing process' positive financial impact will start to become visible over the course of 2017, with its full effect being shown in 2018.

Costs amounting to €9.2 million were recognised for the supply chain reorganisation in 2015, €7.2 million of which were recognised as restructuring costs and €2 million as non-cash impairments. The outsourcing process also entailed €0.4 million of one-off operating costs in the first half of 2016. Further one-off operating costs are expected for the last six months of 2016 and in 2017. In order to guarantee continuity of deliveries, Nedap may temporarily have larger inventories in 2016 and 2017.

The existing credit facilities are sufficient in order to balance out temporary swings in cash flows. The phase-out of production and logistics activities will create a positive cash flow on balance.

Energy Systems phase-out

The phase-out of the Energy Systems business unit is on schedule. Nedap has stopped investing in the PowerRouter and has greatly reduced this business unit's number of employees. Commercial activities were suspended as of 1 July and the business unit will be discontinued by the end of 2016. It goes without saying that Nedap will continue to honour

the service and guarantee agreements made. The provisions made for the Energy Systems phase-out in 2014 and 2015 are adequate and current insights present no reason to expect further restructuring costs or impairments.

New Staffing Solutions business unit

The PEP Flex (timesheet processing), PEP Grid (employee scheduling) and PEP Staff (staff administration) propositions for the temporary employment market continued to show positive developments over the first six months of 2016 and have good prospects for growth in revenue for the coming years. Delivering its solutions within a service model, Staffing Solutions makes life easier for the intermediary, the client organisation and the temporary employee. The business unit's entire revenue is currently earned in the Netherlands, but the feasibility of commencing operations in Belgium is being investigated. Given that the size of the PEP activities has now reached sound levels, a decision has been made to separate them from the Healthcare business unit as of 1 July 2016 and continue them as an independent business unit under the name Staffing Solutions.

Business unit developments

The **Healthcare** business unit (automation of administrative tasks for healthcare professionals) has made an excellent start to 2016, thanks to numerous new customers on the elderly care market opting for Nedap's solutions in 2015. Revenue grew significantly as a result. The business unit's propositions for the mentally handicapped and mental healthcare markets are well received.

The **Identification Systems** business unit (vehicle and driver identification products and wireless parking systems) also posted increased revenue. All of the unit's propositions showed growth as a result of the reinforcement of the partner network and a continuous marketing focus. June

saw the launch of MACE, a new platform enabling smartphones to be used as access badges. This has increased the product portfolio's competitive clout.

The **Library Solutions** business unit (RFID systems for libraries) posted growth over the first six months of 2016 and once again gained new partners. The product portfolio is currently being developed further, in line with the unit's successful positioning as a technology provider.

Over the first six months of 2016, revenue posted by the **Light Controls** business unit (power electronics and control systems for the lighting industry) was up on the same period of 2015, partly due to a major contract landed in North America. The new Luxon proposition (light management in the form of software services) has been well received and is increasing the business unit's commercial prospects. The light management system market is highly dynamic and presents various opportunities and uncertainties. The business unit is evaluating the market opportunities and its competitive position on a regular basis and if necessary, will adjust its strategy accordingly. Revenue for the UV propositions stayed at the same level as in 2015 and the phase-out of QL and HID products is on schedule.

Revenue posted by the **Livestock Management** business unit (automation of livestock management processes based on identification of individual animals) was down on 2015. Although revenue in the pig farming sector posted fine growth, it was unable to compensate for the dairy farming sector's decreased revenue resulting from the low milk prices.

The **Retail** business unit (security, management and information systems for the retail sector) posted higher revenue in the first six months of 2016, while Loss Prevention's market share with major

international retailers grew further. As a result of lengthy sales cycles, revenue in North America is still only making a limited contribution to the business unit's growth. In the United Kingdom, Stock Management has landed a major contract from a leading client, with new software services accounting for a major portion of the order's value.

Revenue posted by the **Security Management** business unit (systems for access control and security) is above the level achieved in recent years. The unit landed major contracts in various European countries, which will provide a solid foundation for future growth.

Revenue posted by the **Nsecure** subsidiary (innovative security solution services) was up on the first six months of 2015.

Financial highlights

Nedap's revenue was up 6% over the first six months of 2016 to €92.0 million (€86.5 million in the same period of 2015). Excluding Energy Systems, this growth amounted to 8%. Added value (revenue less inventory movements and cost of materials) came in at €63.8 million, which is 69% of revenue (€60.6 million, 70% of revenue in the same period of 2015).

The 'Subcontracting and other costs' item grew by €2.0 million to €25.0 million, primarily thanks to higher sales volumes. This item includes €0.4 million of one-off costs for the supply chain reorganisation.

The 'Salaries and social security costs' item was up €1.3 million to €27.3 million. This increase is mainly due to a one-off receipt of €1.2 million in the first six months of 2015 from the former pension provider upon settlement of the old pension plan. Nedap had 763 employees as of 30 June 2016 – 2 more than on 30 June 2015 (765 at

the end of 2015).

Depreciation and amortisation in the first six months of 2016 was down €0.1 million on 2015, while capitalisation of 'assets manufactured in-house' was down €0.2 million.

No exceptional items were recognised during the first six months of 2016. 'Restructuring costs' amounting to €0.6 million were recognised in 2015.

Operating profit excluding one-off items was up 22% to €7.3 million (8.0% of revenue). One-off items include the amount of €0.4 million recognised in the 'Subcontracting and other costs' item in 2016 and the amount of €1.2 million recognised in the 'Salaries and social security costs' item in 2015 following a one-off receipt upon settlement of the old pension plan.

Amounting to €0.1 million, net financing costs were at the same level as in the first six months of 2015. Our associate Nedap France S.A.S.'s share of profit dropped by €0.1 million to €0.2 million. At €1.2 million, taxation in the first six months remained unchanged compared with the same period in 2015.

Profit after taxation increased by 5% during the first six months of 2016, amounting to €5.8 million or 6.3% of revenue (€5.5 million, 6.4% of revenue in the same period of 2015).

Cash flow from operating activities decreased by €3.2 million, mainly due to advance payment of taxes. Dividends of €8.6 million were paid for 2015. Investment in tangible fixed assets amounted to €3.4 million in the first six months of 2016 (€3.7 million compared with the same period in 2015). The overall bank debt was €30.0 million as of 30 June, which is well within the available credit limit of €50.0 million.

The balance sheet total was up €6.3 million on year-end 2015 to €117.2 million. This is partly due to an increase in inventory levels (€1.3 million) and trade and other receivables (€5.9 million).

The larger inventories are the result of higher sales volumes and the creation of buffer inventories in view of the outsourcing process. As stated earlier, inventories may temporarily be higher than usual for the next eighteen months, so as to guarantee reliable delivery to our customers during the outsourcing process. The increase in trade and other receivables was mainly caused by the higher level of revenue. At 7.2 weeks, the average number of days' sales outstanding was lower than in 2015 (7.5 weeks).

Provisions decreased by €0.8 million in total, with the short-term provisions rising to €3.9 million.

The 'Trade and other payables' item was up €1.4 million due to an increase in purchases in connection with higher inventory levels.

The solvency ratio (equity excluding payable dividends and minority interest divided by the balance sheet total) was 43.1% as of 30 June (45.6% in mid-2015).

Outlook

The Board of Directors is optimistic about developments over the last few months and expects revenue in the last six months of 2016 to be up on the same period in 2015, unforeseen circumstances notwithstanding. The size of the growth depends on developments on certain markets and orders from individual customers, as well as the general economic climate.

A description of the most important risks is included in the annual report 2015.

Groenlo, 28 July 2016

The Board of Management:

R.M. Wegman

E. Urff

Half-yearly Financial Statements 2016

Consolidated balance sheet (€ x 1,000)
compiled before appropriation of profit

		2016 half-year	2015 year-end
Assets			
Fixed assets			
Tangible fixed assets	41,705		42,430
Intangible fixed assets	4,043		4,665
Associate	3,231		3,681
Loans receivable	44		63
Deferred tax assets	250		215
		49,273	51,054
Current assets			
Inventories	26,021		24,728
Income tax receivable	1,443		390
Trade and other receivables	36,961		31,106
Cash and cash equivalents	3,484		3,638
		67,909	59,862
		117,182	110,916
Liabilities			
Shareholders' equity			
Share capital	669		669
Statutory reserves	3,442		4,187
Reserves	40,559		43,357
	44,670		48,213
Undistributed profit attributable to shareholders	5,813		4,671
		50,483	52,884
Minority interests	96		115
Undistributed profit attributable to minority interests	-20		-19
		76	96
		50,559	52,980
Non-current liabilities			
Borrowings	14,446		14,458
Derivatives	143		142
Employee benefits	580		598
Provisions	3,615		6,219
Deferred tax liabilities	710		979
	19,494		22,396
Current liabilities			
Borrowings	1,703		1,751
Derivatives	10		31
Employee benefits	27		-
Provisions	3,917		2,150
Bank overdrafts	13,857		6,125
Income tax payable	103		74
Taxation and social security contributions	3,569		2,854
Trade and other payables	23,943		22,555
	47,129		35,540
Total liabilities		66,623	57,936
		117,182	110,916

Consolidated statement of profit or loss (€ x 1,000)

	2016 half-year	2015 half-year
Revenue	91,979	86,480
Cost of materials	31,080	28,085
Inventory movements of finished goods and work in progress	-2,888	-2,253
Subcontracting and other costs	24,957	23,004
Salaries and social security costs	27,301	25,967
Depreciation and amortisation	4,624	4,734
Restructuring costs	-	640
Fixed assets manufactured in-house	-70	-261
Total operating costs	85,004	79,916
Operating profit	6,975	6,564
Financing income	35	25
Financing costs	-181	-210
Value movements in derivatives	20	42
Net financing costs	-126	-143
Share of profit of associate (after income tax)	179	267
Profit before taxation	7,028	6,688
Taxation	1,235	1,163
Profit over the 1st half-year	5,793	5,525
Profit attributable to shareholders of Nedap N.V.	5,813	5,552
Profit attributable to minority interests	-20	-27
Profit over the 1st half-year	5,793	5,525
Average number of shares in issue	6,692,920	6,692,920
Earnings per ordinary share (in €)	0.87	0.83
Diluted earnings per ordinary share (in €)	0.87	0.83

Consolidated statement of total comprehensive income (€ x 1,000)

	2016 half-year	2015 half-year
Profit over the 1st half-year	5,793	5,525
Unrealised profit/loss		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency exchange differences	-56	68
Unrealised profit/loss over the reporting period after taxation	-56	68
Total comprehensive income over the 1st half-year	5,737	5,593
Total realised and unrealised profit/loss attributable to:		
Shareholders of Nedap N.V.	5,757	5,620
Minority interests	-20	-27
Total comprehensive income over the 1st half-year	5,737	5,593

Consolidated statement of cash flows (€ x 1,000)

	2016 half-year	2015 half-year
Cash flow from operating activities		
Profit over the 1st half-year	5,793	5,525
Adjustments for:		
Depreciation and amortisation including impairment	4,624	4,734
Book profit on sale of tangible fixed assets	-6	-117
Share of profit of associate	-179	-267
Exchange differences for participations	27	-113
Net financing costs	126	143
Income tax	1,235	1,163
	5,827	5,543
Movements in trade and other receivables	-5,859	-4,482
Movements in inventories	-1,293	-3,931
Movements in taxation and social security contributions	715	729
Movements in trade and other payables	1,513	3,092
Movements in employee benefits	9	-
Movements in provisions	-837	-104
	-5,752	-4,696
Interest paid	-204	-222
Interest received	39	6
Income tax paid	-2,563	220
	-2,728	4
Cash flow from operating activities	3,140	6,376
Cash flow from investing activities		
Investments in tangible fixed assets	-3,429	-3,708
Investments in intangible fixed assets	-113	-174
Proceeds from sale of tangible fixed assets	169	249
Dividend received from associate	629	-48
	-2,744	-3,681
Cash flow from financing activities		
Long-term borrowings drawn	63	-
Repayments on long-term borrowings	-123	-90
Repayments on loans receivable	19	49
Dividend paid to shareholders of Nedap N.V.	-8,567	-8,366
Acquisition of own shares (net)	409	526
	-8,199	-7,881
Movements in cash and cash equivalents and banks	-7,803	-5,186
Cash and cash equivalents and banks at 1 January	-2,487	-1,062
Foreign exchange differences for cash and cash equivalents and banks	-83	181
Cash and cash equivalents and banks at 30 June	-10,373	-6,067

Consolidated statement of changes in shareholders' equity (€ x 1,000)

	share capital	statutory reserves	reserves	profit attributable to shareholders	equity attributable to shareholders	minority interests	total shareholders' equity
Balance at 1/1/2015	669	5,578	32,327	17,877	56,451	145	56,596
Dividend				-8,366	-8,366	-	-8,366
Appropriation of result		-595	10,106	-9,511	-		-
Movement in own shares			526		526		526
Profit for the 1st half-year				5,552	5,552	-19	5,533
Exchange differences		68			68		68
Balance at 30/6/2015	669	5,051	42,959	5,552	54,231	126	54,357
Balance at 1/1/2016	669	4,187	43,357	4,671	52,884	96	52,980
Dividend				-8,567	-8,567	-	-8,567
Appropriation of result		-689	-3,207	3,896	-		-
Movement in own shares			409		409		409
Profit for the 1st half-year				5,813	5,813	-20	5,793
Exchange differences		-56			-56		-56
Balance at 30/6/2016	669	3,442	40,559	5,813	50,483	76	50,559

At 30/6/2016, the company repurchased 6,884 of its own shares (4,680 at 30/6/2015) that have yet to be transferred to employees under the employee participation plan.

Statutory reserves can be broken down as follows:

	30/6/2016	30/6/2015
Capitalised development costs	2,900	4,527
Profit from participations not freely distributable	717	635
Exchange differences	-175	-111
Total	3,442	5,051

Accounting policies

General

N.V. Nederlandsche Apparatenfabriek "Nedap" is registered in Groenlo, the Netherlands. The interim consolidated half-yearly 2016 report of the company comprises the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap develops and supplies smart technological solutions to relevant problems. Feeding a growing population, providing clean drinking water all over the world and creating smart sustainable energy networks are just some of the issues Nedap works on. The company's focus is always maintained on relevant technology.

It 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 2015 consolidated financial statements of Nedap are available at request at info@nedap.com or per telephone +31 (0) 544 471111 or can be downloaded from our website www.nedap.com.

Statement of accordance

This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. It does not contain all information that is required for full financial statements and has to be read in combination with the 2015 consolidated financial statements of Nedap.

This condensed consolidated interim report was drawn up by the Board of Management on July 28th 2016.

Relevant accounting policies

The accounting policies and calculation methods applied by Nedap in this consolidated interim report are equal to the policies and calculation methods applied by Nedap in the consolidated financial statements for 2015.

Estimates

Interim 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 actual outcomes may differ from these estimates. In preparing this consolidated interim report, the relevant judgements, made by the management and used in applying the accounting policies of Nedap and the relevant sources of estimates used, are the same judgements and sources as in its consolidated financial statements 2015. Estimates relate primarily to tangible and intangible assets, employee benefits, other receivables and provisions.

Financial risk management

The objectives and measurements of Nedap in the field of financial risk management correspond with the objectives and measurements as stated in the consolidated financial statements 2015.

Income taxes

Income taxes are determined as the product of the weighted average of the tax rate expected for the year under review and the interim profit before taxes.

Related parties transactions

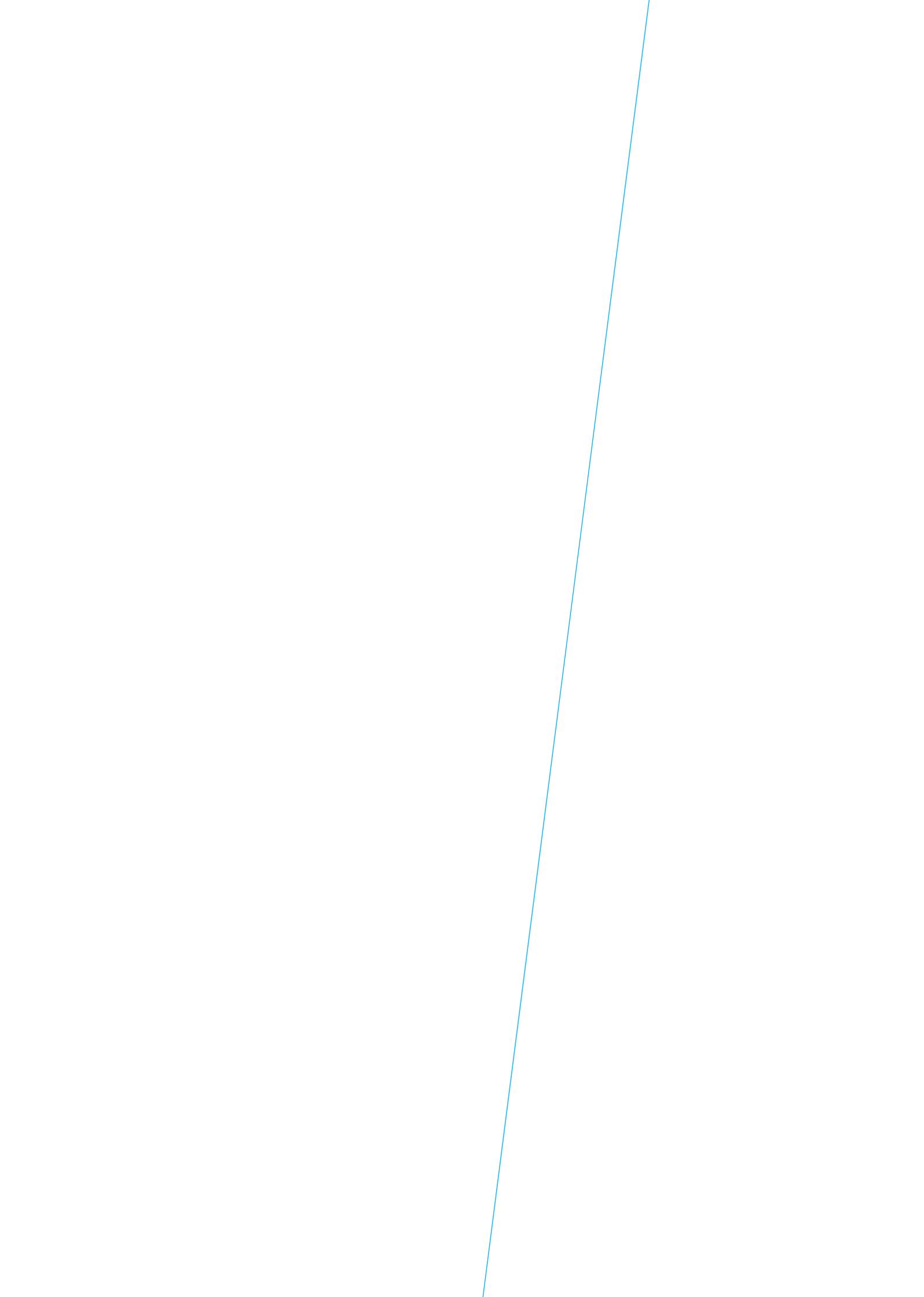
Nedap's related parties are the associate Nedap France S.A.S., Stichting Preferente Aandelen Nedap, the members of the Supervisory Board and the Board of Management. With the associate normal

business transactions take place against conditions similar to those applicable to transactions with third parties. There were no transactions with Stichting Preferente Aandelen Nedap. Only normal transactions took place with the members of the Supervisory Board and the Board of Management.

Audit

The figures in this half-yearly report have not been audited by an external accountant.

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



Statement

Statement pursuant to Section 5:25d of the Financial Supervision Act

To the best of our knowledge,

1. the half-yearly financial statements 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 half-yearly report of the Board of Management includes a fair review of the information as required under Section 5:25d (8 and 9) of the Financial Supervision Act.

Groenlo, 28 July 2016

The Board of Management:

R.M. Wegman

E. Urff

Profile Nedap

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

Nedap develops and supplies intelligent technological solutions relating to socially relevant themes, including sufficient food, clean drinking water, sustainable energy, security and healthcare. It 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 Asia, are growing.

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 the dividend to be distributed in equity, is desirable.

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