Press Release "Annual Figures 2013"

Sharp investments in propositions and organisation put pressure on the result

Revenue Nedap rises in 2013 by 1% to € 174 million.

Groenlo, 13 February 2014

After the strong growth in the previous years, the revenue of N.V. Nederlandsche Apparatenfabriek "Nedap" levelled out in 2013. Total revenue ended at € 173.7 million, thus 1% higher than for 2012 (€ 171.9 million). The market groups AVI, Energy Systems, Healthcare, and Retail showed marked growth. The revenue of the market groups Light Controls and Security Management was virtually the same as in 2012. The market groups Library Solutions and Livestock Management were down on the previous year. The added value, expressed as a percentage of the revenue, went up in the year under review from 67.8% (2012) to 68.4%. Due to the continuous investment in propositions and organisation, the rise in expenditure was more than the increase in added value, as a result of which the profit was down from € 13.5 million (2012) to € 9.8 million. The earnings per share finished at € 1.46 compared to € 2.01 in 2012. Of the profit, 75% will be distributed as dividends. The dividend per share will therefore be € 1.10. The dividend in 2012 was € 1.51.

€ x million	2013	2012	2011
Revenue	173.7	171.9	152.3
Total revenue growth in %	1%	13%	14%
Revenue growth in-house products in %	1%	20%	20%
Operating profit in % of revenue	6.8%	9.5%	9.1%
Profit after taxes	9.8	13.5	11.0
Profit after taxes in % of revenue	5.6%	7.9%	7.2%
Earnings per share	€ 1.46	€ 2.01	€ 1.64
Dividend per share	€ 1.10	€ 1.51	€ 1.23
Payout ratio	75%	75%	75%
Solvency*	36.6%	38.9%	39.7%
Solvency position excluding IAS 19 (IFRS)**	41.0%	39.2%	38.6%

* solvency means the equity excluding the dividend to be distributed and non-controlling interests divided by the balance sheet total.

** solvency position excluding IAS 19 means the solvency position minus the pension liabilities or claims in accordance with IAS 19 (IFRS).

Market Developments

The year 2013 ended successfully for the market group **AVI** (Automatic Vehicle Identification, products for vehicle and driver identification as well as wireless parking systems). A solid growth in revenue was achieved in virtually all international markets. Over recent years, the market group has managed to build up an impressive product line for long-distance vehicle and driver identification, with a clear positioning of the products in relation to each other. Thanks to the completeness of this proposition, more products were sold than ever before of the robust TRANSIT microwave reader, the cost-effective uPASS reader, and the compact ANPR Access vehicle numberplate identification camera in the year under review.

The market group **Energy Systems** (systems for the independent and effective generation, storage and consumption of electricity) achieved a growth in revenue with its PowerRouter products despite the difficult market conditions during the year under review. New statutory regulations had a major impact on the sales opportunities in Belgium and England. Furthermore, the worldwide modification of installed PowerRouters in the first half of 2013 also put pressure on revenue development. Despite these setbacks, the market group still managed to achieve good growth in revenue in Germany, the most important market for solar energy.

During 2013, the revenue of the market group **Healthcare** (automation of the administrative duties of healthcare professionals to create more time for care) went up once more. The uncertainty surrounding regulations and financing within the healthcare sector has meant that more and more organisations are not willing to take any risks whatsoever when selecting their administrative systems. Consequently, they prefer to adopt the tried and tested solutions of the market leader Nedap. It is gratifying to see that a growing number of clients who already use components of the Nedap suite are implementing the fully-integrated Nedap solution and shedding all software of third parties. For example, more and more organisations are introducing the Electronic Patient File system that the market group has developed in recent years. Furthermore, organisations in adjacent markets, such as the mental healthcare sector, are making increasing use of the services of Nedap. Despite the drop in the use of employment agency staff in the Netherlands during the year, further growth was still achieved with Pep® (digital timesheet processing for internal and external employees and part of the Healthcare market group).

The market group **Library Solutions** (RFID self-service systems for libraries) managed to establish a new position in the market in 2013 following its strategic transformation from an offerer of turnkey projects to a technology provider. With the Librix product line, the market group offers a powerful product portfolio for libraries, that can be customised for local projects by implementation parties in countries around the world. Over the past year, the market group has devoted a lot of attention to the modularity and integration functionality of its products. This makes it increasingly easier to integrate Nedap products into projects for systems implementation. For example, over the last year core modules of the technology have been installed for libraries in Scandinavia, Asia, South America, and North America. And the first smart book check-in shelving systems were installed with groups of libraries in Canada. In addition, market leadership was reinforced in France, amongst other things with the roll-out of RFID systems within the libraries of Marseilles. These new initiatives were unfortunately not able to fully compensate for the loss of turnover from turnkey projects.

After years of growth, the market group **Light Controls** (power electronics for the lighting market) achieved more or less the same level of revenue in 2013. Less orders were received for water purification projects in the UV water disinfection segment, which had a negative effect on the revenue of the relevant power supplies. More growth had also been expected in orders for solutions for the purification of ballast water in the shipping sector. This was caused by the persisting uncertainty about the international treaty on the control and the management of ballast water and sediments on ships. There was more interest for the products used for switching of UV lighting systems to accelerate the drying of industrial inks, coatings, and adhesives. In addition to a very accurate control of the quantity and quality of the UV light, these products also offer considerable energy-saving benefits. The revenue for the explosion-proof lighting systems for applications in industry and the offshore sector also went up.

After the jump in revenue in 2012 due to a large project in San Diego, the revenue for QL induction lighting systems, as expected, fell in 2013. Despite the practical advantages of the QL technology, the market is trending towards the use of LED lighting. In 2013, the market group made important progress with the further strengthening of the Luxon® proposition. This is a complete solution that delivers immediate and significant energy-saving benefits for clients with distribution hubs, hangars, large-scale production areas, department stores, or convention centres. A growing number of clients are recognising the value of improving lighting quality, and the extra flexibility offered by lighting control systems. In light of the growth of commercial activities in North America, the market group decided at the beginning of 2013 to set up a subsidiary called Nedap Inc. in the United States of America.

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 the leap forward in revenue in the previous year, had to take a step back in 2013. Amongst other things, the costs in 2012 and in the first quarter of 2013, plus the long winter in the northern hemisphere, contributed to the lower investment in the dairy farming sector. After the investment wave in animal-friendly stalls in the pig-breeding sector in connection with the obligatory EU regulations in 2012, the turnover in the pig breeding sector fell back to the normal level. From the second quarter of 2013 onwards, costs fell steeply and both milk and meat prices went up. This meant revenue also rose steeply for dairy farmers, and the planning of investment has become possible again.

The worldwide demand for dairy products continues to grow year-on-year, while at the same time the number of production businesses is going down. In 2015, the ending of the milk quota in Europe will be an additional impulse for greater consolidation within the dairy farming sector. This trend for bigger businesses with bigger production costs will boost the demand for automation over the coming years. With its comprehensive product assortment, Nedap Livestock Management is well positioned to take advantage of this trend. Its solutions deliver cost reductions for livestock farmers, while at the same time assuring the maintenance of animal welfare.

Despite the fact that turnover in the retail market has continued to be under pressure, the market group **Retail** (security, management and information systems for retail) managed to achieve an impressive growth in revenue in 2013. With new RFID products and the entering of new markets, the market group managed to further strengthen its market position. Retailers are increasingly recognising that RFID (Radio Frequency Identification) can play an important part in creating accurate and up-to-date stock control systems. With

Store!D® Nedap offers an attractive proposition that matches the current needs of the retail market. With this proposition, the market group has managed to win orders for two major RFID projects in Europe. A French sports retailer with stores around the entire world gave Nedap an order to upgrade the traditional RF anti-shoplifting systems to combination systems with RFID. Adler, a German fashion retail chain, selected Nedap Store!D readers to track the flow of goods between the storerooms and the store, at the checkout, and at the exit.
At the end of 2013, Nedap also renewed the existing contract with H&M for several years. Over the past years, Nedap has proven to H&M that it is able to smoothly supply projects worldwide with smart anti-shoplifting systems, remotely-managed access security systems, and burglar alarm systems (Cube®).
With the !Sense product line, the market group now offers a practical solution for supermarkets and hypermarkets. The availability of real-time store information is a key issue in this segment. In 2013 the first large-scale and complex installations were delivered with !Sense.

The **Security Management** market group (access control, registration, payment, fire and intrusion alarms, surveillance, locker management and biometric systems) recorded a modest growth in revenue in 2013. In the Netherlands, the difficult economic conditions put pressure on the development of revenue in the construction industry sector. Furthermore, the planned phasing out of activities in the education sector also had a downward effect on turnover. In Germany, Switzerland, Austria, Belgium, and England, on the other hand, revenue showed a much more positive development. During the year under review, attention was paid to the Global Client Programme, the in-house project management method, which can be used for the implementation of major international security projects at a global level. Over the last year, the number of countries where the market group has carried out projects for its clients using this method has risen dramatically. Thailand, Pakistan, Colombia, Peru, Brazil, and the Philippines are only a few examples of countries where projects are currently being carried out, and over the whole world there has been growing interest in good solutions for locker management systems. The introduction of flexibility in the organisation of office space has created a demand for secure storage of personal property. The seamless integration of the Nedap locker management with the AEOS platform means the market group can offer a powerful solution for companies and organisations. With the continuous development of the functional possibilities, AEOS offers a growing number of clients a unique, fully software-based distributed solution for complex security integration requirements. The innovative approach of the market group, and its core module, is more scalable, robust, and cost-effective than many existing solutions. More and more business partners are therefore opting for a complete migration to the AEOS platform when carrying out client projects.

Financial

The total revenue for 2013 ended at € 173.7 million, 1% higher than 2012 (€ 171.9 million). The revenue from services (subscriptions and maintenance contracts) rose further in the year under review to € 21.0 million (2012: € 18.0 million). This was 12.1% of total revenue (2012: 10.5%). The added value as a percentage of revenue (revenue plus or minus movement in inventories minus cost of materials) went up from 67.8% (2012) to 68.4%.

Expenditure on "Subcontracting and other external costs" was up by € 1.2 million compared to 2012. This increase was due to higher expenditure on product development and for the improvement of the scalability of the organisation. During the year under review, the number of employees went up by 35 to 744 at the end of the year. On average, there were 40 more employees than in 2012. Above all the increase in the number of employees, but also the increases under the collective labour agreement, higher severance payments, and higher pension liabilities, meant the expenditure on salaries and social security contributions went up by € 4.0 million. The normal amortisation and depreciation in the year under review was up on 2012 by € 0.8 million. No impairment occurred. In total, in 2013 the capitalisation of non-current assets manufactured in-house was € 0.9 million lower than in 2012. This item primarily concerns new research and development projects.

The operating profit for 2013 ended at € 11.8 million (2012: € 16.4 million), which was 6.8% of the revenue (2012: 9.5%). The net financing expenses of € 0.6 million were at the same level as the previous year due to the almost identical average borrowing requirement and interest rates. The share in the profit of the associate was around € 0.1 million higher compared to 2012.

The effective tax rate for the Nedap Group (excluding the associate) during the year under review amounted to 18.6% (2012: 17.9%), partly due to the tax benefits offered under the Innovation box. The nominal corporation income tax rate in the Netherlands is 25%. The Innovation box allows companies to have revenue from innovation taxed at a lower rate via a lower tax threshold. The agreement with the tax department will be applicable up until 31 December 2015.

The developments described above resulted in a profit for the year under review of € 9.8 million (2011: € 13.5 million). This was 5.6% (2012: 7.9%) of revenue.

On balance, a total of € 10.4 million was invested in property, plant and equipment, nearly € 2.2 million more than was amortised in the year under review. This difference was primarily the result of the acquisition of an adjoining plot of land and buildings in Groenlo. On balance, the total investment in intangible assets, primarily research and development projects, was € 1.7 million, while € 2.1 million was amortised.
The inventory value decreased by € 1.0 million and amounted at the end of the year under review to 14.9% of the revenue (year-end 2012: 15.6%). The trade and other receivables were €1.7 million lower at the end of the year. The average credit period for trade receivables, measured in weeks, nonetheless went up from 7.4 in 2012 to 7.9 in 2013.

The minimal movement in the non-current assets (increase) and the current assets (drop) meant the balance sheet total remained more or less the same. The solvency position (equity excluding the dividend to be distributed and the non-controlling interests divided by the balance sheet total) fell, however from 38.9% to 36.6%. This drop was due to the adjustment of the financial statements in accordance with the new IAS 19 (IFRS) standard in relation to staff remuneration. Up until 2013, fluctuations created by actuarial results were compensated for using a so-called corridor. As of 2013, these results have to be recognised directly in the equity. Because of this compulsory adjustment, the equity at year-end 2013 was adjusted downward to € 5.5 million and at year-end 2012 to € 4.6 million. Without the IFRS adjustment, the solvency position at the end of the year was 41.0% (year-end 2012: 39.2%).

The cash flow from operating activities in the year under review was more than sufficient to cover the financing of the investment in current and non-current assets and almost 75% of the dividend paid over 2012. On balance, the bank debt went up by € 2.6 million. The credit facilities at year-end 2013 amounted to € 45.9 million, of which € 37.1 million was utilised. Cash and cash equivalents amounted to € 3.5 million.

Outlook

Our focus at Nedap is on moving markets with technology that matters. Achieving this means motivating our employees to remain loyal to our company by giving them the guidance, scope and opportunities they need to translate knowledge of markets and technology into appealing and sustainable propositions. These propositions are our answer to relevant issues such as how we can provide the world's growing population with sufficient food, how can we make more time available for hands-on care, and how can we apply more solar energy in a robust manner.

Developing and marketing innovative propositions is not without risk. Technological obstacles, markets that develop in unforeseen directions or stronger-than-expected price erosion are only a few examples of the problems we encounter. The continuing diversification of our portfolio of technologies is of the utmost importance in order to prevent these risks from jeopardising Nedap's continuity.

This Nedap-wide portfolio of knowledge and experience offers market groups a solid foundation on which they can build their market-specific propositions. The cross-fertilisation between the market groups leads to a strong acceleration in the translation of technological and market opportunities into concrete commercial results. This, in turn, forms an essential part of our competitive strength.

Thanks to our investments in renewal and commerce, the distinctiveness of our propositions has increased further in the past years and we have reinforced our positions in our diverse markets.

On the strength of all these efforts, we can look to the future with confidence and foresee healthy growth in the longer term. For 2014, we expect - notwithstanding unforeseen circumstances - a further growth in revenue.

The report for 2013 will be published on 19 February 2013, after trading hours. This year for the first time the report will only be published in digital form. The Annual General Meeting of Shareholders will be held on Thursday 3 April 2014 in the EYE (film museum) IJpromenade 1 1, 1031 KT Amsterdam. (Please note: enter Tolhuisweg 5 in your GPS navigation system, because the IJpromenade is not displayed properly in many navigation systems).

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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 740 staff worldwide.

nedap
technology that matters

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

		2013	2012
Assets			
Non-current assets			
Property, plant and equipment	48,001		45,836
Intangible assets	10,530		10,884
Investment in associate	2,961		2,425
Loans	251		341
Deferred tax assets	871		481
Employee benefits pensions	–		227*
		62,614	60,194
Current assets			
Inventories	25,811		26,810
Income tax receivable	4		28
Trade and other receivables	34,267		36,013
Cash and cash equivalents	3,486		2,933
		63,568	65,784
		126,182	125,978
Equity and liabilities			
Equity			
Share capital	669		669
Statutory reserves	10,701		11,057
Reserves	32,407		33,923*
	43,777		45,649
Undistributed profit attributable to shareholders	9,792		13,480
		53,569	59,129
Non-controlling interests	130		129
Undistributed profit attributable to non-controlling interests	15		25
		145	154
		53,714	59,283
Non-current liabilities			
Borrowings	16,391		16,609
Derivative financial instruments	246		335
Employee benefits pensions	6,805		–
Employee benefits other	–		264
Deferred tax liabilities	2,212		4,198*
	25,654		21,406
Current liabilities			
Borrowings	217		268
Bank overdrafts	20,531		17,366
Employee benefits other	285		540
Provisions	738		3,456
Income tax payable	1,552		444
Taxes and social security charges	2,757		2,984
Trade and other payables	20,734		20,231
	46,814		45,289
Total liabilities		72,468	66,695
		126,182	125,978

** Adjusted due to system change pensions (IAS 19A)*

Consolidated income statement (€ x 1,000)

		2013	2012*
Revenue		173,696	171,874
Cost of materials	54,518		55,539
Movement in inventories of finished goods and work in progress	320		–/– 208
Subcontracting and other external costs	47,704		46,490
Salaries	42,626		39,639
Social security charges	8,612		7,584
Depreciation, amortisation and impairment	10,016		9,204
Non-current assets manufactured in-house	–/– 1,851		–/– 2,756
Total operating expenses		161,945	155,492
Operating profit		11,751	16,382
Financing income	70		112
Financing expenses	–/– 749		–/– 715
Value movements in derivative financial instruments	90		–/– 50
Net financing expenses		–/– 589	–/– 653
Share of profit of associate (after taxes)		723	584
Profit before taxes		11,885	16,313
Taxes		2,078	2,808
Profit after taxes		9,807	13,505
Profit attributable to shareholders of Nedap N.V.		9,792	13,480
Profit attributable to non-controlling interests		15	25
Profit after taxes		9,807	13,505
Average number of shares in issue		6,692,920	6,692,920
Earnings per ordinary share (in €)		1.46	2.01
Diluted earnings per ordinary share (in €)		1.46	2.01

** Influence system change pensions (IAS 19A) is negligible.*

The annual figures are derived from the not yet adopted Financial Statements 2013.
The Financial Statements will be presented for adoption to the General Meeting of Shareholders on April 3, 2014. The Financial Statements are not yet filed at the office of the Trade Register.