Press Release

On the road back to higher revenue and profits

Nedap realises growth in revenue of 16% and profits of almost € 9 million in 2010

Groenlo, 3 February 2011

After a substantial drop in 2009, revenue and profits of the N.V. Nederlandsche Apparatenfabriek "Nedap" showed a recovery during 2010. Revenue rose by 16% from € 115.2 million to € 133.6 million, and profits rose from € 7.7 million to € 8.8 million after tax (2009: € 1.1 million). The earnings per share finished at € 1.30 compared to € 0.16 in 2009. As a result of the growth in activities, the solvency position fell from 44% to 40%. Because Nedap aims to achieve a solvency position of around 45%, 75% of the profit will be distributed as dividend, compared to 90% in previous years. The dividend per share was consequently set at € 0.98 (2009: € 0.14).

Despite the rather sluggish economic recovery, Nedap sees good opportunities for growth in various sectors. The structural savings achieved with the restructuring of production activities in 2009 were therefore reinvested in full during 2010 in product innovation and the strengthening of the commercial organisation. During the year under review on balance 51 new employees were taken on in connection with these two areas.

The decision to continue the high level of investment has already produced concrete results. For example, the market groups Healthcare, Library Solutions, Retail, and Security Management achieved higher revenue than ever before. The market group Agri managed to achieve a growth in revenue despite the relatively low willingness to invest in the agrarian sector. The market groups Power Supplies and Specials – entirely as planned and in consultation with their customers – further reduced their supplier activities. A few years ago these supplier activities, amongst others to the telecom and appliances sectors, were still good for approximately 20% of the total revenue of Nedap. By the end of 2010 this had been reduced to 11%, and this percentage will continue to fall over the coming years. The market group Power Supplies managed to achieve growth with amongst others, the new, in-house products sold under the Nedap brand name. The other market groups consolidated their revenue or saw a limited decline.

Due to higher expenditure on product development and marketing, and with the streamlining of production and logistical processes, the objective of achieving a minimum operating profit of 10% was not achieved in the year under review. The figure achieved in 2010 was 8%. An advance tax ruling was signed with the tax department about the application of the innovation incentive scheme. The innovation incentive scheme makes it possible for businesses to pay a reduced tax rate on revenue from innovations. Partly because of this the tax liability for 2010 ended at 17%. The profit after tax, expressed as a percentage of turnover, was 6.6% (2009:1.0%).

In light of the innovative character of Nedap, the project-based nature of many orders, and the expected organic growth of the company, a solvency position of around 45% is considered desirable. This is based on equity excluding undistributed profit. At year-end 2010, the solvency position was 39.5%. The dividend for 2010 was set taking into account the objective of bringing back the solvency position to the desired level within the next few years.

Market Developments

The dairy farming industry remained unsettled in 2010. After a difficult start, milk prices recovered during the second half of the year. There was strong regional differentiation in meat and piglet prices during the year. In combination with the cautious attitude of banks towards credit financing, this resulted in a reduced willingness to invest in this sector in the major sales markets. Nonetheless, revenue of the market group **Agri** (ICT systems for the dairy and pig farming industry) recovered during the second half of 2010, which ultimately led to a marked growth being achieved compared to 2009.

The market group **AVI** (Automatic Vehicle Identification) was affected by the worldwide decline in manufacturing activities. The fewer number of projects accordingly resulted in a limited drop in revenue during 2010. The market group **Education** (access control and computerised attendance registration of students) stabilised its revenue in 2010. The Dutch educational sector hardly invested in any new projects due to the government cutbacks. In England, however, a number of major orders were won thanks to intensive marketing.
The turnover of the market group **Election Systems** remained very flat during 2010. The market group is closely monitoring the developments in the field of voting machines and the relevant legislation both nationally and internationally.

The market group **Healthcare** (computerisation of time registration for the healthcare sector) once more showed excellent performance with a convincing growth in revenue during 2010. The decision to continually invest in the functionality, user-friendliness, and reliability of its software caused a large number of care institutions to switch to Nedap products during the year. By the end of 2010, more than 40,000 care professionals were using Nedap systems every day.

With PEP®, the market group is also active in the employment agency sector. This powerful combination of hardware and software eliminates much of the administrative paperwork for employment agencies, and thus delivers a huge reduction in their administrative costs. PEP was being used by more than 2000 companies at the end of the year under review, and the amount of digital timesheet processing therefore grew tremendously. Marketing of this system also started in Belgium, Germany, and France during the year under review.

The market group **Library Solutions** (RFID self-service check-in/checkout systems for libraries) achieved a growth in revenue in 2010 despite heavy price erosion. With Nedap Librix, the market group is the only player in the library market with a comprehensive package of products specifically developed for libraries.
Despite the strong decline in manufacturing activities in the Netherlands, revenue of the market group **Locker Management Systems** (electronic locks and management systems for lockers) over 2010 ended at the same level as the previous year. The lack of orders for locker projects from traditional customers, such as schools and leisure facilities, was compensated for by major office projects.

The market group **Retail** (anti-shoplifting systems, control and information systems to combat stock losses) performed excellently in 2010. Marketing aimed at specific target groups has increased awareness about the advantages of its product lines, and with innovative products, such as the Tweet Mirror (store mirror with camera and twitter/e-mail functions) and Cube® (extensive management information system for retail outlets) it is also winning over new customers. This resulted in a greater market share and record revenue in 2010.

The **Security Management** market group (systems for access control, payment, fire and intruder alarms, observation and biometrics) also performed excellently in 2010. With an impressive increase in revenue, it also improved its market share and achieved a record turnover. The continual investment in innovation and marketing has reinforced the leading position of the market group as a developer and manufacturer of security systems in Europe.

Within an increasing number of in-house products being sold under the Nedap brand name, the market group **Power Supplies** (switch-mode power supplies for lighting, environments, office automation, medical scanning equipment, and solar energy) achieved a healthy growth in revenue during the year under review. The investment in product development and the marketing organisation has created an excellent platform in the various niche markets for lighting power supplies and so-called ‘smart grids’ (the new generation of smart electricity supply grids).

Within the market group **Specials** (traditional supplier activities with customer-specific products), it has been increasingly difficult in recent years to translate knowledge and expertise into acceptable profit margins. For that reason a decision was taken in 2009 to discontinue investment in these activities, and to focus time and energy solely on the development and marketing of in-house products under the Nedap brand name. During the year under review, a lot of time was spent making suitable arrangements for the ending of the supplier activities. A number of last-time orders nonetheless led to a one-off increase in turnover during the year under review compared to 2009.

Financial

Revenue went up in 2010 by 16% to € 133.6 million (2009: € 115.2 million). The added value (revenue minus movements in inventories and material costs) for the year under review was € 90.3 million (67.6% of revenue). The added value in 2009 was € 78.8 million (68.4% of revenue). This slightly lower percentage was caused by changes in the composition of the revenue and the higher cost of components resulting from the shortages on the world market.

Expenditure on 'Subcontracting and other external costs' rose in the year under review by € 5.8 million to € 34.5 million (2009: € 28.7 million). This increase was mainly due to the higher production, but also because of the higher expenditure on product development, marketing, and the streamlining of production and logistical processes.

Salary adjustments, amongst other things resulting from the collective labour agreement (CAO) and higher variable remuneration, were primarily responsible for the € 1.7 million increase in expenditure on salaries and social security charges. The normal amortisation and depreciation in the year under review was up by € 0.5 million, and the “Impairment losses on intangible assets” where € 0.2 million down on 2009. No restructuring expenses were incurred in the year under review, compared to € 4.7 million in 2009.

Total capitalisation of non-current assets manufactured in-house was € 0.3 million more than in 2009.

The above resulted in an operating profit over 2010 of € 10.6 million: 8.0% of revenue. The operating profit for 2009 before deduction of the restructuring expenses was € 6.7 million (5.8% of revenue). This percentage increase is almost entirely attributable to the increase in revenue.

The net financing expenses were down, despite an increase in the borrowing requirement of almost € 0.3 million, thanks to the lower interest rates and the lower expenses for interest hedging. The strong increase in revenue meant the profit after tax of our associate Nedap France S.A.S. was more than € 0.2 million up on the previous year.

The participation in the innovation incentive scheme meant the tax liability of the Nedap Group (excluding the associate) fell to 17% (2009: 18%). The effective corporation tax rate was 25.5%.

The above resulted in a profit for the year under review of € 8.8 million. This was 6.6% of the revenue. In 2009 the profit was € 1.1 million, or € 4.6 million excluding restructuring expenses. The latter amount is 4% of the revenue.

The total capital expenditure on property, plant and equipment was € 6.0 million. Total depreciation and amortisation amounted to € 6.5 million. The total investment in intangible assets (capitalised development costs) was € 2.9 million, € 1.5 million more than was amortised.

Financial non-current assets fell by € 0.7 million, primarily due to the increase in contributions to our pension scheme. The increase in activities led to an increase in current assets of € 10.4 million. Of this, € 2.9 million is inventories, € 6.1 million is “Trade and other receivables”, and € 1.4 million are cash and cash equivalents and deferred tax assets. The increase in inventories was partly due to a change in policy to keep more finished products in stock, and - a temporary factor - the shortage of components on the world market.

Primarily due to the increase in activities, the solvency position (equity excluding undistributed profit divided by the total assets) fell from 44.2% at year-end 2009 to 39.5% at year-end 2010. The non-current liabilities stayed virtually the same. The current liabilities rose as a result of higher inventories and receivables by € 3.3 million.

On average, there were 632 employees during 2010, compared to 652 in 2009. At the end of 2009, the restructuring of production activities led to the redundancy of 56 employees. The number of employees at the end of the 2009 was 601. During 2010, on balance 51 new employees were taken on. At the end of 2010, there were 652 employees.

Outlook

Knowledge of the customer’s business process and application of new technologies form the basis for new, original and sustainable applications that allow the customer to distinguish themselves from the competition. This qualitative aspect of the revenue, which is demonstrated by the high percentage of added value in revenue terms, is of central importance. This has the highest priority, and serves to create the solid foundations on which Nedap is continuing to build organic revenue and results growth.

In the short term, revenue and results may be influenced by caution in the market due to economic developments. The year 2009 was an extreme example of this. In 2010 we saw a distinct recovery. Over the past years we have continued to invest in new products, systems, services, and marketing. This is one of the reasons for the recovery in 2010. The expenditure on marketing and research and development in 2011 will stay at the same level as in previous years.

Based on our current market position in the various markets – notwithstanding unforeseen circumstances – we also expect further growth in revenue and profit in 2011.

The annual report for 2010 will be published digitally in mid-March, and the Annual General Meeting of Shareholders will be held on Tuesday 26 April 2011 at Het Zendgebouw Radio Kootwijk, Radioweg 1, 7348 BG Hoog Soeren.

For more information:

G.J.M. Ezendam
Financial Director
Tel.: 0544-471102
www.nedap.com

PROFILE NEDAP

Nedap is characterised by a development- and entrepreneurship-orientated open, innovative and creative culture. 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 where diversification and innovation, based on the company's expertise, play a central role.

Nedap focuses on the development and supply of distinctive and sustainable

- solutions for the computerisation and management of business processes, in which the identification of people, animals, and goods often play an important role, and

- products in which operating and switch-mode electronics play an important role.

To continue operating in a manner that makes Nedap strong, it pursues an operating profit of at least 10% of the revenue, a return on equity of 15% to 20%, and a solvency ratio of approximately 45%.
Nedap was founded in 1929 and has been listed on the NYSE Euronext since 1947.

Consolidated income statement

(in € million)		2010	2009
Revenu		**133,6**	115,2
Cost of materials	**44,6**		35,7
Movement in inventories of finished goods and work in progress	**-1,3**		0,7
Subcontracting and other external costs	**34,5**		28,7
Salaries	**34,2**		32,6
Social security charges	**6,0**		5,8
Depreciation/amortisation	**7,5**		7,0
Impairment losses on intangible assets	**0,4**		0,6
Restructuring expenses			4,7
Non-current assets manufactured in-house	**-2,9**		-2,6
Total operating expenses		**123,0**	113,2
Operating profit		**10,6**	2,0
Financing income	**0,1**		0,1
Financing expenses	**-1,1**		-0,9
Value movements instruments	**0,2**		-0,3
Net financing expenses		**-0,8**	-1,1
Share of profit of associate (after taxes)		**0,6**	0,4
Profit before taxes		**10,4**	1,3
Taxes		**1,6**	0,2
Profit after taxes		**8,8**	1,1
Average number of shares in issue		**6.692.920**	6.692.920
Earnings per ordinary share (in €)		**1,30**	0,16
Diluted earnings per ordinary share (in €)		**1,30**	0,16

Consolidated balance sheet at 31 December

(in € million)	2010	2009
Assets		
Tangible fixed assets	**42,9**	44,3
Intangible assets	**7,9**	5,3
Financial assets	**6,1**	4,4
Current assets	**56,1**	49,2
	113,0	103,2
Equity and liabilities		
Equity	**44,6**	45,2
Undistributed profit	**8,7**	1,1
Minority interests	**0,2**	0,2
Non-current liabilities	**22,5**	22,1
Current liabilities	**37,0**	33,7
	113,0	102,3

We are currently drawing up the annual financial statements which will be accompanied by an auditor's report.
The annual financial statements are to be adopted by the General Meeting of Shareholders on 26 April 2011.