

Organic growth in revenue continues solid upward trend in virtually all market groups

Nedap in 2012: revenue grow by 13%, profit up 23%

Groenlo, 12 February 2013

The revenue of the N.V. Nederlandsche Apparatenfabriek "Nedap" for the year 2012, at € 171.9 million, was 13% up on 2011 (€ 152.3 million). Corrected for the planned phasing-out of the traditional supplier activities, the growth in revenue was no less than 20%. Nearly all market groups - despite the difficult economic climate - managed to once more continue the solid upward trend of organic growth in revenue. The profit after taxes went up by 23% to € 13.5 million (2011: € 11.0 million). The earnings per share finished at € 2.01 compared to € 1.64 in 2011. Of the profit, 75% will be distributed as dividends. The dividend per share will therefore be € 1.51 (2011: €1.23).

Fundamental shifts in the various markets placed new demands on our business. In order to be able to take advantage of the new opportunities created by these shifts, and to continue to profit from our broad portfolio of powerful market propositions in the future, we invested heavily during 2012 in the further professionalisation of the organisation, especially in relation to increasing its 'scalability'.

€ x million	2012	2011	2010
Revenue	171.9	152.3	133.6
Total revenue growth in %	13%	14%	16%
Revenue growth in-house products in %	20%	20%	17%
Profit after taxes in % of revenue	9.5%	9.1%	8.0%
Profit after taxes	13.5	11.0	8.8
Profit after taxes in % of revenue	7.9%	7.2%	6.6%
Earnings per share	€ 2.01	€ 1.64	€ 1.30
Dividend per share	€ 1.51	€ 1.23	€ 0.98
Payout ratio	75%	75%	75%
Solvency excluding undistributed profit*	37.7%	37.3%	39.5%

* Including undistributed profit, solvency at the end of the year under review was 48.0% (2011: 46.0%, 2010: 47.2%).

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Market Developments

The market group **Agri** (automation of cattle farming processes based on individual animal identification to help cattle farmers optimise their operational processes and to improve animal welfare) once more showed a substantial growth in revenue in 2012. With new products and an intensive marketing policy, an excellent growth in revenue was achieved in both the cattle farming sector and the pig-breeding sector. Within the market group, a lot of hard work has been put into making the shift from a mainly product-centred approach to an approach that is primarily based on creating winning propositions. With the Nedap Lactivator proposition, the market group is now the worldwide market leader in the field of in-heat detection systems. During the year, the market group carried out an extensive European marketing campaign to inform pig farmers about the new European regulations in the field of animal welfare. Because the Nedap pig feeding stations comply with the new regulations, this marketing campaign provided an extra boost in revenue.

The market group **AVI** (Automatic Vehicle Identification, products for vehicle and driver identification and wireless parking systems) once more managed to achieve an impressive growth in revenue in 2012. With a complete range of long-distance recognition systems, AVI now offers the ideal solution for a whole variety of projects. The broad product portfolio - in combination with a further intensification of the marketing activities - resulted in higher revenue in virtually all countries where the market group is active.

In 2012, the revenue of the market group **Healthcare** (automation of healthcare professionals' administration to create more time for care) continued to grow once more. The market for government-funded care has become very dynamic, with a shift in care tasks, new forms of financing, and the emergence of home care. Many care institutions are therefore looking for new business models. With a combination of the ONS suite and the home care platform Carenzorgt.nl, Nedap is now well positioned to take a leading role in this area. The PEP[®] suite (digital timesheet processing for amongst others employment agencies) works with a pricing model based on the work time that is registered by the system. Despite the difficult economic circumstances, the market group managed to increase both the number of its clients and the size of its revenue in the year under review. In 2012, the Healthcare market group also invested heavily to strengthen its market propositions.

The market group **Library Solutions** (RFID self-service systems for libraries) completed the strategic transformation in 2012 from an offerer of turnkey projects to a Technology Provider. The project-related activities in the Benelux and Germany have since been phased out, so that the market group can now fully concentrate on the further development, and worldwide marketing, of a portfolio with core components of cutting-edge technology. In 2012, the market group succeeded in significantly expanding its international partner network. Consequently, it was able to introduce Nedap products in projects in Scandinavia, the United States of America, South America, and Asia. This strong international growth was enough to fully compensate for the decline in project-related turnover, and the market group even managed to achieve an increase in revenue.

The **Power Supplies** market group was split into two new market groups during 2012, namely **Light Controls** (power electronics for lighting) and **Energy Systems** (autonomous energy systems). Both market groups managed to achieve an impressive increase in revenue during the past year. The high point for Light Controls in 2012 was the roll-out, together with General Electric, of new street lighting in San Diego, California, based

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on our QL products. The new wireless-controlled lamp drivers for UV purification of ballast water were very well received in the shipping sector. With this product, the market group is responding to the tightening up of global regulations aimed at preventing the spread of harmful organisms around the world.

In the new Energy Systems market group, there was a sharp increase in the number of PowerRouters (systems for self-generated energy management) installed in 2012. Thanks to the significant drop in the price of solar panels, the possibility of generating electricity using solar energy - even without government subsidies - is becoming increasingly attractive. With the PowerRouter Solar Battery, which enables both the conversion of solar energy into electricity and the storage of this electricity in batteries using a single device, the market group has responded to the trend of using self-generated electricity for personal consumption (instead of feeding it back into the grid).

Towards the end of 2012, however, the market group unfortunately discovered that under exceptional circumstances a failure can occur in the PowerRouter, which in extreme cases can lead to short-circuits, overheating, or smoke emissions. The housing of the PowerRouter was designed in compliance with all the current regulations, and therefore the risk of any damage being caused outside of the housing was minimal. Nonetheless, Nedap decided to carry out on-site modifications to all PowerRouters to make sure any such risk was completely eliminated. This modification process is still ongoing and will be completed during the first months of 2013. The cost of this quality improvement is expected to be around € 3 million, although more than half of this will be covered by the insurance company.

Despite the difficult conditions in the retail market, the market group **Retail** (security, management and information systems for retail) managed to achieve a solid growth in revenue in 2012. The market group is becoming increasingly successful in developing attractive propositions for specific market segments, and winning clients for these propositions amongst leading retailers. To improve the quality of supply and distribution to multinational retailers, in 2012 a lot of effort was put into expanding the partner network. In addition, the Global Label Center in Hong Kong played an increasingly more important role for the propositions of the market group. During the year under review, the !FaST label was introduced, which is extremely effective for so-called "source protection". In addition to the fashion industry, where Nedap has always traditionally had a strong presence, the market group also explored excellent opportunities for growth in the food sector. On the basis of practical experience in supermarkets and megastores, the market group has developed a new anti-shoplifting system called !Sense. The market group is progressively moving further along the chain, from a supplier of just anti-shoplifting systems, to a partner for Store Technology. With Store !D, the market group offers retailers solutions that can help them to optimise their stock control with RFID technology (Radio Frequency Identification). With Cube[®], a Store Operations Platform, the market group also offers retailers a comprehensive management information system.

After the robust growth in turnover during recent years, the **Security Management** market group (systems for access control, registration, payments, fire and intrusion alarms, surveillance, locker management, and biometrics) experienced a slowdown in 2012. The growth in turnover for security systems achieved by this market group with international clients was not enough to fully compensate for both the planned phasing-out of the activities of the former Education market group (attendance registration systems for schools) and the impact of the drop in the construction activity in the Netherlands. Over the past year, the trend of greater standardisation in security systems pursued by major international enterprises has become more pronounced.

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Instead of trying to mesh together a multitude of local systems, there is now a shift towards the introduction of a single system for all branches. With the Nedap AEOS security management platform, the market group is excellently positioned to benefit from this trend. In 2012, the turnover from locker management systems also rose once more. More and more organisations are recognising the benefits of using a single access pass for both doors and lockers. This all the more since office space will be used more flexibly with the spread of New Working methods.

Financial

Total revenue went up in 2012 by 13% to € 171.9 million (2011: € 152.3 million). The revenue from services (subscriptions and maintenance contracts) rose further in the year under review to € 18.0 million (2011: € 15.4 million). This was 10.5% of total revenue (2011: 10.1%).

The added value (revenue minus cost of materials plus the movement in inventories) ended at € 116.5 million compared to € 102.1 million in 2011. As a percentage of revenue, the added value was 67.8% (2011: 67.0%). This percentage increase was the result of a change in the composition of the product mix. "Subcontracting and other external costs" was up by € 6.8 million compared to 2011. This increase was primarily due to higher production, but also increased spending on product development, marketing, and improving the scalability of the organisation. It also included the cost of the PowerRouter modification program. These costs amounted to approximately € 3 million. More than half of these costs are expected to be covered by the insurance company.

During the year under review, the number of employees went up by 25 to 709 at the end of the year. On average, there were 29 more employees than in 2011. The increase in the number of employees, the benefit increases under the collective labour agreement, and the higher variable remuneration resulted in an increase in expenditure on salaries and social security charges of € 3.5 million. The normal amortisation and depreciation in the year under review was up on 2011 by € 1.1 million. This increase largely concerned impairment on intangible assets. In total, in 2012 the capitalisation of non-current assets manufactured in-house was € 0.6 million lower than in 2011. This item primarily concerned research and development projects.

Operating profit for 2012 ended at € 16.4 million (2011: € 13.9 million), which was 9.5% (2011: 9.1%) of revenue. This percentage increase was almost entirely attributable to the increase in revenue.

The net financing expenses fell by € 0.3 million due to lower interest rate charges. The share of the profit of the associate was € 0.2 million lower compared to 2011. Despite an increase in turnover, lower gross margins resulted in this drop.

The effective tax rate for the Nedap Group (excluding the associate) during the year under review amounted to 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 € 13.5 million (2011: € 11.0 million). This was 7.9% of revenue (2011: 7.2%), and represented an increase of 23% compared to the previous year.

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In 2012, considerable investment was made once more in both current and non-current assets. The total investment in property, plant, and equipment - including new production resources, measurement and testing equipment, and modifications in office accommodation and production facilities at various locations - was € 8.3 million. Total depreciation amounted to € 7.5 million. Investment in intangible assets, primarily research and development projects, was € 2.8 million, € 1.0 million higher than depreciation. The calculation of the pension liability in accordance with the IAS 19 guidelines resulted in an increase of the balance sheet item "Employee benefits" of € 1.2 million.

Despite the increase in revenue, inventories were down by € 1.3 million. As a percentage of revenue, the inventories fell from 18.5% at year-end 2011 to 15.6% at year-end 2012. The claim against the insurance company in connection with the PowerRouter, and the late payment of trade receivables at the end of the year, led to an increase in the "Trade and other receivables". The average credit period for trade receivables, measured in weeks, nonetheless went down from 7.7 in 2011 to 7.4 in 2012.

Because of these investments and the incidental claim, total assets went up during the year under review by € 4.8 million. Despite this increase, solvency (equity excluding undistributed profit expressed as a percentage of total assets) went up from 37.3% to 37.7%.

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 the dividend paid over 2011. On balance, the bank debt was reduced by € 5.1 million. The credit facilities at year-end 2012 amounted to € 46.2 million, of which € 34.2 million was utilised. Cash and cash equivalents amounted to € 2.9 million. In the year under review, the term of the standby roll-over facility, of € 14.0 million, was extended until 1 November 2015.

Outlook

At Nedap, we are continually focused on establishing market leadership with technology that matters. This goal is achieved by attracting talented people to our company, and then giving them the tools, resources, and opportunities to translate their market insight and technical expertise into attractive and sustainable propositions. These propositions are our answer to the challenges facing the world today, such as how to provide enough food for the growing world population, how to increase the amount of time devoted to care, and how to find practical and effective solutions to increase the application of solar energy.

The development and market introduction of innovative propositions is, however, not without risk. Technological obstacles, unforeseen changes in projected market behaviour, or a more pronounced price erosion than expected are just some of the problems that we might have to deal with. To prevent these risks threatening the continuity of Nedap, it is essential to maintain the diversification of technologies and markets in our portfolio.

The Nedap-wide portfolio of knowledge and experience provides the market groups with a solid foundation on which they can build their own market-specific proposition. The cross-fertilisation between the market

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groups vastly accelerates the translation of potential technological and market opportunities into concrete commercial results, and it is an essential component of our competitive strength.

Our continued investment in innovation and marketing has increased the distinctive capacity of our propositions in recent years, and has enabled us to strengthen our positions in the various markets. Consequently, we look forward with confidence to the future, and we expect to achieve healthy growth for our organisation in the long term. Despite the continuing uncertain economic conditions, we also expect – notwithstanding unforeseen circumstances – to see a further increase in revenue in 2013.

The report for 2012 will be published on 5 March 2013, after trading hours. The Annual General Meeting of Shareholders will be held on Tuesday 16 April 2013 in the Hermitage Amsterdam, Nieuwe Keizersgracht 1, 1018 DR Amsterdam.

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 700 staff worldwide.



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

	2012	2011
	€	€
Assets		
Non-current assets		
Property, plant and equipment	45,836	45,023
Intangible assets	10,884	9,866
Investment in associate	2,425	2,871
Loans receivable	341	
Deferred tax assets	481	489
Employee benefits	5,319	4,157
	<u>65,286</u>	<u>62,406</u>
Current assets		
Inventories	26,810	28,142
Income tax receivable	28	1,018
Trade and other receivables	36,013	31,342
Cash and cash equivalents	2,933	3,334
	<u>65,784</u>	<u>63,836</u>
	<u><u>131,070</u></u>	<u><u>126,242</u></u>
Equity and liabilities		
Equity		
Share capital	669	669
Statutory reserves	11,057	10,029
Reserves	37,742	36,359
	<u>49,468</u>	<u>47,057</u>
Undistributed profit attributable to shareholders	13,480	10,979
	<u>62,948</u>	<u>58,036</u>
Non-controlling interests	129	120
Undistributed profit attributable to non-controlling interests	25	10
	<u>154</u>	<u>130</u>
	<u>63,102</u>	<u>58,166</u>
Non-current liabilities		
Loans	16,609	16,878
Derivative financial instruments	335	285
Employee benefits	264	774
Deferred tax liabilities	5,471	4,799
	<u>22,679</u>	<u>22,736</u>
Current liabilities		
Loans	268	289
Bank overdrafts	17,366	22,178
Employee benefits	540	814
Provisions	3,456	797
Income tax payable	444	195
Taxes and social security charges	2,984	3,040
Trade and other payables	20,231	18,027
	<u>45,289</u>	<u>45,340</u>
Total liabilities	<u>67,968</u>	<u>68,076</u>
	<u><u>131,070</u></u>	<u><u>126,242</u></u>

 Consolidated income statement
(€ x 1,000)

	2012	2011
	€	€
Revenue	171,874	152,345
Cost of materials	55,539	53,983
Movement in inventories of finished goods and work in progress	-208	-3,706
Subcontracting and other external costs	46,490	39,715
Salaries	39,639	37,204
Social security charges	7,584	6,525
Depreciation incl. special impairment	9,204	8,063
Non-current assets manufactured in-house	-2,756	-3,324
	<hr/>	<hr/>
Total operating expenses	155,492	138,460
	<hr/>	<hr/>
Operating profit	16,382	13,885
Financing income	112	155
Financing expenses	-715	-1,344
Value movements in derivative financial instruments	-50	255
	<hr/>	<hr/>
Net financing expenses	-653	-934
Share of profit of associate (after taxes)	584	764
	<hr/>	<hr/>
Profit before taxes	16,313	13,715
Taxes	2,808	2,726
	<hr/>	<hr/>
Profit after taxes	13,505	10,989
	<hr/> <hr/>	<hr/> <hr/>
Profit attributable to shareholders of Nedap N.V.	13,480	10,979
Profit attributable to non-controlling interests	25	10
	<hr/>	<hr/>
Profit after taxes	13,505	10,989
	<hr/> <hr/>	<hr/> <hr/>
Average number of shares in issue	6,692,920	6,692,920
Earnings per ordinary share (in €)	2.01	1.64
Diluted earnings per ordinary share (in €)	2.01	1.64

We are currently drawing up the annual financial statements which will be accompanied by an independent auditor's report. The annual financial statements are to be adopted by the General Meeting of Shareholders on 16 April 2013.