

Nedap continues substantial investment in future growth

Revenue in 2013 virtually the same as 2012, profit down

Groenlo, 14 November 2013

Total revenue of N.V. Nederlandsche Apparatenfabriek "Nedap" over 2013 is expected – notwithstanding unforeseen circumstances – to be more or less the same as the revenue in 2012 (€ 171.9 million). The market groups AVI, Healthcare, and Retail will once more show a further growth in revenue in 2013, the market groups Energy Systems, Light Controls, and Security Management will remain virtually the same, and the revenue of the market groups Library Solutions and Livestock Management will be down on the revenue in 2012.

Substantial investment continued once more in 2013 in globalisation, innovation, marketing, and the strengthening of the organisation. Due to the persisting uncertain economic conditions in various markets, a further growth of the revenue in the ongoing year will however not be achieved. Certain markets are also having to deal with unpredictable and unclear regulations, such as that confronting the solar energy market, as a result of which, for example, the previously expected strong growth in revenue from PowerRouters will not be realised. The size of the investment had a distinct impact on the result, especially in the 2nd half-year. This combination of substantial investment and static revenue means the profit after tax will be considerably* down on 2012 (profit 2012: € 13.5 million).

Investment in better market propositions, in a worldwide presence, and in the strengthening of the organisation are absolutely necessary in order to be able to play a leading role in the future in those markets that are currently undergoing realignment. And a leading role is necessary for the realisation of the targets for added value and profitability. The management of Nedap therefore believes these investments will lay the foundation for a further growth in revenue and an increase in profit. In the short term, the predictability of revenue and profit has not, however, been helped by the uncertain and volatile economic conditions that still persist in a number of regions and sectors relevant for Nedap. The project-based character of a large part of the revenue is also not conducive to the predictability of the short-term outlook.

Investment in dynamic markets, aimed at future growth, means that as well as recruiting new employees, sometimes existing employees also have to be let go. About € 1 million has been spent in connection with this latter issue over the last year. The number of employees will go up on balance this year by around 45 (year-end 2012: 709 employees).

* Nedap has applied to the 'scale of Mock' in this press release (e.g., considerable = 30-45%).

Likewise with future growth in mind, a property was purchased in mid-2013 (almost 10,000 m² with offices and production units) that borders on the existing Nedap facility in Groenlo. Partly as a result of this acquisition, the total investment in property, plant and equipment and intangible assets in the ongoing year will be more than € 2 million higher than the amount of depreciation and amortisation. In mid-2013, the current credit facility with the company's main bank was increased by € 5 million in connection with the extra investments and a temporary increase in the operating capital. As per the year end, this will have been brought back to the old level. Including undistributed profit, the solvency position at the end of October 2013 was more than 42%.

Market Developments

The market group **AVI** (products for vehicle and driver identification as well as wireless parking systems) showed a further growth in revenue once more. The rate of growth has slowed, however, because some clients are putting projects on hold for budgetary reasons. The unique, compact, long-distance reader for driver recognition that was recently launched, and the innovations in the field of wireless vehicle detection, are making an increasingly more significant contribution to the revenue.

The market group **Energy Systems** (autonomous energy systems), with its PowerRouter product (system for the independent and effective generation, storage and consumption of electricity), will realise about the same level of revenue as in 2012. The expected strong growth has not yet materialised due to unstable financial situations in the German solar energy market, and the uncertainties in various markets concerning the legislation surrounding 'self-generation' and the storage of solar power. The preventative replacement program for a component in the PowerRouter carried out by the market group also took longer to complete than originally expected. Despite the adverse economic conditions, the share of smart storage systems in the revenue of the market group is growing solidly. Furthermore, an improvement of the market circumstances, particularly in Germany, is expected in 2014.

The revenue of the market group **Healthcare** (automation of the administrative duties of healthcare professionals to create more time for care) also continued to grow steadily. Care organisations in the Netherlands (the market for the Healthcare market group) are currently being faced with a reorganisation of long-term care services by the government. This has involved spending cuts and a decentralisation of responsibilities, with a shift to locally administered services and a greater emphasis on informal care. All of these factors have created an increasing need for support using modern technology. The market group offers an integrated product range for healthcare institutions, their staff and clients, and for informal carers. More and more healthcare institutions are therefore making use of the services of Nedap. The operating territory of the market group has also gradually expanded beyond outpatient care to include inpatient care, elderly care, and disabled care. The Pep[®] suite (digital timesheet processing for e.g. temporary employment agencies) marketed by this market group also contributed to the growth in revenue of the group despite the continuing difficult economic circumstances in the employment services sector.

The market group **Library Solutions** (RFID self-service systems for libraries) no longer concentrates solely on implementing integrated library projects, and is acting as a systems integrator combining a mix of in-house components and third-party products. It is now concentrating on the development and supply of a cutting-edge product portfolio, which allows business partners - in an increasing number of countries - to carry out individual client-specific projects. The realignment of its market approach means that the revenue of this market group, as expected, will be lower than in 2012. This is particularly noticeable in Belgium, Germany, and the Netherlands. The revenue in France, the UK, Scandinavia, and South America, on the other hand, will be up this year.

The revenue of the market group **Light Controls** (power electronics for lighting) are expected to finish at the same level as in 2012. The prospect of further growth has been dampened amongst other things by the imminent introduction of new regulations on the purification of ballast water in the shipping sector. Furthermore, some customers in the lighting industry have encountered financial difficulties. The American activities of the group were put under the management of an American company, Nedap Inc., a wholly-owned subsidiary of Nedap N.V., which was set up at the start of this year. This organisation has a team of 7 employees who are successfully working the North American lighting market, with its attractive opportunities for this market group. A number of interesting orders have been won in recent months with good prospects for the future.

The market group **Livestock Management** (automation of livestock management processes based on individual animal identification, which help livestock farmers to optimise their business processes and improve the well-being of humans and animals), after several years of solid growth, could not sustain the revenue of the record year 2012. Livestock farmers have been faced with rising animal feed prices, the relatively long winter in the northern hemisphere, and the increasing difficulty in obtaining financing. This has dampened the willingness to invest. At the same time, the wave of investment in the pig-breeding sector following the introduction of new European regulations has come to an end. A major contributory factor in the flat revenue was also the stockpiling in the logistical chains of a number of customers. The market group is investing heavily in product development and new sales channels. A broadening of the product assortment, amongst other things with behaviour sensors and positioning and performance measurement systems, will open up new opportunities to generate more revenue with existing customers as well.

The market group **Retail** (security, management and information systems for retail) is becoming increasingly successful in developing attractive propositions for specific market segments and winning leading retailers for these propositions. Despite the difficult conditions in the retail sector - and in a very competitive market - the market group has seen its revenue continue to grow. Its systems provide a combination of shoplifting prevention, stock control, and store management. During the current year, the market group received a large number of orders for the conversion of RF systems to hybrid RF/RFID systems, which will make it possible for retailers to carry out a phased transition to complete RFID. The market group is investing solidly to make sure it can serve its existing clients around the world and in order to win new clients.

The **Security Management** market group (access control, registration, payment, fire and intrusion alarms, surveillance, locker management and biometrics systems) managed to sustain the revenue levels achieved in 2012, despite the persistent sluggish situation in the construction and installation market. During the course of

the year, several multi-year contracts were signed with multinational corporations for the supply of worldwide security services at their locations. To meet the high standards demanded by these international clients, over the last year a lot of investment took place in the further professionalisation of the organisation and the strengthening of the products, which has also increased the distinctive power of the market group.

The expectations outlined above for 2013 are based on the facts known at the time of writing of this press release. Due to the project-based character of a large part of the revenue, however, considerable changes may still occur in the final weeks of this year.

The report for 2013 will be published on Thursday 13 February 2014 after trading hours.

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Nedap is a manufacturer of intelligent technology solutions for today's challenges. Enough food for a growing population, clean drinking water around the entire world, and smart networks for sustainable energy are just some of the goals Nedap is working towards. It has a continual focus on technology that matters.

The N.V. Nederlandsche Apparatenfabriek "Nedap" was founded in 1929, it has been listed on the stock exchange since 1947, and employs more than 750 staff worldwide.

