

*Nedap '2017 annual figures' press release

Nedap's revenue up 12% in 2017

Increase in operating profit of 31%

Groenlo, Netherlands, 15 February 2018

Financial highlights for 2017

- Revenue rose by 12% to € 182.2 million (€ 163.2 million in 2016), while recurring revenues are up 22%.
- The Healthcare, Identification Systems, Livestock Management, Retail, Security Management and Staffing Solutions business units all posted growth.
- Operating profit excluding one-off items increased by 31% to € 15.9 million (€ 12.2 million in 2016).
- Sale of Nsecure subsidiary produced one-off profit of € 19.1 million and net proceeds of € 25.3 million. € 12.4 million of the proceeds were used to purchase 4.2% of the company's own shares in order to cover participation plans.
- Profit for the financial year: € 28.0 million (€ 10.8 million in 2016), a 160% increase.
- Earnings per share: € 4.21 (€ 1.61 in 2016); dividend has been set at € 2.50 per share (€ 1.40 per share in 2016).

Key figures*

Key figures in millions of euros or expressed as a percentage	2017	2016	Growth
Revenue	182.2	163.2	12%
Recurring revenues	30.9	25.4	22%
Added value as % of revenue	62%	65%	-
Added value per FTE (x € 1,000)	172	164	-
Operating profit excl. one-off items	15.9	12.2	31%
Operating profit as % of revenue excl. one-off items	9%	7%	-
Profit for the financial year	28.0	10.8	160%
Earnings per share (x € 1)	€ 4.21	€ 1.61	-
Earnings per share excl. one-off items (x € 1)	€ 2.02	€ 1.77	-
Dividend per share (x € 1)	€ 2.50	€ 1.40	-
Return on invested capital (ROIC)	22%	19%	-
Net debt/EBITDA	0.6	1.1	-
Solvency	55%	50%	-

* 2016 results adjusted to take Nsecure deconsolidation into account

★Nedap '2017 annual figures' press release

Strategy update

Sound progress was made in 2017 with Changing Gears, the strategic multi-year plan intended to increase focus on activities that will accelerate the company's development. As part of this plan, the supply chain reorganisation largely phased out production and logistics operations at Nedap, enabling staff to focus on developing and marketing the company's own propositions.

The Nsecure B.V. subsidiary and its system integration activities on the security market were sold in November 2017, in keeping with the company's strategy of focusing on the development and sale of proprietary products and solutions. Subsidiary Nedap Iberia's operations were also reorganised. The Retail and Library Solutions business units are largely transferring their Spanish sales and service activities relating to hardware products to business partners. In future, Nedap Iberia will focus on direct sales of the !D Cloud software solution and on business partner support. The Security Management business unit will continue its activities on the Spanish market unchanged.

Late 2017 saw the discontinuation of the Energy Systems business unit as planned. Its activities have been downsized and now only involve service and guarantee-related tasks for existing customers. These activities will be taken over by Nedap Smart.

The Library Solutions business unit worked on increasing focus in its product portfolio, as a result of which it posted lower revenue than in the previous financial year. Since the unit's product portfolio overlaps significantly with that of the Retail business unit, the Library Solutions unit was discontinued with effect from 1 January 2018 and its activities were transferred to Retail.

The increase in operating profit achieved in 2017 has led to the first payment under the Nedap Additional Participation Plan (NAPP), amounting to € 0.8 million. Details of this NAPP will be available in the 2017 annual report.

Financial statements 2017

Sale of Nsecure

Following its sale, the Nsecure subsidiary was deconsolidated in November 2017 with retroactive effect. Up to the sale date, Nsecure posted € 1.3 million in profit, which - together with the book profit of € 17.8 million resulting from the sale - was recognised in the statement of profit or loss as 'Profit from discontinued operations' and amounts to € 19.1 million. For the purposes of comparison, the figures and percentages relating to profits and mentioned in the following have been adjusted to assume that Nsecure was not part of Nedap in 2016.

Revenue

Overall revenue in 2017 amounted to € 182.2 million, which was up 12% on 2016 (€ 163.2 million). Recurring revenues (subscriptions and maintenance contracts) increased by 22% to € 30.9 million (€ 25.4 million in 2016) and comprised 17% of the overall revenue (16% in 2016).

The added value of € 112.7 million represents 62% of revenue (65% in 2016). This percentage has decreased, as expected, since the outsourcing has led to wages and salaries being included in the purchase price of products. Added value achieved in 2017 amounted to € 172,000 per FTE (€ 164,000 in 2016).

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Costs and profit/loss

Personnel costs rose by € 7.4 million to € 67.2 million. The reasons for this included the additional employees hired for marketing & sales and product development, but also the fact that employees made redundant by the supply chain reorganisation were still employed for a significant part of the year before leaving the company in late 2017. NAPP costs of € 0.8 million were also recognised as personnel costs in 2017. Personnel costs included one-off items in both 2017 and 2016.

Other operating costs were up € 2.2 million to € 27.7 million and included one-off items, just like in 2016.

Due to the supply chain reorganisation, investments in tangible fixed assets were limited in recent years. As a result, depreciation of tangible fixed assets fell by € 0.5 million to € 6.9 million in the 2017 financial year. Amortisation of intangible fixed assets dropped by € 0.6 million to € 0.8 million due to the limited capitalisation of development costs in recent years. Development costs stood at € 23.5 million (€ 20.5 million in 2016), and like in 2016, none of this amount has been capitalised. The developments costs mainly consist of personnel costs. Impairment totalled € 0.3 million in 2017, consisting of one-off non-cash impairment of assets.

The operating profit reported amounted to € 9.9 million (€ 10.7 million in 2016).

One-off costs included in the operating profit totalled € 6.0 million, of which € 3.5 million were recognised as personnel costs, € 2.3 million as other costs and € 0.3 million as impairment of assets. Other costs also include a book profit of € 0.7 million achieved on the sale of tangible fixed assets.

The supply chain reorganisation created one-off costs of € 3.9 million, and there were also one-off costs of € 0.8 million and € 0.3 million for the phase-out of the Energy Systems business unit and the reorganisation in Spain respectively. Settlement of the old pension plan did not produce any one-off profits or losses in 2017.

The sale of Nsecure created one-off costs totalling € 1.1 million. The subsidiary's profit for the 2017 financial year and the book profit achieved upon sale have been recognised as 'Profit from discontinued operations' and amounts to € 19.1 million. The 2017 annual report provides a detailed breakdown of one-off costs from 2017 and 2016.

In 2017, the operating profit, excluding the aforementioned one-off items, rose 31% to € 15.9 million or 9% of revenue (€ 12.2 million or 7% of revenue in 2016).

Amounting to € 0.2 million, net financing costs were at the same level as in 2016. The share in our associate Nedap France's profit grew by € 0.3 million in 2017 to € 0.9 million.

The total tax rate for continued and discontinued business activities amounted to 5.8% (18.3% in 2016).

This low percentage is largely due to the book profit posted on the sale of Nsecure not being subject to taxation. If this book profit is not taken into account, the tax rate is 17.3%.

A new agreement to apply the Innovation Box tax regime in the 2017-2021 period has been made with the Dutch Tax Authority on conditions similar to those for the agreement made in 2016.

The profit for the financial year came in at € 28.0 million (€ 10.8 million in 2016).

Financing and capital structure

The 2017 balance sheet total rose by € 2.8 million to € 113.8 million, a rise that is largely due to the € 2.4 million increase in inventories to € 31.5 million or 17% of revenue (€ 29.0 million or 18% of revenue in 2016). Since buffer inventories are in place during the supply chain reorganisation, the inventories are relatively high when seen as a percentage of the revenue.

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The sale of Nsecure generated net proceeds of € 25.3 million, € 12.4 million of which were used to purchase 4.2% of the company's own shares in order to cover employee participation plans. The remaining € 12.9 million was used to repay short term debt. Net debt decreased by less than € 12.9 million in 2017 (net debt decreased by € 9.2 million to € 14.2 million) due to the increase in inventories and payment of one-off costs in connection with the supply chain reorganisation. Net debt/EBITDA stood at 0.6 at the end of 2017 (1.1 at year-end 2016).

A credit agreement was sealed with Nedap's main bank in 2016, with committed credit facilities - including seasonal amounts - totalling € 44.0 million up to May 2023. No covenants have been agreed for these facilities, which have a flexible repayment schedule and take seasonal patterns into account. By the end of 2017, committed credit facilities - excluding seasonal amounts - totalled € 41.0 million (€ 41.1 million at year-end 2016). € 16.0 million from these facilities are in use.

Liquidity and solvency

Cash and cash equivalents were € 1.8 million as at 31 December 2017 (€ 2.3 million in 2016), while solvency rose 5% in 2017 to 55%.

Return on invested capital

Return on invested capital (ROIC, i.e. the operating profit/loss excluding one-off items, divided by invested capital) rose 3% to 22% in 2017.

Earnings per share and dividend

Earnings per share came in at € 4.21 in 2017 (€ 1.61 in 2016). Excluding one-off items, this figure was € 2.02 (€ 1.77 in 2016). Dividend per share for 2017 is set at € 2.50 (€ 1.40 in 2016).

Net proceeds from the sale of Nsecure are – next to the aforementioned purchase of own shares - used for a one-off increase in the dividend for 2017. Part of these net proceeds were retained to finance temporarily larger inventories, make severance payments related to the supply chain reorganisation in early 2018 and investments in the Groenlo building.

For further details about financial risk management, please refer to the 'Nedap and risk management' section in the 2017 annual report.

Business unit developments

Healthcare

The Healthcare business unit (automation of administrative tasks for healthcare professionals) has increased its market share on both the elderly care and disabilities markets, which has resulted in a considerable increase in revenue once again in 2017. On the mental healthcare market, more and more mental healthcare facilities are joining the regional facilities for sheltered housing (Regionale Instellingen voor Beschermd Wonen in Dutch) in choosing Nedap's services.

The demand for suitable deployment of modern technology to support healthcare processes is still increasing in various healthcare sectors, and Nedap's proposition is ever more powerful thanks to the company's commitment to the healthcare market and continuous investments in product development. As a result, market share is expected to increase further on the various healthcare markets, which should also bring about growth in revenue in 2018.

Identification Systems

The Identification Systems business unit (security, traffic and parking solutions) had an excellent year once again, posting significantly increased revenue. This increase was mainly achieved in Europe, the Middle East and North America, with propositions for vehicle identification and detection and people identification. The business unit's broad product portfolio is

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the perfect solution to the various markets' needs and requirements. Identification Systems' commercial clout will be further expanded over the next few years, with online marketing activities becoming increasingly important. These activities will be improved and intensified, and a new, more interactive website will be launched. The business unit is optimistic about the years to come and expects a further increase in revenue in 2018.

Light Controls

Revenue posted by the Light Controls business unit (power electronics and control systems for the lighting industry) is down on 2016. The growth expected on the market for UV ballast water treatment for ships failed to materialise, since the legislation making ballast water treatment compulsory all over the world has been deferred. This increase in revenue will not happen before 2019, but the business unit nonetheless expects revenue growth in 2018, based on its growth projections for Luxon (wireless and cloud-based light management system).

Livestock Management

The Livestock Management business unit (automation of livestock management processes based on identification of individual animals) posted a sound increase in revenue in 2017. Higher milk prices ensured that revenue in the dairy farming sector recovered faster than expected. Following delays in the construction of pigsties, several major pig farming projects were postponed to 2018, which meant that revenue in this sector remained stable despite a sharp increase in the number of orders placed.

In light of the backlog and commercial opportunities, the business unit expects to achieve growth in revenue in the pig farming sector once again. Since the outlook for Nedap products in the dairy farming sector is positive, the business unit as a whole expects continued growth of its revenue in 2018.

Retail

The Retail business unit (security, management and information systems for the retail sector) once again posted increased revenue in 2017, mainly on the back of the growth achieved in North America.

There are plenty of commercial opportunities for both classic anti-theft solutions for shops and RFID-based inventory control systems, so the business unit intends to launch new propositions that meet retailers' needs in these areas and therefore achieve a further growth in revenue in 2018.

Security Management

Just like in previous years, the Security Management business unit (physical security systems) continued its revenue growth in 2017 and increased its market share on the European market. The unit's strategy focuses on a gradual market share increase through further development of propositions, intensification of marketing efforts and further professionalisation of support provided to the sales channels. The European security management market is expected to grow steadily over the coming years, so the business unit expects that its long-term strategy will expand its market position step by step and therefore produce growth in revenue in 2018.

Staffing Solutions

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling) also posted increased revenue in 2017, partly on the back of growth on the staffing market and a rise in the number of new PEP customers.

Furthermore, several customers decided to migrate all of their timesheet processing activities to the PEP software service, which resulted in more timesheets processed and therefore an increase in the unit's revenue.

Continuous investments in functionality and marketing have given the business unit's solutions a more significant and more prominent position on the various employee services markets. Overall, the combination of growth on the staffing market, an increased number of customers and more timesheets processed per customer are expected to create further growth in 2018.

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Outlook

Nedap focuses on smart applications of technology to help solve the challenges of today and tomorrow. In recent years, we have constantly worked to gear our organisation towards those customer groups, products and activities for which we can really make a difference. By fully focusing our talents on this goal, we will increase our impact on our markets.

The development and expansion of our market position is a lengthy process, and one that requires plenty of perseverance and drive. It is often impossible to predict when we will achieve commercial and financial success, but the robustness of our organisation will give us the patience we need to claim a leading market position. What is more, all of our business units can draw on the ample expertise in technology, markets and processes available throughout the organisation as a key tool in setting Nedap apart from other market players and maintaining a strong competitive position.

Continuous investment in developing our propositions and commercial strength has enabled us to expand our position on the various markets and enter new ones. A keen focus on maintaining a solid balance sheet and long-term financing arrangements will result in a strong financial foundation. We are confident about the future and expect healthy long-term growth. On this basis, we expect a further increase in revenue in 2018, unforeseen circumstances notwithstanding.

Annual report publication and general meeting of shareholders

The 2017 Nedap annual report will be published electronically on 20 February (after the close of trading). The annual general meeting of shareholders will take place at 11 am on Thursday 5 April at the Van Nelle Fabriek in Rotterdam.

Since the company's founding in 1929, N.V. Nederlandsche Apparatenfabriek 'Nedap' has been manufacturing smart technical applications for the challenges of today and tomorrow, and selling them all over the world. Headquartered in Groenlo in the Netherlands, Nedap boasts a workforce of approx. 700 employees and operates on a global scale, while the company has been listed on Euronext Amsterdam since 1947.

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Consolidated balance sheet at 31 December (€ x 1,000)

	2017	2016
Assets		
Non-current assets		
Intangible assets	1,689	3,247
Property, plant and equipment	35,753	40,692
Financial fixed assets	4,454	3,849
Deferred tax assets	280	272
	42,176	48,060
Current assets		
Inventories	31,477	29,397
Corporate income tax receivable	1,029	842
Trade and other receivables	37,260	36,013
Cash and cash equivalents	1,840	2,329
	71,606	68,581
	113,782	116,641
Equity and liabilities		
Group equity		
Equity	61,962	55,851
Non-current liabilities		
Borrowings	14,282	14,953
Derivative financial instruments	-	92
Employee benefits	789	765
Provisions	1,119	994
Deferred tax liabilities	471	619
	16,661	17,423
Current liabilities		
Borrowings	85	127
Derivative financial instruments	-	31
Employee benefits	53	23
Provisions	1,491	4,824
Bank overdrafts	1,669	11,010
Corporate income tax payable	120	230
Taxes and social security charges	1,763	2,848
Trade and other payables	29,978	24,274
	43,367	43,367
Total liabilities	51,820	60,790
	113,782	116,641

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Consolidated income statement (€ x 1,000)

	2017	2016
Revenue	182,185	163,244
Cost of materials and subcontracting costs	-71,799	-63,255
Movement in inventories of finished goods and work in progress	2,310	5,694
	-69,489	-57,561
Added value	112,696	105,683
Personnel costs	-67,214	-59,833
Amortisation	-755	-1,377
Depreciation	-6,863	-7,405
Impairment of assets	-264	-900
Other costs	-27,673	-25,471
	-102,769	-94,986
Operating profit	9,927	10,697
Financing income	66	74
Financing expenses	-269	-288
Value movements in derivative financial instruments	-	-
	-203	-214
Net financing expenses	-203	-214
Share of profit of associate (after taxation)	877	617
	10,601	11,100
Profit before taxation from continued operations	10,601	11,100
Taxation	-1,678	-1,927
	8,923	9,173
Profit after taxation from continued operations	8,923	9,173
Profit for the financial year from discontinued operations	19,112	1,606
	28,035	10,779
Profit after taxation	28,035	10,779
Profit attributable to shareholders of Nedap N.V.	28,035	10,779
Average number of shares in issue	6,651,543	6,692,920
Earnings per ordinary share (in €) from continued operations	1,34	1,37
Diluted earnings per ordinary share (in €) from continued operations	1,34	1,37
Earnings per ordinary share (in €)	4,21	1,61
Diluted earnings per ordinary share (in €)	4,21	1,61

*Nedap '2017 annual figures' press release

Geconsolideerd overzicht van het totaalresultaat (€ x 1,000)

	2017	2016
Profit for the financial year from continued operations	8,923	9,173
Profit for the financial year from discontinued operations	19,112	1,606
Profit after taxation	28,035	10,779
Other comprehensive income		
Items that may be reclassified to profit or loss on subsequent recognition		
Exchange gains and losses	-87	-62
Other comprehensive income for the period, after taxation	-87	-62
Total comprehensive income for the period	27,948	10,717
Total comprehensive income attributable to:		
Nedap N.V. shareholders	27,948	10,717

The annual figures are derived from the 2017 financial statements, which have not yet been adopted. The financial statements will be adopted during the General Meeting of Shareholders, which will be held on 5 April 2018. The financial statements have not yet been filed with the trade register.

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Consolidated cash flow statement (€ x 1,000)

	2017	2016
Cash flow from operating activities		
Profit after taxation	8,923	9,173
Adjustments for:		
Depreciation, amortisation and impairment	7,882	8,782
Book profit on sale on property, plant and equipment	-704	-12
Share of profit of associate	-877	-617
Exchange gains and losses on participating interests	1	16
Net financing expenses	203	214
Share based payments	822	396
Corporate income taxes	1,678	1,927
	9,005	10,706
Movements in trade and other receivables	-6,460	-4,233
Movements in inventories	-3,191	-4,669
Movements in taxes and social security charges	-313	-6
Movements in trade and other payables	9,287	1,889
Movements in employee benefits	54	190
Movements in provisions	-3,028	-2,551
	-3,651	-9,380
Interest paid	-279	-316
Interest received	86	71
Income tax paid	-2,131	-2,640
	-2,324	-2,885
Cash flow from operating activities from continued operations	11,953	7,614
Cash flow from operating activities from discontinued activities	1,336	1,630
Net cash from operating activities	13,289	9,244
Acquisitions of property, plant and equipment	-7,793	-6,520
Acquisitions of intangible assets	-70	10
Proceeds from sale of property, plant and equipment	1,447	332
Dividend received from associate	272	449
	-6,144	-5,729
Cash flow from investing activities from continued operations	25,167	-323
Cash flow from investing activities from discontinued operations		
Cash flow from investing activities	19,023	-6,052

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Consolidated cash flow statement (€ x 1,000)

	2017	2016
Long-term borrowings drawn and repaid	-836	-89
Loans granted	-	63
Dividend paid to shareholders of Nedap N.V	-9,370	-8,567
Acquisition of minority interests	-	-96
Repurchase of shares	841	421
Sale of shares	-14,130	-
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Cash flow from financing activities from continued operations	-23,495	-8,268
Cash flow from financing activities from discontinued operations	123	-1,040
	<hr/>	<hr/>
Cash flow from financing activities	-23,372	-9,308
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Movements in cash and cash equivalents and banks	8,940	-6,116
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Cash and cash equivalents and banks at 1 January	-8,681	-2,487
Exchange gains and losses on cash and cash equivalents and banks	-88	-78
	<hr/>	<hr/>
Cash and cash equivalents and banks at 31 December	171	-8,681
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Cash and cash equivalents	1,840	2,329
Cash equivalents and banks	-1,669	-11,010
	<hr/>	<hr/>
	171	-8,681