



Annual report



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/ FOREWORD FROM OUR CEO

/ KEY FACTS & FIGURES FOR 2022

/ OUR BUSINESS UNITS

1 / ABOUT NEDAP

1.1	The Nedap Story	13
1.2	Our value creation model	14
1.3	Our strategy	15
1.4	Our sustainable impact	16

2 / DEVELOPMENTS IN 2022

2.1	Progress on the strategy	25
2.2	Progress on our sustainable impact	30
2.3	People, culture and leadership	35
2.4	Financial affairs	43

3 / DEVELOPMENTS AT BUSINESS UNITS

3.1	Healthcare	47
3.2	Identification Systems	51
3.3	Light Controls	53
3.4	Livestock Management	55
3.5	Retail	58
3.6	Security Management	61
3.7	Staffing Solutions	64

4 / CORPORATE GOVERNANCE

4.1	Risk management	67
4.2	Taxation	81
4.3	Board of Directors member details	85
4.4	Corporate Governance	86
4.5	Directors' statement	97

5 / REPORT OF THE SUPERVISORY BOARD

5.1	Report of the Supervisory Board	99
5.2	2022 remuneration report	109

6 / FINANCIAL STATEMENTS

6.1	Consolidated financial statements	119
6.2	Company financial statements	161
6.3	Audit certificate issued by the independent auditor	182
6.4	Articles of association provision regarding profit appropriation in accordance with Article 43	199
6.5	Companies and management	200

7 / OTHER INFORMATION

7.1	Five-year summary	203
7.2	Nedap shares	206
7.3	EU Taxonomy	208

Foreword from our CEO

In 2022, Nedap again showed excellent organic revenue growth. Revenue was up 11% on the previous year. Practically all business units contributed to this. Component shortages and other disruptions in the supply chain slowed down revenue development throughout the financial year. Recurring revenue rose 21% and now makes up 31% of revenue.

Continually challenging conditions

After the COVID-19 outbreak in 2020 and the component shortages that arose in 2021 and still continue today, 2022 was another challenging year. The war in Ukraine, soaring inflation, and economic stagnation in various regions and industries led to volatile market conditions. In order to find suitable solutions to supply chain disruptions, we again relied heavily on Nedap employees' inventiveness and perseverance over the past financial year. On top of that, we needed to closely track the volatile conditions in the market segments in which we operate to prevent a situation in which our commitments to our production partners and component suppliers were not covered by market demand.

These market developments drove up the cost of sales of our products and internal processes. A large part of these cost increases was offset by raising our sales prices. However, as our customers started to place their orders earlier and place more orders to secure deliveries, our price increases did not have an immediate effect. This, combined with the fact that sales and

marketing spending returned to pre-pandemic levels and our decision to continue to invest in recruiting and developing talented people, put a damper on our profit margin.

Despite the volatile market conditions, demand for our solutions remains high. Thanks to our ongoing focus on making our supply chain more robust, more flexible, and more easily scalable, we are increasingly better able to meet this high demand, as shown by the fact that our revenue growth reached 15% in the final quarter of the year.

Step Up!

Thanks to our solid financial foundation and our robust portfolio of propositions, we managed to maintain our strategic course even amid these market conditions. We are positive about the progress made during the year in further developing and implementing the strategic plan Step Up!. The core aim of Step Up! is to accelerate the company's growth through better utilisation of the potential across the organisation and in our portfolio of propositions. In order to make this happen, we want to harness the knowledge, experience, and skills available across our company more effectively and on a broader scale, without compromising on our business units' entrepreneurship and market focus. A number of concrete initiatives in areas such as design, data science, marketing, and leadership development have reasserted that Nedap as a whole is more than the sum of its business units. Colleagues with specific expertise in areas such as design, data science, or marketing are increasingly asked to work on a product, design,

or campaign in an entirely different market on a project basis alongside their role at one of our business units. This opportunity for employees to combine deepening their current skills and working in different areas is convincing more and more talented people to join Nedap. On top of that, we have already shown that uniting all the knowledge and skills available across Nedap and using it in a targeted manner for one of the propositions really boosts our competitiveness in a market.

Additionally, we are making increasingly targeted choices on a Nedap-wide level as to how we use our people and resources. How a proposition is managed, the performance indicators, and the amount invested in proposition development and commercial strength is now determined by the phase a proposition is in, i.e. Create, Scale, or Core. In 2022, we invested mainly in propositions in the Scale phase at our Healthcare, Livestock Management Cows, and Retail business units, These are the propositions where we see above-average growth potential for the coming years.

In 2022, we took the next step in our strategy development by clustering propositions in key market positions. Key markets are markets that, due to their size, structure and nature, offer prospects for attractive financial results. On top of that, these are markets where we are either already the market leader or have the potential to become the market leader, which is an important strategic objective for us. Existing and new propositions that tap into these key markets must be mutually reinforcing and contribute to market leadership for Nedap. Nedap's four key markets are currently Healthcare, Livestock Management Cows, Retail, and Security Management. In these markets, we have built the leading position we aspire to and are focusing our strategy on further expanding our position. The market served by Staffing Solutions, too, is a good fit with Nedap's knowledge, skills, and

culture, offering good prospects for attractive financial results. Our challenge is now to conquer a leading position in this market with our Flux proposition. Especially in the second half of 2022, we gained greater traction in this market thanks to our new product strategy.

The UV driver (Light Controls business unit) and long-range readers (Identification Systems business unit) propositions are not linked to a key market. The main aim for these core propositions is to optimise their profitability. After careful analysis of the nature, structure, and potential of the pig farming market, we decided to bring our investments in the Livestock Management Pigs proposition into line with the limited opportunities that exist in that market. Following this decision, development capacity has meanwhile been transferred to Livestock Management Cows.

Sustainability

Over the past year, we have made major strides in sustainability. Our sustainability policy, which we fine-tuned in 2021, has proven to have a greatly inspiring effect, with the four pillars of this policy, i.e. our employees, our operations, our partners/products, and our customers, guiding the sustainability initiatives at our company. Our aim to maintain a continuing focus on the development of our employees has been translated to new training programmes in a range of different domains and a commitment to ensure that everyone is given sufficient time to work on their personal and professional development every year. Concrete steps were taken towards reducing our carbon emissions by switching to electric vehicles sooner than initially planned and taking extensive energy-saving measures at our offices. Analysis of the complete life cycle of our products showed that energy consumption during the use phase of our products has the biggest environmental impact. This insight has meanwhile led to new

product and software adjustments, some of which have significantly cut energy consumption. Smarter packaging and transport of our products has also produced substantial sustainability improvements.

Besides delivering cost savings and production improvements, sustainability aspects feature increasingly prominently in our talks with our customers about the impact of our solutions. Our ambition is to gain greater insight into all these sustainability initiatives and to make their impact more tangible and more measurable. It is great to see that our sustainability policy can count on broad support across the company. It is inspiring and encouraging employees to implement practical and concrete improvements themselves. It has, for example, become very easy for everyone on the Nedap Campus to separate waste by disposing of it in our stylish waste furniture. This has already brought residual down by over 50%.

People

The combination of challenging market conditions and our high ambitions from the Step Up! strategy places great demands on our employees. Like in previous years, Nedap employees have shown throughout the financial year that they are deeply involved in our company's affairs and enormously committed to doing their bit for Nedap's further growth and development. We are therefore proud of the way our employees are taking their responsibility and using their creativity to overcome what are highly complex problems at times and come up with practical solutions.

Due to COVID-19 restrictions, our Campus in Groenlo was a lot quieter than usual for a considerable time. We used this as an opportunity to carry out a major investment programme over the past few years. Many of the work areas were upgraded to bring them into line with the new requirements

that come with the various forms of collaboration used across Nedap. This has resulted in an even more attractive and inspiring work environment that everyone is now using again like before. The high quality of our work environment not only enables our employees to be more productive, it is also an increasingly important reason why new employees choose Nedap.

Outlook

In 2022, we took yet another step forward in refining the strategy and made targeted investments to set our propositions apart from the competition even more clearly and further boost our organisation's effectiveness. Despite persistently volatile market conditions, we foresee further revenue growth in 2023, unexpected circumstances notwithstanding.

Ruben Wegman, CEO

22 February 2023

“

‘We engage with customers on new ideas at an early stage, precisely when it still feels uncomfortable. What’s great about this iterative market approach is that it enables us, as a team, make quick adjustments to define a concept more clearly.’

***Ruben van den Hout**, Flux Product Manager, Nedap Staffing Solutions*



Key facts & figures for 2022

2021: €207.0

230.6

revenue
(in millions of €)

2021: €2.82

€2.87

earnings
per share

2021: 820

915

number of employees
671 male / 244 female
(2021: 624 male / 196 female)



Founded in

1929

Listed on Euronext
Amsterdam since 1947

2021: €58.5

€71.0

recurring revenue
(in millions of €)

2021: €3.00

€3.00

dividend
per share

2021: €180

€186

added value
per FTE € x 1,000 per FTE



900+

employees

2021: 11.1%

10.3%

operating margin

2021: 36%

31%

return on invested capital

2021: 18%

18%

R&D expenditure
as % of revenue



Headquartered in

Groenlo, the Netherlands

Offices in Belgium, China, Germany,
Hong Kong, the Netherlands, Poland,
Spain, the United Arab Emirates,
the United Kingdom, and the United States



**High-tech
company**



4 core technologies
Connected devices
Communication technology
Software architecture
User experience



**Shared
value creation**



**Leading
positions in
4 key markets**



**A culture of
innovation**



**Highly educated
and dedicated
employees**



Our business units



Healthcare

Nedap Healthcare develops and markets software services that allow healthcare professionals in the Netherlands to interconnect.



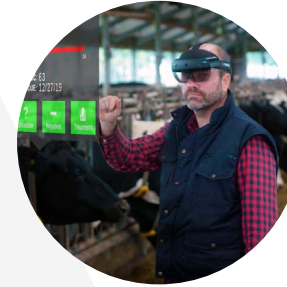
Identification Systems

Nedap Identification Systems develops and markets hardware and software for vehicle identification systems worldwide.



Light Controls

Nedap Light Controls develops smart UV lamp drivers and markets them worldwide.



Livestock Management

Nedap Livestock Management develops and markets technological solutions for individual animal monitoring and management for the dairy and pig farming industries worldwide.



Retail

Nedap Retail develops and markets RFID solutions that help retailers across the globe make their inventories completely transparent, optimise their shop processes, and prevent loss of income.



Security Management

Nedap Security Management develops and markets physical access control and security systems for companies and institutions worldwide.



Staffing Solutions

Nedap Staffing Solutions develops and markets workforce management solutions: cloud-based software for timesheet processing, employee scheduling, and access control at companies in the Dutch logistics, distribution, and production sector.

About Nedap



1.1 The Nedap Story

Nedap is a high-tech company that creates high-quality, innovative solutions. We are passionate about technology and how it can help people be happier and more successful in their professional lives. This is what we call *Technology for Life*. This is our goal and what drives us in everything we do.

In order to develop technology that has a tangible impact on people's professional lives, you need a people-driven approach. Our motto is therefore *first people, then technology*.

Developing and delivering Technology for Life is by no means simple. It takes effort, conviction, and perseverance, because it will often be years before you get it right. This calls for a long-term perspective, a perspective that we have branded *Urgent Patience*: working full of energy and focus every day, combined with the required dose of patience and perseverance. A solid financial basis and a robust portfolio of propositions are key preconditions for us to be able to adopt this perspective.

We are committed to a sustainable approach. This means that we create sustainable value for our customers, our environment, and for ourselves. The way we see it, our market share reflects our relevance in our customers' professional lives, and so we aim for market leadership in the markets in which we operate. Whenever we are convinced of a proposition's potential, we have the patience and perseverance needed to develop market-leading propositions.

Market leadership translates to high added value per employee, which is a key success indicator for us, as it shows how effective we are when it comes to turning our technological expertise and market insights into sustainable impact.

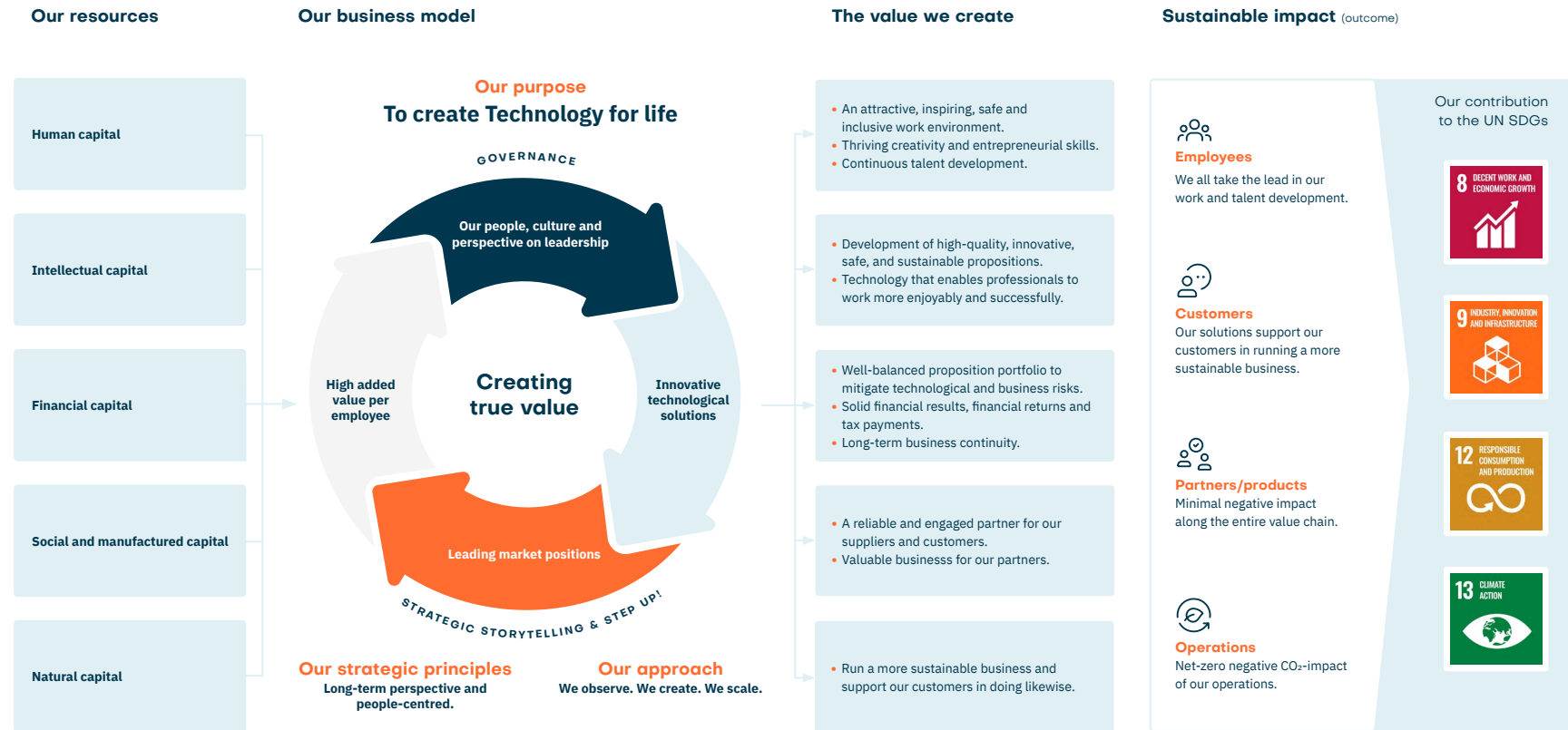
Thanks in part to this high added value per employee, we are able to keep investing in what sets us apart: our people, our culture, and our leadership vision. This is how our people are the engine of our sustainable value creation.

1.2 Our value creation model

Our value creation model shows how we use the available resources to create value for the organisation, our stakeholders, and society.

We only consider our propositions, which are innovative technological solutions each and every one, to be successful when they invariably create value: value for people, planet and society, and always in combination

with healthy financial results. In this respect, we see market leadership as proof of our relevance in people’s day-to-day lives and high added value per employee as an indicator of the success of our value creation process.



Nedap value creation model

1.3 Our strategy

In 2021, we presented our Step Up! strategic plan. The core aim of Step Up! is to accelerate the organisation's growth through better utilisation of the potential of our portfolio of propositions. We want to achieve this through a new way of working, one that while maintaining the strengths of each of the business units (entrepreneurship and market focus) also mitigates the downsides (fragmentation and complexity). We have defined three *strategic drivers* for Step Up! that we believe will lead to the required way of working:

- Radically clear.
- Always deliver.
- Full Nedap power.

For more about the progress on our strategy and initiatives taken in this respect, see chapter 2.

Radically clear

The core of the first strategic driver, *Radically clear*, is that we have to be clear in our assumptions, decisions, ambitions, and goals. If these are explicit and unambiguous, it becomes easier to share them with colleagues, thus ensuring that everyone across the company is aware of the strategic direction of Nedap, the business units, and the teams, and of what is expected of everyone. On top of that, clear plans and actions enable us to reflect on the impact of our choices and steepens our learning curve as a company, empowering us to stay ahead of the competition.

Always deliver

The second strategic driver that is part of our new way of working is *Always deliver*. We commit to plans and key milestones. In order to be able to carry out plans and reach milestones, we need to be aware of each other's expectations and keep the promises and agreements we make.

Full Nedap power

Full Nedap power is the third strategic driver. The collective knowledge, talent, experience, and capacities must be accessible to all. By making the most of our organisation's collective strength, we aim to unlock the Full Nedap power.

Way of working

Step Up! is not a static plan, but rather a continuous process of strategy development, whereby we draw on the power of inspiring stories that give direction. Each business unit has developed a strategic story based on the strategic principles of the Nedap Story. Each *strategic story* has been translated to a *strategic roadmap* with specific ambitions and targeted milestones.

In designing strategic plans for the medium and short term, we use a *Strategic Calendar*. Every year, the business units evaluate and define a strategic multi-year plan that charts the strategic course and establishes specific milestones. These plans are the input for continuous development of the Nedap-wide strategy.

Financial targets

The Step Up! strategic plan sets the following financial targets for 2025:

1. Revenue that develops towards annual high-single-digit autonomous growth.
2. An operating margin, excluding one-off items, that rises towards 15%.
3. Return on invested capital (ROIC) that outgrows profitability.

We believe that guaranteeing long-term prospects and enabling a focus on growth and innovation hinges on a strong financial position, i.e. a financial position that meets the following criteria:


- A solvency rate of at least 50% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target is possible for strategic reasons.
- Profits are paid out to shareholders, after deduction of the amount needed for investments in profitable growth and the intended financial structure.

1.4 Our sustainable impact

Sustainability is integrated into our mission to create *Technology for Life*. Creating Technology for Life requires a long-term perspective on value creation. Since Nedap wants to play an active and prominent role in sustainable value creation, we aspire to create solutions that contribute to making our customers' business models more sustainable. We firmly believe that our focus on commercial success and our intrinsic motivation to make this happen in a sustainable way are mutually reinforcing.

Stakeholder dialogue

We maintain an ongoing dialogue with our stakeholders, including our customers, our suppliers, our potential and existing shareholders, and our employees. In order to gain (new) insights, we conduct surveys among employees, customers, and suppliers. We also engage with our shareholders and interested investors throughout the year. We use our stakeholder dialogue as a source of input to validate and, where necessary, refine our sustainability vision.



‘Changes in healthcare legislation can have a major impact on healthcare providers. The new healthcare services model that came into force on 1 January 2022, for example, meant very complex changes for our customers who provide mental healthcare services. Being a “back-office tribe”, our first priority is always to process legislative changes in time. Staying up to date with these kinds of changes enables us to anticipate in time and also be constructive as we help our customers find the best solution. We are proud that we succeeded in having all the changes ready in Ons® in time. This allowed our customers to comply with the new legislation on how to record and charge for the healthcare they provide.’

Sandra Drenthen, Nedap Ons® Back-Office Tribe Lead, Nedap Healthcare

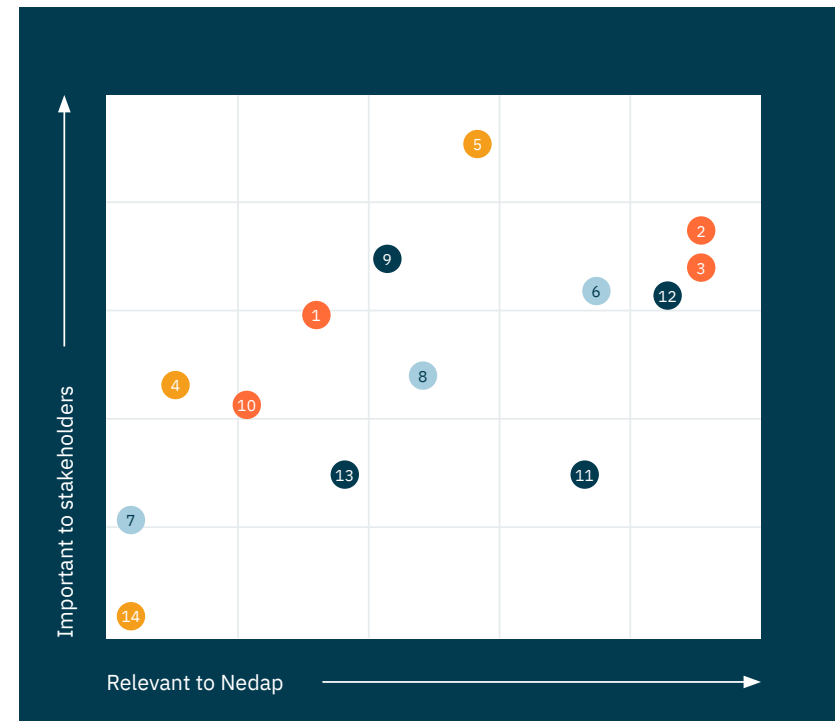


Materiality matrix

We use our ongoing dialogue with stakeholders also as a way to test and possibly recalibrate topics that are of material importance to Nedap.

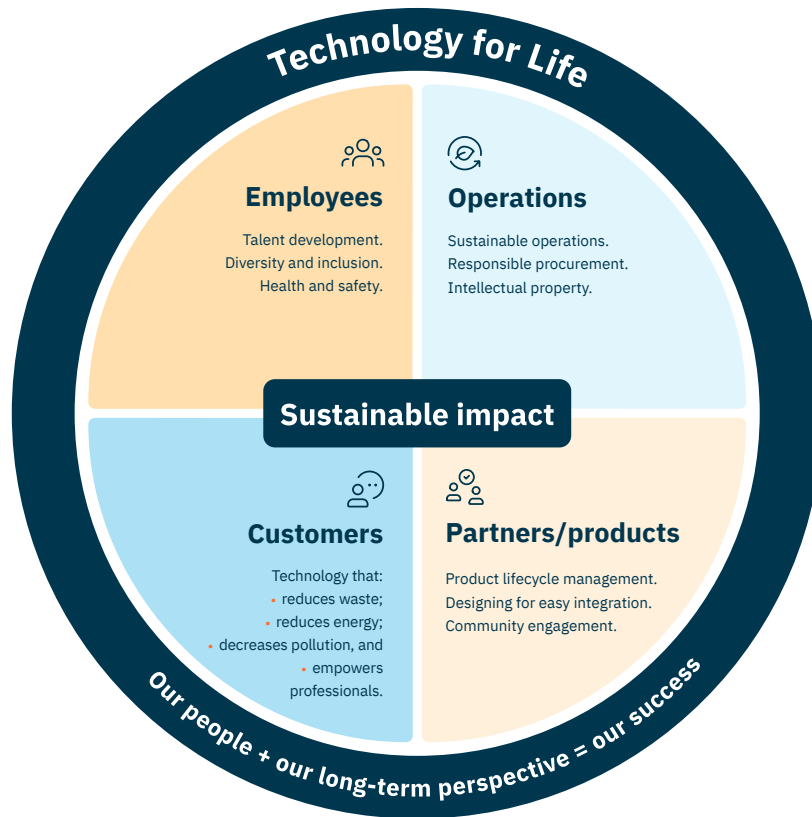
The materiality matrix that was compiled in 2021, which contains fourteen material sustainability topics, is still valid today. In 2023, a double materiality analysis will be performed, which may lead to an update to the materiality matrix.

#	Material topics (in random order)
1	Technology that reduces waste production
2	Technology that reduces pollution
3	Technology that reduces energy usage
4	Easily integrable solutions
5	Product life cycle management
6	Sustainable operations
7	Intellectual property
8	Responsible procurement
9	Health and safety at work
10	Technology that empowers professionals to play to their strengths
11	Talent recruitment
12	Talent retention
13	Diversity & inclusion
14	Community involvement



Focus areas

Employees		Partners/products	
Operations		Customers	



Focus areas

When it comes to generating sustainable impact, we concentrate on four focus areas where we have the greatest influence and/or impact.

- *Our employees*
At Nedap, developing and making the most of talent come first.
- *Our operations*
Our own operations are where we can exert the greatest influence. We aim to minimise our operations' environmental impact.
- *Our partners/products*
Given the fact that what happens beyond our own operations has a greater sustainability impact, we work to reduce carbon emissions across the entire supply chain.
- *Our customers*
The greatest but also most indirect impact comes from the use of our propositions. We strive to help make our customers' business models sustainable through our propositions.

Addressing the focus areas helps us direct and realise our sustainability ambitions.

Our ambitions

In order to shape our sustainability strategy in concrete terms, we have defined ambitions for each focus area separately. And to realise these ambitions and make our performance in this area measurable, we have formulated clear targets and action plans.

Employees

At Nedap, employees come first. This brings with it the responsibility to offer a work environment where employees feel comfortable and of added value, and that empowers them to thrive. Nedap wants to be an employer where people make the most of their talents and drives. We want them to develop and thrive.

We want our people to continue to develop their talents by gaining skills and experiences that keep them relevant throughout their careers. It is of secondary importance whether they intend to pursue a career at Nedap or elsewhere. The target we have set for this ambition is that all employees spend at least 40 hours on their personal and professional development every year.

When it comes to the composition of our workforce, we aim for a Nedap-relevant composition that reflects the society around us. And we want to make sure everyone feels safe and heard. One of the initiatives in this respect is an employee-founded open platform around topics relating to diversity and inclusion. Nedap supports this platform with all the necessary resources. When it comes to gender diversity, Nedap has set targets for the male/female ratio on the Board of Directors and the Supervisory Board. In addition to that, we aim to bring the male/female ratio in senior management, i.e. managers who report to the Board of Directors, into line with the gender ratio for Nedap as a whole by 2025.

At Nedap, the health and safety of our people are high on the agenda. In order to ensure employees' safety, we have set up a prevention team and have a well-functioning internal emergency response organisation in place. Nedap also has three confidential counsellors and we offer employees the

option of talking to an occupational psychologist. Nedap partners with Zorg van de Zaak, through which employees have access to a broad network of healthcare providers.

Target	SDG
All employees spend at least 40 hours per year on their development.	8
We aim to bring the male/female ratio in senior management into line with the gender ratio for Nedap as a whole by 2025.	5

Read more about the developments that contribute to realising these ambitions in section 2.3 'People, culture and leadership.'

Operations

Nedap aims to minimise the harmful environmental impact of its operations, and even prevent such impact altogether wherever possible. We want to scale back the carbon emissions from our operations (scope 1 and scope 2) and reach net zero by 2030. For that, we have created a roadmap with a number of specific targets. Important pillars in this context are renewable energy, sustainable building management, and a sustainable fleet of vehicles.

Renewable energy

By 2025, we want to have halved our gas consumption compared to 2019 levels, and by 2030 we intend to have stopped using gas altogether. Having procured only green power since 2014, we now want to take this to the next level by going completely self-sufficient for our electricity needs by 2030, where possible. We intend to make that happen using heat pumps and solar panels.

Sustainable building management

In all our building redevelopments and renovations, we spare no effort to make our buildings more sustainable to minimise the environmental impact. As early as during the design phase, we look at material choices and assess which existing parts can be preserved, and when demolition is the only option, we try to recycle as much of the demolition waste materials as possible. We take measures that produce energy savings and thus help us achieve our carbon reduction targets. These measures include improving our buildings’ insulation and installing heat pumps, air treatment units with thermal wheels, solar panels, and LED lighting.

Sustainable outdoor spaces are equally important to us, which is why we aim for a green living environment that contributes as much to biodiversity and water management as it does to creating a pleasant work environment. Needless to say, we also focus on waste reduction in our building management and waste separation is a key part of our operations. We also monitor the results of our initiatives in this area.

Sustainable fleet of vehicles

Nedap aims to completely phase out fossil fuel company vehicles by 2030. In order to meet this target, we will cease to buy cars with a fossil fuel combustion engine from 2025 and we are already actively encouraging people to go electric when choosing a new car.

Another important pillar of our sustainable operations is to pursue a responsible procurement policy. This is anchored in our code of conduct and various certifications. We aim to our strategic partners at least once a year, whereby we also look at their sustainability policy.

Target	SDG
Scope 1 and 2 carbon emissions to net zero by 2030.	13

Partners/products

Nedap wil de negatieve milieu-impact van haar proposities verkleinen. Nedap is committed to reducing the negative environmental impact of its propositions. Following a Product Life Cycle Analysis (LCA) of our hardware products that showed that most gains are to be had by reducing carbon emissions, we designed our policy to do exactly that. Aside from that, these analyses showed that most emissions are generated during production, disposal, and especially usage of our products, which are all activities that we largely do not perform ourselves, but that take place elsewhere in the supply chain. With this in mind, we are taking our responsibility in the supply chain and will work to reduce carbon emissions across the supply chain. In order to be able to hit our sustainability targets, we are going to have to work together with both suppliers and customers. Accurate and optimised utilisation of our propositions can contribute to carbon reduction across the entire life cycle.

To be able to set a specific carbon reduction target, we are analysing the impact of our complete portfolio of hardware products, which will ultimately result in a carbon reduction plan.

Target	SDG
Reduce our propositions’ carbon footprint in the value chain (in production, usage, and disposal).	12 and 13

Software

Nedap develops and supplies cloud-based software solutions. For these solutions, Nedap uses data centres for data processing and hosting.

Nedap's policy is to use only data centres that run on green power, meet the European code of conduct for energy efficiency in data centres, and do not seriously affect the other EU Taxonomy criteria, such as circularity.

Virtually all of Nedap's software revenue runs through data centres that meet these requirements.

Customers

The aim is to embed sustainability in the strategic ambitions for all propositions. This means that, among other things, we want our propositions to contribute to making our customers' business models sustainable.

In developing new propositions, the contribution to sustainability is a key aspect. For most of our propositions, we have set out how they contribute to a more sustainable business model. Nedap Retail's proposition, for example, helps prevent waste in the fashion industry, Nedap Livestock Management's proposition helps cut carbon emissions per litre of milk produced, and Nedap Healthcare's propositions contribute to healthcare personnel's long-term employability. For most other propositions, too, we have made their contribution to sustainability transparent. The targets are specific to each business unit and each business unit develops its own sustainability vision and sustainability ambitions. For more information about this, see chapter 3.



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‘Through smarter packaging of our products, we use less packaging material. As a result we save up to 70% on volume and we reduce our carbon emissions.’

Peter Oostendorp, Manager, Nedap Smart

Developments in 2022

2



2.1 Progress on the strategy

The Step Up! strategy is not a static plan, but rather a continuous process of strategy development. In 2021, we set up a *strategic task force* to help us formulate strategic stories for each of our propositions. In 2022, further work went into implementing the strategy, including more firmly embedding the Nedap-wide perspective in strategic and tactical choices made by individual business units.

We already started to reap the benefits of the new way of working in 2022. Not only did the fully worked-out Nedap perspective on the portfolio of propositions produce clear insights, the various excellence workstreams of Nedap-wide expertise and experience in specific areas also led to clear process improvements.

Key market positions

Over the past year, we took the next step in the strategy process based on the Create-Scale-Core model, which saw us develop a plan for each proposition that reflects the priority of the phase that each proposition is in.

Create

In the create phase, the main objective is to validate a proposition's market potential and assess whether it gives us the required level of competitive differentiation. The main challenge in this phase is for a small team to engage with the right customers to quickly gauge their response to the proposition and to not to hesitate to go back to the drawing board when there is insufficient response from the market. This phase will ultimately result in a validated proposition with the first paying customers, and that is ready to be scaled up.

Scale

The central objective during the scale phase is to gain the largest possible market share with a proposition. This is when the focus shifts from concept development and business development to sales, marketing, and building an organisation that is able to support customers in successfully rolling out and using our solution at their organisations. During this phase, processes are designed to be standardised and scalable.

Core

Once propositions have reached the core phase, it is all about optimising their profitability. This involves continued investment in product innovation and commercial activities, albeit only when investments will produce returns within an acceptable term. This phase also includes ongoing efforts to cut costs and optimise processes.

Next, the individual propositions were clustered into what we call *key market positions*. 'Key markets' are markets that meet a number of conditions. The total size of a market, for example, has to be aligned with Nedap's size and offer adequate prospects of attractive financial results. Propositions targeting one of these key markets must be mutually reinforcing and jointly enable Nedap to gain and expand a leading position in this market. We firmly believe that a leading market position generates momentum for new propositions within a market, which will further bolster our market position.

Based on our current portfolio of propositions, we have defined the following four key markets:

- *Healthcare*, where Nedap continues to grow its solid market position in the Dutch healthcare market.
- *Livestock Management Cows*, where the various market-leading products support Nedap's position as the undisputed global market leader.
- *Retail*, where both the shoplifting prevention proposition and iD Cloud cement Nedap's leading position worldwide.
- *Security Management*, where Nedap leads the market in Europe and the Middle East with innovative physical access control systems.

The Staffing Solutions business unit focuses on the Flux workforce management software proposition and is currently exploring whether this market has the potential to develop into a key market. Whether or not it is depends on the unit's success in achieving a lasting competitive edge that would see it gain a market-leading position in this market.

For Identification Systems' readers proposition and Light Controls' UV proposition, the focus is on optimising profitability.

After careful analysis of the proposition for the pig farming market, we decided to bring our investments in the Livestock Management Pigs proposition into line with the limited opportunities that exist in that market.

We are prioritising investment in growth acceleration for scale propositions at the Healthcare, Livestock Management (Cows), and Retail (iD Cloud) business units. By making clearer choices and adopting a keener focus, we create more room for targeted investments to accelerate the growth of market positions. Nedap invests a significant percentage of revenue in R&D. In 2022, this was 18% (18% in 2021).

Our collective value

In order to make the most of our company's potential, we have pooled expertise and experience in *excellence workstreams*. Each workstream targets process improvements that contribute to further professionalisation. There are a total of six excellence workstreams operative across Nedap, which are basically Nedap-wide improvement programmes focused on achieving excellence in specific areas.

In 2022, the excellence workstreams were embedded into the organisation and have had a real effect. The Commercial and Customer excellence workstreams, for example, implemented a Nedap-wide commercial process. In partnership with Erasmus University Rotterdam, we have set up the Nedap Marketing Academy, where Nedap's marketing and sales specialists attended five modules over the year.

When it comes to new features, a new product, or an entirely new proposition, the Create excellence workstream supports proposition teams as they explore, create, and validate.

Progress made by the Sustainability excellence and People excellence workstreams will be detailed in sections 2.2 and 2.3.

As soon as a workstream has delivered the targeted process improvements and these have been fully embedded into the organisation, the workstream is dissolved. The Financial excellence workstream was dissolved as the ambition and targets have been fully embedded in the Finance organisation.

In 2022, we have, furthermore, set up an Alignment team made up of the Board of Directors, business unit leaders, the HR team captain, and the General Counsel. This team is tasked with ensuring that the Nedap-wide perspective guides all key choices and is used as a sounding board for the Board of Directors. The basic idea is that the whole must be greater than the sum of its constituent parts. In other words, choices must contribute positively to both the business unit and Nedap as a whole. It is the Alignment team's job to make sure of that, based on clear priorities, while also garnering support across the organisation and ensuring fine-tuning and feedback from the organisation.



‘Our strategy is geared towards harnessing the advantage of a leading market position to pave the way for new propositions that, in turn, further reinforce our position. We do that in four key markets: Healthcare, Livestock Management Cows, Retail, and Security Management.’

Maikel Coenen, Strategic Task Force Project Lead, Nedap



Progress on financial targets

The Step Up! strategic plan sets the following financial targets towards 2025:

1. Revenue that develops towards annual high-single-digit autonomous growth. *In 2022, revenue was up 11% on 2021.*
2. An operating margin, excluding one-off items, that rises towards 15%. *In 2022, the operating margin came in at 10.3%, compared to 11.1% in 2021. Persistent component shortages put pressure on profit margin development. Furthermore, sales and marketing activities have returned to pre-pandemic levels.*
3. Return on invested capital (ROIC) that outgrows profitability. *ROIC was 31% in 2022, which is lower than in 2021 (36%). Workingcapital increased to support continuity of deliveries across the supply chain.*

We believe that guaranteeing long-term prospects and enabling a focus on growth and innovation hinges on a strong financial position, i.e. a financial position that meets the following criteria:

- A solvency rate of at least 50% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target is possible for strategic reasons. *The solvency rate was 60% in 2022 (61% in 2021), while net debt/EBITDA came in at -0.1 (-0.5 in 2021).*
- Profits are paid out to shareholders, after deduction of the amount needed for investments in profitable growth and the intended financial structure. *Given the organisation's increased capital efficiency and scalability, we expect high pay-out ratios over the coming years too. The pay-out ratio for 2022 was 105% of profit.*

2.2 Progress on our sustainable impact

In 2022, we added further detail to our ambitions for the various material topics within the four focus areas, partly based on input from our stakeholder dialogue. We also took important steps towards greater transparency of our sustainable impact, as well as to increase our sustainable impact. While our ambition for some topics is very specific and quantifiable, ambitions for other material topics are of a qualitative nature or are still being developed.

Stakeholder dialogue

We regularly use surveys as part of our ongoing stakeholder dialogue. In 2022, we conducted another employee engagement survey, the outcome of which is a key factor in setting the Board of Directors' variable pay. Every year, the firm we have engaged to conduct our employee engagement surveys, surveys a different section of the organisation, so that the whole organisation is surveyed in three years. This year, the employees of the Retail business unit and departments that are not part of a specific business unit, i.e. corporate teams and Smart, filled in the survey. As in previous years, the survey showed that Nedap employees are highly committed, immensely proud of Nedap, and feel right at home at the company. Employees did mention, however, that they want to be kept even better informed on the direction the company is taking and the progress that is being made by Nedap as a whole. During the current financial year, stepping up our internal communications will, therefore, be one of the spearheads.

Additionally, Nedap engaged another external firm to conduct a customer satisfaction survey in 2022, which showed that customers of the various business units are highly satisfied with Nedap in general: *'On average, customers give Nedap's products and services an 8 out of 10, and only 3% of*

customers gave a rating of 6 or lower. The high customer satisfaction rating comes mainly on the back of high satisfaction levels for Nedap software (8.1), the online portals (8.1), and technical support. Nedap's Net Promoter Score of +48 is also very high, proving that the products and services are "on point"'.

Employees

Given the great importance we place on our people's development, we formulated the ambition in 2022 that every employee must be able to spend at least 40 hours on their personal and professional development every year. In 2022, 47% of the 386 employees who took a survey on this subject stated that they did indeed dedicate at least 40 hours to their development in that year. By 'development' we mean any form of learning and personal growth, ranging from engaging in new projects with new tasks to gain experience in a different field to taking skills training, attending coaching sessions, or any other kind of personal development process. Through active workforce communication and other means, we raise employees' awareness of the importance of setting development goals and we keep encouraging them to pursue development. Additionally, team captains take training on how to engage with employees on the importance of development goals and how to encourage employees to get serious about their development.

When it comes to diversity, we formulated a new target in 2022, which is that the gender ratio in senior management must be the same as the gender ratio for Nedap as a whole. See also section 4.5 Diversity and inclusion of the Corporate Governance chapter. Over the past financial year, various diversity and inclusion-related topics were addressed on an internal platform (see Section 2.3 'People, culture and leadership').

For a more detailed explanation of the above developments, see also section 1.4 Sustainable impact and section 2.3 People, culture and leadership.

Partners/products

We performed a Product Life Cycle Analysis (LCA) for three of our propositions. The results released in 2022 showed that most gains are to be had by reducing carbon emissions. The analysis looked at, among other things, the effects of natural resource extraction, the use of harmful chemical substances, product manufacturing, transport, and usage, and finally waste processing and reuse opportunities. We thus gained valuable insights into what stage of our products' life cycle to target for carbon footprint reduction, i.e. the stage where efforts to this effect have the greatest potential impact. The most important outcome is that electricity consumption during the usage phase has by far the greatest carbon impact.

Based on these insights, we have started to map the carbon emissions generated by our entire portfolio, except for Nedap's software services.

The analysis is intended to create insight into how to help reduce carbon emissions from our propositions across the supply chain. Based on this measurement, which we will use as a baseline measurement, we will formulate a carbon reduction target in 2023 for the hardware components in our portfolio. We will also make an action plan on how to reach this target.

Software

We use data centres for our software services. In the context of the EU Taxonomy, we qualify these activities as a transition activity that contributes to climate change mitigation. The data centres that Nedap uses the most all meet the European code of conduct for energy efficiency in data centres, which we verify based on information from these data centres' certification (ISO 14001 and ISO 50001). As a result, the lion's share of revenue generated by our software operations complies with the EU Taxonomy.

Customers

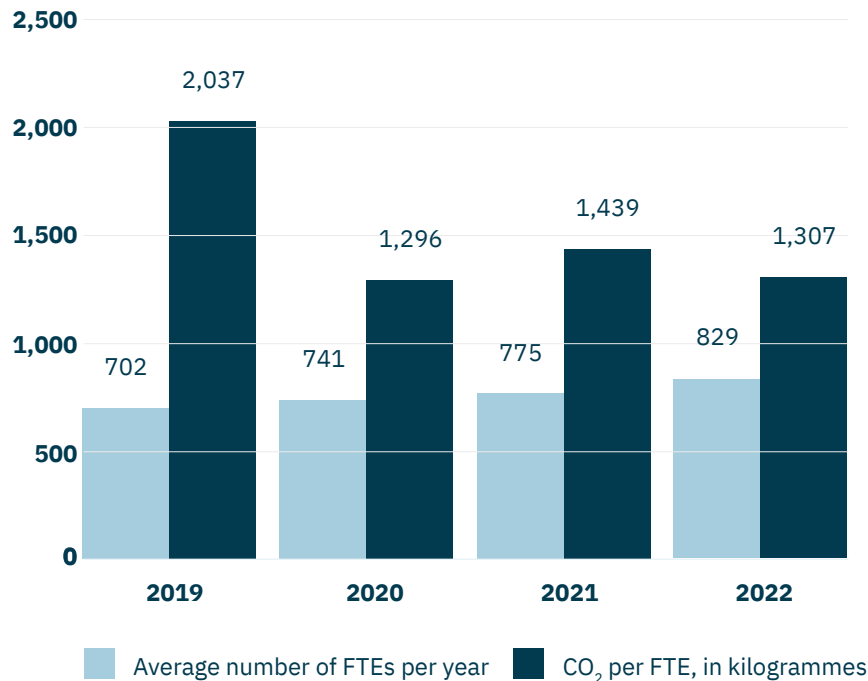
The business units have worked on their sustainability vision and strategy over the past financial year. What is important in this respect is that they be transparent on our propositions' impact on making our customers' business model more sustainable. This was further fleshed out in 2022 under the leadership of the Sustainability excellence workstream. Sustainability best practices are shared across Nedap to inspire the business units. For more information about this, see chapter 3.

Operations

Over the past financial year, various initiatives have contributed to making our operations more sustainable. We have also defined specific objectives that will help achieve net-zero carbon emissions by 2030, including the objective of making our fleet of vehicles sustainable.

In 2022, our carbon emissions totalled 1,083 metric tons of CO₂ (2021: 1,115), i.e. down 3.0% on 2021. On a per-FTE basis, CO₂ in kg dropped from 1,439 to 1,307, which is a decline of 9.2%.

CO₂ per FTE, in kilogrammes, scopes 1 and 2



Renewable energy

Since 2014, we have been procuring only green power. On top of that, we continued to invest in heat pumps, thermal wheels, LED lighting, and EV charging points in 2022.

Sustainable building management

In late 2022, we completed a major renovation of the oldest building of our headquarters in Groenlo. For this renovation, we looked specifically at ecological aspects, such as insulation. Sustainable materials were used, heat pumps were installed for a sustainable energy supply, and sensors were placed to minimise energy consumption. Materials from the old building were also reused as much as possible, including the concrete ceiling slabs. Additionally, the new building layout is all about creating a space where people can meet and work together. The spaces have been designed for multifunctionality. The building makes the most of daylight, and the acoustics and lighting help create a pleasant work environment. The building was reopened in December.

In 2022, we started work on a multi-year plan to also make the other buildings sustainable over the coming years. As part of this plan, we performed a 3D scan last financial year of the insulation ratings and roof loading of the entire headquarters. The results of this scan will be used to plan further sustainability investments.

Sustainable fleet of vehicles

As at the end of 2022, 37% of our vehicles are either fully electric vehicles or hybrids (2021: 27%). In anticipation of our migration to a fully fossil fuel-free fleet by 2030, we will cease to buy fossil fuel vehicles from 2025 and are now actively pursuing a policy to encourage employees to choose an electric car.

Travel and commuting

On top of all the above initiatives targeting scope 1 and 2 emissions, we are also committed to further reducing carbon emissions from business travel and commuting, i.e. scope 3 emissions.

Over the past two years, travel was restricted greatly by the COVID-19 pandemic, which ultimately led to people now, with all travel restrictions lifted, taking a more critical look at whether travel is actually necessary and, much more so than prior to the pandemic, opting for a virtual appointment. When we do decide to travel, it is our policy to choose the train for business travel whenever possible. When flying is inevitable, we keep the frequency and the number of people travelling to an absolute minimum.

In 2022, we also started to look into how to reduce carbon emissions from our employees' daily commute as effectively as possible. Based on the resulting insights, we intend to further develop the policy aimed at cutting carbon emissions from commuting. In order to garner maximum support and boost internal motivation for efforts to make employees' commute more sustainable, we launched an internal Sustainability Challenge in late 2022, which will see a group of around 15 employees work out a number of mobility concepts.



'I've been working at Nedap for eighteen months now and have done Theatre Skills and Survival Skills training. Nedap encourages its employees to take training, whereby it is up to employees themselves to choose what skills they want to develop. The training I've taken has increased my awareness of how I come across in conversations and during presentations. That is very helpful.'

Teake Blom, Account Manager, Nedap Healthcare



2.3 People, culture and leadership

Our people, our culture, and our vision on leadership are the basis of what sets us apart. These elements are interrelated and we need balance between the three of them to further develop them.

We invest in our employees' development on an ongoing basis, and they get ample scope to develop their entrepreneurship. In return, we expect employees to take responsibility and ownership. This is what sums up Nedap's leadership vision and is broadly supported by the unique Nedap culture.

Our leadership vision is also reflected in the organisational structure. Nedap does not tie its employees to explicit job descriptions. Instead, we have guiding principles that give people responsibility to organise their work however they see fit. In addition, they are also given scope and responsibility to pursue personal and professional development.

Not only do we give people the responsibility to take control of their personal development, but we also encourage them to take initiative, to take the lead, and to work out good ideas. This form of leadership cultivates the Nedap culture and inspires others. Over the last few years, Nedap has invested a lot in employees, both in attracting new employees and in the development of all existing Nedap employees. Further strengthening the unique Nedap culture in combination with powerful leadership is essential within the Step Up! strategy and a key success factor.

Developments in 2022

While in early 2022 most of us still worked online due to the COVID-19 restrictions, we were increasingly able to return to the office from the second quarter onwards. It was a transition that went off smoothly. With compulsory home working now a thing of the past, a new hybrid way of working has emerged. Employees can choose whether to work from home or at the office. In line with our culture and leadership vision, our employees have plenty of scope to decide, always in consultation with their teams, what is the best possible mix of home and office for them.

With hybrid working here to stay, active communication and ensuring connectedness have become all the more important. Employees liked the Zoom sessions organised by the Board of Directors when everyone still had to work from home, as they forged a sense of connectedness, also with colleagues working abroad. This is why we decided to keep doing these Zoom sessions in 2022. Members of the Board of Directors also take turns writing a weekly message to all employees, covering various topics that both the Board of Directors and employees find important. The responses the board has been receiving to these messages show that employees like being kept in the loop on what is going on across the organisation in this way.

Long-term employability

The vitality, well-being, and employability of our employees is and will continue to be a priority for us. Physical health counts and that is why employees can take a fitness test. Mental health is, however, just as important and that is why we also offer access to coaching or support

from van a psychologist. In light of the current level of inflation and rising energy bills, Nedap also offers its employees coaching on managing their household finances. This was initiated in the final quarter of 2022 by employees who need such help and we will continue to provide it in 2023.

Employees in 2022

Number of employees

915

2021: 820

Number of FTEs

872

2021: 786

Average age

40

2021: 40

Sex ratio

73% male

671

2021: 624 | 76%

27% female

244

2021: 196 | 24%

New hires

170

2021: 112

Leavers

75

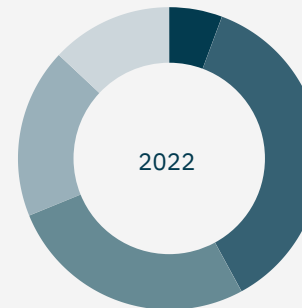
2021: 97

Sickness absence rate

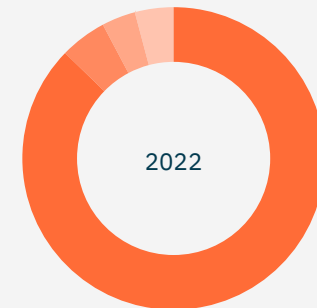
2.8%

2021: 2.3%

Age distribution



Geographical spread



Figures as at year-end 2022

Senior management:

84% male 16% female

Board of Directors:

67% male 33% female

Supervisory Board:

50% male 50% female

t/m 25

26-35

36-45

46-55

>= 56

Netherlands

Other Europe

Asia

North America

Diversity and inclusion

Nedap is home to a community in the form of a global group of employees that raises awareness of various topics, ranging from gender and sexual orientation to our buildings' accessibility to people with a physical or other disability. On Workplace, which is one of our internal communications channels, we have set up an open platform called *the Diversity, Inclusion, Equity & Belonging Community*. Through this platform, the community provides information on its activities. In 2022, one of the topics covered was neurodiversity and gender pronouns. On the occasion of Pride Month, various sessions were organised with external speakers on pronouns and being LGBTI. Examples of workshops in which 55 colleagues worldwide took part include *Ambassadors for inclusion, Cultural Intelligence, Cultural Values and Unconscious Bias*. It is an initiative that Nedap welcomes and facilitates with the required resources.

For more about our diversity and inclusion policy, see section 4.4 Corporate Governance.

Recruitment

Sourcing talented new employees is essential for the realisation of our growth plans, making it absolutely paramount that we raise our profile as an attractive employer. COVID-19 restrictions meant there were fewer opportunities to organise in-person recruitment activities in recent years, and so we had to invest heavily in our online recruitment activities. Since this online recruitment drive proved highly successful, we continued and further refined this approach in 2022. Over the past financial year, we focused mainly on proactive recruitment through talent sourcing and recruitment marketing, which basically means that we maintain an ongoing search for potential candidates who are a good fit with Nedap and with whom we stay in close contact until the time comes when a move to Nedap becomes an expedient option. Channels that we use a lot for these recruitment efforts include LinkedIn, Google, Instagram, Indeed, and Tweakers. This approach, too, proved successful. Further investment also went into defining and automating the various steps of the recruitment process last year. Carefully defining and automating these steps creates transparency on the performance of the various recruitment tools we use, enabling us to keep improving the effectiveness of our activities.

International employees

In order to grow our propositions in the global marketplace, we also targeted recruitment of international candidates with a network and knowledge of specific markets. In 2022, we were able to recruit experienced candidates who fit this profile.

Nedap Campus recruitment programme

Over the past financial year, we continued with the active Campus recruitment programme, which is a way to engage with large groups of

students through their universities. The annual *Nedap Masterclass*, which is another great tool we use for successful recruitment, had its 18th edition last year and ultimately resulted in seven new employees and three final-year students committing to Nedap. Half of our current business unit leaders started out at Nedap by doing the Masterclass.

Nedap University

The eighth *Nedap University* class started last year, which is an eighteen-month software development course for people from very different backgrounds. Finally, we set up the *Nedap Sales Graduate Programme* in 2021 to recruit talent and fast-track their development. This programme continued in 2022 and will also run in 2023.

Training and development

Our employees' training and personal development is a strategic priority at Nedap and an essential part of our sustainability strategy. Ensuring there is adequate opportunity for and focus on training and development across the organisation is a key topic in this respect. People are challenged to take charge of their personal development and career path. In 2022 as well, we maintained our investment drive in this area.

New employees

All new hires attend the *Nedap Introduction Programme* to get familiarised with things like Nedap's various business units. After completing the Nedap Introduction Programme, employees enter the Nedap survival skills programme, which is focused on personal leadership and how it is embedded in the Nedap culture to ensure people can be successful. This programme addresses the skills that are indispensable for that.

Owing to the rapid growth of our workforce, which means we have to put extra effort into preserving our unique Nedap culture, the Healthcare and Retail business units invested mainly in onboarding.

Leadership development

Developing leadership within the organisation is essential for the successful implementation of the strategic plan. In 2022, a new group of employees entered the Leading Business Programme that is intended to accelerate the growth of (senior) leadership. In addition, we also organised a Step Up! Leadership day for managers to contextualise leadership within the Step Up! strategy.

On top of that, one section of our management is taking the *Team Captain programme*, which is a practical training programme for managers. This programme was custom developed for Nedap to ensure it is aligned with managers' development goals within our organisation. The training is given by specialists from outside our organisation. In 2022, 50% of managers attended the Team Captain programme. The HR team also hosts 'learning labs', where we offer practical guidance on how to deal with things such as employee absence and new hire onboarding. There is a special focus on maintaining an ongoing dialogue with team members about their personal development.

The training programmes and various development programmes are offered both in person and online. This way, Nedap employees around the globe can take advantage of the training options.

Employee training and development is part of our sustainability policy. The ambition is for all employees to spend at least 40 working hours on their development. Based on the feedback received from 386 employees,

47% of employees reached this target (for more details, see section 2.2 Progress on our sustainable impact).

The Nedap Code of Conduct

In the Nedap Code of Conduct, we define our core values and explicitly specify *guiding principles* for the behaviour we expect from our employees and associates. These guiding principles set out the ethical and legal frameworks for our day-to-day activities.

- *We act with integrity*

Nedap does business in an honest, ethical manner. We are committed to our reputation as a reliable partner in the broadest sense of the word. Integrity is at the basis of everything we do. We avoid conflicts of interest and do not accept practices such as bribery, corruption and fraud.

- *We act with respect*

We accept that opinions on standards and values may differ and we respect that people are different. We treat everyone equally and our communications with each other and others are always respectful. Given that we operate on a global scale, we also always respect local conventions. Acting with respect is a basic principle that we believe to be an essential factor in our success, on a personal level and as a company.

- *We work responsibly*

With a long-term perspective in mind, we make responsible decisions. This means that we take a broad view of responsible work and collaborative practices. In this context, we are committed to the health and well-being of people, the planet and our society. We not only require that of ourselves, but also of our suppliers and business partners.

- *We work professionally*

Nedap has a culture of entrepreneurship where employees' personal responsibility, independence and ownership come first. It is, therefore, our broadly supported conviction that this calls for professional conduct. We always seek to strike the right balance between acceptable risk on the one hand and entrepreneurship and long-term value creation on the other, and we always weigh up the risks before we act. In our view, these responsibilities are inextricably linked to professional working practices.

The guiding principles can be traced back to the Nedap Story, which is the story that we continue to write every day. We trust that if people are given space and responsibility, they will make sensible decisions and good results will follow. This requires recognition of people's unique identity and their perspective on the world. Our code of conduct will inevitably be interpreted and used in different ways, albeit always with the common denominator of us all being one Nedap.

It is in line with Nedap's culture of entrepreneurship to make employees themselves responsible for showing behaviour that is aligned with the Nedap Code of Conduct. We count on employees to challenge each other whenever someone fails to live up to the agreed standards of conduct specified in this code. That said, we do realise that this is not always easy to do. Employees can, therefore, always raise concerns about irregular behaviour with their immediate supervisor or another colleague.

Through an e-learning programme, all current and new employees acquaint themselves with the contents of the Nedap Code of Conduct. This is part of Nedap's onboarding programme for new employees. Employees who have not done the e-learning programme are prompted to do so. In addition, we regularly organise workshops and training to embed awareness of ethical conduct.

For more about the Nedap Code of Conduct, see section 4.1 Risk management.

Employee participation

Employee participation plan

Since the founding of Stichting Medewerkerparticipatie Nedap in 2010, employees have been able to acquire depositary receipts for shares in Nedap. Every year, Nedap pays out 6.5% of the company's profit before taxation to employees of Nedap N.V., letting each individual employee decide for themselves whether to use part or all of this profit share to purchase depositary receipts for Nedap shares. The idea behind this is to align the interests of Nedap employees and Nedap shareholders, thus forging a shared commitment to Nedap's further development. Employees can buy these depositary receipts with a 10% purchase discount. After purchase, the depositary receipts are locked up for four years. Upon expiry of this four-year period, one bonus depositary receipt is awarded for every four depositary receipts, provided certain conditions are met. The holder of the depositary receipt is immediately entitled to the full dividend per share. The ability to become a shareholder in the company is in line with the entrepreneurship we expect employees to show.

In 2022, 72% of Nedap's workforce took part in the employee participation plan. Practically all employees who were also at Nedap at the end of 2021 hold Nedap depositary receipts. Seeing as the profit share for 2022 under the NAPP will be paid out in depositary receipts, virtually all employees who joined Nedap in 2022 will also receive depositary receipts. At present, Stichting Medewerkerparticipatie holds approx. 2.9% of the total issued share capital. For the financial and further technical details of the plan, please refer to Note 7 and the Other information section of the financial statements.

Nedap Additional Participation Plan (NAPP)

The Nedap Additional Participation Plan (NAPP) that Nedap has been running since January 2013 lets all employees share in the company's profits whenever profits exceed the average level.

The idea behind the NAPP is to forge bonds with employees and reward them for the entrepreneurship they have shown, based on the principle of fairly sharing the profits on the financial and intellectual capital used. This makes it a fine example of the sustainability principles that are intrinsic to the Nedap culture.

The NAPP is triggered when the EBIT excluding one-off items outgrows a predefined benchmark by over 5% a year. The threshold value is calculated at the start of the year, based on 5% growth compared to the average EBIT excluding one-off items from the previous three years, with a compound annual growth rate of 5%. Of all growth beyond this 5% threshold, 40% is distributed to employees. This share in the profits is subsequently allocated to employees in the form of depositary receipts.

This calculation puts the threshold value for 2023 at €24.6 million. The NAPP makes an amount of €1.4 million from Nedap's 2022 profits available for profit sharing among employees (€1.8 million in 2021).

Collective Labour Agreement

During the financial year, Nedap signed a one-year collective labour agreement with the trade unions, which took effect on 1 April 2022 and included agreement on a 3.75% salary increase.

Employee participation

The works council plays an important role at Nedap. Representing all Nedap employees, works council members actively liaise with colleagues. They address topics with the Board of Directors. Organisational changes or strategic decisions are always run by the works council at an early stage, and depending on the case at hand, they are also asked for advice or approval. The Board of Directors and the Supervisory Board owe them a great debt of gratitude for their constructive and valuable contribution.

In order to ensure continuity in the works council, elections are held in an overlapping manner. In April 2022, online elections were held for the General, Identification Systems/Light Controls/Staffing Solutions, Retail, and Smart electoral groups.

“
‘During the create phase, we operate as start-ups within Nedap. This gives us the time and scope to turn an idea into a proposition, run pilots to test the proposition, and further develop the proposition until it is ready to take the market by storm. We are very aware of the financial resources this involves, which has brought about a tremendous sense of responsibility on our team and ensures that people take ownership. The trust that Nedap places in us is the key to successful entrepreneurship.’

Wouter Kersteman, Create Propositions Team Lead, Nedap



2.4 Financial affairs

Key figures

In millions of euros or expressed as a percentage	2022	2021	Growth
Revenue	230,6	207,0	11%
Recurring revenue	71,0	58,5	21%
Added value as % of revenue	67%	67%	
Operating profit	23,8	23,1	3%
Operating margin ¹	10,3%	11,1%	
Profit for the financial year	18,7	18,3	2%
Earnings per share (x €1)	2,87	2,82	2%
Dividend per share (x €1)	3,00	3,00	
	31-12-2022	31-12-2021	
Net debt/EBITDA	-0,1	-0,5	
Solvency	60%	61%	
ROIC ²	31%	36%	

Revenue

Revenue for 2022 amounted to €230.6 million, which was 11% higher than in 2021 (€207.0 million). Recurring revenue rose by 21% to €71.0 million (€58.5 million in 2021), comprising 31% of revenue (28% in 2021). Practically all business units contributed to the revenue growth. Ongoing component shortages slowed down revenue development at the Light Controls, Livestock Management, Retail, and Security Management business units in particular, as orders could not be fulfilled completely or on time.

Added value was up from €139.3 million in 2021 to €154.5 million in 2022. As a percentage of revenue, added value remained consistent and came in at 67%. The positive effect of rising recurring revenue on added value was dampened by increases in the cost of sales caused by disruptions in the supply chain. A significant part of these cost increases was offset by raising our sales prices. As customers placed their orders earlier and placed more orders to secure supplies, new sales prices ended up having a delaying effect on the price realised on product supplies. Added value per FTE rose from €180,000 in 2021 to €186,000 in 2022.

¹ Defined as operating profit expressed as a percentage of revenue.

² ROIC represents operating profit/loss excluding one-off items divided by the invested capital (fixed assets + net working capital)

Costs

Employee costs rose more than 10% from €83.3 million in 2021 to €92.0 million in 2022. This rise came mainly on the back of the increase in the number of employees in the scale propositions at the business units Healthcare, Livestock Management Cows, and Retail. This is in line with our long-term strategy of investing in growth by recruiting and developing talented staff. The number of FTEs went up from 786 at year-end 2021 to 872 at the end of 2022. Wages were increased by 3.75% under the new collective labour agreement that was sealed in April 2022. Costs of insourced staff were up, partly due to higher rates. Costs ensuing from employee participation plans were down on 2021.

Other operating costs rose from €22.8 million in 2021 to €29.0 million in 2022. Marketing and sales costs increased by €3.8 million compared to the relatively low level of 2021. With COVID-19 restrictions lifted in most countries, a large number of trade shows and in-person events could go ahead again. Other operating costs were also up due to higher non-recurring costs, which were pushed up partly by the volatile supply chain and the phase-out of several propositions. General costs and accommodation costs rose by €1.1 million, partly due to the increase in the number of FTEs in combination with rising energy costs. Net exchange differences were up by €1.0 million, going from revenue of €0.7 million in 2021 to costs of €0.3 million in 2022.

Investments in research and development totalled €40.4 million, whereby €1.5 million was capitalised, representing 18% of revenue (€36.7 million in 2021, i.e. 18% of revenue, with €0.5 million capitalised). These costs mostly relate to maintaining current products and services and developing them further. The rest relates to innovation.

Amortisation and depreciation

Depreciation rose from €8.5 million in 2021 to €8.9 million in 2022 due to investments in office space at the head office in Groenlo. Amortisation amounted to €0.8 million, down slightly on 2021 (€1.0 million). No costs were recognised as an impairment in the financial year, compared with €0.7 million in 2021.

Operating profit

Operating profit (EBIT) for 2022 came in at €23.8 million, compared with €23.1 million in 2021. This rise is the result of the increased revenue and a higher added value combined with a higher cost level. The operating margin, i.e. the operating profit as a percentage of revenue, amounted to 10.3% in 2022 (11.1% in 2021). Higher cost prices due to the volatile supply chain had a dampening effect on margin and operating profit.

Financing costs

Net costs remained consistent at €0.3 million in 2022 (€0.3 million in 2021). These are mainly the financing costs on the standby roll-over loan.

Taxation

Taxation over 2022 totalled €4.8 million (€4.5 million in 2021), while the effective tax rate came in at 20.3% for 2022 (19.6% in 2021). This increase came on the back of a rise in the nominal rate in the Netherlands from 25.0% in 2021 to 25.8% in 2022.

A new agreement was reached with the tax authorities during the financial year to apply the Innovation Box tax regime for the 2022-2026 period, the conditions of which are comparable to those of the agreement that expired in 2021.

Profit for the financial year

The profit posted for the 2022 financial year came in at €18.7 million, compared to the €18.3 million posted in 2021.

Earnings per share and dividend

Earnings per share increased from €2.82 in 2021 to €2.87 in 2022. The average number of outstanding shares in 2022 was 6,512,369 (6,482,444 in 2021). This increase comes on the back of the supply of shares held by the company itself to cover employee participation plans. A dividend of €3.00 will be paid for 2022 (€3.00 in 2021). In light of the robust results achieved despite volatile market conditions, we feel it is prudent to not only pay out the entire profit as dividend but also move forward in bringing current solvency into line with our long-term objective.

Financial position

The balance sheet total rose from €131.5 million as at 31 December 2021 to €134.7 million as at 31 December 2022. Trade and other receivables increased, largely in line with revenue development. In addition, prepayments were made to strategic suppliers to support continuity of deliveries across the supply chain. Inventories increased from €23.5 million in 2021 to €28.3 million in 2022. Payables to suppliers and other payables were up as a result of increased activity, despite the shorter payment terms agreed with several strategic suppliers. The net debt position amounted to a surplus of €3.5 million as at 31 December 2022, compared with a surplus of €15.6 million as at 31 December 2021. Cash and cash equivalents fell as a result of the dividend payment for the previous financial year and the increase in the working capital.

Net debt/EBITDA stood at -0.1 on 31 December 2022 (-0.5 in 2021). Solvency stood at 60% on 31 December 2022 (61% in 2021).

An amount of €14.0 million has been drawn on the credit facilities totalling €39.0 million available on 31 December 2022.

Cashflow

2022 saw the net working capital increase to €32.6 million (€22.1 million in 2021) on the back of an increased inventory level and efforts to support several strategic suppliers in financing their working capital, so as to ensure continuity of supply across the supply chain. The operating cash flow was €17.7 million in 2022, down on the operating cash flow in 2021 (€28.3 million).

Return on invested capital

The increase in the working capital resulted in the return on invested capital (ROIC) dropping to 31% in 2022 (36% in 2021).

Developments at business units

3



3.1 Healthcare

Nedap Healthcare develops the Ons® software service that supports healthcare facilities when it comes to planning, registering, and administering their healthcare services. Healthcare providers value the Ons® software suite because of its wide range of features combined with user-friendliness, whether it be at the office or at clients' homes. Nedap provides Ons® across the VVT market (nursing homes, care homes, and home care organisations), as well as to customers operating in disabled care and mental healthcare. With over 1,500 healthcare facilities across the Netherlands using Nedap Ons®, Nedap is the market leader in the Dutch healthcare industry.

Developments in 2022

Nedap Ons®

Being the market leader empowers the Healthcare business unit to keep investing in the quality and features of the Ons® software suite, setting it apart even more from competing systems. This is an important reason why a large number of organisations both in the VVT market and in disabled care switched to Nedap Ons® in 2022.

In mental healthcare, too, numerous facilities have chosen Nedap Ons®. Sooner than expected, Nedap Healthcare has become the market leader in the mental healthcare market as well. This means that, as of 2022, Healthcare has the highest number of the Netherlands' largest mental healthcare facilities among its customers. An important topic last year was the implementation of the 'Zorgprestatie model', a new funding model that became effective in the mental healthcare domain on 1 January 2022.

Thanks to its development capability, Healthcare was the only party to successfully implement this new billing model before the deadline. As a result, customers maintained a healthy cash flow and were able to keep focusing on providing good healthcare services.

Unify Ons®

The extent to which software supports staff at healthcare facilities in doing their day-to-day work is a long-term success driver for Nedap in the healthcare market. Given that there are many different roles and jobs in the healthcare domain, the software needs to meet a wide range of different requirements and preferences. The challenge is to support this diversity of use and users without making the suite more complex. Healthcare has, therefore, embarked on a project called 'Unify Ons®' to develop new architecture for the Ons® software. The new architecture aims to facilitate specific user groups in the best way possible in their daily work through smart combination of a number of standard reusable information blocks on one single screen. Nedap Healthcare has developed a design language that leads to the user experiencing the combination of blocks as a logical and consistently designed software suite. Over the past financial year, great progress was made on the development of this architecture and the first reusable blocks have meanwhile been released. We expect this way of working to give our software developers' productivity a considerable boost over the coming years.

Business unit structure

In 2021, Healthcare started implementing a new organisational structure for its software development activities. Instead of having a large number of small development teams, the business unit decided to pool these teams around specific areas, such as patient file, logistics, and administration. The idea is to be more flexible and effective in using the available development capability and to streamline the process of setting development priorities. In 2022, implementation of this new way of working was completed and the first positive effects are already visible.

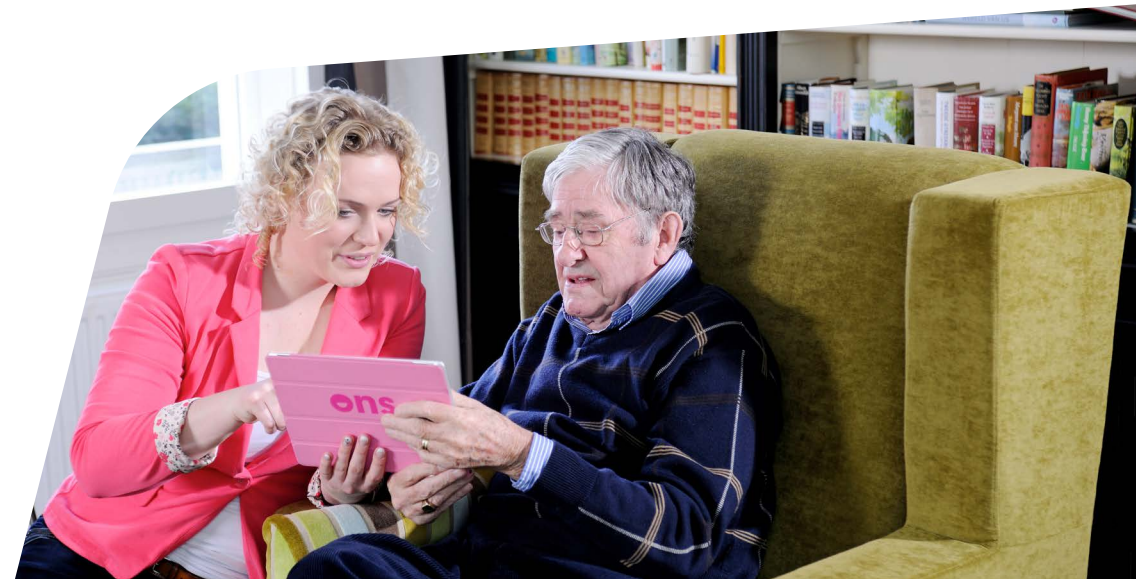
Better healthcare

The Healthcare business unit strives to improve healthcare in the Netherlands. It does that through a free digital health platform called Caren, which is a Personal Health Environment that gives people control of their own healthcare environment, helping carers organise care, share information, and plan tasks and treatments. This is how Caren helps make healthcare more effective and more efficient.

Nedap also invests in promoting effective collaboration between healthcare facilities. In this context, data interoperability based on standards is a spearhead and Nedap plays a key role in the development of infrastructure for Nuts, an open-source platform for trusted, secure, and accessible sharing of health-related information over the internet. The ultimate aim is to facilitate and stimulate optimal collaboration between various healthcare facilities and thus improve healthcare. Thanks to Nuts, data can be consulted at the source and does not have to be entered separately in each system. This means no more manual copying of data, reduces the chance of data protection breaches, and ensures data minimisation. Nuts has meanwhile been adopted by dozens of software vendors in the healthcare domain.

Cybersecurity

Nedap invests in the security and robustness of its software systems on an ongoing basis. Aside from internal procedures and design requirements for software development projects, the various certification bodies conduct annual audits. Nedap also engages outside firms for penetration testing using ethical hackers. However, these efforts were not able to prevent a data breach in Caren in late 2022. A vulnerability was found that had been abused. It turned out that documents had been downloaded. Thanks to resolute action, a suspect was arrested soon after the breach was reported. As yet, there is no reason to believe that the documents have been distributed. In the end, the incident led to us gaining important insights that we will use to further optimise crisis management and crisis communication protocols. Additionally, it reasserted the Nedap-wide urgency behind continued investment in cybersecurity.

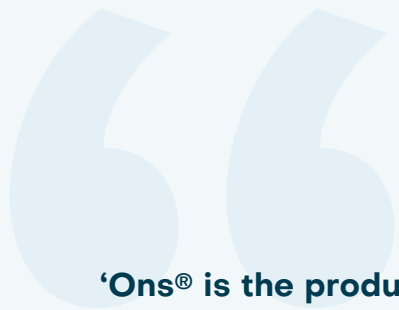


Results and outlook

The number of healthcare facilities with a subscription for this business unit's software services continued to grow in 2022, equally so in elderly care, disabled care, and mental healthcare, resulting in solid revenue growth. In 2023, the Healthcare business unit expects further growth by forging even stronger bonds with existing customers and making the proposition more attractive to new customers. In order to achieve that, expanding the unit's leading position in the mental healthcare market will be a key aim. Nedap continues to invest in the growth of the business unit, whereby recruiting new talent is essential.

Sustainable impact

Nedap Healthcare's mission is to make healthcare better together. Labour shortages in the Netherlands are hitting the healthcare industry particularly hard. Given the ageing population, this situation will only worsen. The Healthcare business unit's solutions are intended to increase healthcare professionals' job satisfaction, among other things. By offering them greater control and autonomy in their work, the Healthcare business unit contributes to healthcare professionals' long-term employability.



'Ons® is the product of a clear vision, well made, and backed up by an enterprising team.'

Frits Nicolai, Group Controller, Trajectum



3.2 Identification Systems

Nedap Identification Systems develops vehicle identification and vehicle access control solutions. With its reader portfolio, where long-range identification is the common denominator of all products, Identification Systems has built a strong position in the security market in particular. What sets apart this business unit's range of vehicle identification solutions is the optimum composition of the product portfolio and the various ways in which these globally sold products can be integrated into other systems. With Nedap's market-leading MOOV solution, Identification Systems offers a solution for vehicle access control in urban areas, in recreational areas, and at multi-tenant office buildings.

Developments in 2022

Readers

In 2022, the business unit put increased effort into streamlining the commercial organisation. The strategic programme intended to improve compatibility with access control platforms was successfully scaled up in 2022.

MOOV

MOOV was a revenue growth driver for Identification Systems in the markets where this proposition is currently sold. In order to further strengthen this position, a new version of MOOV Leisure was launched last year, which is intended specifically for access control at holiday parks and campsites. MOOV helps local authorities keep inner-city areas liveable by cutting carbon emissions and reducing traffic and congestion.

SENSIT

The phase-out of the SENSIT proposition that was announced in 2021 was carefully implemented in 2022. The expectation is that the remaining SENSIT-related efforts will reduce gradually over the coming years.

Results and outlook

During the financial year, the business unit saw its revenue rise slightly. Falling revenue from the SENSIT proposition, partly due to limited availability of components, put a brake on overall revenue growth generated by the readers proposition. In 2023, Identification Systems expects both the reader portfolio and MOOV to generate growth. On top of that, the business unit expects to be able to further optimise the portfolio, bolster commercial activities, and further streamline operational processes.



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‘At HitechNour, we pride ourselves on being customer-oriented and offering only the best of breed in technology. Nedap Identification Systems’ vehicle identification readers have been instrumental in supporting our solutions towards end users. The solutions we offer together aim to secure large facilities with heavy traffic flow on a daily basis. Together with Nedap, we’ve implemented many prestigious and complicated projects successfully and we look forward to continuing this great partnership and collaboration for future projects!’

Hatem Sabry, CEO, HiTechNour



3.3 Light Controls

Nedap Light Controls is the global market leader in smart UV driver technology. This technology is used for things such as instant drying of inks and curing of coatings and paints. UV light is also an effective and eco-friendly way of disinfecting air and purifying and treating water, including drinking water and ballast water for seagoing vessels.

Developments in 2022

UV drivers

The market developed favourably in 2022, which meant that demand for UV drivers was high. One legacy of the COVID-19 pandemic is that people are more conscious of air quality and there is greater demand for disinfection. Increasing shortages of natural resources, such as fresh water, are also pushing up demand for UV driver technology. UV drivers are used for purposes such as disabling microorganisms such as bacteria and viruses in water, so that the water can be reused. Demand for UV drivers for ballast water purification, however, is developing slower than initially expected. Following the signing of the ballast water treaty, vessels are now being fitted with UV disinfection systems. However, this is still only happening on a relatively limited scale, as shipping companies are opting for a spread implementation.

In the area of UV curing, i.e. using UV light to accelerate the curing of coatings and other substances, there is also an increasing need for UV driver technology. Important areas where UV curing is used include the production of flexible displays, the coating of optic fibre, and insulating coatings in battery production.

Component shortages had a major impact on the Light Controls business unit. Towards the end of the year, the business unit got a better handle on component availability, partly by switching to alternatives. However,

production capacity at the business unit's partners is creating new challenges in the supply chain. Making the supply chain more robust is an absolute priority, so as to further increase the reliability of deliveries on a structural basis and to facilitate further revenue growth.

The phase-out of the Luxon proposition, which was started last year, is on schedule.

Results and outlook

Thanks to increased demand for UV drivers in both the disinfection and the curing market, the Light Controls business unit showed positive revenue development. Revenue growth generated in 2022 was curbed as not all orders could be fulfilled completely or on time.

In line with the increasing focus on sustainability, the business unit expects demand for its UV driver solutions to remain at a high level. Both the propositions for the UV disinfection market and the curing solutions are expected to contribute to growth.

While control of the supply chain has improved, disruptions will continue to have an impact in 2023. Despite that, the Light Controls business unit expects to post revenue growth in 2023.

Sustainable impact

Sustainability is embedded in the core of Nedap Light Controls' products. The UV drivers contribute to waste and ballast water purification. On top of that, these UV lamp drivers deliver greater energy efficiency. The use of UV lamps for curing purposes means that no harmful solvents have to be used to cure coatings or inks.



‘Over the 30 years that I’ve been building UV equipment, Nedap’s UV lamp drivers have given me the best user experience ever. They are easy and pleasant to work with.’

James Donnellan, Vice President, Glasco UV

3.4 Livestock Management

Nedap Livestock Management develops technological solutions for individual animal monitoring and management for the global dairy and pig farming industries.

Developments in dairy farming in 2022

Livestock Management is a leading player in the global dairy farming industry with technological solutions for cow monitoring, identification, and management. CowControl provides insights into the reproduction and health status of individual cows and lets a farmer locate specific cows who need special attention or treatment. MilkingControl offers insights into milk production data for individual cows and optimises the milking process. FarmControl optimises the identification, feeding, and sorting processes. Livestock Management boasts an extensive distribution network of business partners, including the leading global and local players in milking technology and genetics.

Market development

Demand for dairy products continues to grow worldwide. In order to be able to meet this growing demand, efficient milk production is crucial. In addition increasing farm size, labour and resource shortages, growing concern for animal welfare, and louder calls for transparency in the supply chain are driving the need for automation and management data within dairy farming. And as such also a greater demand for Livestock Management's solutions.

While Livestock Management showed strong performance in North America, South America, China and Ireland, component shortages meant Nedap was unable to keep up with rising demand. In order to mitigate the effect of

component shortages Livestock Management has spared no effort in optimising its operations, procurement, component modifications, and component selection.

Intensification of collaboration with business partners

Livestock Management invested heavily in collaboration with its business partners in the past financial year. In order to provide business partners with the best possible support and to be able to respond faster and more effectively to specific needs in the various market areas, Livestock Management has recruited employees to set up and to reinforce local teams in Africa, China, the Middle East, and North and South America.

In addition, the business unit stepped up its collaboration in the area of partner marketing. Targeted (online) marketing campaigns have contributed to the success of all parties involved and led to increased SmartTag technology adoption, which is a key success factor in 2022.

In 2022, Livestock Management also launched a pilot with 'Nedap LearnSpace', an extensive training programme intended to further raise and assure business partners' knowledge levels. This pilot has successfully been brought to a close and 'Nedap LearnSpace' will be rolled out at multiple business partners in 2023.

Innovations

After an intensive development process, the 'Nedap SmartFlow' (milk flow meter) was successfully launched in 2022. The fact that milk can flow 'freely' through this milk flow meter optimises the milking process, resulting in better udder health. The SmartFlow is completely wireless and is therefore

relatively easy to install in both new and existing milking parlours. On top of that, the SmartFlow is very low maintenance compared to other milk flow meters. Alongside the existing on-premise solutions, the ‘Nedap Now’ cloud platform was successfully launched in 2022. Nedap Now enables dairy farmers to perform detailed data analysis, store more historical data, and combine data from multi-site dairy farms. This cloud solution easily interfaces with third-party systems, making it much simpler to share insights across the value chain.

Pig farming

With Nedap ProSense, Nedap PorkSense, and Nedap SowSense, the Livestock Management business unit offers solutions for various phases of production in pig farming. The difficult market conditions that arose in mid-2021 persisted in 2022. Revenue from the pig farming proposition dropped in 2022. COVID-19 slowed down revenue development in China, which is the largest market for the pig farming proposition. Livestock Management saw investment appetite fall in all regions. In Asia, this is mainly the result of African swine flu, while European pig farms were reluctant to invest due to rising costs of feed and energy that could not be offset by revenue.

Following year-round in-depth analysis of the characteristics of the pig farming market and the potential this market offers us, we concluded that the pig farming market is and will continue to be volatile. In addition, the major differences between the geographic markets are making marketing a highly complex and labour-intensive undertaking. As a result, it is particularly difficult for Nedap to build and scale up to the kind of position in this market that offers prospects for sufficiently attractive financial results,

even in the long term. Based in part on these observations, Nedap decided to bring investments in product development and commercial activities into line with the prospects we see in the market.

Results and outlook

In 2022, dairy farming solutions showed solid revenue growth, despite the impact of component shortages. Livestock Management sees opportunities for its dairy farming solutions to keep growing in all markets in 2023 too. The degree to which the business unit will be able to seize these growth opportunities still depends on component availability. In 2023, efforts to make the supply chain more robust are expected to tentatively start to bear fruit, leading Livestock Management to expect further revenue growth for 2023.

In the pig farming domain, the business unit foresees a drop in revenue.

Sustainable impact

Nedap Livestock Management’s dairy farming solutions contribute to better cow health and higher operational efficiency on dairy farms, empowering farmers to reduce carbon emissions per litre of milk produced. Additionally, Nedap’s solutions contribute to animal welfare.

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‘Nedap MilkingControl enables us to monitor cow health on an individual basis. Thanks to this system, we can keep the most profitable cows in the herd for as long as possible. It has improved our milking time, freeing up time for us to spend on other things on the farm or on each other.’

Austin Webster, Dairy Farmer at Way-Mor Dairy, United States



3.5 Retail

Full control of inventories, no wastage, and no shrinkage: that's Nedap Retail's mission for every retailer. Nedap Retail develops and markets RFID solutions that help retailers across the globe make their inventories completely transparent, optimise their shop processes, and prevent loss of income. With its iD Cloud platform, the Retail business unit makes it easy for retailers to create perfect inventory visibility, which is a critical success factor in pursuing a successful omnichannel strategy. Alongside the iD Cloud platform, Retail also provides RF-based conventional anti-shoplifting systems.

Nedap Retail targets two retail markets: fashion & sporting goods and essential retail (food and health & beauty). With the iD Cloud Store, the Retail business unit is the global market leader in inventory management solutions based on RFID technology in the fashion & sporting goods market.

Developments in 2022

iD Cloud is the fastest growing platform in the market. Part of that growth came thanks to retailers who were initially using solutions by our competitors but switched to iD Cloud because it offers superior performance and is future-proof. Over the past year, the number of shops using the iD Cloud platform continued to grow. Among the new customers the Retail business unit secured were several major retail brands, including Hugo Boss, French retailer Promod, and Spanish children's wear retailer Charanga.

North America is an important growth market for Nedap, which is why further investment went into the sales and execution organisation in this region. In 2022, this resulted in a number of high-profile customers in North America choosing Nedap, including lululemon and Puma.

Fashion & Sports

In the current economic climate with soaring inflation and great uncertainty, potential new customers in the fashion & sporting goods market were more reluctant to invest than usual. Existing customers, on the other hand, were even more motivated to make the most of the iD Cloud platform. The Retail business unit generated growth by, among other things, providing more solutions to existing customers. In addition, the high retention rate of over 99% was an excellent basis for further growth. The unit owes this high customer retention rate mainly to the excellent support it provides to its customers.

Essential retail market

In the essential retail market, Nedap Retail is mainly successful with its RF-based anti-shoplifting systems. In 2022, revenue and the market share continued to grow. The essential retail market is less affected by the current economic uncertainty.

Product development

The business unit works unceasingly on new solutions and further development of existing solutions. These efforts also extend to extracting insights from data generated from the various iD Cloud solutions. Data from iD Cloud Loss Prevention, for example, provides insight into what kinds of products are theft-prone and at what times such thefts tend to occur. Combining various data streams is, furthermore, a way to detect internal fraud at the checkout at an earlier stage. The Retail business unit has actively shared these effective insights with its customers to enable them to better lay out their stores and implement a more effective shrinkage policy.

Aside from that, the unit saw the use of self-scan checkouts increase, as part of an important trend in the retail market. They are tapping into this trend with the new iSenseGo concept they launched in 2022. iSenseGo offers retailers a solution that prevents theft from both traditional and self-scan points of sale, without compromising on the customer experience. This has resulted in several new contracts with major food retailers in Europe.

Work is also going into a new application of this solution that aims to prevent wastage in fashion retail: iD Cloud Sustainability. This solution is intended to give retailers insights that will enable them to better match supply to demand.

Sustainability core team

Nedap Retail has set up a sustainability core team to drive sustainability initiatives and coordinate initiatives put forward by the various teams at the unit. A ‘sustainability champion’ has been appointed on each team to steer implementation of initiatives. In 2022, a ‘Green Wave’ was organised, which produced 25 sustainability initiatives that are now being implemented. In addition, the operations team has developed smarter packaging that makes it possible to load pallets differently, which has increased the amount of hardware that a lorry can ship by 40-100% (depending on the product).


Results and outlook

In 2022, the Retail business unit managed to further grow its market share and revenue. However, component shortages meant that the business unit was unable to meet all demand, which ended up curbing revenue growth somewhat.

For 2023, further growth is expected for both the iD Cloud platform and conventional anti-shoplifting systems. Even though Nedap Retail has seen component shortages ease slightly and is reaping the benefits of its efforts to reduce its dependence on scarce components, these shortages will still affect the business.

Sustainable impact

Nedap Retail's solutions are intended to prevent wastage, among other things. Especially in fashion retail, products that are not sold have a major adverse impact. In the Netherlands alone, an estimated 30% of all new garments go unsold every year, resulting in twelve million tonnes of clothes that are destroyed. The Retail business unit is currently working on an application that tackles this problem: iD Cloud Sustainability. It is intended to give retailers insights that will enable them to better match supply to demand. This way, they will have to procure and produce less, and will have less surplus inventories.



'In the athletic apparel world, our guests demand versatility as they transition between their fitness routines and daily lives. Guests crave a unified connection between both brick-and-mortar and digital. In order to deliver on this omni guest experience, inventory data needs to be accessible in a split second. With Nedap's iD Cloud solution, we can leverage real-time, accurate data to enable our in-store educators to spend even more time engaging and connecting with our guests. Having a fully mobile cloud solution in our stores now greatly contributes to that.'

Carl Barker, Vice President, Global Omnichannel, lululemon

3.6 Security Management

Nedap Security Management develops access control and security systems for companies and institutions worldwide. In the access control market, they sell their AEOS solution, which is a system for access control, intrusion detection, and locker management. The business unit's customers range from organisations in critical infrastructure to office and production environments of multinational corporations. Of all the major brands headquartered in Europe, over one quarter uses Nedap's access control system.

Developments in 2022

AEOS

In 2022, Security Management landed several high-profile customers including ALDI Nord and MIVB-STIB, which is the Brussels public transport corporation with 750,000 passengers a day. Due to longer component delivery times, the business unit only partly managed to convert the fine growth in order intake over the financial year into revenue. Great effort went into mitigating the disruptions in hardware deliveries over the past year. There was close collaboration on procurement and component selection, both internally and with suppliers. This included design changes to accommodate alternative components.

Introduction of new solutions

Alongside all the efforts to be able to keep delivering existing systems, the business unit also managed to launch new solutions during the past financial year: a new locker solution with touchscreen and a mobile app and a next-generation door controller. The door controller is a device that handles the operation of the access-secured door. This new generation is significantly faster and more efficient than previous generations. The fact that controllers from the past decades can now be replaced by next-generation controllers means that existing customers who already have whole systems can smoothly switch to the latest technology. This way, continuity of our customers' security system is guaranteed, which is a key reason why customers prefer Nedap for their security needs.



In addition, Security Management has identified opportunities at certain types of customers, especially in the service industry, where the emphasis is on convenience and hassle-free operations. The business unit is working on a specific solution to meet this customer need among customers. In 2023, the first live customer tests will be conducted with the new proposition.

Compliance and cybersecurity

When it comes to compliance and cybersecurity, the business unit has not sat on its laurels. Public and private operators of critical infrastructure are setting increasingly strict requirements for complex cybersecurity and system certifications for access control systems. AEOS is one of very few systems that has passed various domestic and extensive certification processes, giving it a key competitive edge. Certifications under the French CSPN programme (Certification de Sécurité de Premier Niveau), the British CPNI (Centre for the Protection of National Infrastructure), and German BSI (Bundesamt für Sicherheit in der Informationstechnik) are three of the most important certifications that AEOS has been awarded. Security Management closely tracks developments in the IT and cybersecurity domain, with a view to keeping AOES and its certifications up to date.

Commercial developments

In terms of commercial activities, the first post-COVID year meant that in-person meetings were possible again. Excited to be able to meet up, commercial teams took numerous creative and local initiatives for events. Security Management also attended the Intersec trade show in Dubai and the world's largest international conference for professionals in the physical security industry, ASIS, which was held in Prague. At this conference, Nedap Security Management hosted the opening evening and two innovation track sessions that were well received. The same enthusiasm was evident in the

market as well, as evidenced by demand for AEOS. Never before did Security Management receive so many orders for hardware as in the past financial year. Given that software sales generally follow after hardware has been delivered, which slumped last year, revenue for 2022 does not quite reflect this commercial success.

Demand for security solutions continues to be strong. For 2023, Security Management sees commercial opportunities increase further in growth regions such as DACH (Germany, Austria, and Switzerland), the Middle East, and Eastern Europe. For these regions, which are served from Germany and sales offices in Dubai and Poland, the unit is working hard to recruit commercial talent.

Results and outlook

Due to component shortages, Security Management's revenue declined slightly in 2022 compared to 2021. Based on investments in the distinctiveness of the security solutions and the business unit's commercial strength, combined with a well-filled backlog, the business unit foresees revenue growth for 2023.

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'After months of mostly digital contact with customers, our commercial teams are very happy they can meet customers in person again. Everyone realises how important personal contact is for the relationship and mutual trust. One fine example was the ASIS event in Prague, where Europe's top security managers gathered. This popular event and our involvement as the main sponsor energised our team and everyone who attended enormously.'

Susanne Adriaanse, Nedap Security Management business unit leader



3.7 Staffing Solutions

With its Flux proposition, Nedap Staffing Solutions caters to growing demand for solutions to schedule both permanent and flexible workers in one single system and register working hours. The business unit's focus is mainly on companies that operate in the production, logistics, and distribution industries, which rely heavily on temporary workers. Flux stands out for its simplicity that makes it easy to use for planning experts. It also offers high added value compared to standard software.

The Staffing Solutions business unit aims to further build the Flux proposition and ultimately gain a market-leading position.

Developments in 2022

In 2021, a strategic choice was made to fully focus on one single proposition: Flux. In 2022, the business unit put great effort into the further development of this proposition. In the current volatile times, the solution proves its worth more than ever. Labour market shortages, demand volatility, and supply chain disruptions are making it even more difficult for companies in the logistics and food processing industries to get people with the right skills in the right place at the right time.

Last year, the business unit further refined the focus in its market approach and marketing efforts were directed more effectively and more intensively, which resulted in various commercial successes. High-profile parties such as Grolsch and AS Watson chose Flux for their workforce planning and/or registration.

In order to make the Flux platform an even more powerful tool and develop it into the undisputed standard, it is key that it can be connected to other software, such as invoicing or payroll software. In 2022, extensive attention was focused on expanding and simplifying integration with payroll systems.

Results and outlook

In 2022, Staffing Solutions generated solid revenue growth and saw its market share grow as well. Given the commercial traction that Flux is starting to develop in the market, the business unit expects to see further growth in both new customer acquisition and revenue in 2023.

Sustainable impact

The Staffing Solutions business unit's motto is 'Let's put people first'. Sustainable employability is the key aim in this respect. Flux is intended to help reduce worker absence, cut workers' workload, and increase workers' autonomy. Flux also helps gain insight into how to better deploy workers, based on detailed forecasts, scheduling, and analysis of hours worked. The ultimate goal is to improve worker well-being.



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‘The readers have been put up in areas where people work. That is the only way to ensure that you are measuring the pure input in terms of hours versus the production output that is important data for our management reports.’

Michel Kivits, Logistics Engineer, EDCO

Corporate Governance

4



4.1 Risk management

Risk management is an essential part of our business strategy. The overriding risk management objective is to identify and mitigate risks with a potential major impact on achievement of our strategic and financial goals, and therefore on the overall value of our business. Ultimate responsibility for risk management lies with the Board of Directors.

Our corporate culture, where employees' personal responsibility, autonomy and ownership come first, is the basis for fulfilment of this management responsibility and the organisation of the company's risk management. We have the firm belief that such ownership leads to optimum risk management. The Board of Directors, managers, as well as Supervisory Board members, play a key role in this respect. They are the guardians of a culture where everyone feels empowered and free to handle risks responsibly.

Thanks to this ownership and personal responsibilities, risk management is integrated into both the strategic planning process and day-to-day operations. Our long-term perspective, which is geared towards sustainable value creation, ensures that long-term effects are also considered in the decision-making process. This is something we require from everyone up and down the organisation.

Successful implementation of our Step Up! strategy coincides with an effective risk management approach. Timely identification of risks that may impede implementation of our strategy and taking mitigating measures are crucial in this respect.

Sustainability plays an increasingly prominent role in our value creation model, with respect to both the risks it may pose and the opportunities it may create for Nedap. The importance of sustainability has made integrating it into the risk management process a key focus point.

Risk appetite

Nedap specifically tries to strike a balance between acceptable risk on the one hand and entrepreneurship and long-term value creation on the other. Our risk appetite ranges from moderate to high in terms of proposition development and commercial initiatives. It is important for our portfolio to offer prospects for both the short and the long term. But when it comes to compliance with legislation and regulations, our risk tolerance is zero, whereby we respect the spirit of the law. The chart below shows Nedap's risk appetite by risk category.

Category	Risk appetite
Strategic risks	High
Operational risks	Moderate
Financial risks	Low
Compliance risks	Low

Risk management and control systems

Nedap Risk Management Framework

We have formal and informal frameworks in place for responsible risk management. These are based on the *Nedap Risk Management Framework* that was adopted by the Board of Directors and the Supervisory Board. The culture of entrepreneurship leads to widespread interaction within and between teams, business units and the Board of Directors, creating a solid system with strong informal checks and balances, supplemented with formal procedures and controls wherever these are compulsory or deemed useful. The Nedap Risk Management Framework identifies correlations between enterprise risk and the internal control system. The Nedap Risk Management Framework contextualises all COSO principles for Nedap and links them to business processes, procedures and available data. The framework has been organised around its business processes. For each business process, the risks involved were identified and their impact on the organisation estimated. The risks identified have been classified in the four risk categories mentioned above, which are also part of the risk table from page 76.

As part of the risk management process, we organise annual risk update sessions with all business units and corporate teams to raise awareness, share knowledge, and identify Nedap-wide trends and developments, which we can then take on board in the strategic process. These sessions are also used to further integrate sustainability risks into our risk management processes and the operations of the various business units. How to detect and prevent fraud is a regular item on the agenda for these sessions. The update sessions are basically an extra control alongside the risk management efforts that the business units themselves have implemented in line with the Nedap Risk Management Framework. This way, we are able to identify best practices at certain business units from which other units can learn, so as to further improve their processes. The Alignment team devoted a complete session to the topic of fraud (prevention).

Levels of control

The Nedap Risk Management Framework recognises three levels of control based on the extent of impact on the organisation and its operations.

Level of control 1. Normal Operation.

Whenever a risk manifests itself, and the impact of this risk is not critical or vital for the company or one of the business units, the consequences will be dealt with or repaired by those involved as they see fit. Reporting the situation to the Board of Directors at incident/operational level is not necessary.

Level of control 2. Critical Operation.

This level of control relates to risks that potentially cause substantial losses for a business unit or damage the company as a whole. Occurrence of such risks must trigger application of the processes that Nedap uses for risk management. The Board will decide on a possible follow-up in these situations.

Level of control 3. Vital Operation.

This level of control exists when a risk materialises that may have very serious consequences for a business unit and can cause substantial losses for the company as a whole. Such a risk must also be countered by implementing the risk management processes. In this kind of situation, the Board of Directors must receive a comprehensive report on the risk, fallout and process implemented as soon as possible. The Board will decide on a possible follow-up in these situations.

Strategic and financial management system

Nedap has an adequate and effective (financial) management system.

Key components are the Strategic Calendar, which includes the multi-year plan and the budget, as well as the financial reporting system, which tracks both progress and actual outcomes of the company's operating activities.

The financial management system is designed to:

- set and align the right priorities and targets at board and business unit level
- test actual progress and performance against the objectives
- enable management to retain control over responsibilities delegated to others
- manage cash and cash-equivalent flows within the organisation
- identify and restrict risks
- prevent fraud

Strategic Calendar

The making of strategic and financial plans for the medium and short term is facilitated by the Strategic Calendar. Every spring, the business units draw up both a financial plan and a multi-year strategic plan, whereby the latter sets out the strategic direction with associated goals to implement the strategy. The financial plan quantifies the ambition and sets out what resources are needed to carry out the plans. This is used as input for the Nedap-wide strategy.

In the autumn, the managers of the various business units make a budget based on their insights, whereby the multi-year plan serves as the starting point. This includes, on the basis of the financial objectives, plans relating to the market, R&D efforts, staffing and capital investments. These have

been translated to an integrated financial budget. The Board of Directors presents both a multi-year plan and a budget to the Supervisory Board every year. This presentation encompasses the strategic plans and the financial details, but also the risks and opportunities in these plans and their substantiation. Progress made on the plans is subsequently assessed in monthly and quarterly progress reports.

Management and financial reporting systems

There is extensive monthly financial reporting to the Board of Directors on the actual state of affairs compared to the budget and the previous year (the financial report for the month of July is limited to a revenue report).

In addition to this formal reporting system, a regular exchange of information takes place between the Board of Directors and the business units.

This is made easier by the fact that the Board of Directors and management are based in Groenlo. Every month, the Board of Directors reports to the Supervisory Board on the actual state of affairs compared to the budget and the previous year. Aside from that, the Board of Directors and business unit leaders have specific consultations before making final decisions in the interest of Nedap as a whole on significant market-related matters, large investments, the progress of R&D projects and staff appointments that go beyond the budget.

The Group Controlling department in Groenlo plays a leading role in terms of financial management. This department ensures that the administrative organisation and data processing are sufficient to ensure uniform and correct handling of all financial and business matters. The department has implemented a uniform reporting system (including explanatory notes) that provides the Board of Directors with the information they need. It also ensures correct, complete and timely delivery of these reports

and assesses the various administrative organisations, which includes a focus on preventing possible fraud.

This department furthermore holds operational responsibility for financing, cash management, currency management and taxes. On such matters, they have timely and regular consultations with the Board of Directors. This department is also in charge of the risk management process globally, which sees them work closely together with teams of employees in both the Netherlands and other countries.

Nedap Compliance Framework

Applying worldwide to all business units and subsidiaries, the *Nedap Compliance Framework* describes the formal objectives, mission, responsibilities and scope of Nedap compliance, including its embedding in the organisation, compliance-related communications, compliance monitoring and enforcement. Subjects covered by the compliance framework include supplier liability, information security, privacy, insider trading, anti-bribery and anti-corruption, and competition, products and entities subject to sanctions under external legislation and regulations and product compliance (such as quality marks and certifications).

Nedap applies a three lines model that fits with the nature of the company.

- The first line is formed by employees working at Nedap business units and entities in the role of ‘compliance theme champion’. They are the eyes and ears on the ground in Nedap’s day-to-day operations and take action whenever they detect a situation that may pose a compliance risk for the company.
- The second line is formed by employees in the roles of ‘compliance theme owner’ and ‘compliance officer’. Based on their knowledge, experience, and overview of the organisation, compliance theme owners connect the dots across business unit and entity boundaries and give feedback on this to those involved. The compliance officer does the same but on the level of the organisation as a whole, and reports on the findings. Compliance theme owners draw up an action plan to address and mitigate the risks attached to the compliance theme. They closely liaise with the compliance theme champions and monitor progress on the action plan. The compliance officer is responsible for developing, updating, and evaluating the Nedap Compliance Framework based on feedback received from compliance theme owners.
- The third line of defence is formed by the internal auditor. It is the internal auditor’s responsibility to audit our organisation’s internal processes and procedures and make sure these meet the requirements from laws and regulations. The internal auditor also performs audits to assess whether the organisation complies with the applicable rules, regulations, and aligned procedures.

There are monthly meetings of the compliance theme owners, the compliance officer, and the CFO to discuss relevant developments, in the presence of the internal auditor. These meetings are also intended as knowledge sharing opportunities and to discuss progress on the various compliance themes. As and when unusual developments occur, they are immediately raised with the Board of Directors. Compliance theme owners get together for meetings when they represent added value. The group privacy officers convene for regular meetings about privacy-related matters, around ten times a year.

Group information security officers come together with the same frequency to discuss information security.

The Nedap Compliance Framework is reviewed annually and updated as necessary.

The Nedap Code of Conduct

Nedap's vision is to create a culture of ethical behaviour and integrity where people abide by laws and are committed to honesty and respect for each other, our customers, partners, suppliers, and all other stakeholders.

To uphold a culture of integrity and ethical behaviour, Nedap has laid down a number of rules in the Nedap Code of Conduct. The Nedap Code of Conduct sets out the principles that underpin Nedap's culture. The Nedap Code of Conduct is about the standards and values that we live by, detailing the corresponding behaviour and outlining the expectations that employees have of each other and of others. The idea behind the Nedap Code of Conduct is to make sure that everyone applies its principles in the right way and that both employees on the one hand and suppliers and customers on the other know

what Nedap stands for and what we can expect from each other.

The Nedap Code of Conduct has been laid down in documents that are accessible to all.

In order to strengthen understanding of and compliance with the Nedap Code of Conduct, Nedap requires all employees or external contractors working within the organisation to take and pass an e-learning course. Monthly compliance meetings are held to measure progress and discuss measures that can be taken to support and/or refine the process.

Nedap has incident reporting procedures in place. In 2021, three confidential counsellors were appointed, to whom employees can turn when they have been confronted with undesirable behaviour such as discrimination, sexual harassment, bullying, aggression, and violence. The confidential counsellors help employees with advice and may refer them to external professionals, if necessary. They also meet on a regular basis to evaluate, reflect, and share knowledge. All three of them have taken specific training for this role.

In addition, a whistle-blower policy is applicable that facilitates internal reporting of suspicions of wrongdoing. Nedap's whistle-blower policy is open to both current and former employees and others working for Nedap.

Furthermore, informal processes at Nedap help create a safe and respectful environment for employees. This includes low-threshold access to each other, open communication, events, and encouraging employees to give feedback.

The main risks and developments

In order to make Nedap's risk profile transparent for stakeholders, we will provide further details of the main risks and developments in 2022 below. The risk table (from page 76) provides a broader overview of all risks, of the developments on each risk, and of the mitigating measures. Other than stated in the Directors' Report (the full annual report without chapter 6 'Financial Statements'), there have not, to the best of the Board of Directors' knowledge, been any exceptional events that do not have to be taken into consideration in the financial statements.

Proposition development

It is and will continue to be of vital importance to Nedap to have a sufficient number of value-creating propositions to be able to stay relevant for customers in the future. Given the increasing speed of changes and technological progress, it is crucial to keep a close eye on our market positions and propositions. The Create-Scale-Core model helps us strike a balance between new create initiatives, proven scale propositions, and mature core solutions within each market position. Through careful evaluation of the performance and potential of individual propositions, both in isolation and within the market positions that the propositions helps Nedap sustain, we mitigate the risk of a proposition creating insufficient value. In this respect, it is very beneficial to have various market positions, as it reduces the impact of poor market conditions and makes us less dependent on a limited number of propositions. It also means that much more focus can be applied to the development of and investments in new propositions (explorations). While a considerable number of new initiatives is being explored, we only scale up if we have validated the potential of a new initiative and it is clear how it will contribute to the success of our market positions.

Geopolitical risks

The risk of geopolitical tensions increased over the past year. Even though the Russian invasion of Ukraine had few direct consequences for Nedap's commercial operations, the conflict could end up spreading to several of our suppliers' markets. Since many of our suppliers are based in Eastern Europe, we could envisage supply issues if the tensions were to spill over into other areas.

In addition, Nedap also keeps close track of tensions between China and Taiwan and China's relations with the rest of the world. After all, being a technology company means that we depend considerably on supplies of electronic components. We analyse various scenarios to stay on top of this issue.

Nedap uses an export compliance system to screen all new and existing customers in a risk-based way to check whether they are subject to sanctions. On top of that, the Group Controlling department and the business units have short lines of mutual communication to enable them act fast. They keep each other fully posted on the latest regulations and make sure the rules are abided by.

IT/Cybersecurity

Relevant, reliable, and timely information provision is becoming ever more important. This applies to our internal processes and increasingly to the services we provide to our customers. IT is an integrated part of many of our propositions to ensure they are aligned with current and future market requirements. If IT is not available due to technical or organisational reasons, a proposition loses a lot of its functionality, exposing customers and partners to potential losses.

Raising awareness of different forms of digital threats, as well as the implementation of measures to minimise the chance of business disruptions caused by such threats and the potentially ensuing losses, is a continuous process for Nedap. We are committed to and maintain a continuous focus on privacy and data security. As well as internal procedures, there are also annual external audits by certified bodies. Additionally, possible risks and vulnerabilities in our systems are tracked down preventively through penetration testing by external parties and contracts are in place with parties that can provide support in the event of IT/Cybersecurity incidents.

In 2022, IT/Cybersecurity was again high on the agenda and several new initiatives were launched by the *Information Security Committee*, on which all business units and several support functions are represented. The Information Security Committee's work includes drawing up the security policy, approving general security standards, and monitoring security projects and programmes. A number of business units have also appointed an Information Security Officer who will work on this subject full-time. Furthermore, Nedap has had KPMG perform a Cyber Maturity Assessment, which resulted in a targeted roadmap for further improvement of our information security. An incident response exercise was also conducted.

To further raise awareness of cybersecurity risks among employees, Nedap runs an Information Security Awareness programme across the whole organisation, which includes an e-learning programme and the sending of test phishing emails to Nedap employees. The results are shared with all employees to raise awareness. Attention was also paid to running disaster recovery tests.

Like in previous years, several external audits were conducted at a number of Nedap business units as part of our certifications (ISAE 3402, ISO 9001, ISO 14001, ISO 27701, ISO 27018 and ISO 27001/NEN 7510). On top of that, Nedap Retail was awarded SOC2 certification for its iD Cloud platform.

Carezorgt.nl security incident

Despite all efforts, Nedap faced a security incident in the Carezorgt.nl digital health environment in the past financial year. For further details, please refer to section 3.1. In response to this incident, Nedap is again assessing all processes and frameworks and taking all the lessons learned on board to prevent possible risks of repetition of this kind of incident.

Supply chain

Ever since the COVID-19 pandemic broke out, global supply chains have been under enormous strain. In 2021, ensuring continuity in the supply chain was already high on our list of priorities. Component shortages led to longer delivery times and postponed deliveries for customers of the various business units. This situation continued into 2022, with supply chains still grappling with longer and unpredictable delivery times.

Close collaboration between the Nedap-wide procurement escalation team and the various business units, suppliers, and customers helped reduce the impact of component shortages. Redesigning products to be able to use alternative components also helped reduce our exposure to component shortages. We are also taking our suppliers' perspective, for example, by agreeing on shorter payment terms with them on a temporary basis.

On the other hand, however, the strain on the distribution network and the internal organisation increased as component shortages persisted. The affected business units maintained an ongoing dialogue and set delivery priorities in consultation with business partners. With the COVID-19 pandemic now behind us and given the current macroeconomic challenges, we expect demand for components to level out somewhat, which could ease the shortages in the long term.

Attracting, developing and retaining talent

Employees in the Netherlands and internationally form the basis of our competitive strength, our capacity for innovation and the company's continuity. One of the biggest risk factors is, therefore, an inability to attract, retain and develop enough top talent. To reduce this risk, we have launched various initiatives in the area of attracting and developing talent in recent years.

Nedap has, furthermore, formulated specific expectations in its sustainability policy for the training and development of its employees.

Besides improving recruitment efforts, we also stepped up our focus on Learning & Development (L&D) and the HR business partners supported the business units in their HR policy. This is intended to keep staff turnover down at Nedap.

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‘Our Strategic Calendar facilitates proactive strategic planning and monitoring by all business units and teams. It makes sure that our plans are aligned and that we know what is needed to implement them.’

Hugo Sand, Group Business Controller, Nedap



Risk table

The risk table provides a summary of identified risks and the associated impact and probability trend, as well as the main measures taken to mitigate these risks. For the sake of completeness, the main risks that were already explained above are also included in the risk table. Since specific financial

risks, such as the credit risk, liquidity risk, and currency risk, are addressed separately in the financial statements, they have not been included in the risk table. These risks are not considered vital risks for Nedap, and have also largely been mitigated, meaning that any consequences are covered.

Risk description	Potential impact	Impact trend	Probability trend	Mitigation
Strategic risks				
Sensitivity to economic cycles	Less demand for Nedap services and products, resulting in a drop in revenue.	Stable	Rising	The portfolio of activities is spread over different markets and geographical areas. Revenue from recurring software subscriptions (licences) and services outgrows total revenue. Investments in create and scale propositions should bring more balanced growth.
Geopolitical conflicts in relevant regions	Possible supply chain disruptions or loss of sales channels.	Rising	Rising	A dual sourcing strategy to have multiple suppliers available for the most important components. Use of sanction screening systems. Implementation of scenario management to analyse the implications of materialising risks. Spreading the portfolio over different markets and regions.
Speed of technological developments	Decreased relevance of core technologies such as RFID leading to a worsening competitive position.	Stable	Rising	A proposition's success hinges not only on the technology used, but also on customer relationships, the supply chain and the greater ecosystem. Every year, new developers are hired with up-to-date knowledge of current and emerging technologies. Technology scans and analyses of emerging technologies.

Risk description	Potential impact	Impact trend	Probability trend	Mitigation
Strategic risks				
Supply chain disruptions due to climate change	Delayed or aborted delivery of products due to flooding, forest fires, or other natural disasters.	Stable	Stable	Geographical spread of the main suppliers and dual sourcing strategy. Diversity of products and designs mitigates the revenue risk. Greater design flexibility for R&D teams to offer alternatives in case of shortages.
IT/Cybersecurity	A successful cyberattack can potentially do our company great harm, both financially and legally, as well as damage our reputation (customer confidence).	Stable	Rising	Further roll-out of various ISAE and ISO certifications. The Retail business unit has been awarded SOC2 certification for its iD Cloud proposition. Recruitment of Information Security Officers for the largest business units in 2022. Continued e-learning programmes and phishing testing, as well as testing of the disaster recovery plan. Cyber Maturity Assessment conducted, resulting in a roadmap that Nedap will be using to take its cybersecurity to an even higher level.
Unsuccessful proposition and product development	Excessive strain on financial and human resources over a prolonged period of time without returns on these investments, resulting in: <ul style="list-style-type: none"> i) dependence on a limited number of growth factors; ii) limited long-term growth due to a shortage of propositions. 	Falling	Falling	Nedap closely monitors the development and potential of propositions and products. R&D draws on various business units' many years of experience. Periodic review of the portfolio of propositions, clear process and key performance indicators for propositions in various phases. Nedap has a portfolio with various propositions and multiple market positions, which reduces Nedap's dependency on individual propositions.

Risk description	Potential impact	Impact trend	Probability trend	Mitigation
Strategic risks				
Attracting, developing, and retaining talent	Insufficient availability of talented potential employees, leading to a delay in the implementation of the strategy.	Stable	Stable	<p>Organising the Nedap Masterclass and Nedap University to attract new employees.</p> <p>Actively encouraging employees to dedicate at least 40 hours a year on personal development.</p> <p>Curbing unwanted staff turnover by fostering a culture of entrepreneurship and offering competitive employment terms, including an employee participation plan.</p> <p>Developing leadership talent by offering a Leadership Development programme and an organisational structure that fosters leadership talent development.</p>
Operational risks				
Dependency on the supply chain (production and logistics outsourced)	Insufficient or late product availability.	Stable	Stable	<p>Nedap takes great care in selecting its production and logistics partners by holding them to the highest standards, while conducting frequent audits at its partners.</p> <p>Creating buffer inventories, including stockpiling components.</p> <p>Centralised procurement team that provides cross-business unit support in navigating component shortages.</p> <p>Dual sourcing strategy to reduce dependence on a number of parties.</p> <p>Greater design flexibility for R&D teams to offer alternatives in case of shortages and improve testing and measuring systems.</p>
Internationalisation, including new partners	Insufficient access to or insufficient implementation capacity at customers.	Stable	Stable	Availability of an ecosystem with business partners, implementation partners and technology partners.

Risk description	Potential impact	Impact trend	Probability trend	Mitigation
Operational risks				
IT	Losses for our customers or partners caused by non-functioning or malfunctioning IT in propositions due to technical or organisational reasons.	Stable	Stable	The Nedap IT Security framework. Appointment of information security officers and creation of the Information Security Committee. Audits at the various business units as part of their certifications (SOC2, ISAE 3402, ISO 9001, ISO 14001, ISO 27001/NEN 7510, ISO 27701 and ISO 27018).
Compliance Risk				
Compliance with (international) legislation and regulations	Fines, sanctions and/or damage to reputation.	Stable	Stable	Nedap Compliance Framework monitored by the Nedap-wide compliance committee which theme owners take part in and which meets on a monthly basis. This committee decides on actions to take to guarantee compliance.
Fraude en corruptie	Boetes, sancties en/of reputatieverlies.	Stable	Stable	Strong informal system of checks & balances. Several formal rules and policies, including a whistle-blower policy and a code of conduct. Nedap Compliance Framework to monitor compliance with the anti-bribery and anti-corruption policy. Zero tolerance on fraud. Various e-learning programmes and workshops on fraud. Further implementation and embedding of the fraud assessment framework in the organisation.



4.2 Taxation

Policy

For many years now, Nedap has pursued a responsible and conservative tax policy as an integral part of the value creation model (see also section 1.2). We consider paying taxes part of the process of creating sustainable long-term value for all stakeholders. Our tax policy starts from the given that we pay taxes globally based on the economic value of our activities.

This basic given has been captured in the following principles:

- Nedap's primary financial target is to create sustainable value.
- The design of the Nedap organisation is based on operational considerations, not on taxation.
- Nedap pays taxes in line with the economic value created by activities.
- Nedap complies with relevant tax legislation and regulations and respects the spirit of the law.
- Nedap maintains timely and comprehensive communications with tax authorities.

Tax compliance is integrated into both the Nedap Risk Management Framework (see page 68) and the value creation model (page 14).

Execution

Governance model

Nedap's tax policy ties in with the global governance model. Our Dutch operations consist mainly of strategy design, product development, marketing, sales, supply chain management, service, procurement, legal affairs, compliance, production, and controlling. Activities in other countries consist almost exclusively of local sales support. As a result of this governance model, a large part of the group's economic value, and therefore a large part of the total group profit, is generated in the Netherlands.

Implementation and monitoring

Implementation of the global tax policy and monitoring of compliance therewith is coordinated by Group Controlling at our headquarters in Groenlo. Dilemmas and assessments regarding taxation (and other legal matters) have been integrated into and are explicitly specified in the Nedap Risk Management Framework. But when it comes to taxation and compliance with legislation and regulations, as specified in the aforementioned framework, Nedap's risk tolerance is zero, respecting not only the letter of the law, but also the spirit of the law. All Nedap subsidiaries issue periodical reports on their tax position, including taxes charged and paid. Group Controlling formulates and implements the transfer pricing policy and also actively monitors compliance.

Where necessary, we engage external experts for more in-depth knowledge or to ensure compliance. Employees and other stakeholders can use the whistle-blower policy to report unethical or unlawful tax-related behaviour and activities jeopardising the company's integrity in the tax domain, among other things.

Nedap does not use 'tax havens' as defined by the OECD and does not have any third-party arrangements aimed at evading or avoiding taxes. We seek to be transparent towards tax authorities in the countries in which we operate and we proactively share information with them. We apply for grants or government incentives only when these are aligned with our business operations. The tax policy and ensuing principles have again been approved by both the Board of Directors and the Supervisory Board in 2022. It is the Board of Directors' responsibility to ensure that Nedap's tax policy is aligned with and integrated into Nedap's strategy and sustainability policy.

Transfer pricing

Transactions between related entities are subject to the 'arm's length' principle. Nedap has translated this principle to intercompany agreements and implemented a system for periodic assessment and updating of payments, which involves discussing the roles fulfilled, risks accepted, and assets used by the subsidiaries to calculate the business compensation for the entities and branches. In this context, we go by the relevant OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD guidelines).

The above system is based entirely on a Base Erosion & Profit Shifting (BEPS) policy and the ensuing principles, and is therefore BEPS-compliant.

As per the company's transfer pricing policy, we aim for all Nedap companies to post profits that are in keeping with the scale of the activities and risk of their activities in their respective countries. Such profits are subject to all applicable local taxes.

In line with the OECD guidelines, Nedap conducts a new benchmark study every three years, or more often as necessary or deemed expedient. The benchmark study conducted in the financial year led to limited changes to payments to or by group companies. In 2022, the extent of payments was again checked against the activities, responsibilities, and risks that can be attributed to the separate group companies, which also led to limited changes to the transfer pricing system. On top of that, the transfer pricing files were brought into line with the latest version of the OECD guidelines.

Tax risk control

In the Netherlands, Nedap agreed on a horizontal supervision regime with the tax authorities in 2011. Under this arrangement, we provide timely and full insight into all relevant developments that affect current and future trends in the group's results. This gives us insight into the tax authorities' expectations, which adds to our ability to measure or mitigate potential tax and other risks.

In 2020, the tax authorities terminated all horizontal supervision covenants in the Netherlands. Nedap strives for open and transparent communications with the tax authorities and has expressed the intention to renew the individual covenant. Up to the end of 2022, Nedap made use of the transitional regime. During the past financial year, Nedap has started to formalise and document the risks, control, and monitoring of taxes in a Tax Control Framework for corporate income tax, VAT, and income tax, for which the material risks were also assessed. These risks and efforts to mitigate them are the subject of regular meetings across the organisation, and the Board of Directors and the Supervisory Board discuss them at least once a year. The expectation is that we will sign a new individual covenant with the tax authorities in the first half of 2023.

Globally, Nedap has one ruling with tax authorities. This ruling concerns an agreement with the Dutch tax authorities to apply their Innovation Box tax regime. In 2022, a new agreement was reached for the 2022-2026 period, the conditions of which are comparable to those of the agreement that ended in 2021. As and when Nedap deems it helpful to gain prior certainty on the application of tax laws and regulations, Nedap will attempt to seal a ruling with the tax authorities.

New technology makes it possible to strengthen awareness and assurance with respect to tax risks. Nedap has an open mind when it comes to technological developments, using them to make its tax policy more transparent and more effective and for communications about this. We take steps on a continual basis to use modern technology for easier access to and management of local information by Group Controlling. The information in question relates to insight into local operations, knowledge sharing with respect to the tax policy and monitoring of local implementation of the tax policy based on Nedap's policy and relevant legislation and regulations.

An example of our use of modern technology is our use of cloud solutions across our own organisation. Product or service deliveries are checked for compliance with all relevant tax legislation. Any transactional taxes payable are calculated automatically and integrated into the financial systems. This enables our subsidiaries, which are relatively small-scale organisations, to comply with all applicable tax legislation without having the detailed, required knowledge on hand in-house. This way, they can enter new markets quicker, knowing that their tax compliance is guaranteed.

A specific measure was taken to control tax risks and other risks. The Board of Directors of virtually every single subsidiary is made up of controllers that spend a considerable part of their time working at Group Controlling in Groenlo. Managers of our subsidiaries are evaluated based on the operating results of their respective business entity. Taxes are not a factor in such

evaluations. However, company/subsidiary managers are responsible for local compliance, including with tax legislation and regulations.

Tax policy was a recurring topic in talks with both internal and external stakeholders. Internally, we raise awareness of tax topics by, among other things, organising workshops and regular meetings for all controllers, whereby the focus is specifically on tax, finance, and legal risks. The Board of Directors discusses potential material tax risks with the Supervisory Board at least once a year.

Group Controlling ensures compliance with the new transfer pricing system. Implementing the transfer pricing system on a global scale and subjecting it to periodic review has helped us structurally reduce tax risks further. While most of the countries where Nedap operates have endorsed the OECD guidelines, these are not binding and local tax authorities still have to sign off on a company's transfer pricing system. The minor tax risk that arises as a result is the relatively limited allocation of group profits to activities in countries where our subsidiaries are based. Although the chances of it happening are slim, local tax authorities may withhold approval of this. However, Nedap does not foresee any financial, compliance or reputation risks as a result of that.

Situation at Nedap Asia Ltd.

In 2020, the Dutch tax authorities communicated their opinion that the current transfer pricing method should also have been applied at Nedap Asia Ltd. in 2014 and 2015. According to the Dutch tax authorities, profits generated in Hong Kong should have largely been taxed in the Netherlands, prompting them to issue revised tax assessments for 2014 and 2015. Nedap has filed an objection to these tax assessments, and also submitted a formal request in 2022 to start a mutual agreement procedure (MAP) between the Netherlands and Hong Kong. We are currently awaiting assessment of this request and a response from the tax authorities.

Note 20 to the consolidated financial statements provides detailed information about the difference between the effective tax rate and the statutory tax rate, as well as about the tax position and tax paid.

4.3 Board of Directors member details

Mr R. M. Wegman

CEO

(1966)

Nationality: Dutch
First appointment: 1 July 1997
Relevant additional position: none
Supervisory Board memberships: Supervisory Board member,
Koninklijke Barenbrug B.V.

Ms D. van der Sluijs

CFO

(1972)

Nationality: Dutch
First appointment: 1 March 2020
Relevant additional position: none
Supervisory Board memberships: none

Mr R. Schuurman

CCO

(1969)

Nationality: Dutch
First appointment: 1 March 2004
Relevant additional position: none
Supervisory Board memberships: none

Titular director from 1 January 2022 to 12 April 2022.

Director under the articles of association since 12 April 2022.



4.4 Corporate Governance

The Supervisory Board and Board of Directors of Nedap are responsible for the company's corporate governance, as well as for compliance with the 2016 Dutch Corporate Governance Code.

Nedap N.V. is a two-tier board company that was founded and is based in the Netherlands. The company's governance structure is determined by Dutch laws and regulations and the company's articles of association. The articles of association are available at: <https://nedap.com/nl/investeerdere/corporate-governance/>. Nedap shares have been admitted to trading on the Euronext Amsterdam regulated stock market. Being a listed company, Nedap is subject to the Corporate Governance Code (Code). The Code contains principles and best practice provisions that regulate the relationship between the Board of Directors, the Supervisory Board, and the shareholders. These principles are broadly supported general opinions on good corporate governance that have been captured in specific best practice provisions. For the full text of this Code, please refer to www.mccg.nl/publicaties/codes/2016/12/8/corporate-governance-code-2016.

In this report, we are rendering account vis-à-vis our compliance with this Code which is based on the principle of 'apply or explain'. The information required under the Code can be found in various sections of this report for 2022.

Board of Directors

Responsibilities

The Board of Directors is responsible for the governance of the company. As part of its responsibility for Nedap's continuity, the Board of Directors

develops a vision for long-term value creation and formulates a strategy to match, while taking into account an acceptable risk profile. The Board of Directors is responsible for implementation of this strategy and the associated result development, as well as for achieving the objectives that have been set, financing the company, and the social aspects of running a business that are relevant to Nedap. In formulating the long-term value creation strategy, the Board of Directors liaises with the Supervisory Board, while also rendering account to the shareholders.

Aside from that, the Board of Directors is responsible for compliance with applicable legislation and regulations and managing the risks involved in the company's business activities through, among other things, adequate structuring of internal risk management and control systems. The Board of Directors renders account to the Supervisory Board regarding the effectiveness of the structuring and functioning of these risk management and control systems. Certain decisions by the Board of Directors require the Supervisory Board's approval. Article 18 of the articles of association specifies what decisions are subject to Supervisory Board approval.

In order to take discussions on Nedap-wide topics and decision-making preparations to a higher level and bolster support across the organisation for decisions by the Board of Directors, we set up an Alignment team in 2022. Made up of the Board of Directors, business unit leaders, the general counsel, and the HR team captain, the Alignment team meets on a regular basis and acts as a sounding board for the Board of Directors.

Appointment

Directors are appointed by the Supervisory Board. The Supervisory Board notifies the annual general meeting of the proposed appointment. The Supervisory Board will not dismiss a director until the annual general meeting has been able to decide on the proposed dismissal.

Remuneration and employment terms for the Board of Directors

Each individual director's remuneration and employment terms are set by the Supervisory Board in compliance with the company's remuneration policy. The aim of this remuneration policy is to have a compensation package for the Board of Directors that will help to attract and retain qualified and expert directors, while also ensuring and advancing the medium and long-term interests of the company.

More information about the remuneration policy is available at <https://nedap.com/nl/investeerdere/corporate-governance/>.

The remuneration report provides, from page 109 onwards, further details of the implementation of the remuneration policy in the 2022 financial year.

Supervisory Board**Responsibilities**

The Supervisory Board reviews the policy of the Board of Directors and supervises general operations within Nedap N.V. and affiliated companies. The Supervisory Board supports the Board of Directors in an advisory capacity. In fulfilling their duties, the members of the Supervisory Board always take their lead from the interests of Nedap N.V. and the affiliated companies. The Supervisory Board also looks at the effectiveness of internal risk management and control systems and the integrity and quality of the financial reporting.

The profile for the size and composition of the Supervisory Board is described in the 'Supervisory Board profile' section on the company website: <https://nedap.com/nl/investeerdere/corporate-governance/>. The membership of the Supervisory Board conforms to the profile and the members are independent of the company and of each other. The number of supervisory board memberships they hold at Dutch listed companies is within the limit on supervisory positions for supervisory board members.

In view of Nedap N.V.'s relatively low organisational complexity and the intended correspondingly sized Supervisory Board, the Supervisory Board has no separate audit, remuneration or selection and appointment committees. The Supervisory Board consists of four (4) persons. In accordance with best practice provision 2.3.2, the full Supervisory Board has been appointed as the body authorised to perform the duties of the audit and other committees.

Appointment

Supervisory Board members are appointed by the annual general meeting following a proposal by the Supervisory Board, as specified in the articles of association, generally for a period of four years. This proposal is made on the basis of a profile drawn up by the Supervisory Board. The annual general meeting and the works council may recommend people. The works council has an enhanced right of recommendation for a third of the Supervisory Board membership, as laid down in article 23.5 of the articles of association.

Annual general meeting

The annual general meeting is held on an annual basis within six months of the end of the financial year. Items on the agenda for the annual general meeting include the annual report, adoption of the financial statements, dividend payout, discharge for the members of the Board of Directors and the Supervisory Board, possible notices of proposed directorial appointments and possible appointments to the Supervisory Board. Other than that, key governance decisions that, by law and under the articles of association, must be submitted to the annual general meeting, are also addressed, as are any other proposals submitted by the Supervisory Board or the Board of Directors. Shareholders representing at least 1% of the issued share capital may request in writing that an item of their choice be put on the agenda. Requests will be granted, i.e. the requested item will be put on the agenda, if the company has received the request no later than on the sixtieth day before the day of the annual general meeting.

Extraordinary shareholders' meetings can be convened as often as deemed appropriate by a director or Supervisory Board member, if required by law, or if one or multiple shareholders who jointly represent at least 10% of the issued share capital submit a timely request to this effect to the Board of Directors and the Supervisory Board with a detailed breakdown of the items they want to address. The convocation procedure for an extraordinary shareholders' meeting is specified in article 31 of the articles of association.

Convocation of an annual general meeting

Annual general meetings are convened either by the Supervisory Board or by the Board of Directors, at least forty-two days ahead of the meeting date. The convocation notice will be posted on the company's website as per the procedure laid down in article 46 of the articles of association.

Admission to annual general meetings and meeting rights

Nedap has issued only registered shares. Holders of one or multiple registered shares are authorised to attend the annual general meeting and to speak and vote at the meeting, provided that their entitlement to attend and vote dates back to at least twenty-eight days before the meeting date and has been registered in a register designated by the Board of Directors, regardless of who the beneficiary of the shares is.

Shareholders wishing to attend the annual general meeting are required to notify Nedap of their intention before a date set by Nedap's Board of Directors through their bank or broker where their shares are held in trust, and requesting proof of receipt, which serves as their entrance ticket to the meeting. This date cannot be earlier than seven days ahead of the meeting date.

Voting rights

Every share comes with the entitlement to one vote, and there are no restrictions on voting rights.

Independent auditor

The annual general meeting appoints the independent auditor following nomination by the Supervisory Board. The Board oversees the performance of the external auditor. The performance of the external auditor is evaluated by the Board on an annual basis.

Issue of shares in the company

As per the articles of association, the Board of Directors is only authorised to issue shares if the annual general meeting appoints it as the body authorised to issue shares. The annual general meeting of 12 April 2022 appointed the Board of Directors as the body authorised to issue ordinary shares in the capital of Nedap and to grant rights to subscribe to shares in the capital of Nedap. The Board of Directors' authority to issue shares is limited to ordinary shares with a combined value of a maximum of 10% of the total issued share capital at the time of issue. This requested authorisation has been granted for a period of 18 months, starting on 12 April 2022. A resolution by the annual general meeting to issue shares or to appoint the Board of Directors as the body authorised to issue shares, or the withdrawal of a resolution to appoint can only be passed on a proposal of the Board of Directors with the prior approval of the Supervisory Board. A resolution to issue shares by the Board of Directors, provided that the Board of Directors has been appointed as the body authorised to issue shares, is always subject to Supervisory Board approval in each specific case. Preferential rights can be limited or excluded by the body appointed to decide on share issues. The shareholders' decision to accept the proposal to authorise the Board of Directors has been published on the website at: <https://nedap.com/nl/investeerders/jaarvergaderingen/>.

Share reacquisition

Nedap may only acquire its own fully paid-up shares for no consideration.

Acquisition other than for no consideration is only possible if:

1. shareholders' equity less the purchase price is not less than the paid up and called up part of the capital plus the reserves that must be maintained by law and/or under the articles of association;
2. the nominal amount of the company's own shares is no more than 50% of the issued share capital;
3. the annual general meeting has appropriately authorised the Board of Directors. This authorisation is not required to acquire the company's own shares or depositary receipts in order to transfer them to employees under an applicable plan.

In accordance with article 13 of the company's articles of association and without prejudice to the provisions of Article 2:98 of the Dutch Civil Code, the annual general meeting of 12 April 2022 authorised the Board of Directors to acquire ordinary shares up to a maximum of 10% of the total issued share capital of Nedap N.V. After such an acquisition, Nedap N.V. or one or several of its subsidiaries can never hold more than 10% of the total issued share capital of ordinary shares in Nedap N.V. (for their own account).

The ordinary shares can be acquired through purchase on the stock market or otherwise at a price that lies between the nominal value of the ordinary shares and 110% of the average closing price of the ordinary shares on the Euronext Amsterdam N.V. stock exchange over the five consecutive trading days prior to the day of purchase.

The requested authorisation will be valid for a period of 18 months from 12 April 2022, i.e. the day when the annual general meeting adopted the proposal to appoint the Board of Directors as the body authorised to issue ordinary shares in the capital of Nedap N.V. The decision by the shareholders has been published on <https://nedap.com/nl/investeerdere/jaarvergaderingen/>.

Amendment of the articles of association

Nedap's articles of association may be amended by a resolution of the annual general meeting after prior approval of such resolution by the Board of Directors, with prior approval of the Supervisory Board.

Diversity & inclusion

Our employees are the key to our long-term success. Nedap is fully aware of the fact that every employee is unique and that there are differences between individual employees. These can be differences in terms of gender, age, and ethnic background, but there can also be differences in sexual orientation or religion. Nedap aims for an effective and transparent diversity policy. Diversity ensures that we are stronger together, get the best out of each other, and take different perspectives on problems and possibilities. Diversity contributes to innovation and balanced decision-making, enabling us to attract and retain talented people. Additionally, Nedap is committed to making sure that every single employee feels safe and heard. Nedap is home to an employee-initiated Diversity, Equity, Inclusion & Belonging Community that works to promote a positive and healthy work environment for all Nedap employees from a diversity, equality, and inclusion perspective.

Gender diversity

The composition of the Board of Directors, Supervisory Board, and senior management is subject to laws on gender diversity.

Board of Directors and Supervisory Board

The Nedap Board of Directors is currently made up of three directors, two men and one woman. The Supervisory Board presently consists of four members, two men and two women. With these gender ratios, both the Board of Directors and the Supervisory Board meet the legal requirement of at least 30% female and 30% male. Given the current composition of the Board of Directors and the Supervisory Board, an ingrowth quota is not relevant.

Action plan

Whenever a vacancy arises on the Board of Directors or the Supervisory Board, Nedap will aim to maintain a balanced composition, partly by compiling a longlist of candidates where 50% is male and 50% female. In case of a vacancy on the Board of Directors, Nedap will not set a specific requirement for the gender of the 3rd person on the board, aiming solely to preserve the 30% male and 30% female target; a candidate's suitability for the position in question will be the decisive factor. Given the current composition of the four-member Supervisory Board, the ambition is to maintain the current balance. If the Supervisory Board and/or the Board of Directors is expanded at some point, the gender ratio target may be amended depending on the new size of the board.

Policy implementation

In the financial year, the Board of Directors was expanded from two to three directors. Mr Rob Schuurman joined the Board of Directors, initially as titular

director (CCO) from 1 January 2022 and as director under the articles of association from 12 April 2022. Prior to Rob Schuurman's accession, the Board of Directors consisted of two directors, one man and one woman. Until 1 January 2022, Rob Schuurman was a member of the management board, in which capacity he showed the kind of leadership that prompted the Supervisory Board to appoint him to a titular director position. His suitability for the CCO role was the decisive factor in this decision.

A reappointment in 2022 meant that the Supervisory Board's current, balanced composition remained unchanged.

Senior management

The Board of Directors has identified the positions at Nedap that are part of the company's senior management. The holders of these positions are currently 84% male and 16% female.

Target/ingrowth quota

At the end of the financial year, 27% of the total workforce was female. Our target for Nedap's senior management in 2025 is to bring the gender ratio in line with that of the entire Nedap workforce as at year-end 2022, i.e. at least 27% female.

Action plan

Upward mobility among women must also be promoted. In 2023, we will conduct an analysis to identify obstructions leading to the under-utilisation of female talent and explore ways to improve the hiring, promoting, and developing of female talent within the organisation. When recruiting staff externally, our longlists will be at least 50% female. In our ultimate selection from the shortlist, we will actively favour a female candidate over a male candidate in case of equal suitability for the job in question.

Policy implementation

In mid-2022, we classified certain positions in the senior management echelon. Diversity was not a factor in this respect. For any changes to senior management, we will aim to adhere to the above target/ingrowth quota.

Deviations from the Code

Principles and best practice provisions

Nedap endorses the Code's basic and broadly supported principles. Several of the Code's provisions are applied in a different way. These deviations will be explained in the following.

2.2.1 Terms of appointment and reappointment for directors

Given the nature of Nedap's business, where the effects of strategic decisions generally take a long time to materialise, the Supervisory Board is of the opinion that a four-year mandate is too short.

With this in mind, a decision was made to appoint directors to an indefinite term. The annual appraisal interviews also enable the Supervisory Board members to monitor the performance of the directors more effectively than if they were reappointed once every four years.

3.2.3 Director severance pay

For directors under the articles of association appointed before 1 January 2015, severance pay shall be determined in part by their length of service, partly given the permanent nature of their appointment. Directors under the articles of association appointed after 1 January 2015 are subject to the severance pay cap of one annual salary (the 'fixed' component of their pay).

3.4.2 Director contract

The key elements of a director's contract with the company are published in a convenient list on the company's website after the contract has been signed, and in any case no later than the notice convening the annual general meeting where appointment of the director will be proposed. When it comes to directors under the articles of association appointed after 1 January 2015, Nedap complies with this provision in the sense that members of the Board of Directors are appointed by the Supervisory Board after announcing the proposed decision to the annual general meeting.

4.1.3 Putting the dividend proposal on the agenda

Dividend payment is based directly on the company's strategy and long-term policy. Dividend proposals will therefore not be addressed as an agenda item (unless this payment (partly) comes out of the statutory reserves). Dividend payment will, however, be explicitly included on the agenda as an item for discussion.

4.2.3 Meetings and presentations

Given the limited international spread of Nedap's shareholders and given the company's scale, there are no webcasting, smartphone, or other facilities in place as yet to enable live viewing of meetings and presentations. Presentations will be posted on the company's website immediately prior to the meeting at which they will be given, so that all shareholders can read them.

4.3 Casting votes

Shareholders can vote by proxy or through voting instructions. Partly given the limited scale of the company and the relatively limited spread of outstanding Nedap shares, facilities for communication between shareholders are currently not yet provided.

Stichting Preferente Aandelen Nedap

Based on best practice provision 4.2.6 of the Code, the Board of Directors must provide a summary of all protective measures that have been taken or could be taken to protect the company against a third party gaining control of the company.

Since 1973, Nedap has been able to issue preference shares as a protective measure. This protection can be deployed if a third party intends to gain control of the company by acquiring a decisive interest or otherwise attempts to adversely affect Nedap, without securing its interests, its business and all stakeholders in a satisfactory way.

Stichting Preferente Aandelen Nedap (Stichting) was founded for this purpose in 1973. It looks after the interests of Nedap N.V., its business and all stakeholders, providing defence wherever possible against influences which could threaten continuity and identity in conflict with said interests. Nedap has granted the Stichting the right to acquire preference shares (call option) under which, on request, the Stichting can acquire preference shares up to a maximum equal to the number of ordinary outstanding shares, less one, at the time the option is exercised. The call option obliges Nedap to issue the number of preference shares requested by the Stichting whenever it makes that request. Consequently, no further decision by any corporate body of Nedap is required; the decision was made when the option was granted to the Stichting.

If preference shares are issued, the Stichting has to pay at least 25% of their nominal value in cash.

The board of the Stichting is made up of the following persons:

- Mr N. W. Hoek, chairman
- Ms J. P. Bahlmann
- Mr A. C. Metzelaar
- Ms A. P. M. van der Veer-Vergeer
- Mr R. P. Voogd
- Mr G. van de Weerdhof

The composition of the board is intended to ensure that the interests of all Nedap stakeholders are looked after in the decision-making process to the maximum degree.

According to both the directors of this Stichting and those of Nedap, Stichting Preferente Aandelen is independent from Nedap, as specified in Article 5:71(1)(c) of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht).

Preference shares take precedence over ordinary shares when it comes to dividend payment or pay-out of capital paid up on shares, the latter in the event of Nedap's liquidation.

Consolidated non-financial statement

Nedap produces high-quality, innovative solutions that are intended to create sustainable value for customers, the planet, and Nedap itself. For more information about our business model, reference is made to our value creation model (section 1.2).

We firmly believe in the importance of adopting, as a company, a careful and responsible approach to risks in the areas of the environment, social and staff affairs, human rights, and corruption and bribery. The Nedap Risk Management Framework lists, among other things, the relevant risks in these areas, as well as their impact and our risk mitigation. See section 4.1 and the risk table for details.

The environment

Given the nature and activities of the Nedap organisation, we do not consider environmental risks to be material. As set out in section 1.4, one of our four focus areas, and the one where we can do the most, is to ensure that our operations are sustainable and have minimal environmental impact. Nedap strives for operations with the least possible environmental impact, whereby the overriding aim is to achieve net-zero carbon emissions (scopes 1 and 2) by 2030.

Since we have outsourced most of our production, we regularly engage with our suppliers to discuss any environmental risks and impact, focusing on those environmental aspects that are relevant to each supplier. For more information about the current and foreseen environmental impact of Nedap's activities, including developments and results in this respect, see sections 1.2 and 1.4 on the value creation model, the materiality matrix, supply chain responsibility, renewable/non-renewable energy sources and greenhouse gas emissions, and Nedap's vision on sustainable value creation.

In the context of environmental affairs, our activities' current and foreseen impact on our employees' health and safety are, where relevant, incorporated into the risk inventory and evaluation. Appropriate safety measures have been taken as and when required. Periodic checks are performed across the supply chain to examine suppliers' approach to their employees' health and safety.

Social and staff affairs

Thanks in part to Nedap's high added value per employee, we are able to keep investing in the core of our company: our people. Along with Nedap's unique culture of showing entrepreneurship and taking responsibility, and our vision on leadership, our people are a strong differentiating factor for us as a company. Given the importance of our employees, they have been designated as one of the four focus areas where our sustainability ambitions can make an impact.

In 2022, we formulated concrete targets for the minimum number of hours that each employee must be able to spend on honing their talent and for the gender ratio in senior management. Work is currently also going into a diversity and inclusion policy for the entire workforce.

For more information, including the targets, results and/or progress, we refer the reader to section 1.4 'Our ambitions, Employees', section 2.2 'Employees', and section 4.5 'Diversity and inclusion'. Section 2.3 'Developments in 2022' goes into how we approach our people, what our leadership vision entails, and employees' participation opportunities, while also covering our ongoing stakeholder dialogue. That same section also goes into the collective labour agreement, the works council's role, and our commitment to respecting union rights, and health and safety at work.

Section 1.4 'Our ambition, Employees' addresses our ambition with respect to health and safety at work. Chapter 3 'Healthcare' provides an example of the impact of our activities on a social level.

Human rights

Nedap's human rights policy is geared towards mitigating the risk of direct or indirect adverse impact on the many communities in which Nedap operates as much as possible. Nedap respects human rights as specified in the Universal Declaration of Human Rights, does not use hard labour, forced labour, or child labour, and acts as per the standards and frameworks of Conventions No. 138 and No. 182 of the International Labour Organization and the UN Convention on the Rights of the Child.

In the supply chain, we discuss how companies with which we do business deal with human rights, such as by conducting company visits. Such investigations are conducted in a way that matches Nedap's size and the nature and context of its operations, as well as the seriousness of the risks of adverse effects on human rights. It is important to us that organisations in our supply chain hold the above values in high regard and operate accordingly.

Besides the impact of human rights breaches on an individual's private life, they could lead to Nedap becoming an unattractive party to do business with for customers, suppliers, or current and potential employees. Given our risk profile, we do not have any generic indicators in this area. For more information, see section 2.3 'The Nedap Code of Conduct' and section 4.1 'The Nedap Code of Conduct'.

Corruption and bribery

When it comes to corruption and bribery, we operate a zero-tolerance policy. One of the controls we have implemented is that all material transactions involve more than one person. Whenever a suspicion of bribery arises, we take action based on individual observations.

No suspicions of bribery or corruption were reported at Nedap in the financial year. For information on the tools we have available to combat corruption and bribery, we refer to our anti-bribery and anti-corruption policy, our Nedap Code of Conduct (sections 2.3 and 4.1 ‘The Nedap Code of Conduct’), our Compliance Framework (section 4.1 ‘Nedap Compliance Framework’) and the risk table (section 4.1). On top of that, anti-bribery and anti-corruption training courses have been put together and rolled out Nedap-wide.

The information included in section 7.3 ‘EU Taxonomy’ is part of this statement. This reference is intended as a way to comply with the reporting obligation under article 8 of the Taxonomy Regulation.

One of the consequences of the aforementioned section is that activity 8.1 (Data processing, hosting, and related activities) at Nedap is a Taxonomy-eligible revenue-generating economic activity.

This activity can be designated as aligned (environmentally sustainable) in the sense of article 8 of the Taxonomy Regulation. The same goes for a number of individually eligible (CapEx) activities, such as a recent renovation of (part of) our premises. For these activities, we comply with the criteria and minimum safeguards for alignment set by the Taxonomy Regulation, including acting in compliance with OECD guidelines for multinational enterprises and the United Nations’ guiding principles on business and human rights. This also goes for the principles and rights laid down in the conventions referenced in the International Labour Organization’s declaration on fundamental principles and rights at work and in the International Bill of Rights.

Other**Material transaction**

To the best of Nedap’s knowledge, there are no:

- material transactions between legal or natural persons who hold at least 10% of the shares in Nedap as meant by provision 2.7.5 of the Dutch Corporate Governance Code;
- material transactions of the company with a related party that are outside the framework of normal operations or not in line with normal market conditions (Article 2:167 Dutch Civil Code); and
- restrictive agreements with shareholders.

To the best of Nedap’s knowledge, its shareholders are not a party to an agreement that could lead to restrictions on trading in Nedap shares or on voting rights.

Change of control

The standby roll-over credit agreement (€14 million) that Nedap has entered into with the bank includes a provision under which the bank can demand early repayment of the loan if there is a significant change in control over Nedap’s activities.

It is not unusual for other long-term alliances to which Nedap is a party to also include the possibility of terminating the agreement with immediate effect in the event of a change of control. A change of control is, however, not expected to have a significant impact on Nedap’s financial performance.

Nedap has not entered into agreements with directors or other employees under which personal rights to compensation can be derived upon termination of their employment after the settlement of a take-over bid for Nedap shares.

Corporate Governance Statement

The Corporate Governance Statement specified in the Decision on the content of the Directors' Report is part of this Directors' Report: this information is included in section 4.5 'Corporate Governance' and section 4.3 'Risk management'. The Directors' Report also includes information required under the Decision ratifying article 10 of the Takeover Directive to the extent that it applies to Nedap N.V.

4.5 Directors' statement

In line with best practice provision 1.4.3 of the Code, the Board of Directors states to the best of its knowledge that:

1. the Directors' Report (the complete annual report without chapter 6 'Financial statements') as included in this report offers an adequate level of insight into the shortcomings in the operation of Nedap's internal risk management and control systems;
2. the aforementioned systems provide reasonable assurance that Nedap's financial reporting is free from material misstatement;
3. it is justified based on Nedap's current operations that the financial reporting has been prepared on a going concern basis; and
4. the Directors' Report contains material risks and uncertainties that are relevant in the formulation of expectations as to Nedap's continuity.

Despite the internal risk management and control systems, material errors, fraud and unlawful actions can still take place. The systems therefore do not provide absolute assurance that targets will be achieved, but have been developed to obtain reasonable assurance as to the effectiveness of controls implemented to mitigate financial and operational risks in relation to organisational objectives.

In addition, the Board of Directors states, in compliance with Article 5:25(c) of the Dutch Financial Supervision Act and to the best of its knowledge, that:

1. the financial statements provide a faithful representation of the assets, liabilities, financial position, and profit/loss of the issuing entity and the companies included in the consolidation; and
2. the Directors' Report provides a faithful representation of the position at 31 December 2022 and the development and performance during the 2022 financial year of the company and the undertakings included in the consolidation taken as a whole and that the Directors' Report describes the significant risks the company is facing.

Groenlo, the Netherlands, 22 February 2023

Board of Directors

Mr R. M. Wegman, CEO

Ms D. van der Sluijs RC, CFO

Mr R. Schuurman, CCO

Report of the Supervisory Board

5



5.1 Report of the Supervisory Board

In this report, the Supervisory Board (the Board) provides a summary of its supervisory work performed in the 2022 financial year. It was a turbulent year where, besides the persistent effects of the COVID-19 pandemic, Nedap was confronted with political and economic tensions caused by the Russian invasion of Ukraine and unrelenting component shortages that posed major challenges across the supply chain. Despite all of that, Nedap posted a solid profit in 2022 and saw its revenue grow by 11% compared to 2021, in line with Nedap's long-term strategy. These results were made possible by the hard work of employees, a robust financial foundation, and a balanced range of products and services.

Supervisory Board member details



Mr P. A. M. van Bommel

chairman
(1957)

Nationality: Dutch

Profession/

most recent primary position: CFO, ASM International (until May 2021).

Relevant additional positions: non-executive director at SES S.A. (listed on Euronext Paris and Luxembourg), member of the Board of Stichting Bernhoven, chair of the Governing Board of the Executive Master of Finance & Control programme at Amsterdam Business School (University of Amsterdam), member of the advisory board of Stichting Glorieux, member of the advisory board of the University of Amsterdam's Faculty of Economics and Business.

First appointment: 24 June 2021

Current term: 2021-2025

Supervisory Board memberships: chair of the Supervisory Board of Aalberts N.V



Mr J. M. L. van Engelen

vice-chairman
(1959)

Nationality: Dutch

Profession/

most recent primary position: professor of Integrated Sustainable Solutions, Faculty of Industrial Design Engineering, Delft University of Technology

Relevant additional positions: emeritus professor of Business Development, Faculty of Economics and Business, University of Groningen

First appointment: 16 April 2013

Current term: 2021-2023

Supervisory Board memberships: supervisory board member at Espria, supervisory board member at Pensioenfonds Zorg & Welzijn, board member at Stichting Triade (UMCG)



Ms M. Pijnenborg

(1970)

Nationality: Dutch

Profession/

most recent primary position: board member and entrepreneur

Relevant additional positions: founder and director of Winc Academy, founder of and investor in Boralis BV, member of the board of Tanka Foundation, member of the advisory board of the University of Amsterdam's Faculty of Economics and Business

First appointment: 4 April 2019

Current term: 2019-2023

Supervisory Board memberships: chair of Atlas Technologies Holding B.V.



Ms M. A. Scheltema

(1954)

Nationality: Dutch

Profession/

most recent primary position: professional supervisory board member

Relevant additional positions: member (deputy) of Netherlands Enterprise Court at the Amsterdam Court of Appeal, partner at Scheltema Tammenoms, chair of the Netherlands Eye Association

First appointment: 5 April 2018

Current term: 2022-2026

Supervisory Board memberships: vice-chair of the supervisory board of De Nederlandsche Bank N.V. (Dutch central bank), member of the supervisory board of Warmtebedrijf Rotterdam (until November 2022), member of the supervisory board of Stichting Open Nederland, vice-chair of the supervisory board of the Netherlands Bach Society

Composition of the Supervisory Board

The Board supervises, evaluates progress and performance, maintains a healthy and transparent system of checks and balances, and assists the Board of Directors with advice where necessary. The focus is on long-term sustainable value creation in the interest of all of the company's stakeholders.

The composition of the Board is in keeping with the profile published on Nedap's website. The composition is as such that the members of the Board are able to operate independently of and critically towards each other, the Board of Directors, and any kind of particular interest. As per the agreed term limits, Foeke Kolff stepped down after the annual general meeting of 12 April 2022, following which Peter van Bommel was appointed as the chair of the Board. At this same annual general meeting, Margot Scheltema was reappointed to the Board for a four-year term.

The composition of the Supervisory Board meets current gender diversity requirements. The Board believes that the current composition constitutes a good balance between the various required skills, relevant knowledge, and experience, enabling the Board to adequately fulfil its statutory duty of supervising and advising the Board of Directors. In the Board's view, the Board meets the requirements of independence, as specified in best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code.

Composition of the Board of Directors

In 2021, the Board decided to expand the Board of Directors under the articles of association to three members.

On 1 January 2022, Rob Schuurman was appointed titular director in the position of Chief Commercial Officer and the management board, of which Rob Schuurman was one of the members, was dissolved. Rob Schuurman's appointment to the Board of Directors under the articles of association became effective immediately after the annual general meeting of 12 April 2022 where this (proposed) appointment was discussed.

One key prerequisite for the acceleration of revenue growth targeted by the Step Up! strategy is that Nedap's commercial strength be increased across the company. The appointment of Rob Schuurman as director under the articles of association in the position of Chief Commercial Officer fits within this strategic aim.

In order to improve the quality of discussions on Nedap-wide topics and decision-making preparations and bolster support across the organisation for decisions by the Board of Directors, an Alignment team was set up in 2022 that comprises the Board of Directors, business unit leaders, the general counsel, and the HR team captain. The Alignment team meets on a regular basis and acts as a sounding board to the Board of Directors.

Financial statements

PricewaterhouseCoopers Accountants N.V. (PwC) audited the financial statements and issued a comprehensive unqualified audit certificate, which is included in the report in section 6.3 'Audit certificate' issued by the independent auditor. The auditor also had the usual final evaluation with the Board of Directors and Group Controlling department this year, which was attended by a delegation from the Supervisory Board. The full Supervisory Board subsequently discussed the auditor's report and the 2022 report with the Board of Directors and the auditor, covering topics such as integrity and the quality of the company's financial reporting, material considerations regarding reporting, and material risks and uncertainties. The outcome of this discussion was incorporated into the audit certificate where necessary. No further specifics were raised in a subsequent meeting with the auditor, which was not attended by the Board of Directors.

The Board is briefed on the company's operations on a regular basis through financial reports with explanatory notes from the Board of Directors. In addition, the Board receives detailed quarterly reports on the financial results achieved over the previous three months and progress made on the annual plans. The Board had regular meetings with managers and other employees from the various business units again this year to get a good idea of developments in the market and at each business unit. Based on the reports and these meetings, the Board is confident that the 2022 annual report provides a solid foundation for the Board's accountability vis-à-vis its supervision of the Board of Directors' management of the company. The Board advises the annual general meeting, therefore, to adopt the 2022 financial statements.

Dividend

Although there was still uncertainty as to the duration and long-term impact of the COVID-19 pandemic on the global economy, geopolitical tensions are creating uncertainty, and component shortages pose an ongoing challenge for the company, the Board of Directors and the Board consider it prudent to pay a dividend of €3.00 per share. Nedap maintains the required reserves to be able to guarantee its continuity amidst difficult market conditions and stay on the strategic course that the company has set.

In accordance with articles 43.1 and 43.3 of the articles of association, a decision has been made to pay the entire profit of €18.7 million out as dividend. In addition, it is proposed to the annual general meeting based on article 44.2 of Nedap's articles of association that €0.9 million be withdrawn from the other reserves. This adds up to a total amount of €19.6 million available for a payment of €3.00 per ordinary share (€3.00 in 2021).

Strategy

The Board has focused extensively and in depth on refining, implementing, and executing the strategic plan, Step Up!

The primary objective of Step Up! is to accelerate growth of the various Nedap propositions by making the most of the potential available across the organisation. This is done through collaboration across the organisation based on the strategic drivers: Radically clear (clarity in our plans and goals), Always deliver (calling each other to account on agreements made) and Full Nedap power making optimum use of the knowledge, experience and skills available within Nedap.

In 2022, the Board supported and advised the Board of Directors in further developing, implementing, and executing the strategic plan. Subjects relating to the strategy and long-term value creation were regularly addressed at meetings of the Board. The Board was also involved in various strategy sessions and met with the Board of Directors, business unit leaders, and the strategic task force to discuss proposition development and strategy design and implementation. This has led to constructive dialogue that contributes to clearer insights in this area among all parties involved.

The Board paid special attention to the quality of the strategy process and the strategic assessment framework that was compiled to define key market positions and to test existing and new propositions against this framework. In July 2022, the Board discussed progress made so far on the Step Up! plan with the Board of Directors, the strategic task force, and a number of business unit leaders. The focus during this session was on the four key market positions that have been identified (Healthcare, Dairy Farming, Retail, and Security Management) based on the strategic assessment framework for these positions. The portfolio of propositions for these key market positions was also discussed, with a particular focus on each proposition's current phase, i.e. create, scale, or core. Additionally, the goals, success indicators, considerations and management, the competitive position, internal and external strategic risks and long-term insights were also covered. The Board is satisfied with the way the strategy is being implemented and conveyed, as well as with the progress that has been made so far in the execution of the strategic roadmaps of the business units and the strategic task force.

Given that decisive leadership in keeping with the Nedap culture is an essential ingredient for successful execution of the strategic plan, the Board agrees with the importance that Nedap places on leadership and leadership

development. Over the past year, the Board assessed the progress of the various initiatives taken in this respect, such as to identify and utilise the available development potential, carry out growth and development plans, the remuneration policy, and succession planning for senior management positions, and implement changes to the leadership structure. A Board delegation also attended the Step Up! leadership day that was organised for a broad group of managers to, among other things, share best practices and get inspired.

Sustainability as part of the long-term strategy

The Board believes that contributing to a sustainable economy is a key responsibility for any company, and therefore also for Nedap. It is paramount that the organisation be aware that its actions today are decisive for a sustainable future for our world. For the Board, working to move Nedap's business activities towards greater sustainability is, therefore, a key and integrated part of the business strategy. The Board considers it its duty to support and encourage Nedap to (further) develop its sustainability policy and to take the right steps towards achieving its goals. This means pursuing a policy based on a mature and balanced vision and selecting relevant and inspiring performance indicators. This way, Nedap will be able to keep making a real sustainability impact.

Over the past year, sustainability policy plans and initiatives were discussed with the Board. In March 2022, the Board also took part in a Step Up! event organised for Nedap managers to discuss sustainable value creation. The value creation model and the four material key topics (Employees, Operations, Partners/Products, and Customers) selected based on the materiality matrix give direction to the company's sustainability policy. The Board endorses the sustainability ambitions

and targets formulated based on these topics. For more information, see sections 1.4 and 2.2 and the consolidated non-financial statement in section 4.4.

In 2023, the Board will keep close track of the further integration of sustainability into the company's long-term strategy. Partly with a view to the imminent entry into force of the Corporate Sustainability Reporting Directive, the Board will be looking specifically at responsibilities and obligations with respect to sustainability and transparency. Additionally, the Board will keep engaging with the company on transparently achieving the sustainability targets.

Collaboration and responsibilities

In the financial year, the Board held talks with both managers and employees at the various business units. The openness of these talks contributed to the Board gaining more in-depth knowledge of the operations at their respective business units and to employees getting a better understanding of the Board's responsibilities and perspective. Aside from that, these talks also generated new insights and added a new dimension to communication and collaboration between the business units and the Board. Like in previous years, talks with the works council helped the Board gain more in-depth insight into developments across the company.

The Board again took part in Zoom sessions with all Nedap employees worldwide last year, which were an opportunity to get a valuable insight into the company's unique culture and to experience energy and positive force of Nedap's employees. The Board appreciates employees' efforts and contributions that go into making these sessions a success.

Risk management

Risk management at Nedap, as detailed in the 'Risk management' chapter, was also discussed and evaluated at length. Recurring topics in the talks the Board held throughout the year were risks ensuing from macro-economic developments and geopolitical tensions as well as problems around component shortages. Based on the Board-approved Nedap Risk Management Framework, various aspects were covered in depth. The Board scrutinised the main risks in terms of strategy and activities, as well as measures taken to mitigate them. In its supervision of the effectiveness of internal risk management and control systems, the Board maintained a close eye on IT business continuity and cybersecurity risks in 2022. The organisation has taken steps and conducted tests to safeguard and reinforce IT business continuity, including tests by reputable external parties. On top of that, a number of measures were taken over the past year to maintain and raise employees' awareness of cybersecurity risks, which included security awareness training (including in the form of an e-learning programme) and the use of mock phishing attempts. We furthermore took a critical look again at Nedap's risk profile and risk appetite with respect to various aspects of the company's operations. Finally, the effectiveness of the organisation and operation of the internal risk management and control systems was also evaluated. Following this, the Board endorsed the Board of Directors' plans to further integrate risk management at Nedap into the strategy process.

Internal auditor

Introduced as of 1 January 2022, the internal audit function is intended to monitor the set-up and effectiveness of internal risk management and control systems, thus adhering to best practice principle 1.3 of the Corporate Governance Code.

The internal audit function was set up bearing in mind the Institute of Internal Auditors' (IIA) Three Lines Model, which is used to manage governance and the risk management structure within an organisation and is based on the COSO framework for internal control. In this model, the internal auditor is the third line, i.e. internal control of correct compliance with and effectiveness of internal controls.

The internal audit function reports to Nedap's CEO. The Board oversees the internal audit function and has regular contact with the internal auditor. Nedap's CEO assesses the internal auditor's performance on an annual basis, for which they also seek the Board's opinion.

In early 2022, the Board discussed and ultimately signed off on the work plan for 2022 with the internal auditor. The internal auditor involved the external auditor in drawing up a work plan for 2022. Throughout the year, progress of the internal auditor's various audit activities was reported to the Board. The internal auditor also briefed the external auditor on progress. The results of the 2022 work plan will be evaluated in early 2023. Internal control activities in 2022 related mainly to ISO auditing, lessons learned with respect to component shortages, the order to cash process at Nedap Inc., while also including follow-ups on previous audits and analyses.

Other

Finally, further topics covered by the Board over the past year include the impact that hybrid working is having on the Nedap culture, PwC's audit plan for 2022, the governance model, and operational affairs. The Board has signed off on the tax policy, as set out in the annual report from page 81.

Meetings and attendance

Throughout the year, the Board had six ordinary meetings with the Board of Directors. Three brief meetings were held to discuss the quarterly updates and the half-yearly report. As mentioned above, the Board was also involved in the strategy event held in July 2022 to discuss progress made on the Step Up! plan. All the above meetings were attended by all the members of the Board. Several of the ordinary meetings were preceded by internal deliberations by the Board. The brief meetings were held entirely online and a hybrid meeting format was used for several of the ordinary meetings. Away from the meetings, the Board regularly liaised with the Board of Directors by email, telephone, or video call to discuss various topics. Where relevant, Supervisory Board members paid working visits to the organisation to keep up to date with the latest state of affairs at the company and with market developments. The intensive and open communications enabled timely and prudent decision-making.

The annual general meeting was held on 12 April 2022, endorsing, among other things, the reappointment of PwC as the company's auditor for a term of three years and Margot Scheltema's reappointment to the Board for a term of four years.

Evaluation

One of the principles of the Dutch Corporate Governance Code says that the Board is collectively responsible for its own performance. In this context, the Dutch Corporate Governance Code considers self-evaluation a best practice. In 2022, the Board's self-evaluation of its performance was conducted in a separate meeting where the Board discussed its own performance, the Board of Directors' performance, and Nedap's main long-term challenges.

The Board concluded that it had sufficient time available last year to adequately perform its supervisory tasks. The members of the Board complemented each other to a significant degree in terms of knowledge, experience, and interests, and also to a sufficient degree in our supervisory role towards the company. Careful allocation of the different focus areas to the members guarantees continuity of supervision of the company's strategic developments.

Given the limited size of the company and the Board, the Board stands by its view that setting up separate committees, such as an audit, remuneration, selection, and appointment committee within the Supervisory Board, is not necessary at this point. In 2023, the Board will have its performance reviewed by an external firm.

Collaboration between the Board and the organisation was strengthened over the past years. To be able to perform efficiently, it is important for the Board to have a real understanding of operations and developments within the business units, corporate teams, and excellence workstreams. The Board believes that this is necessary to be able to contribute to Nedap's further development and growth. The Board appreciates the open and transparent communication with the Board of Directors and Nedap employees, as well as the critical and constructive discussions the Board has had with them. It has forged a good mutual working relationship. A Board delegation met with the works council, Alignment team members and other managers, and a delegation from the business unit leadership team to discuss the performance of the Board of Directors in all openness. What was discussed at these meetings was subsequently fed back to the rest of the Supervisory Board and to the Board of Directors. Based partly on these meetings, we conclude that the Board of Directors and the Board performed well and efficiently, both on the level of individual members and on the level of the board as a whole.

External auditor

Every year, the Board, together with the Board of Directors, evaluates Nedap's auditor and the PwC organisation, as well as Nedap's collaboration with them. Based on this evaluation and the Board's own observations, the Board believes that the auditor provided the Board with all the relevant information to be able to adequately carry out its supervisory duties. The auditor found no material deficiencies in the reporting. The Board has evaluated PwC's independence as the auditor and came to the conclusion that it is not compromised. PwC does not perform any work for Nedap other than its audit activities.

During the year, discussions were held with Group Controlling and the Board of Directors about the performance of PwC as Nedap's external auditor and the effectiveness of the auditing process. The conclusion was that information sharing has further improved and that there is good collaboration between the auditing team and the Nedap organisation. As a result, the auditing process again ran smoothly last year. The good, open, and mutually critical collaborative practices enable PwC to form an objective opinion on all matters within the scope of the audit engagement.

At the annual general meeting of 12 April 2022, PwC was reappointed for a period of three years through to the 2024 financial year, following the Board's recommendation.

Remuneration

On 8 April 2021, the annual general meeting adopted a new remuneration policy for both the Board of Directors and the Board, replacing the remuneration policy for the Board of Directors under the articles of association and the Supervisory Board adopted at the annual general meetings of 2 April 2015 and 26 April 2013 respectively. The new remuneration policy was made with the help of an external consultancy.

During this process, we conducted a number of benchmarks and engaged in dialogue with various stakeholders. The works council was also involved in the policy-making process, issuing positive advice. This has resulted in a refined remuneration policy that complies with all relevant laws and regulations and is a good fit for Nedap at the same time. For the current remuneration arrangements for the Board of Directors under the articles of association and for members of the Board, the Board refers the reader to the remuneration report on page 109 and the financial statements on page 119.

Word of appreciation

Last year was a challenging period for Nedap, with uncertain economic conditions, geopolitical tensions, and continuing component shortages. These conditions were very demanding on Nedap and its employees. The Board greatly appreciates the dedication, effort, and loyalty shown by the employees and Board of Directors over the past year. Its gratitude also goes to the shareholders and customers for placing their trust in the company. The Board is in no doubt that this commitment and loyalty will help Nedap seize the opportunities of the future.

Groenlo, the Netherlands, 22 February 2023

The Supervisory Board

Mr P. A. M. van Bommel, chairman

Mr J. M. L. van Engelen, vice-chairman

Mr M. Pijnenborg

Ms M. A. Scheltema

5.2 2022 remuneration report

The Board hereby presents the remuneration report for the members of the Board of Directors under the articles of association and the Supervisory Board for the 2022 financial year.

The remuneration report complies with the provisions of Article 2:135(b) of the Dutch Civil Code and the Corporate Governance Code. The remuneration report provides information about the remuneration policy pursued (see also <https://nedap.com/nl/investeerders/corporate-governance/>) during the 2022 financial year to ensure transparency for all stakeholders. On 8 April 2021, the annual general meeting adopted the new remuneration policy for the Board of Directors.

The purpose of the remuneration policy for the Board of Directors (Board of Directors remuneration policy) is - by analogy with the policy for employees - to be able to attract, motivate, and retain qualified and experienced people for our Board of Directors under the articles of association.

The Board of Directors remuneration policy is fully in line with with Nedap's vision and strategy. It focuses on the company's continuity and is geared towards long-term value creation, offering remuneration that is intended to foment ongoing development of employees and the organisation, so as to ensure the continued success of Nedap's products and technologies in the various markets in which Nedap operates. Scenario analyses were considered in drawing up the remuneration policy and before calculating individual directors' remuneration.

Accountability for remuneration policy implementation in 2022

At the annual general meeting of 12 April 2022, the 2021 remuneration report was approved by a majority of votes cast (99.99%). The report did not give rise to questions and the 2022 remuneration report was, therefore, drawn up in the same way.

This 2022 remuneration report will be submitted to an advisory vote at the 2023 annual general meeting, thus rendering account on the implementation of the remuneration policy in the 2022 financial year. The Board will take the result of this advisory vote into account and cite it in the remuneration report for 2023.

Remuneration summary

The table below provides a summary of the costs for current board members under the articles of association as recognised in the financial statements.

(€ x 1,000)	Basic income	Variable remuneration	Employee participation plan benefits	Pension costs	Total
2022					
R.M. Wegman	441	282	48	96	867
D. van der Sluijs	314	200	20	52	586
R. Schuurman	278	175	18	49	520
Total	1,033	657	86	197	1,973
2021					
R.M. Wegman	427	314	53	85	879
D. van der Sluijs	304	222	20	42	588
Total	731	536	73	127	1,467

The table below provides a summary of the remuneration awarded to current board members under the articles of association.

	(Amounts x €1,000)	Fixed remuneration		Variable remunera				Totale remuneration	Variable remuneration as % of total remuneration
		1. Basic salary ¹	2. Pension and other allowances	3. Variable remuneration		4. Share-based remuneration			
				3a. Paid out	3b. Used to purchase depositary receipts ²	4a. Purchase discount for depositary receipts ³	4b. 4:1 Matching depositary receipts ⁴		
R.M. Wegman, CEO	2022	431	96	-	282	18	56	883	40%
	2021	417	85	-	314	15	54	885	43%
D. van der Sluijs, CFO	2022	304	52	-	200	9	-	565	37%
	2021	294	42	55	167	6	-	564	40%
R. Schuurman, CCO	2022	267	49	-	175	5	7	503	37%
	2021	-	-	-	-	-	-	-	-

Note: Former CFO E. Urff received matching depositary receipts with a value of 46 in 2022 (44 in 2021).

Fixed annual income

The fixed annual income is in line with the current remuneration policy and incremented at the same rate as the rate used for employees, as agreed in Nedap's collective labour agreement.

¹ The basic salary does not include the employer's social security contributions.

² 'Depositary receipts' means 'depositary receipts for shares'.

³ This is the amount of the discount given on the purchase of depositary receipts in the financial year.

⁴ This is the value of the depositary receipts awarded.

Variable annual income

Based on the new remuneration policy and on previously set targets, the Board has determined the variable component of the annual income for 2022 payable to the Board of Directors under the articles of association. The remuneration policy states that 50% of the variable component is determined by financial targets, 25% by employee engagement targets, and 25% by sustainable organisational and revenue model targets.

Financial targets

The financial targets have been split up into four sub-targets. The table below shows each sub-target, along with the extent to which it was achieved in the 2022 financial year and how much of the variable remuneration it represents.

In millions of euros or as a percentage	Target	Performance	Share of variable remuneration (% points)
Revenue	222.5	230.6	10.2%
Operating margin	11.9%	10.3%	4.5%
Recurring revenue	68.3	71.0	10.5%
Operational cash flow per quarter	7.2	4.4	0.0%
Total			25.2%

Based on the above table, the Board of Directors is awarded a financial targets-related variable component of their annual income that represents 25.2% of their fixed annual income.

Employee engagement targets

Employee engagement levels at Nedap are measured on an annual basis. Like in previous years, the score was in the first quartile of employee engagement this year, which is a precondition for the awarding of variable remuneration based on employee engagement targets.

Throughout 2022, the Step Up! strategy has been conveyed and further embedded in the organisation by organising Step Up! days themed on sustainability, leadership, and markets & propositions. These events were organised for a broad group of managers. Delegations from the Board attended several of the Step Up! days, experiencing them as valuable and inspiring to the Nedap organisation and its employees. This process is backed up by weekly updates from the Board of Directors and regular Zoom updates and in-depth discussions at the business units, which also included the management teams giving feedback on the Step Up! days. All of this aligns with the strategic drivers of 'radically clear' and 'full Nedap power'.

Concluding that the Board of Directors made good progress in this area, the Board has allocated the Board of Directors 19.8% variable pay for achieving this target.

Sustainable organisational and revenue model targets

During the financial year, the Board of Directors worked on topics such as defining, shaping, and rolling out the sustainability policy (see sections 1.4 and 2.2), creating and implementing a strategic assessment framework to reinforce the proposition model, formulating Nedap-specific leadership profiles, and identifying, testing, and developing employees with leadership potential.

Good progress was made in various areas, which is reason for the Board to allocate the Board of Directors a variable remuneration component of 20%.

To recap, the Supervisory Board is of the view that the performance of the Nedap organisation and the Board of Directors was outstanding.

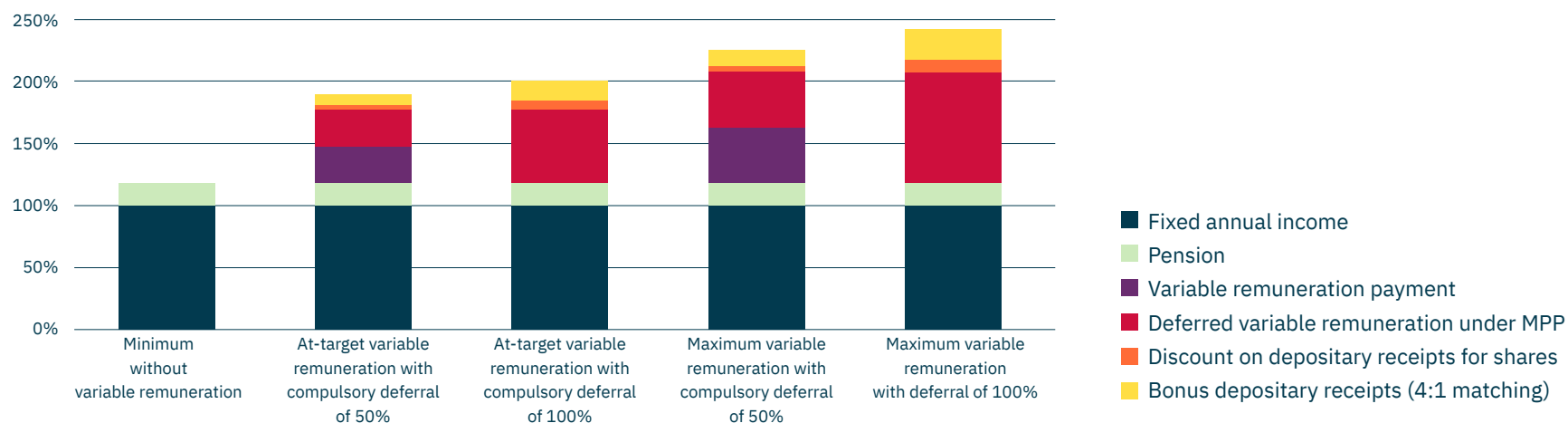
Based on the above supporting information and in line with the remuneration policy, the Supervisory Board awards the Board of Directors under the articles of association a variable annual income totalling 65% of the fixed annual income. In calculating the variable annual income, account was taken of scenario analyses.

Directors pay mix

Performance	Variable annual income	50% of variable annual income is deferred		Variable annual income deferred in full	
	(as % of fixed annual income)	Direct payment	Remaining % for purchase of depositary receipts for shares	Direct payment	Remaining % for purchase of depositary receipts for shares
Minimum	0%	0%	0%	0%	0%
At target	60%	30%	30%	0%	60%
Maximum	90%	45%	45%	0%	90%

Board member remuneration scenarios

(as % of basic salary)



Deferred remuneration/MPP

Under the remuneration policy, directors under the articles of association have to use at least 50% of their variable annual income for 2022 to buy depository receipts for Nedap shares, which are subsequently locked up for period of five years. After four years, one bonus depository receipt is awarded for every four depository receipts held. If the targets have been

met, the variable annual income will be 60% of the fixed annual income. Total remuneration will then be 62.5% fixed annual income and 37.5% variable annual income.

The CEO, CFO, and CCO have opted to use the full amount of their variable pay to purchase depository receipts.

Share-based remuneration

(Items x 1)		Depository receipts or shares held on 1/1*	Depository receipts purchased	Bonus depository receipts awarded	Depository receipts or shares sold	Depository receipts or shares held on 31/12*	Contingent bonus depository receipts as at 1/1	Contingent bonus depository receipts awarded	Bonus depository receipts awarded	Contingent bonus depository receipts as at 31/12
R. M. Wegman, CEO	2022	40,753	2,817	866	-	44,436	3,262	704	-866	3,100
	2021	36,941	2,938	874	-	40,753	3,401	735	-874	3,262
D. van der Sluijs, CFO	2022	1,088	1,491	-	-	2,579	272	373	-	645
	2021	-	1,088	-	-	1,088	-	272	-	272
R. Schuurman, CCO	2022	3,954	804	106	-	4,864	557	185	-106	636
	2021	-	-	-	-	-	-	-	-	-
E. Urff	2022	-	-	711	-	-	1,497	-	-711	786
	2021	-	-	717	-	-	2,214	-	-717	1,497

On the date of delivery in 2022, the bonus depository receipts represented a value of €64.90 (€62.00 in 2021).

* The number of shares and depository receipts for shares held by a director after stepping down as director under the articles of association is no longer recognised where the costs are no longer charged to the company in the financial year covered by the report. R. M. Wegman holds both shares and depository receipts. D. van der Sluijs and R. Schuurman hold depository receipts.

Change in remuneration (Amounts x €1,000)	2022	2021	2020	2019	2018	2022-2018
R. M. Wegman, CEO	0% (883)	11% (885)	4% (800)	-4% (772)	2% (801)	10%
D. van der Sluijs, CFO	0% (565)	29% (564)	- (437)	-	-	-
R. Schuurman, CCO	- (503)	-	-	-	-	-
E. Urff	-	-	-	8% (678)	2% (630)	-
Supervisory Board members						
P. A. M. van Bommel	25% (50)	- (40)	-	-	-	-
J. M. L. van Engelen	0% (40)	33% (40)	0% (30)	0% (30)	0% (30)	33%
G. F. Kolff	0% (50)	25% (50)	0% (40)	0% (40)	0% (40)	25%
M. Pijnenborg	0% (40)	33% (40)	0% (30)	- (30)	-	-
M. A. Scheltema	0% (40)	33% (40)	0% (30)	0% (30)	- (30)	33%
M. C. Westermann	-	-	-	0% (30)	0% (30)	-
D. W. J. Theyse	-	-	-	-	0% (30)	-
Change in Nedap's performance	-7%	27%	10%	23%	-1%	52%
Change in median employee pay	3% (91)	49% (88)	2% (59)	3% (58)	5% (57)	
CEO pay ratio	9.6	9.9	6.9	6.9	7.0	

If a director or Supervisory Board member was a member of the Board of Directors or Supervisory Board for only part of a year, their remuneration is presented on a pro rata basis for comparison purposes. The change in remuneration for the members of the Board of Directors and Supervisory Board is measured by dividing remuneration for the financial year by remuneration received in the previous financial year. If the date of appointment as director under the articles of association or Supervisory Board member is not 1 January, the change is recognised on a pro rata basis in the financial year following the year of joining.

The 2022-2018 column shows the relative change as at year-end 2022 compared to the beginning of 2018.

The change in Nedap's performance in any financial year is the change in the closing price of Nedap shares in the financial year, plus the dividend paid for the financial year, divided by the closing price of Nedap shares in the previous financial year.

The definition of the CEO pay ratio and the change in median employee pay was changed in the 2021 financial year. Nedap follows the recommendation by the Corporate Governance Code Monitoring Committee as of the 2021 financial year. Based on this definition, the CEO pay ratio would have been 9.7 in 2020. Please refer to the remuneration report for the definition of the pay ratio.

Use of penalty and recovery scheme

This scheme was not used.

Deviations from the remuneration policy

There were no deviations from the remuneration policy. The company has not granted members of the Board of Directors any loans or guarantees.

Pay ratio

Up to 2020, Nedap calculated the pay ratio as the ratio of the CEO's current fixed annual income to the median pre-tax fixed annual income (including holiday pay and 13th-month bonus) of all Nedap employees worldwide as at 31 December of the financial year ('median salary'). The annual salaries of the directors under the articles of association are not included in the calculation of the median salary.

As of 2021, Nedap follows the recommendation made by the Corporate Governance Monitoring Committee in late December 2020. In its recommendation, the committee defines pay ratio as follows: the ratio of (i) total annual CEO pay to (ii) the median annual pay of the employees of the company and group companies consolidated in the company's financial statements, whereby:

- total annual CEO pay includes all pay components (such as fixed pay, variable pay in cash (bonus), share-based pay, social security contributions, pension, expense allowance, etc.), as recognised in the (consolidated) financial statements prepared based on IFRS standards;
- employees' median annual pay is calculated by dividing total wage and salary costs in the financial year (as recognised in the (consolidated) financial statements prepared based on IFRS standards) by the average number of FTEs at the company during the financial year. The pay of

insourced external workers is factored in on a pro rata basis, on the condition that they worked for the company for at least three months during the financial year; and

- the value of the share-based part of the pay is calculated on the date that it is awarded, as per the applicable IFRS requirements.

The pay ratio for 2022 is 9.6. In 2021, the pay ratio was 9.9.

Supervisory Board member remuneration

On 8 April 2021, the annual general meeting adopted the new remuneration policy for the Supervisory Board,

The amounts paid are in line with the new remuneration policy for Supervisory Board members. The table below lists the remuneration that (former) Supervisory Board members received for the 2022 and 2021 financial years.

Supervisory Board members (€ x 1,000)	2022	2021
P. A. M. van Bommel (from 24 June 2021)	47	21
J. M. L. van Engelen	40	40
G. F. Kolff	14	50
M. Pijnenborg	40	40
M. A. Scheltema	40	40

The company has not granted Supervisory Board members any loans or guarantees.



Financial statements



6.1 Consolidated financial statements

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

Assets	Note	2022	2021
Fixed assets			
Intangible fixed assets	1	2,847	1,806
Tangible fixed assets	2	41,121	39,393
Deferred tax assets	3	1,161	1,365
		45,129	42,564
Current assets			
Inventories	4	28,343	23,466
Income tax receivable		129	535
Trade and other receivables	5	43,593	34,549
Assets held for sale	18	-	782
Cash and cash equivalents	6	17,483	29,615
		89,548	88,947
		134,677	131,511

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

Liabilities	Note	2022	2021
Group equity			
Shareholders' equity attributable to shareholders	7	81,194	80,306
Non-current liabilities			
Borrowings	8	14,000	14,000
Lease liabilities	9	1,162	1,317
Employee benefits	10	911	1,046
Provisions	11	875	1,059
		16,948	17,422
Current liabilities			
Borrowings	8	-	-
Lease liabilities	9	946	1,104
Employee benefits	10	93	76
Provisions	11	928	1,160
Bank overdrafts	12	-	-
Income tax payable		379	216
Taxation and social security contributions		2,070	2,064
Trade and other payables	13	32,119	29,163
		36,535	33,783
Total liabilities		53,483	51,205
		134,677	131,511

Consolidated statement of profit or loss (€ x 1,000)

	Note		2022	2021
Revenue	14		230,559	207,012
Cost of materials and outsourced work		-79,147		-66,829
Inventory movements of finished goods and work in progress		3,132		-858
			-76,015	-67,687
Added value			154,544	139,325
Personnel costs	15	-92,047		-83,317
Amortisation	16	-813		-1,039
Depreciation	17	-8,855		-8,450
Impairment of assets	18	-		-653
Other operating costs	19	-29,039		-22,794
Operating costs			-130,754	-116,253
Operating profit			23,790	23,072
Financing income		3		9
Financing costs		-333		-330
Net financing costs			-330	-321
Profit before taxation			23,460	22,751

Consolidated statement of profit or loss (€ x 1,000)

	Note	2022	2021
Result before taxation (carried forward)		23,460	22,751
Taxation	20	-4,756	-4,467
Profit for the financial year		18,704	18,284
Result attributable to shareholders of Nedap N.V.		18,704	18,284
Average number of outstanding shares	7	6,512,369	6,482,444
Earnings per ordinary share (in €)		2.87	2.82
Diluted earnings per ordinary share (in €)		2.87	2.82

Consolidated statement of comprehensive income (€ x 1,000)

	2022	2021
Profit for the financial year	18,704	18,284
Unrealised profit/loss		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	140	442
Unrealised profit/loss over the reporting period, after taxation	140	442
Total realised and unrealised profit/loss for the financial year	18,844	18,726
Total realised and unrealised profit/loss attributable to:		
Nedap N.V. shareholders	18,844	18,726

Consolidated statement of cash flows (€ x 1,000)

	Note	2022	2021
Cash flow from operating activities			
Profit for the financial year		18,704	18,284
Adjustments for:			
Depreciation and amortisation including impairment	16,17,18	9,668	10,142
Book result on sale of tangible fixed assets		-207	-108
Exchange differences		115	379
Net financing costs		330	321
Share-based remuneration		-550	1,970
Income taxes	20	4,756	4,467
		14,112	17,171
Movements in trade and other receivables	5	-8,262	-6373
Movements in inventories	4	-4,877	-404
Movements in taxation and social security contributions		6	78
Movements in trade and other payables		2,796	5,788
Movements in employee benefits	10	-118	43
Movements in provisions	11	-416	-370
		-10,871	-1,238
Interest paid		-306	-323
Interest received		3	9
Income tax paid		-3,983	-5,623
		-4,286	-5,937
Cash flow from operating activities		17,659	28,280

Consolidated statement of cash flows (€ x 1,000)

	Note	2022	2021
Cash flow from investing activities			
Investments in tangible fixed assets		-9,735	-9,119
Investments in intangible fixed assets		-1,853	-712
Proceeds from sale of tangible fixed assets		295	278
Cash flow from investing activities		-11,293	-9,553
Cash flow from financing activities			
Repayments on long-term borrowings and derivatives	21.22	-	-110
Lease payments		-1,117	-1,111
Dividend paid to shareholders of Nedap N.V.		-19,560	-14,595
Sale of own shares		2,154	952
Cash flow from financing activities		-18,523	-14,864
Movements in cash and cash equivalents and bank overdrafts		-12,157	3,863
Cash and cash equivalents and bank overdrafts at 1 January		29,615	25,689
Exchange differences for cash and cash equivalents and bank overdrafts		25	63
Cash and cash equivalents and bank overdrafts at 31 December		17,483	29,615
Cash and cash equivalents		17,483	29,615
Bank overdrafts		-	-
		17,483	29,615

Consolidated statement of changes in shareholders' equity (€ x 1,000)

	Share capital	Statutory reserves	Other reserves	Result attributable to shareholders	Total shareholders' equity
Balance as at 01/01/2021	669	1,467	57,366	13,751	73,253
Realised result for financial year	-	-	-	18,284	18,284
Unrealised result for financial year	-	72	370	-	442
Profit for financial year	-	72	370	18,284	18,726
Dividend	-	-	-14,595	-	-14,595
Appropriation of profit for previous financial year	-	-223	13,974	-13,751	-
Movement in share-based remuneration	-	-	1,970	-	1,970
Movement in own shares	-	-	952	-	952
Balance as at 31/12/2021	669	1,316	60,037	18,284	80,306
Realised result for financial year	-	-	-	18,704	18,704
Unrealised result for financial year	-	-25	165	-	140
Profit for financial year	-	-25	165	18,704	18,844
Dividend	-	-	-19,560	-	-19,560
Appropriation of profit for previous financial year	-	448	17,836	-18,284	-
Movement in share-based remuneration	-	-	-550	-	-550
Movement in own shares	-	-	2,154	-	2,154
Balance as at 31/12/2022	669	1,739	60,082	18,704	81,194

Movement in own shares concerns the sale of shares held by the company itself to cover employee participation plans, plus or less changes in shareholders' equity relating to the recognition of liabilities under IFRS 2 regarding these employee participation plans.

Consolidated statement of changes in shareholders' equity (€ x 1,000)

Share-based remuneration reserve	2022	2021
Bonus depositary receipts	512	565
10% purchase discount	131	141
NAPP reserve	1,354	1,841
Total	1,997	2,547
Statutory reserves	2022	2021
Capitalised development costs	1,680	1,232
Exchange differences	47	72
Profit from participations not freely distributable	12	12
Total	1,739	1,316

Dividend per share for the 2022 financial year has been set at €3.00 (€3.00 in 2021).

Accounting policies

General

Nedap N.V. is a public limited company under Dutch law, having its registered office under the articles of association at Parallelweg 2, 7141 DC in Groenlo, Netherlands, registered in the Chamber of Commerce's trade register under number 08013836. The company's 2022 consolidated financial statements cover the company and its subsidiaries, who together form the group, referred to below as Nedap. The financial year coincides with the calendar year. Nedap develops and supplies smart technological solutions for socially relevant themes, including sufficient food, clean drinking water, security and healthcare. On 22 February 2023, the financial statements were approved for publication by both the Supervisory Board and the Board of Directors. The financial statements will be submitted to the annual general meeting for adoption on 13 April 2023. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code.

Nedap Beveiligingstechniek B.V., Groenekan, Netherlands	100%	participation
Nedap Deutschland GmbH, Krefeld, Germany	100%	participation
Nedap Great Britain Ltd., Theale, Reading, UK	100%	participation
Nedap Iberia S.A.U., Madrid, Spain	100%	participation
Nedap Polska Sp. z o.o., Warsaw, Poland	100%	participation
Nedap Asia Ltd., Hong Kong, China	100%	participation
Nedap China Ltd., Shanghai, China	100%	participation of Nedap Asia Ltd.
Nedap FZE, Dubai, United Arab Emirates	100%	participation
Nedap Inc. te Burlington, Verenigde Staten van Amerika	100%	deelneming

Going concern

The accounting policies used in preparing these financial statements are based on a going concern assumption for the company. Over the year, and at the year-end closing in particular, there was additional focus on the collectability of accounts receivable, the measurement of inventories, and asset impairments. Since added value rose over the financial year and costs increased less steeply than initially expected, the company was able to post a profit for 2022. Given that the financial position is stable in terms

of results and equity, and the outlook is positive, the going concern assumption was applied in preparing the financial statements.

Rounding

Unless specified otherwise, all amounts recognised in the financial statements and explanatory notes are rounded to the nearest thousand currency units.

Estimates

IFRS-compliant reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and costs. The estimates and underlying assumptions are based on past experience and various other factors which are considered fair under the circumstances. The results constitute the basis for judgements on the book value of assets and liabilities that cannot be simply derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only has consequences for that period, or in the revision period and future periods if the revision has consequences for both the reporting period and future periods. The most critical estimate relates to the capitalisation of development costs, which is detailed below. Further estimates relate primarily to measurement of tangible and intangible fixed assets, employee benefits, deferred tax assets, provisions and inventories. For details of these other estimates, please refer to the relevant accounting policies as specified in these financial statements.

Development costs are, as per the criteria of IAS 38, capitalised if all of the following conditions are met: 1) the development costs were incurred for propositions that are new for Nedap and creating a user-ready product is technically feasible, 2) Nedap has the intention to prepare this product for use, 3) the costs involved can be calculated reliably, and 4) the proposition is likely to have market potential and yield future economic benefits.

The main estimation element in this respect is the realisable economic benefits. It is inherent to innovative products that it can take many years for a proposition to become successful and for it to be possible to establish with the required level of certainty that the targeted economic benefits are indeed realisable. Given the combination of the above conditions, Nedap capitalises development costs only to a limited degree. On top of that, the development costs recognised relate mainly to maintenance, upgrades, and further development of existing propositions in Nedap's case, and less so to the actual development of new propositions.

For further details, please refer to the principles on the recognition of intangible fixed assets and note 1 to these financial statements.

Comparison to last year

Where necessary, comparative figures have been adjusted for comparison purposes. Comparative figures from prior years were not adjusted.

Consolidation

The financial data of Nedap N.V. and of the subsidiaries listed above (jointly referred to as Nedap) have been consolidated in full if the requirements of IFRS 10 are met. Balance sheet positions and transactions between consolidated companies and unrealised result on such transactions are eliminated when preparing the consolidated financial statements. The unrealised profit/loss of consolidated companies on transactions with non-consolidated companies is eliminated in proportion to Nedap's interest in that participation.

Foreign currency

The financial statements are presented in euros, which is Nedap's functional and presentational currency. Profits/losses and financial positions of consolidated companies in a functional currency other than the euro are converted to euros as follows: assets and liabilities are converted at the exchange rate as at the balance sheet date, and income and costs are converted

at the average exchange rate. Exchange differences on participations are added or charged to the statutory reserves via the other comprehensive income.

Transactions in foreign currencies are converted into the functional currency at the exchange rate on the transaction date. Profits and losses arising as a result of the settlement of such transactions are recognised in the statement of profit or loss.

Financial instruments

Regular purchases and sales of financial assets are entered on the transaction date. Financial assets are no longer recognised on the balance sheet when rights to receive cash flows from the financial assets have either expired or been transferred, and the group has transferred virtually all risks and benefits of ownership.

Non-derivative financial instruments

Non-derivative financial instruments are loans receivable, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables, excluding projects in progress. On initial recognition, non-derivative financial instruments are recognised at fair value, with directly attributable transaction costs included

on initial recognition. After initial recognition, non-derivative financial instruments (excluding cash and cash equivalents) are recognised at amortised cost less expected credit losses. Profits or losses ensuing from changes in the measurement of these instruments are recognised in the statement of profit or loss under other operating costs.

Intangible fixed assets

Investigation

Costs relating to research activities are recognised in the statement of profit or loss at the time of occurring.

Development

Any development costs for which future economic benefits can reliably be estimated, that can be reliably measured and that were not incurred for the maintenance of an existing product or adaptation to suit new market circumstances are capitalised. Such costs are of a project-based nature.

All other development costs are recognised in the statement of profit or loss at the time of occurring. The recognised value of capitalised development costs consists of external and directly attributable internal costs and

overheads. Capitalised projects are technically feasible and Nedap intends to implement them. Nedap has access to (or is able to obtain) sufficient technical, financial and other resources to finalise and market the products it has developed.

To a great extent, the capitalised projects are for detection and inventory management systems.

Subsidies

Government subsidies are credited to the statement of profit or loss when there is reasonable certainty that the subsidy will be received and that the group will be able to meet all associated conditions. Pending subsidies to which Nedap can lay claim are recognised on the balance sheet under trade and other receivables. If the subsidy relates to the purchase, manufacturing or creation of an asset, the subsidy is deducted from the asset in question.

Amortisation of intangible fixed assets

Capitalised development costs are amortised on a straight-line basis. Amortisation rates depend on product types and range from 20% to 33%.

Other

Software & licenses acquired are recognised at historical cost less accumulated amortisation and impairments. Amortisation is applied on a straight-line basis over the estimated economic life. The amortisation rate is 20%.

Tangible fixed assets

Tangible fixed assets purchased or manufactured are recognised at historical cost less accumulated depreciation and impairment. Costs of tangible fixed assets are capitalised as ‘in progress’ under tangible fixed assets when they are not yet ready to be commissioned. As soon as the asset has been completed, it will be included in the asset category that corresponds to the asset. The recognised value of assets manufactured in-house consists of external and directly attributable internal costs and overheads. Tangible fixed assets are classified as ‘assets held for sale’ provided assets are indeed available for immediate sales and are highly likely to be sold. Tangible fixed assets available for sale are recognised at book value or lower fair value, less selling costs. Available-for-sale tangible fixed assets are not depreciated.

Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is applied on a straight-line basis over the estimated economic life. Land is not depreciated.

The annual depreciation rates are:

Company buildings and premises	3% to 10%
Machinery	13% or 18%
Installations	7% or 10%
Other equipment	20%

Depreciation rates are evaluated annually and adjusted if necessary.

Leases

Leases are recognised as a right of use and corresponding liability on the date on which the leased asset is available to the Group.

Contracts can contain both lease and non-lease components. The Group attributes the contract fee to the lease and non-lease components based on their relative autonomous prices.

Nedap has opted to treat lease and non-lease components as separate items.

Non-lease components are mainly service-related services.

Assets and liabilities ensuing from a lease and recognised as lease components are initially measured at present value. After initial measurement at cost less any depreciation and any accumulated impairment losses, the rights of use are, after initial recognition, corrected for any revaluation of the lease liability as a result of reassessments or lease modifications.

Lease liabilities include the net present value of the fixed lease payments and variable lease payments based on an index or price, initially measured using the index or price as it is on the lease commencement date.

Lease payments made under reasonably certain options for extension of the lease are also included in the measurement of the liability. In determining the lease term, the management factors in all information and circumstances that constitute economic incentives to exercise an extension option.

If any improvements made to the asset are expected to lead to significant residual value, it is generally reasonably certain that the Group

will choose to extend the lease. Otherwise, the Group takes other factors into account, such as past lease terms and the costs and business disruptions that would be inevitable when replacing the leased asset.

Lease payments are factored in based on the imputed rate of interest in the lease. If that rate cannot be determined easily, which is generally the case for leases in the Group, the lessee's incremental borrowing rate of interest is used, i.e. the rate at which the individual would have to pay interest to borrow the funds needed to acquire a similar-value right-of-use asset in a comparable economic environment with comparable conditions and guarantees.

The Group is subject to possible future increases of variable lease payments based on an index or rate, which are not recognised in the lease liability until they become effective. When adjustments to lease payments based on an index or rate become effective, the lease liability is reassessed and adjusted to the right of use. Lease payments are split up into right-of-use and financing costs. The financing costs are charged to the profit or loss for the lease period to generate a constant periodical interest rate for the remaining balance of the liability for each

applicable period. Rights of use are measured at cost, which is made up of:

- the amount of the first measurement of lease liabilities;
- all lease payments made on or before the commencement date, less lease benefits received;
- any initial direct costs; and
- acceptable restoration costs.

Right-of-use assets are generally depreciated on a straight-line basis over the lease term or the asset's service life, whichever is the shortest period. If the Group is reasonably certain that it will exercise a purchase option, the right of use is depreciated over the useful life of the underlying asset.

Payments under short-term leases and all leases for low-value assets are recognised in the statement of profit or loss as a cost.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a new-for-old value of under €5,000.

Deferred tax assets

Deferred tax assets relate to losses brought forward and temporary differences between the

book value of assets and liabilities and the tax book values of these items. Deferred tax assets are calculated, for each fiscal entity, at the tax rates that are expected to apply when they are realised. Deferred tax assets are only recognised if it is likely that these can be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets and liabilities and they relate to taxes levied by the tax authorities on the same taxable entity or on various tax entities, but are intended to settle offset current tax liabilities and assets or will realise their tax liabilities and assets simultaneously.

Inventories

Inventories are recognised at either cost or net realisable value, whichever is lower. Cost is determined based on the First-In-First-Out method (FIFO). Net realisable value is the estimated selling price less costs to be incurred. The cost of products in progress and Nedap-manufactured finished goods includes direct manufacturing costs, plus a mark-up for indirect manufacturing and purchasing costs. Inventories are revalued downward based on expected realisable value, provided this is lower than cost. These downward revaluations are applied based on age, sales projections or expected usage - or a combination of the above.

Cash and cash equivalents

Cash and cash equivalents may include deposits held with banks that are available on demand, other short-term investments that are very liquid and have an original term of three months or shorter, and which can be converted immediately to specific cash amounts, while also involving negligible exposure to the risk of changes in value, as well as bank overdrafts or current-account receivables. Cash balances and current-account receivables are recognised under cash and cash equivalents in current assets, while bank overdrafts are recognised as bank overdrafts under current liabilities on the balance sheet.

Impairment of assets

The book value of assets is reviewed mid-year and at year-end for any indication of impairment. If indications of impairment are found, impairment is recognised based on realisable value, which is either the direct realisable value or value in use, whichever is the highest. Impairment is recognised in the statement of profit or loss. If information or circumstances arise in a subsequent period that show that the value of the asset has increased, causing the impairment to fully or partially cease to apply, the impairment is revoked.

The book value of the asset is raised to the revised realisable value, albeit never beyond the book value that would have been recognised if impairment had not taken place. The increase is incorporated directly into the statement of profit or loss. Assets both in use and not yet in use are involved in determining impairment.

Statutory reserves

These non-distributable reserves are formed for the amount of development costs capitalised on the balance sheet, for exchange differences for participations, to the extent that there is a positive balance, and for the share in participations which cannot be freely obtained. Statutory reserves have also been included in the consolidated statement of changes in shareholders' equity to ensure reconciliation with the shareholders' equity as recognised in the company financial statements.

Share-based remuneration

Nedap operates two plans that give employees the option to invest in Nedap depositary receipts through *Stichting Medewerkerparticipatie Nedap* (subsequently referred to as 'the Stichting'): the *Employee participation plan* (the 'Plan') and the *Nedap Additional Participation Plan* (the 'NAPP').

The value of these plans is recognised as cost in the statement of profit or loss, while the amount charged to the profit/loss is recognised in the shareholders' equity, to the extent that share-based remuneration is settled through equity instruments of the legal entity. The part settled in cash and cash equivalents is recognised under liabilities. The total amount to recognise as cost is the fair value of the depositary receipts awarded without factoring in performance-related conditions. Over the period that such performance is delivered, the total amount to recognise as cost is charged to the profit/loss on a straight-line basis.

Since 2010, the Plan has offered Nedap N.V. employees the option to use part or all of their annual share in the profits to purchase Nedap depositary receipts. Besides the option to invest the amount of their share in the profits in the Stichting in exchange for depositary receipts, Nedap's Board of Directors and business unit leaders are required to invest at least 50% of their variable remuneration in Nedap depositary receipts. As a result, at least 50% of variable remuneration is of a long-term nature.

After purchase, depositary receipts will be the unconditional property of the holder and they

cannot be sold for a period of four years. The holder of the depositary receipt is immediately entitled to the full dividend per share. Besides the purchase discount, a bonus depositary receipt is awarded for every four depositary receipts after four years, provided certain conditions are met. Bonus depositary receipts entitle the holder to dividend from the moment they are awarded.

The value of the bonus depositary receipts has been derived from the Nedap share price on the Euronext Amsterdam stock exchange. This value is corrected for the dividends expected during the period of four years during which the depositary receipts are locked up.

Defined-contribution pension plan

Since 1 January 2015, Nedap has had a defined-contribution pension plan for its employees. Liabilities are recognised as a cost in the statement of profit or loss in the period to which they relate. Administration of the scheme has been commissioned to a Premium Pension Institution (PPI). Nedap has no other liabilities relating to the extent of the target pension or indexations other than the contributions payable.

Deferred tax liabilities

Deferred tax liabilities arise from temporary differences between the book value of assets and liabilities and the tax book values of these items. Deferred tax liabilities are calculated, for each fiscal entity, at the tax rates that are expected to apply when they are settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets and liabilities and they relate to taxes levied by the tax authorities on the same taxable entity or on various tax entities, but are intended to settle offset current tax liabilities and assets or will realise their tax liabilities and assets simultaneously.

Provisions

Provisions for legal claims, service guarantees, and obligations to repair are recognised when Nedap has incurred a legal or constructive obligation as a result of events in the past, it is likely that a disbursement of resources will be required to settle the obligation, and the amount can be estimated reliably. Provisions will not be made for future operating losses. Provisions are measured at the present value of the management's best estimate of the expenditure needed to settle the current obligation at the end of the reporting period,

using a discount rate that is in line with current market rates.

Guarantee provision

The guarantee provision is for claims made by customers under agreed guarantees. The term during which a customer can exercise this right varies between products. The measurement is determined based on estimated costs that are expected to ensue from current warranty obligations as at the balance sheet date. Aside from that, the provision may contain specific guarantee commitments.

Restructuring provision

A restructuring provision is recognised as soon as Nedap has approved a detailed and formal restructuring plan and a start has been made on the restructuring or when it has been announced publicly. A provision is not made for future operating losses.

Anniversary benefits provision

Nedap's liability under other long-term employee benefits, the 12.5-year, 25-year and 40-year employment anniversary, concerns the amount of entitlements accrued by employees in exchange for their services over the reporting period and preceding periods.

These entitlements are discounted to determine the present value. Revaluations are incorporated into the profit/loss for the period in which they occur.

Revenue

Revenue is based on transaction prices allocated to individual performance obligations, being either a distinct good or service or a series of distinct goods or services that are largely the same, and showing the same pattern of transfer to a customer. Revenue from sales of goods and software related to these goods is recognised in the profit/loss upon transfer of the right of disposal of the goods or software by Nedap.

Revenue from software subscriptions (licences) and services is recognised for each service or on a straight-line basis over the term of the contract. Licences involve the granting of a right of access to Nedap's software as it is during the entire term of the licence. If service contracts are invoiced in advance, these amounts are recognised on the balance sheet as amounts received in advance under 'trade and other payables'.

Commitments to accept returns of or issue refunds for products and/or services are limited to those products and/or services for which

Nedap has issued a warranty and subject to all warranty conditions being met.

The group does not have any material costs for the acquisition of contracts with customers and rarely groups products and/or services together in contracts. Delivery obligations under contracts that Nedap enters into with its customers consist mainly of agreements on the customer's right to acquire products and/or services at the agreed price. Nedap's associated liability to provide these products and/or services is calculated upon fulfilment of this obligation.

Wherever separate, identifiable obligations exist for which a customer cannot be charged separately, revenue has been recognised in proportion to the fulfilment of these obligations. Price agreements between Nedap and its customers are, however, largely based on separately identifiable products and/or services, which are calculated and recognised as revenue on the date of delivery.

Financing income and costs

Financing income and costs are interest received from third parties and interest paid to third parties and similar costs. Financing income and costs are recognised in the statement of profit or loss using the effective interest method.

Taxation

Taxation on profit for the financial year comprises taxes payable and receivable for the reporting period and the movement in deferred taxation. Taxation on profit is recognised in the statement of profit or loss, unless it relates to items recognised directly in shareholders' equity, in which case the related taxation is also recognised in shareholders' equity. Taxation payable or offsettable over the reporting period consists of income tax on the taxable profit/loss, as calculated based on tax rates set by law, and corrections to taxation paid for previous financial years.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are converted at the exchange rates on the date of the cash flow or at average rates. Interest paid and received is included in cash flow from operating activities, while dividend paid to and received from shareholders is incorporated into cash flow from financing activities.

Credit risk

Credit risk is the risk of financial losses for Nedap due to non-compliance with payment obligations on the part of a customer or counterparty. Credit risks arise in particular

on receivables from customers. Nedap reduces this risk by insuring trade receivables against non-payment where possible. The risk of non-payment then lies largely with the credit insurance company. If possible, security is requested from trade debtors who cannot be insured. If necessary, a provision for doubtful debts is formed. The Group assesses its receivables without credit risk insurance on an individual basis, while the expected credit loss model has been applied for those receivables without credit risk insurance that have not been remeasured downward.

When it comes to banks and financial institutions, cash and cash equivalents are held only with parties with at least an 'A' rating awarded by an independent ratings agency.

Liquidity risk

Liquidity risk is the risk that Nedap cannot meet its financial obligations when they become due. Nedap reduces this risk by maintaining sufficient access to capital. In this respect, an ample credit facility running through to April 2026 has been taken out, whereby the total facilities of €44 million (including temporary facilities of €5 million in the period from April to September) are not subject to covenants.

Currency risk

Nedap reduces the currency risk by restricting the size of transactions in foreign currencies and, if necessary, hedging these risks. For the most important foreign currency – the US dollar – an internal hedging system is used, which means that payments in US dollars are made using US dollars available elsewhere in the company. In 2022, the US dollar was, after the euro, the currency used for most transactions. The US dollar was also the currency with the highest net transaction value in 2022 (3% of revenue), whereby most US dollar transactions were purchases. A hypothetical change of 10% in the US Dollar exchange rate would have pushed the profit for the financial year up or down by €0.7 million.

Interest rate risk

A change of 100 basis points in interest rate on the loans specified in Note 8 would affect the profit for the financial year by €0.1 million (€0.1 million in 2021).

Market risk

Nedap reduces its market risk by operating in different geographical markets and areas of application with different products.

Capital management

Nedap strives for a conservative financing structure reflected by a solvency ratio of at least 50% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target figure is possible for strategic reasons. In 2022, these ratios were 60% and -0.1 respectively (61% and -0.5 in 2021).

Segmentation

Nedap's long-term policy focuses on creating solutions with sustainable meaning for customers, employees and shareholders. The company wishes to achieve this through growth in revenue and profits, based on the culture of expertise, creativity and entrepreneurship that it has built up over the past decades.

Achieving this objective not only requires know-how of technology and market conditions, but also an increasing degree of knowledge of the customer's business processes and applications that our solution is ultimately used in. The focus of activities on a customer or group of customers (business unit) is a significant condition for creating a genuinely distinctive and sustainable solution for our customers and their users, and thus also having sustainable meaning

for our employees and shareholders. The technologies used in such solutions are closely related, so the business units often draw on each other's technological know-how, products, systems, production resources and market and user experience. This applies for all of Nedap's activities and business units. This exchange of know-how and resources, without financial settlement, is an ongoing and informal process and, therefore, a vital part of the entrepreneurial culture.

IFRS 8 requires the financial statements to present segment information that is in accordance with the internal information used by the directors to assess performance and allocate resources. Nedap N.V.'s Board of Directors assesses the company's overall and each business unit's profit/loss and the performance of the business units mainly on the basis of its own observations, day-to-day communications with the business units and development and market prospects. Based on this, decisions are made, staff are allocated and resources are made available. Nedap does not have separate segments as referred to in IFRS 8. The geographical distribution of tangible fixed assets, intangible fixed assets and revenue, and the breakdown of revenue into categories

are disclosed in the financial statements as required by IFRS 8.

Standards and interpretations implemented for the first time

Certain new standards and interpretations that have been published are not compulsory for the reporting period ending 31 December 2022. The Group has not proceeded to the early application of these standards and interpretations. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. Intangible fixed assets (€ x 1,000)

	Capitalised development costs	Software & licences	In progress and prepayments	Total intangible fixed assets
Year-end 2020				
Purchase price	4,334	1,299	-	5,633
Amortisation including impairments	-2,878	-544	-	-3,422
Book value	1,456	755	-	2,211
Movements in 2021*				
Investment	163	200	349	712
Disposal (on balance)	-	-78	-	-78
Amortisation	-736	-303	-	-1,039
Net movements	-573	-181	349	-405
Year-end 2021				
Purchase price	4,497	1,300	349	6,146
Amortisation including impairments	-3,614	-726	-	-4,340
Book value	883	574	349	1,806
Movements in 2022				
Investment	83	98	1,673	1,854
Amortisation	-550	-263	-	-813
Net movements	-467	-165	1,673	1,041
Year-end 2022				
Purchase price	3,904	1,396	2,022	7,322
Amortisation including impairments	-3,488	-987	-	-4,475
Book value	416	409	2,022	2,847

* In the 2022 reporting year, a development project that was still in progress at year-end 2022 was recognised as 'in progress' as at year-end 2021. Intangible fixed assets in progress and prepayments include a €915 investment relating to intangible fixed assets developed in-house.

2. Tangible fixed assets (€ x 1,000)

	Company build- ings and premises	Machinery and installations	Other fixed equipment	In progress and prepayments	Right-of-use leases	Total tangible fixed assets
Year-end 2020						
Purchase price	37,727	20,356	35,701	2,114	3,989	99,887
Depreciation including impairments	-22,117	-16,035	-21,934	-	-1,770	-61,856
Book value	15,610	4,321	13,767	2,114	2,219	38,031
Movements in 2021						
Investment	3,208	313	3,371	2,333	1,296	10,521
Completed assets in progress	-	-	2,114	-2114	-	-
Disposal (on balance)	-	-	-92	-	-89	-181
Depreciation	-1556	-796	-4956	-	-1142	-8450
Impairments	-	-	-274	-254	-	-528
Net movements	1,652	-483	163	-35	65	1,362
Year-end 2021						
Purchase price	40,104	20,246	38,158	2,333	4,240	10,5081
Depreciation including impairments	-22,842	-16,408	-24,228	-254	-1956	-65,688
Book value	17,262	3,838	13,930	2,079	2,284	39,393

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

2. Tangible fixed assets (€ x 1,000)

	Company build- ings and premises	Machinery and installations	Other fixed equipment	In progress and prepayments	Right-of-use leases	Total tangible fixed assets
Movements in 2022						
Investment	2,509	2,247	3,953	1,159	977	10,845
Completed assets in progress	-	-	2,079	-2,079	-	-
Disposal (on balance)	-11	-4	-74	-	-173	-262
Depreciation	-1,759	-774	-5,211	-	-1,111	-8,855
Impairments	-	-	-	-	-	-
Net movements	739	1,469	747	-920	-307	1,728
Year-end 2022						
Purchase price	41,871	18,958	41,945	1,159	4,658	108,591
Depreciation including impairments	-23,870	-13,651	-27,268	-	-2,681	-67,470
Book value	18,001	5,307	14,677	1,159	1,977	41,121

At year-end 2022, €1,486 of the book value of 'Right-of-use leases' related to premises and €491 to other fixed equipment. Depreciation totalled €887 and €224 respectively in 2022. Currency translation differences are ignored, given their small significance. Tangible fixed assets are insured at new-for-old value. A right of mortgage on immovable property amounting to €18.9 million (€18.9 million in 2021) has been granted as security for bank

debts. The useful life of assets measured as 'Right-of-use leases' is in all cases at least equal to the period of the remaining lease payments.

For further explanation of leases, see also note 9. Liabilities entered into stood at €1.9 million (€3.5 million in 2021) at year-end. Impairment is explained under 'Impairment of assets'.

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

Geographical information on the book value of tangible fixed assets and intangible fixed assets:	2022	2021
The Netherlands	41,984	38,447
Germany	242	239
Other Europe	887	887
China (including Hong Kong)	128	619
North America	547	735
Other countries	180	272
Total	43,968	41,199

3. Deferred tax assets and liabilities (€ x 1,000)

	Deferred assets	Deferred liabilities
Balance as at 31/12/2022		
Tangible fixed assets	-	8
Intangible fixed assets	-	306
Anniversary benefits provision	-	1
Inventories	684	160
Other	139	137
Offsettable profit/loss	950	-
Total before offsetting	1,773	612
Offsetting	-612	-612
Total after offsetting	1,161	-
Balance as at 31 December 2021 (before offsetting)	2,036	671
Offsetting	-671	-671
Balance as at 31 December 2021 (after offsetting)	1,365	-
Withdrawals	-263	-60
Additions	-	1
Balance as at 31 December 2022 (before offsetting)	1,773	612
Offsetting	-612	-612
Balance as at 31 December 2022 (after offsetting)	1,161	-

These receivables relate to the losses brought forward and deferred taxation.

The offsettable profit/loss relates to deferred tax assets at two subsidiaries.

For the most part, these losses can be carried forward indefinitely.

At 31 December 2022, there were no temporary differences, uncompensated tax losses or unused tax credits for which no deferred tax assets had been recognised.

4. Inventories (€ x 1,000)

	2022	2021
Raw materials and components	4,063	2,514
Products in progress	220	386
Finished goods (procured and manufactured)	24,060	20,566
Total	28,343	23,466

A total amount of €3.2 million (€3.0 million in 2021) of inventories has been remeasured downward to a lower realisable value. Costs of downward remeasurement, which are recognised in materials and outsourced work, amounted to €1.1 million in 2022 (€1.1 million in 2021).

5. Trade and other receivables (€ x 1,000)

	2022	2021
Trade receivables	33,335	27,426
Other receivables and prepayments and accrued income	10,258	7,123
Total	43,593	34,549

Of the trade and other receivables, €0.4 million (€0.4 million in 2021) has a term of over 1 year.

Of the trade receivables, 94% (89% in 2021) is either not yet due or in the first month after the agreed payment date.

Of the remaining 6% (11% in 2021), 4% (9% in 2021) are a maximum of 90 days overdue and 2% (2% in 2021) are over 90 days overdue.

In the case of the latter 2% of trade receivables, the receivables covered by credit insurance have been handed over to Nedap's credit insurer for collection.

Movements in provision for trade receivables that are deemed uncollectable	2022	2021
Balance at 1 January	119	129
Withdrawals	-11	-54
Additions	124	44
Balance at 31 December	232	119

In 2022, the average credit term for trade accounts receivable was: 6.7 weeks (6.3 weeks in 2021). Nedap has insured the credit risk in its trade receivables wherever possible, whereby nearly 90% is covered (over 80% in 2021), with a pay-out of 90% (90% in 2021).

The expected credit loss model has been applied for those receivables without credit risk insurance that have not been remeasured downward. The expected credit loss percentage is based on historical credit losses over the past 12 months.

6. Cash and cash equivalents (€ x 1,000)

	2022	2021
Cash	-	1
Banks	17,483	29,614
Total	17,483	29,615

Cash and cash equivalents are available on demand.

7. Shareholders' equity attributable to shareholders

The company's authorised share capital consists of 15,611,000 ordinary shares and 15,611,000 preference shares, all with a nominal value of €0.10 each. 6,692,920 ordinary shares have been issued and paid up.

The average number of outstanding shares in 2022 was 6,512,369 (6,482,444 in 2021).

At year-end 2022, 6,519,965 shares were in issue (6,486,501 in 2021).

At year-end, the company held 172,955 (206,419 in 2021) of its own shares that are also due to be transferred to employees under the employee participation plan.

8. Borrowings (€ x 1,000)

Type of borrowing	Nominal interest rate	Maturity date	2022	2021
Standby Roll-Over	Euribor + 1.2%	2026	14,000	14,000
Balance at 31 December			14,000	14,000
Repayment liabilities < 1 year			-	-
Repayment liabilities > 1 year and < 5 years			14,000	14,000
Repayment liabilities > 5 years			-	-

The fair value of the borrowings is not materially different from their amortised cost.

The financing agreement with the bank for the Standby Roll-Over loan will expire on 1 April 2026. Security has been provided in the form of a right of mortgage (€18.9 million, not including 40% for interest and costs) and a pledge of fixtures and fittings and trade receivables. The agreement does not contain any covenants.

9. Lease liabilities (€ x 1,000)

	Company buildings and premises	Other fixed equipment	Total
Lease liabilities as at 31 December 2021			
Current (<= 1 year)	907	197	1,104
Long-term (> 1 year)	1,125	192	1,317
	2,032	389	2,421
Movements in 2022			
Current (<= 1 year)	-186	28	-158
Long-term (> 1 year)	-236	81	-155
	-422	109	-313
Lease liabilities as at 31 December 2022			
Current (<= 1 year)	721	225	946
Long-term (> 1 year)	889	273	1,162
	1,610	498	2,108

The interest amounts on lease liabilities recognised as a cost in 2022 amounted to €61 (€65 in 2021).

Recognised in the financial year

Short-term lease costs	17	120	137
Low-value lease costs	4	8	12
Total lease payments	928	230	1,158

In some cases, Nedap has the option to extend contracts it has entered into, especially those relating to the leasing of company buildings. Extension is then subject to pre-agreed conditions. There are very few lease liabilities for which, as a result of application of IFRS 16, extension options are measured because it is reasonably certain that Nedap will exercise the option.

10. Employee benefits (€ x 1,000)

Anniversary benefits provision	2022	2021
Balance at 1 January	1,122	1,079
Withdrawals	-167	-82
Additions	49	125
Balance at 31 December	1,004	1,122
Measurement of the anniversary benefits provision is based on the following factors:		
Future salary increase	3.5%	2.5%
Present value factor	3.5%	0.8%

Estimated likelihood to stay is related to employee age and the number of years of employment at Nedap.

Of the long-term part of the provision (€911), €302 relates to the period from 2024 to 2027 (>1 year <= 5 years).

11. Provisions (€ x 1,000)

Guarantee provision	2022	2021
Balance at 1 January	2,219	2,589
Withdrawals	-991	-931
Additions	575	561
Balance at 31 December	1,803	2,219

The part of the provisions with a term of under 1 year €928 (€1,160 in 2021) is recognised under short-term liabilities.

Of the long-term part of the provision, €41 relates to the period after 2028 (> 5 years).

To the extent that guarantee costs cannot be determined for individual products, the guarantee provision is made up of historic guarantee costs per product category and linked to outstanding periods during which customers can still submit guarantee claims.

The guarantee period differs per product category.

Given the short-term nature of the provisions, they were not converted into cash.

12. Bank overdrafts

The maximum overdraft under the facility is €25.0 million (€25.0 million in 2021).

Every year, over the period from April to September inclusive, an additional facility of €5 million will be available.

The nominal interest rate is based on the 1-month average Euribor with a variable individual markup. This facility was not used in 2022.

13. Trade and other payables (€ x 1,000)

	2022	2021
Trade payables	14,973	13,025
Liabilities on account of investments	748	615
Prepayments received	1,597	2,170
Other liabilities and accruals and deferred income	14,801	13,353
Total	32,119	29,163

An amount of €0.3 million (€0.3 million in 2021) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year.

Prepayments received at year-end 2021 were recognised as revenue in 2022.

Other information

Guarantees issued by group companies in relation to building rental were €0.4 million (€0.3 million in 2021) and other €0.1 million (€0.1 million in 2021).

At year-end 2022, Nedap does not have any multi-year financial liabilities that have not been recognised. With the implementation of IFRS 16, all long-term financial liabilities are recognised on the balance sheet.

Nedap has received claims from several parties regarding Nedap's alleged failure to meet contractual obligations. Where necessary, provisions have been made, factoring in compensation that can be claimed under insurance policies. Nedap expects these claims to have limited financial consequences for Nedap.

Related parties

Parties related to Nedap are the Stichting Preferente Aandelen Nedap and the members of the Supervisory Board and the Board of Directors. In the financial year, an amount of €200,000 was transferred to Stichting Preferente Aandelen

Nedap without expecting any returns. There were no other transactions with related parties during the financial year except as presented in the financial statements. Transactions are performed on a commercial basis.

14. Revenue (€ x 1,000)

	2022	2021
Products, systems, and installations	159,576	148,477
Software subscriptions (licences) and services	70,983	58,535
Total	230,559	207,012

Software subscriptions (licences) and services consist mainly of subscriptions and maintenance contracts provided by the Healthcare, Retail, Security Management, and Staffing Solutions business units.

Geographical sales areas	2022	2021
The Netherlands	81,532	71,815
Germany	26,934	26,773
Other Europe	58,227	56,051
North America	34,514	25,110
Other countries	29,352	27,263
Total	230,559	207,012

No customer represents sales in excess of 10% of total revenue.

15. Personnel costs (€ x 1,000)

	2022	2021
Wages and salaries	62,974	57,125
Social security costs	7,866	6,299
Pension costs	2,660	3,800
Insourced staff	13,732	12,389
Other personnel costs	4,815	3,704
Total	92,047	83,317

Social security costs include a subsidy of €-959 (€-1,020 in 2021).

Pension costs include a refund of pension premiums paid amounting to €-1,464. This concerns Nedap's share in the profit from premiums paid for life and disability insurance that has meanwhile expired, less claims made on these policies.

The costs of share-based remuneration, recognised in accordance with IFRS 2, amount to €402 (€394 in 2021) and consist of:

- a 10% purchase discount that is charged to the result for the financial year in full.
- costs of bonus depositary receipts are charged to the profit and loss account over a period of 5 years.
- the fair value (in euros) of bonus and NAPP depositary receipts awarded in the financial year is €53.54 (€51.14 in 2021).
- costs of remuneration that must be invested in depositary receipts in full (€1,354 NAPP; €1,841 in 2021).

Costs for which a purchase discount and bonus depositary receipts are recognised under other personnel costs, while other costs are recognised as wages and salaries. Of these costs, an amount of €185 is related to the 2022 financial year (€198 in 2021).

The part of the remuneration payable under the NAPP and employee participation plan that is settled through the legal entity's equity instruments has been added to the share-based remuneration reserve. For two subsidiaries, it is not possible to deliver this remuneration in the form of depositary receipts.

For these entities, share-based remuneration will be settled using cash and cash equivalents. This liability has been recognised at fair value under Trade liabilities and other payables.

Average number of employees	2022	2021
The Netherlands	754	706
Other Europe	42	38
Asia	35	34
North America	37	34
Total	868	812

Director remuneration (€ x 1,000)

	Basic income	Variable remuneration	Benefits of Employee participation plan	Pension costs	Total
2022					
R. M. Wegman	441	282	48	96	867
D. van der Sluijs	314	200	20	52	586
R. Schuurman	278	175	18	49	520
Total	1,033	657	86	197	1,973
2021					
R. M. Wegman	427	314	53	85	879
D. van der Sluijs	304	222	20	42	588
Totaal	731	536	73	127	1.467

Mr R. Schuurman joined the Board of Directors on 1 January 2022.

The Board of Directors is required to invest at least 50% of their variable remuneration in the Stichting Medewerkerparticipatie Nedap in exchange for Nedap depositary receipts. The depositary receipts are locked up for a period of five years.

The benefits offered by the Employee Participation Plan are the 10% purchase discount on the depositary receipts and entitlement to bonus depositary receipts (after 4 years).

The members of the Board of Directors have used their variable remuneration for the financial year as follows for the purchase of depositary receipts:

	2022	2021
R. M. Wegman	100%	100%
D. van der Sluijs	100%	75%
R. Schuurman	100%	-

Shares and depositary receipts (items x 1)

	Shares and depositary receipts held at year-end	Bonus depositary receipts not yet awarded at year-end
2022		
R. M. Wegman	44,436	3,100
D. van der Sluijs	2,579	645
R. Schuurman	4,864	636
Total	51,879	4,381
2021		
R. M. Wegman	40,753	3,262
D. van der Sluijs	1,088	272
Total	41,841	3,534

Nedap has not granted the Supervisory Board any rights to acquire Nedap depositary receipts.

The company has not granted the Board of Directors or Supervisory Board members any loans or guarantees.

Further details of the remuneration policy are provided in the Corporate Governance chapter of this report.

Supervisory Board remuneration (€ x 1,000)

	2022	2021
P. A. M. van Bommel	47	21
J. M. L. van Engelen	40	40
G. F. Kolff	14	50
M. Pijnenborg	40	40
M. A. Scheltema	40	40
Total	181	191

16. Amortisation (€ x 1,000)

	2022	2021
Development costs	550	736
Software & licences	263	303
Total	813	1,039

17. Depreciation (€ x 1,000)

	2022	2021
Company buildings	1,759	1,556
Machinery and installations	774	796
Other fixed equipment	5,211	4,956
Right-of-use leases	1,111	1,142
Total	8,855	8,450

18. Impairment of assets (€ x 1,000)

	2022	2021
Impairment of assets	-	653

There were no impairments of assets in 2022. In 2021, impairments concerned Nedap Iberia's building held for sale in Spain (€125), tangible fixed assets on account of the phase-out of propositions (Luxon and

SENSIT), and a reassessment of desired products in the Security Management business unit's portfolio of propositions.

19. Other operating costs (€ x 1,000)

Other operating costs includes general, accommodation, indirect manufacturing, and selling costs.

20. Taxation (€ x 1,000)

	2022	2021
Profit before taxation	23,460	22,751
Income tax	4,559	4,841
Deferred income tax	197	-374
Total income tax	4,756	4,467

Reconciliation of effective tax rate:

	2022		2021	
Income tax based on Dutch tax rate	6,053	25.8%	5,688	25.0%
Change in domestic tax rate	-43	-0.2%	-35	-0.2%
Effect of tax rate for non-resident associates	-20	-0.1%	91	0.4%
Non-deductible expenditures	352	1.5%	384	1.7%
Tax incentive schemes	-1,611	-6.8%	-1,659	-7.3%
Rate change for deferred taxation	87	0.4%	-	0.0%
Prior-year adjustment	-62	-0.3%	-2	0.0%
Total	4,756	20.3%	4,467	19.6%

The change in the domestic tax rate is caused by a tax rate of 15.0% on the first €395 of taxable profit (15.0% on the first €245 of taxable profit in 2021).

The net tax rate for associates outside the Netherlands is lower than the nominal rate in the Netherlands, which leads to a 0.1% decrease in the effective tax rate.

Non-deductible expenditures are largely costs relating to share-based remuneration.

Besides a small amount for the Energie/Milieu Investerings Aftrek (EIA/MIA, Energy/Environmental Investment Tax Credit) (€7 (€-13 in 2021)), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime (€-1,604 (€-1,646 in 2021)).

From 2022, deferred tax assets and liabilities are measured at the weighted average rate, factoring in any arrangements under the Innovation Box tax regime. This is based on the fiscal EBIT from 2022, where it used be based on the commercial EBIT, which has resulted in a downward remeasurement of deferred taxation.

Net income tax payable for 2021 has been paid. The difference between income tax paid of €3,983 in the statement of cash flows and the payable amount of €4,756 is made up of advances paid in 2021 and previous years, as well as advances paid in 2022 on the profit expected for the financial year.

In 2020, the Dutch tax authorities communicated their opinion that the current transfer pricing method should also have been applied at Nedap Asia Ltd. in 2014 and 2015. According to the Dutch tax authorities, profits generated in Hong Kong should have largely been taxed in the Netherlands, prompting them to issue revised tax assessments for 2014 and 2015. Nedap has filed an objection to these tax assessments. In both 2021 and 2022, Nedap held talks with the tax authorities on several occasions to discuss this case, while also submitting additional supporting information to them. Despite this additional information and the talks held, the tax authorities stands by their view that the revised tax assessments were

issued rightly. This prompted Nedap in 2022 to submit a formal request to launch a mutual agreement procedure (MAP) between the Netherlands and Hong Kong to assess where taxes are payable.

Nedap is currently awaiting an assessment of this request and a response to it from the tax authorities. Nedap believes that the most likely outcome is that there will be no disbursement of resources from the organisation. Any possible net payments are expected to be limited to interest on overdue tax, as there is a current tax treaty to avoid double taxation between both states and based on the fact that the effective corporate income tax rate in the Netherlands is virtually identical to that used in Hong Kong. These costs, which will amount to between €0.2 million and €0.3 million if the tax authorities turns out to be right, have not been taken into consideration in the results for 2022.

21. Financing liabilities (€ x 1,000)

	2022	2021
Cash and cash equivalents	17,483	29,615
Short-term borrowings including bank overdrafts	-	-
Long-term borrowings	-14,000	-14,000
Lease liabilities	-2,108	-2,421
Net financing position	1,375	13,194
Cash and cash equivalents	17,483	29,615
Fixed-interest borrowings	-	-
Variable-interest borrowings	-14,000	-14,000
Lease liabilities	-2,108	-2,421
Net financing position	1,375	13,194

The long-term loan has a variable rate of interest.

22. Liquidity risk (€ x 1,000)

Contractual term of financial liabilities	< 1 year	>= 1 year and < 2 years	>= 2 years and < 5 years	>= 5 years	Total
Year-end 2022:					
Non-derivatives					
Trade and other payables	32,119	-	-	-	32,119
Lease liabilities	946	725	437	-	2,108
Borrowings	-	-	14,000	-	14,000
Total non-derivatives	33,065	725	14,437	-	48,227
Year-end 2021:					
Non-derivatives					
Trade and other payables	29,163	-	-	-	29,163
Lease liabilities	1,104	709	608	-	2,421
Borrowings	-	-	14,000	-	14,000
Total non-derivatives	30,267	709	14,608	-	45,584

Other information

Research and development costs (€ x 1,000)	2022	2021
Personnel and other operating costs	42,348	37,528
Amortisation	550	736
Capitalised costs	-1,520	-512
Subsidies	-959	-1,020
Total	40,419	36,732

Subsidies relate mainly to tax rebates under the Dutch Research and Development (Promotion) Act (Wbso) on account of R&D activities. Research and development costs mostly relate to maintaining and further developing

current products and services. The remaining costs are for research and development in relation to new products or services. Such development costs are only capitalised if the applicable IAS 38 criteria are met.

Stichting Medewerkerparticipatie Nedap shareholding (items x 1)	2022	2021
Balance as at 1 January	191,919	181,237
Additions during the year	28,486	15,011
Bonus shares received	4,978	3,147
Withdrawn during the year	-31,818	-7,476
Balance as at 31 December	193,565	191,919

Shares purchased over the period from 2019 to 2022 are still locked up. Of the 193,565 shares held, 90,895 are still in the locked-up period. The 90,895 locked-up depositary receipts entitle holders to 15,597 bonus depositary receipts (17,068 in 2021).

In 2022, 4,978 bonus depositary receipts were awarded (3,147 in 2021), 398 contingent bonus depositary receipts expired (275 in 2021), and 3,905 contingent bonus depositary receipts were awarded (3,744 in 2021), resulting in 15,597 potentially awardable bonus depositary receipts at year-end 2022 (17,068 in 2021). Stichting Medewerkerparticipatie holds approx. 2.9% of the total issued share capital.

Profit appropriation (€ x 1,000)	2022	2021
Shareholder profit	18,704	18,284
Addition to (-)/ withdrawal from (+) other reserves	856	1,176
Dividend payable on ordinary shares	19,560	19,460

6.2 Company financial statements

Balance sheet of Nedap N.V. at 31 December (€ x 1,000)

Assets	Note	2022	2021
Fixed assets			
Intangible fixed assets	1	2,839	1,672
Tangible fixed assets	2	39,264	36,852
Financial fixed assets	3	10,687	8,398
		52,790	46,922
Current assets			
Inventories	4	21,727	17,372
Trade and other receivables	5	41,281	33,411
Cash and cash equivalents	6	12,887	28,258
		75,895	79,041
		128,685	125,963

Liabilities	Note	2022	2021
Shareholders' equity	7		
Share capital		669	669
Statutory reserves		1,739	1,316
Other reserves		60,082	60,037
		62,490	62,022
Profit for financial year		18,704	18,284
		81,194	80,306
Your obligations			
Provisions	8	2,807	3,339
Non-current liabilities	9	14,320	14,155
Current liabilities	10	30,364	28,163
Total liabilities		47,491	45,657
		128,685	125,963

Statement of profit or loss of Nedap N.V. (€ x 1,000)

	Note	2022	2021
Revenue	11	212,682	191,008
Cost of materials and outsourced work		-71,235	-59,794
Inventory movements of finished goods and work in progress		2,805	-900
Personnel costs	12	-79,173	-72,732
Amortisation	13	-686	-903
Depreciation	14	-7,778	-7,308
Impairment of assets	15	-	-528
Other operating costs	16	-35,667	-26,940
Operating costs		-191,734	-169,105
Operating profit		20,948	21,903
Financing income		-	7
Financing costs		-278	-258
Net financing costs		-278	-251
Profit before taxation		20,670	21,652
Taxation	17	-4,074	-4,114
Profit for the financial year		16,596	17,538
Profit/loss from participations after taxation		2,108	746
Result attributable to shareholders of Nedap N.V.		18,704	18,284

Accounting policies

Pursuant to Article 362(8), Book 2 of the Dutch Civil Code, use is made of the option to use Title 9 of Book 2 of the Dutch Civil Code for the company financial statements and apply the accounting policies of the consolidated financial statements. This ensures reconciliation of consolidated and separate shareholders' equity.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Please see the notes on the accounting policies for the consolidated financial statements for a description of the accounting policies relating to these standards.

Financial fixed assets include the Nedap group's subsidiaries and participations where significant influence can be exercised over the commercial and financial policy. Subsidiaries are presented as per the net asset value method, using the accounting policies of the consolidated financial statements.

1. Intangible fixed assets (€ x 1,000)

	Capitalised development costs	Software & licences	In progress and prepayments	Total intangible fixed assets
Year-end 2020				
Purchase price	4,334	840	-	5,174
Amortisation including impairments	-2,878	-354	-	-3,232
Book value	1,456	486	-	1,942
Movements in 2021*				
Investment	163	200	349	712
Disposal (on balance)	-	-79	-	-79
Amortisation	-736	-167	-	-903
Net movements	-573	-46	349	-270
Year-end 2021				
Purchase price	4,497	839	349	5,685
Amortisation including impairments	-3,614	-399	-	-4,013
Book value	883	440	349	1,672
Movements in 2022				
Investment	83	97	1,673	1,853
Amortisation	-550	-136	-	-686
Net movements	-467	-39	1,673	1,167
Year-end 2022				
Purchase price	3,904	933	2,022	6,859
Amortisation including impairments	-3,488	-532	-	-4,020
Book value	416	401	2,022	2,839

* In the 2022 reporting year, a development project that was still in progress at year-end 2022 was reclassified as 'in progress' as at year-end 2021. Intangible fixed assets in progress and prepayments includes a €915 investment relating to intangible fixed assets developed in-house.

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other* fixed assets	In progress and pre-payments	Right-of-use leases	Total tangible fixed assets
Year-end 2020						
Purchase price	37,727	20,356	33,103	2,114	1,089	94,389
Depreciation including impairments	-22,117	-16,035	-20,120	-	-440	-58,712
Book value	15,610	4,321	12,983	2,114	649	35,677
Movements in 2021						
Investment	3,208	313	3,134	2,333	187	9,175
Completed assets in progress	-	-	2,114	-2114	-	-
Disposal (on balance)	-	-	-110	-	-54	-164
Depreciation	-1556	-796	-4624	-	-332	-7308
Impairments	-	-	-274	-254	-	-528
Net movements	1,652	-483	240	-35	-199	1,175
Year-end 2021						
Purchase price	40,104	20,246	35,933	2,333	1,055	99,671
Depreciation including impairments	-22,842	-16,408	-22,710	-254	-605	-62,819
Book value	17,262	3,838	13,223	2,079	450	36,852

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other* fixed assets	In progress and pre-payments	Right-of-use leases	Total tangible fixed assets
Movements in 2022						
Investment	2,509	2,247	3,919	1,159	432	10,266
Completed assets in progress	-	-	2,079	-2,079	-	-
Disposal (on balance)	-11	-5	-52	-	-8	-76
Depreciation	-1,759	-774	-4,944	-	-301	-7,778
Impairments	-	-	-	-	-	-
Net movements	739	1,468	1,002	-920	123	2,412
Year-end 2022						
Purchase price	41,871	18,958	39,960	1,159	1,390	103,338
Depreciation including impairments	-23,870	-13,652	-25,735	-	-817	-64,074
Book value	18,001	5,306	14,225	1,159	573	39,264

Tangible fixed assets are insured at new-for-old value.

A right of mortgage on immovable property amounting to €18.9 million (€18.9 million in 2021) has been granted as security for bank debts.

Liabilities entered into at the end of the financial year were €1.8 million (€3.5 million in 2021).

Impairment is explained under 'Impairment of assets'.

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.

3. Financial fixed assets (€ x 1,000)

Participations in group companies	2022	2021
Value as at 1 January	8,398	7,696
Profit	2,108	746
Dividend payment	-	-500
Movement in current account relationships for participations	-	-
Exchange differences	140	442
Sale of participation	-	-
Investment	-	1
Other changes	41	13
Value as at 31 December	10,687	8,398
New borrowings issued to participations	-	-
Repayments of borrowings by participations	-	-
Total value at 31 December	10,687	8,398

No borrowings were issued to participations in group companies at year-end 2022 (€- in 2021).

The dividend payout in 2021 is a payment from Nedap Iberia S.A.U. to Nedap N.V.

4. Inventories (€ x 1,000)

	2022	2021
Raw materials and components	4,063	2,514
Products in progress	220	386
Finished goods (procured and manufactured)	17,444	14,472
Total	21,727	17,372

An amount of €2.5 million (€2.6 million in 2021) of inventories has been remeasured downward to a lower realisable value.

Costs of downward remeasurement, which are recognised in materials and outsourced work, amounted to €0.8 million in 2022 (€0.8 million in 2021).

5. Trade and other receivables (€ x 1,000)

	2022	2021
Trade receivables	27,752	22,102
Receivables from participations	4,115	4,461
Deferred tax assets	211	317
Other receivables and prepayments and accrued income	9,203	6,531
Total	41,281	33,411

Deferred tax assets and liabilities (€ x 1,000)

	Deferred receivables	Deferred liabilities
Balance as at 31 December 2022		
Tangible fixed assets	-	8
Intangible fixed assets	-	306
Anniversary benefits provision	-	1
Inventories	684	160
Other	139	137
Total before offsetting	823	612
Offsetting	-612	-612
Total after offsetting	211	-
Balance as at 31 December 2021 (before offsetting)	988	671
Offsetting	-671	-671
Balance as at 31 December 2021 (after offsetting)	317	-
Withdrawals	-165	-60
Additions	-	1
Balance as at 31 December 2022 (before offsetting)	823	612
Offsetting	-612	-612
Balance as at 31 December 2022 (after offsetting)	211	-

6. Cash and cash equivalents (€ x 1,000)

	2022	2021
Cash	-	1
Banks	12,887	28,257
Total	12,887	28,258

Cash and cash equivalents are available on demand.

7. Shareholders' equity

Please see the consolidated statement of changes in shareholders' equity for the 'statement of changes in shareholders' equity'.

171

8. Provisions (€ x 1,000)

	2022	2021
Employee benefits	1,004	1,122
Guarantee provision	1,803	2,217
Total	2,807	3,339

Employee benefits	2022	2021
Anniversary benefits provision		
Balance at 1 January	1,122	1,079
Withdrawals	-167	-82
Additions	49	125
Balance at 31 December	1,004	1,122

The anniversary benefits provision has a predominantly long-term nature. Please refer to the consolidated financial statements for the assumptions.

172

Guarantee provision	2022	2021
Balance at 1 January	2,217	2,585
Withdrawals	-869	-805
Additions	455	437
Balance at 31 December	1,803	2,217

An amount of €0.9 million (€1.2 million in 2021) of the guarantee provision is of a short-term nature.

9. Non-current liabilities (€ x 1,000)

	2022	2021
Borrowings	14,000	14,000
Deferred tax liabilities	-	-
Lease liabilities	320	155
Total	14,320	14,155

Borrowings

The financing agreement with the bank for the Standby roll-over loan will expire on 1 April 2026. Security has been provided in the form of a right of mortgage (€18.9 million, not including 40% for interest and costs) and

a pledge of fixtures and fittings and trade receivables. The agreement does not contain any covenants. The interest rate is Euribor plus 1.2%

10. Current liabilities (€ x 1,000)

	2022	2021
Bank overdrafts	-	-
Lease liabilities	260	302
Taxation and social security contributions	1,852	1,862
Trade payables and other liabilities and accruals and deferred income	28,252	25,999
Total	30,364	28,163

Bank overdrafts

The maximum overdraft under the facility is €25 million (€25 million in 2021).

Every year, over the period from April to September inclusive, an additional facility of €5 million will be available.

Trade and other payables	2022	2021
Trade payables	14,145	12,368
Liabilities on account of investments	748	615
Prepayments	1,150	1,838
Other liabilities and accruals and deferred income	12,209	11,178
Total	28,252	25,999

An amount of €0.1 million (€0.2 million in 2021) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year.

Other information**Off-balance sheet rights and commitments**

For corporate income tax purposes, Nedap N.V. forms a fiscal entity with Nedap Beveiligingstechniek B.V.

All companies are jointly and severally liable for payment of income tax due. The tax positions are settled between the companies through the current account.

A number of subsidiaries depend on Nedap N.V. continuing to make financing available. Nedap N.V. has, therefore, issued Letters of Support for Nedap Asia Ltd and Nedap Great Britain Ltd., confirming that repayment of the financing will not be claimed and the supply of financing will continue to be guaranteed.

11. Revenue (€ x 1,000)

	2022	2021
Products, systems, and installations	143,292	133,120
Software subscriptions (licences) and services	69,390	57,888
Total	212,682	191,008

Software subscriptions (licences) and services consist mainly of subscriptions and maintenance contracts for Health-care, Retail, Security Management, and Staffing Solutions.

Geographical sales areas	2022	2021
The Netherlands	80,209	70,406
Germany	26,565	26,368
Other Europe	54,536	52,359
North America	30,017	21,471
Other countries	21,355	20,404
Total	212,682	191,008

No customer represents sales in excess of 10% of total revenue.

12. Personnel costs (€ x 1,000)

	2022	2021
Wages and salaries	53,461	49,140
Social security costs	6,434	5,300
Pension costs	2,500	3,656
Recharged to subsidiaries	-462	-450
Insourced staff	12,822	11,837
Other personnel costs	4,418	3,249
Total	79,173	72,732

Pension costs include a refund of pension premiums paid amounting to €-1,464. This concerns Nedap's share in the profit from premiums paid for life and disability insurance that has meanwhile expired, less claims made on these policies.

Average number of employees	2022	2021
The Netherlands	748	700
Other Europe	7	7
Total	755	707

13. Amortisation (€ x 1,000)

	2022	2021
Development costs	550	736
Software & licences	136	167
Total	686	903

14. Depreciation (€ x 1,000)

	2022	2021
Company buildings	1,759	1,556
Machinery and installations	774	796
Other fixed equipment	4,944	4,624
Right-of-use leases	301	332
Total	7,778	7,308

15. Impairment of assets (€ x 1,000)

	2022	2021
Impairment of assets	-	528

The impairment of assets relates to impairment costs of tangible fixed assets.

16. Other operating costs (€ x 1,000)

Other operating costs includes general, accommodation, indirect manufacturing, and selling costs.

17. Taxation (€ x 1,000)

	2022		2021	
Profit before taxation, excluding associates	20,670		21,652	
Income tax	3,969		4,450	
Deferred income tax	105		-336	
Total income tax	4,074		4,114	
Reconciliation of effective tax rate				
	2022		2021	
Income tax based on Dutch tax rate	5,333	25.8%	5,413	25.0%
Change in domestic tax rate	-43	-0.2%	-35	-0.2%
Effect of tax rate for foreign branch	18	0.1%	13	0.1%
Non-deductible expenditures	352	1.7%	384	1.8%
Tax incentive schemes	-1,611	-7.8%	-1,659	-7.7%
Rate change for deferred taxation	87	0.4%	-	0.0%
Prior-year adjustment	-62	-0.3%	-2	0.0%
Total	4,074	19.7%	4,114	19.0%

The change in the domestic tax rate is caused by a tax rate of 15.0% on the first €395 of taxable profit (15.0% on the first €245 of taxable profit in 2021). The net tax rate for the branch outside the Netherlands is higher than the nominal rate in the Netherlands, which leads to an increase in the effective tax rate of 0.1%.

Non-deductible expenditures are largely costs relating to share-based remuneration. Besides a small amount for the Energie/Milieu Investerings Aftrek (EIA/MIA, Energy/Environmental Investment Tax Credit) (€-7 (€-13 in 2021)), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime (€-1,604 (€-1,646 in 2021)).

Other information

Research and development costs (€ x 1,000)

	2022	2021
Personnel and other operating costs	42,348	37,528
Amortisation	550	736
Capitalised costs	-1,520	-512
Subsidies	-959	-1,020
Total	40,419	36,732

Subsidies relate mainly to tax rebates under the Dutch Research and Development (Promotion) Act (Wbso) on account of R&D activities.

Research and development costs mostly relate to maintaining and further developing current products and services. The remaining costs are for research and development in relation to new products or services.

Such development costs are only capitalised if the applicable IAS 38 criteria are met.

Stichting Medewerkerparticipatie Nedap shareholding (items x 1)

	2022	2021
Balance as at 1 January	191,919	181,237
Additions during the year	28,486	15,011
Bonus shares received	4,978	3,147
Withdrawn during the year	-31,818	-7,476
Balance as at 31 December	193,565	191,919

Shares purchased over the period from 2019 to 2022 are still locked up. Of the 193,565 shares held, 90,895 are still in the locked-up period. The 90,895 locked-up depositary receipts entitle holders to 15,597 bonus depositary receipts (17,068 in 2021). In 2022, 4,978 bonus depositary receipts were awarded (3,147 in 2021), 398 contingent bonus depositary receipts expired (275 in 2021), and 3,905 contingent bonus depositary receipts were awarded (3,744 in 2021), resulting in 15,597 potentially awardable bonus depositary receipts at year-end 2022 (17,068 in 2021). Stichting Medewerkerparticipatie holds approx. 2.9% of the total issued share capital.

Profit appropriation (€ x 1,000)

	2022	2021
Shareholder profit	18,704	18,284
Addition to (-)/ withdrawal from (+) other reserves	856	1,176
Dividend payable on ordinary shares	19,560	19,460

Independent external audit fees (€ x 1,000)

This item relates to the total fee for services provided by PricewaterhouseCoopers Accountants N.V.

	2022	2021
Audit of financial statements	271	262
Audit of related contracts	-	-
Taxation	-	-
Other non-auditing services	-	-
Total	271	262

Groenlo, the Netherlands,
22 February 2023

Board of Directors

Mr R. M. Wegman, CEO
Ms D. van der Sluijs RC, CFO
Mr R. Schuurman, CCO

The Supervisory Board

Mr P. A. M. van Bommel, chairman
Mr J. M. L. van Engelen, vice-chairman
Mr M. Pijnenborg
Ms M. A. Scheltema

6.3 Audit certificate issued by the independent auditor

To: the general meeting and the Supervisory Board of Nedap N.V.

Statement on the 2022 financial statements Our opinion

In our opinion:

- the consolidated financial statements of Nedap N.V. and its subsidiaries ('the group') provide a faithful representation of the size and composition of the group's equity at 31 December 2022 and of the profit and cash flows for 2022, in accordance with the International Financial Reporting Standards as adopted in the European Union (EU-IFRS) and with Title 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Nedap N.V. ('the company') provide a faithful representation of the size and composition of the company's equity at 31 December 2022 and of the profit for 2022 in accordance with Title 9 of Book 2 of the Dutch Civil Code.

What we audited

We have audited the 2022 financial statements of Nedap N.V. in Groenlo. The financial statements comprise the consolidated financial

statements of the group and the company financial statements.

The consolidated financial statements are made up of:

- the consolidated balance sheet as at 31 December 2022;
- the following statements for 2022: the consolidated statement of profit or loss, the consolidated statement of total comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows; and
- with a summary of primary accounting principles and other explanatory notes.

The company financial statements are made up of:

- the balance sheet of Nedap N.V. at 31 December 2022;
- the statement of profit or loss of Nedap N.V. for 2022; and
- with a summary of accounting principles used for financial reporting and other explanatory notes.

The financial reporting system used in preparing the consolidated financial statements is EU-IFRS and the relevant provisions from Title 9 of Book 2

of the Dutch Civil Code, and the system used in preparing the company financial statements is Title 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We have performed our audit in accordance with Dutch law, including Dutch auditing standards. Our responsibilities under these laws and standards are described in the 'Our financial statements audit responsibilities' section.

We are of the opinion that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinion.

Independence

We are independent of Nedap N.V., as required by the European regulation regarding specific requirements for statutory audits of the financial statements of public interest entities, the Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*, Wta), the Regulation regarding the Independence of Accountants in the case of Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten*, ViO) and other independence rules under Dutch law relevant to the engagement. We have furthermore

complied with the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants* (VGBA)).

Our audit approach

We have determined our audit activities in relation to the key points, fraud, and going concern, and the associated matters, in the context of the audit of the financial statements as a whole and in forming our opinion on the financial statements as a whole. The information supporting our opinion, such as our findings and observations with respect to individual key points, the fraud risk audit approach, and the going concern audit approach, must be considered in that context and not as separate opinions or conclusions.

Summary and context

Nedap N.V. is a company that develops, manufactures, or has third parties manufacture, and markets technologically innovative products and services. Nedap's development activities are primarily based at its headquarters in Groenlo, in what are known as business units. In all, the group has nine international sites that provide sales support for its products and solutions. A significant part of the product manufacturing operations have been outsourced to specialist

partners. There is little remaining product manufacturing at Nedap's proprietary production site in Groenlo.

As the group is made up of several group companies, we have carefully considered the scope and approach of the group audit as specified in the section entitled 'The scope of our group audit'. In our audit, we focused specifically on the primary site in Groenlo because it represents individual financial significance. We also performed specific work for the site in the United States (Nedap Inc.).

In designing our audit approach, we set the level of materiality and identified and estimated the risk of the financial statements containing material misstatements. Special attention was paid to those areas where the Board of Directors has made important estimates, such as significant estimates where assumptions are made about future events that are inherently uncertain. In doing so, our focus was partly on the assumptions made in respect of the physical and transition risks caused by climate change.

In the accounting policies used for the financial statements, the company explains the estimated items and main underlying assumptions. We have, therefore, designated capitalisation of

developments costs as a key point for our audit, as detailed in the 'The key points of our audit' section. This relates primarily to the extent of the research and development costs incurred by the business units in developing new propositions and the uncertainty with respect to future economic benefits generated by these propositions.

We have furthermore designated the audit of revenue recognition as a key point of our audit. The diversity in terms of revenue streams, combined with the largely informal nature of internal auditing of these streams, has led us to devote particular attention to auditing revenue recognised in the financial statements. This key point is also detailed in the 'The key points of our audit' section.

In all our audits, we focus on the risk of material misstatements caused by fraud in the form of the Board of Directors breaching internal control measures, which includes assessing estimates for possible tendencies. Further focus points in our audit that we did not designate as key points included the collectability of trade and other receivables, measurement of inventories, the audit of deferred and other tax positions, and the recognition of share-based remuneration.

Nedap N.V. has assessed the potential impact of climate change on its financial position. In section 1.4 'Our sustainable impact' of the annual report, the entity provides further explanation of the impact of climate change. We have discussed the assessment of climate-related risks with the Board of Directors, and evaluated the potential impact on the financial position including the underlying assumptions and estimates.

The potential impact of climate change does not lead to a key point for our audit.

We have made sure that the audit teams, both at group level and at the level of the various group companies, possessed sufficient specialist knowledge and expertise to be able to audit a company that generates revenue through the development and sale of technologically innovative products and services. We also

added to our team and consulted specialists and experts in the areas of IT audit, taxes, sustainability reporting, and share-based remuneration.

In general terms, our audit approach was as follows:



Materiality

- Materiality: €1,300,000.

Audit scope

- The group audit focused mainly on Nedap N.V. (company financial statements). All the financial information of this group company was audited.
- In addition, Nedap Inc. was included in the scope of the group audit with a view to achieving adequate coverage for the audit of individual items of the consolidated financial statements.
- Audit coverage: 91% of consolidated revenue, 86% of the consolidated balance sheet total, and 93% of the result before taxation.

Key points

- Capitalisation of development costs
- Audit of revenue recognition

Materiality

The scope of our audit is influenced by the application of materiality. The concept ‘material’ is explained in the ‘Our financial statements audit responsibilities’ section.

Based on our professional judgement, we determine the quantitative boundaries for materiality, including materiality for the financial statements as a whole, as set forth in the table below. These boundaries, as well as the qualitative considerations in this respect, help us determine the nature, timing and scope of our

audit activities for the individual items of and notes to the financial statements and to evaluate the effect of identified misstatements, both individual misstatements and all misstatements jointly, both on the financial statements as a whole and on our opinion.

We also factor in misstatements and/or possible misstatements that we think can be of a material nature for qualitative reasons.

We have agreed with the Supervisory Board to report any misstatements revealed by our

audit that involve an amount of over €65,000 (€55,000 in 2021) and reclassifications of over €150,000 to the board, as well as minor misstatement that we consider to be relevant for qualitative reasons.

Materiality for the group

€1,300,000 (€1,135,000 in 2021).

How materiality has been set

We determine the level of materiality based on our professional judgement. As a basis in arriving at an opinion on materiality, we use 5% of the expected result before taxation. The materiality used was ultimately 5.5% of the reported result before taxation. We still consider the initially estimated materiality suitable as a basis for our audit and our opinion based on the audit.

Considerations in choosing the benchmark

We use the result before taxation as the primary, generally accepted, benchmark based on our analysis of the common information needs of

users of the financial statements. Consequently, we are of the opinion that the result before taxation is a key figure in the company’s financial performance.

Materiality for group companies

In our group audit, we only identified Nedap N.V. (company financial statements) as financially significant on its own. The other group companies were not deemed to be financially significant on their own, meaning that no separate materiality has been attributed to these group companies. The level of materiality we attributed to Nedap N.V. (company financial statements) was €1,280,000.

The scope of our group audit

Nedap N.V. is the parent company in a group of entities. This group's financial information is captured in the consolidated financial statements of Nedap N.V.

We have determined the scope of our audit to ensure that our audit activities are sufficient to be able to form an opinion on the financial statements as a whole. In doing so, we considered, among other things, the group's management structure, the nature of the operations of the various business units, the business processes and internal controls, and the industry in which the company operates. Based on these considerations, we determined the nature and scope of the work to perform for the business units by the group team and the respective business units' auditors.

The group audit focused mainly on the significant company Nedap N.V. (company financial statements). This group company's financial information was audited in full because it is of a significant financial size on its own. In addition, Nedap Inc. was included in the scope of the group audit with a view to achieving adequate coverage for the audit of individual items of the consolidated financial statements.

In total, our audit activities achieved the following coverage of the following items in the financial statements:

Revenue	91%
Balance sheet total	86%
Result before taxation	93%

Of the group companies that were not in scope for this audit, none represent more than 5% of the consolidated revenue or the consolidated balance sheet total. We have audited the financial information of these remaining group companies at group level by performing, for example, analytical procedures to confirm our assessment that these group companies do not present significant risk of material misstatements.

At the Nedap N.V. group company (company financial statements), we, as the group team, performed the audit activities ourselves. We engaged other auditors for specific work at the Nedap Inc group company.

We directed Nedap Inc.'s local auditor in the United States through instructions to perform specifically agreed audit activities with respect to cash and cash equivalents, accounts receivable, inventories, accruals and deferred income, provisions, revenue, fraud risks,

and shareholders' equity to obtain sufficient coverage for the audit of these individual items of Nedap N.V.'s consolidated financial statements. We had various meetings with the local auditor to evaluate the adequacy and execution of their audit approach.

The group team audited the consolidation of the group, notes to the financial statements, and a number of complex aspects such as capitalised development costs, deferred and other tax positions and recognition of share-based pay.

The aforementioned work at the various (group) companies, combined with supplementary work at group level, gave us sufficient and appropriate audit evidence relating to the group's financial information as a basis for our opinion on the financial statements.

Fraud risk audit approach

We identified and estimated the risks of material misstatement in the financial statements as a result of fraud. During our audit, we gained insight into Nedap N.V. and its environment, the components of the internal control system, including the risk estimation process and how the Board of Directors addresses fraud risks and monitors the internal control system,

and how the Supervisory Board conducts its supervision, as well as the outcome thereof. We refer to the Board of Directors' description of the Nedap Risk Management Framework and the informal risk analysis system in section 4.1 'Risk management' of the annual report, and to the Supervisory Board's reflections on the Nedap Risk Management Framework in chapter 5 'Report of the Supervisory Board'.

With respect to the risk of material misstatements caused by fraud, we evaluated the set-up and implementation of internal controls, including fraud as an element of the Nedap Risk Management Framework, the code of conduct, the whistle-blower policy, and, to the extent we deemed it necessary for our audit, tested the effectiveness of these internal controls.

We asked the members of the Board of Directors, the internal audit function, legal affairs, and the Supervisory Board whether they are aware of any actual, alleged, or suspected cases of fraud. These enquiries did not afford any signs of actual, alleged, or suspected cases of fraud that may lead to material misstatements.

As part of our process for the identification of risks of material misstatement in the financial statements caused by fraud, we have, in collaboration with our forensic specialists, considered fraud risk factors relating to fraudulent financial reporting, unlawful appropriation of assets, and bribery and corruption. We evaluated whether these factors constitute an indication of the existence of the risk of material misstatement due to fraud. We have identified the following fraud risks and performed the following specific activities in this respect:

Fraud risks identified

The risk of the Board of Directors breaching internal controls.

Our audits focused on the risk of the Board of Directors breaching internal control measures, including risks of possible material misstatement as a result of fraud in estimates based on an analysis of possible interests of the Board of Directors.

The Board of Directors receives bonuses based partly on the company's performance on several financial targets set by the Supervisory Board. Aside from that, the Board of Directors is in a position to influence estimates. In this respect, we focused specifically on capitalised development costs, given the element of estimation in this item.

Our audit activities and observations

Where relevant to our audit, we evaluated the organisation of internal control measures intended to mitigate the risk of breaches of internal controls in processes for the generation and recognition of journal items and the making of estimates. We focused specifically on access security in the IT system and the possibility of it leading to a breach of the segregation of duties.

We selected journal items based on risk criteria and performed specific audit activities for these items, whereby we also sought to identify significant transactions outside the company's normal operations.

Furthermore, we conducted specific audit activities with respect to key estimates made by the Board of Directors, including those made for the capitalisation of development costs. Please refer to the 'Key points' section for further details. We looked in particular at the inherent risk of bias in the Board of Directors' estimates.

Our activities did not reveal any material misstatements in the information provided by the management in the financial statements and the Directors' Report, compared to the actual financial statements.

Our activities did not yield specific indications of fraud or suspicions of fraud in the form of the Board of Directors breaching internal controls.

Fraud risks identified

The risk of fraudulent financial reporting due to recognition of fictitious revenue.

This risk relates to the existence of revenue. The Board of Directors has been set revenue and profit growth targets, as explained in section 5.2 ‘2022 remuneration report’ of the annual report. These targets could lead to pressure on the Board by recognising fictitious revenue.

Audit activities and observations

Where relevant to our audit, we evaluated the organisation of internal controls with respect to revenue recognition and in the processes for the generation and recognition of revenue-related journal items.

We performed specific activities to verify the revenue recognised. Based on partial observations, we tested the performance delivered and transaction prices underlying revenue transactions by looking at the underlying sales contracts, delivery documents, sales invoices, and funds received.

Using data analysis, we identified unusual revenue entries in the financial year and confirmed through data-based activities that these entries are indeed based on actual deliveries in the financial year in question.

Our activities did not reveal any material misstatements in the information provided by the management in the financial statements and the Directors’ Report, compared to the actual financial statements.

Our activities did not yield specific indications of fraud or suspicions of fraud with respect to the demarcation and existence of revenue recognition.

We built an element of unpredictability into our audit. We also examined the lawyers' letters and correspondence with industry regulators, and we remained alert to signs of fraud. We also assessed the results of other audit activities and considered whether there are any findings that point to fraud or non-compliance with laws and regulations. If such indications existed, we re-evaluated the fraud risk and its impact on our audit activities.

Going concern audit approach

As explained in section 4.5 'Directors' statement' of the annual report, the Board of Directors performed its going concern assessment for at least twelve months from the date that the financial statements were prepared, not identifying any events or circumstances that could give rise to reasonable doubt as to the entity's ability to maintain its going concern status (hereinafter: going concern risks).

Our activities to audit the Board of Directors' going concern assessment include the following:

- considering whether the Board of Directors' going concern assessment encompasses all relevant information, including the impact of possible consequences of significant supply chain disruptions, which we know about as a result of our audit, questioning the Board of Directors about the main assumptions and principles, and verifying whether the Board of Directors has identified events or circumstances that may give rise to serious doubt as to the entity's ability to maintain its going concern status (hereinafter: going concern risks);
- analysing the financial position as at the end of the current financial year compared to the end of the previous financial year to identify potential indicators of going concern risks;
- evaluating the estimated operating results and the related cash flows compared to last year, developments in the industry and our knowledge obtained through the audit;
- making enquiries with the Board of Directors regarding their knowledge of going concern risks after the period of the going concern analysis performed by the Board of Directors.

Our audit activities did not yield any information that contradicts the Board of Directors' going concern assumption.

Key points of our audit

In the key points of our audit, we describe matters that, in our professional opinion, were the most important in our audit of the financial statements. We briefed the Supervisory Board on the key points. The key points do not constitute a comprehensive reflection of all risks and points that we identified and discussed during our audit. We have detailed the key points in this section, along with a summary of the work we performed in relation to each key point.

We designed our audit activities in relation to these key points in the context of the financial statements audit as a whole. Our findings and observations on individual key points must be considered in that context, and not as separate opinions on these key points or specific elements of the financial statements.

The 'Capitalisation of development costs' and 'Audit of revenue recognition' key points are inherent to the nature of the company. The key points did not change compared to the previous year. The development of the business, the company's performance, and our audit of the financial statements do not give grounds for additional key points.

Key points

Capitalisation of development costs

Details of the intangible fixed assets are included in note 1 to the financial statements.

Research and development for new propositions is part of Nedap N.V.'s core business. Costs incurred for research are charged directly to the profit/loss. The development costs for propositions that have been confirmed to be technically feasible and that have sufficient market potential are administered for each proposition separately.

Based on the internally defined capitalisation criteria, which comply with IAS 38, a decision is made for each individual proposition whether the development costs can be capitalised as intangible fixed assets. If the costs do not comply with the capitalisation criteria, they are charged directly to the profit/loss.

At year-end 2022, the capitalised development costs totalled €1.7 million (€1.2 million at 31 December 2021).

In the statement of profit or loss, an amount of €40 million (€37 million in 2021) in research and development costs has been charged to the profit/loss. As detailed in the 'Other information' section of the consolidated financial statements, these costs relate mainly to maintenance, upgrades, and further development of existing propositions in Nedap's case, and to a lesser degree to actual new proposition research and development.

The difference between developing a new proposition and further developing and/or performing maintenance on an existing proposition cannot always be established factually. Furthermore, it is uncertain whether propositions will actually deliver economic benefits in the future. Given these aspects, as well as the material amounts involved in research and development, we have designated the capitalisation of development costs as a key point. Our audit is primarily of a data-driven nature.

Our audit activities and observations

We tested the management's estimate of the capitalisation of development costs based on the capitalisation criteria from IAS 38, interviews with the employees and managers involved, meeting minutes, and public sources. We also examined internal research and development cost administration and control processes. Given that the internal controls at transaction level are not always laid down formally and/or visibly, we checked the records at proposition level in a data-driven way and for each business unit separately.

We verified the accuracy of the development costs that were capitalised by checking the current principles for capitalisation, including the assessment of the principles and assumptions regarding the technical feasibility of the propositions and the management's analysis of the future economic benefits.

With respect to the completeness of the capitalised development costs, we selected various propositions based on partial observations and size and established based on interviews, project plans, progress reports, and other documentation whether the principles based on which the decision was made not to capitalise these propositions and development costs comply with the criteria of IAS 38.

Based on our critical judgement of the explanatory notes and justifications for each proposition, we can accept the development costs capitalised by the management.

Key points

Audit of revenue recognition

Details of the revenue are included in note 14 to the financial statements.

The revenue of Nedap N.V. is generated through several types of contract with elements of product delivery, service provision (consisting of subscriptions, maintenance contracts and licences) and combinations thereof, all of which have a separate transaction price. The agreed performance obligations have a potential impact on when to recognise the revenue generated, as per the requirements of IFRS 15.

In the organisational culture of Nedap N.V., informal checks and balances, such as the Board of Directors' and the management's close involvement, are key elements of the governance and internal control systems.

Internal checks at transaction level are not always formally or visibly recorded as such.

The diversity of business units, types of contracts, and relatively informal internal control have led to us focusing a significant part of our efforts on verifying the accuracy and completeness of the revenue recognised in the financial statements. Our audit is primarily of a data-driven nature.

Our audit activities and observations

We checked the accuracy of the revenue streams through our own detailed observations in the form of checks (based on partial observations) of revenues recognised in the general ledger against performance obligations and transaction prices in the underlying sales contracts, delivery documents, sales invoices, and funds received.

As far as the completeness of revenue obtained from the supply of products is concerned, we have checked the expected connections between sales, procurement, production and inventory movements through analytical procedures and partial observations of underlying procurement and sales transactions. In verifying such connections, we also attended stocktaking.

We audited the completeness of revenue generated through services, depending on the nature, by looking at the monthly registers and registers of licences generated. The completeness of these registers was checked by comparing them to the databases of actually provided services and contracts signed. Finally, we performed data-driven analyses of the credit notes both during and after the financial year.

We did not find any material misstatements.

Statement on other information included in the annual report

The annual report also contains other information, which extends to all information in the annual report other than the financial statements and our audit certificate.

Based on our work as outlined below, we are of the opinion that the other information:

- is consistent with the financial statements and contains no material misstatements
- contains all information required by Title 9 of Book 2 of the Dutch Civil Code for the directors' report and the other information and required by Articles 2:135b and 2:145(2) of the Dutch Civil Code for the remuneration report.

We have read the other information and assessed, based on our knowledge and understanding, obtained from our audit of the financial statements or otherwise, whether the other information contains material misstatements.

Through our work in this respect, we have complied with the requirements of Title 9 of Book 2, Article 2:135b(7) of the Dutch Civil Code and Dutch Accounting Standard 720. This work is

not equally in-depth as our audit work on the financial statements.

It is the Board of Directors' responsibility to compile the other information, including the Directors' Report and other information as specified in Title 9 of Book 2 of the Dutch Civil Code. The Board of Directors and the Supervisory Board are responsible for preparing and publishing the remuneration report as specified in Articles 2:135b and 2:145(2) of the Dutch Civil Code.

Statement regarding other legal and regulatory requirements and ESEF

Our appointment

On 12 April 2022, we were reappointed by the Supervisory Board as the external auditor of Nedap N.V. for a period of three years up to and including the 2024 financial year as per a resolution by the annual general meeting. We have now been the company's auditor for a period of 7 consecutive years.

European Single Electronic Format (ESEF)

Nedap N.V. has prepared the annual report in the European Single Electronic Format. The requirements for this format are laid down in the Delegated Regulation (EU) 2019/815 with

regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS for the ESEF). In our opinion, the annual report prepared in XHTML format, containing partially tagged consolidated financial statements, as included in the reporting pack by Nedap N.V., complies with the RTS for the ESEF in all material aspects.

The Board of Directors is responsible for preparation of the annual report, including the financial statements, in compliance with the RTS for ESEF, whereby the Board of Directors brings the various parts together in a single reporting pack. It is our responsibility to obtain a reasonable level of certainty for our opinion that the annual report in this reporting pack complies with the RTS for the ESEF.

We conducted our audit in compliance with Dutch law, including the Dutch standard 3950N for assurance engagements on the meeting of the criteria for the drawing up of a digital accountability document.

Our audit included:

- Gaining insight into the entity's financial reporting process, including preparation of the reporting pack.

- Identifying and assessing the risk of the financial statements not complying with the RTS for EFES in all material aspects and designing and executing further assurance activities in response to such risk as a basis for our opinion, including:
 - obtaining the reporting pack and conducting validations to confirm whether the reporting pack, which includes the Inline XBRL instance document and the XBRL extension taxonomy files, has been compiled in compliance with the technical specifications as specified in the RTS for the ESEF;
 - inspecting information relating to the consolidated financial statements in the reporting pack to confirm whether all required tags have been applied and whether these are in compliance with the RTS for the EFES.

No prohibited services

To the best of our knowledge and in our firm belief, we have not provided prohibited services as defined in Article 5, paragraph 1 of the European regulation regarding specific requirements for statutory audits of financial statements of public interest entities.

Services provided

We have not provided the company and its subsidiaries with non-auditing services alongside the audit of the financial statements in the period covered by our statutory audit.

Responsibilities relating to the financial statements and audit Board of Directors and Supervisory Board responsibilities for financial statements

The Board of Directors is responsible for:

- preparing and presenting a faithful representation of the financial statements, in accordance with EU-IFRS and Title 9 of Book 2 of the Dutch Civil Code, as well as for
- ensuring such internal control as it deems necessary in order to allow the preparation of the financial statements without material misstatement resulting from fraud or errors.

In preparing the financial statements, the Board of Directors is required to consider whether the company is able to continue its operations as a going concern. Based on the aforementioned reporting systems, the Board of Directors is required to prepare the financial statements based on the going concern assumption, unless the Board of Directors intends to wind up the company or to terminate business operations,

or when termination is the only realistic alternative. In the financial statements, the Board of Directors must provide notes to events and circumstances that could lead to serious doubts about whether the company can continue its operations.

The Supervisory Board is responsible for supervising the financial reporting process at the company.

Our financial statements audit responsibilities

Our responsibility consists of planning and executing an audit engagement in such a way that we obtain sufficient and appropriate audit evidence to justify the opinion we are asked to issue.

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole contain material misstatements as a result of fraud or errors and to issue an audit certificate specifying our opinion. Reasonable assurance is a high level of, albeit not absolute, assurance, and we may therefore not have identified all material misstatements in our audit.

Misstatements can arise as a result of fraud or errors and are considered material if they

can in all reasonableness be expected to influence, either separately or collectively, economic decisions that users make based on these financial statements. The materiality of misstatements affects the nature, timing and scope of our audit, and the evaluation of the effect of identified misstatements on our opinion.

For a more detailed description of our responsibilities, please refer to the appendix to our audit certificate.

Amsterdam, 22 February 2023
PricewaterhouseCoopers Accountants N.V.

Mr R. P. R. Jagbandhan RA

Appendix to our audit certificate for the 2022 financial statements of Nedap N.V.

In addition to statements in our audit certificate, this appendix provides further details on our responsibilities in auditing financial statements, while also explaining what an audit entails.

The auditor's responsibilities for the audit of the financial statements

We have performed this audit in a professional and critical manner, using our professional judgement, wherever relevant, in line with Dutch auditing standards, ethical principles and independence requirements. Our audit included:

- Identifying and assessing the risk of the financial statements containing material misstatements due to errors or fraud, designing and executing audit activities in response to such risk, and acquiring audit evidence that is sufficient and appropriate as a basis for our opinion. Material misstatements are more likely to go unnoticed in the case of fraud than in the case of errors. Fraud may be a case of collusion, forgery of documents, intentionally omitting to record transactions, intentionally misrepresenting matters, or breaching internal controls.
- Obtaining insight into the internal controls that are relevant for the audit, with a view

to selecting audit activities that are consistent with the circumstances. These activities are not intended to produce a judgement on the effectiveness of the company's internal controls.

- Evaluating the appropriateness of accounting policies used for financial reporting, and evaluating the reasonableness of estimations made by the Board of Directors and associated notes in the financial statements.
- Assessing whether or not the going concern assumption used by the Board of Directors is acceptable. Also, to establish, based on audit evidence obtained, whether there are events and circumstances that could lead to reasonable doubt about whether the company could continue its operations as a going concern. If we were to conclude that there is material uncertainty in this respect, we would be required to draw attention to the relevant related notes to the financial statements in our audit certificate. If such notes were to be found to be inadequate, we would have to adjust our audit certificate. Our conclusions are based on audit evidence obtained up to the date of our audit certificate. Future events or circumstances may, however, lead to a company becoming unable to maintain itself as a going concern.

- Evaluating the presentation, structure and contents of the financial statements and notes thereto, and evaluating whether the financial statements provide a faithful representation of the underlying transactions and events.

Given our ultimate responsibility for the opinion, we are responsible for the management, supervision and execution of the group audit. In this respect, we have determined the nature and scope of the work to perform for the business units, with a view to ensuring our audit activities would be sufficient to be able to form an opinion on the financial statements as a whole. The group's geographical structure, the size and/or risk profile of the various group companies or activities, business processes and internal control measures, and the industry in which the group operates are all decisive factors in designing our audit scope and activities. Based on this assessment, we have selected the group companies where an audit or evaluation of their financial information or specific items was required.

We liaised with the Supervisory Board on things such as the planned scope and timing of the audit, as well as significant findings from our audit, including possible significant shortcomings

in internal controls. In this context, we also issue a statement to the audit committee based on Article 11 of the European regulation regarding specific requirements for statutory audits of financial statements of public interest entities. The information provided in this supplementary statement is consistent with our opinion in this audit certificate.

We confirmed to the Supervisory Board that we have complied with the relevant ethical principles on independence. We also disclosed to them any relations and other matters that could reasonably be considered to affect our independence, and discussed measures taken in this respect to eliminate the threats identified and guarantee our independence.

We selected the key points of our audit of the financial statements from all matters discussed with the Supervisory Board. These matters are listed in our audit certificate, unless this is prohibited by law or regulations, or not possible in highly rare cases where non-disclosure is in the best interest of society.

6.4 Articles of association provision regarding profit appropriation in accordance with Article 43

Paragraph 1

Every year, the Board of Directors decides, with the Supervisory Board's prior approval, how much of the profit - the positive balance of the statement of profit or loss - will be transferred to the reserves.

Paragraph 2

From the profit after transfer to reserves as per article 43.1, dividend is paid on preference shares at a rate that equals the sum of the weighted averages of the European Central Bank's deposit rate - weighted based on the number of days for which payment is awarded - plus three per cent (3%). The dividend on preference shares is calculated on the paid-up part of the nominal amount. If in any one year the profit is not sufficient to pay the dividend on preference shares as specified in the first sentence of this paragraph, as much of the deficit as possible will be charged to the freely distributable part of the shareholders' equity.

Paragraph 3

The remaining amount will be paid as dividend on ordinary shares.

Paragraph 5

In case of a loss in any one year, no dividend will be paid for that year. Also in subsequent years, dividend can be paid only after the loss has been made up by a profit.

The annual general meeting can, however, following a proposal to that effect by the Board of Directors, with prior permission from the Supervisory Board, decide to offset such a loss against the distributable part of the shareholders' equity.

6.5 Companies and management

At 22 February 2023

Head office

Nedap N.V. | Mr R. M. Wegman (1966)
Ms D. van der Sluijs RC (1972)
Mr R. Schuurman (1969)

Parallelweg 2
7141 DC Groenlo
Netherlands

Business units

Healthcare | Mr P. A. van Soolingen (1981)
Identification Systems | Mr J. B. F. van der Willik (1983)
Light Controls | Mr J. Somsen (1964)
Livestock Management | MSc M. H. J. Idink (1982)
Retail | Mr O. F. J. van den Broek (1984)
Security Management | Ms S. P. Adriaanse (1984)
Staffing Solutions | Mr R. Schuurman (1969) acting

Asia

Nedap Asia Ltd. | Mr G. H. M. Derksen (1990)
Austin Plaza 15F, Units 3-5
No. 83, Austin Road
Kowloon
Hong Kong

Nedap China Ltd. | Mr G. H. M. Derksen (1990)
Room 2306, Raffles City
Office Tower 2
No. 1189, Changning Road
200051 Shanghai
China

Europe

Nedap België | Mr K. J. van de Groep (1982)
Maria-Theresialaan 2.0.1
1800 Vilvoorde
Belgium

Nedap Beveiligingstechniek B.V. | E. Groeskamp (1961)
Groenekanseweg 24A
3737 AG Groenekan
Netherlands

Nedap Deutschland GmbH | Mr I. A. C. van Balveren (1967)
Mies van der Rohe Business Park,
Girmesgath 5,
Gebäude B1, 3.OG
47803 Krefeld
Germany

Nedap Great Britain Ltd. | E. Groeskamp (1961)
1230 Arlington Business Park
Theale, Reading
United Kingdom

Nedap Iberia S.A.U. | Mr T. Elferink (1983)
Paseo de la Castellana 43
28046 Madrid
Spain

Nedap Polska Sp. z o.o. | Mr M. J. Bomers (1982)
Aleja Niepodległości 18
02-653 Warszawa
Poland

Middle East

Nedap FZE | Mr J. H. W. van Ruijven (1983)
Dubai Digital Park, Office 402,
Building A4
P.O. Box 341213 Dubai
Silicon Oasis
United Arab Emirates

North America

Nedap Inc. | MSc G. B. P. Gozdek (1979)
 25 Corporate Drive
 Suite 101
 Burlington, MA 01803
 USA

Branches

Public limited company Nedap N.V.,
 based in Vilvoorde, Belgium
 (trading under the name: Nedap België)

ESEF relevant tags

Name of reporting entity or other means of identification	Nedap N.V.
Domicile of entity	the Netherlands
Legal form of entity	Public limited company
Country of incorporation	the Netherlands
Address of entity's registered office	Parallelweg 2, 7141 DC Groenlo, the Netherlands
Principal place of business	Groenlo, the Netherlands
Description of nature of entity's operations and principal activities	Develop and manufacture electronic equipment and software
Name of parent entity	Nedap N.V.
Name of ultimate parent of group	Nedap N.V.
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	None

Other information

7



7.1 Five-year summary

Operations (€ x 1,000)	2022	2021	2020	2019	2018
Revenue	230,559	207,012	189,916	191,549	191,403
Revenue growth	11%	9%	-1%	0%	5%
Recurring revenue¹	70,983	58,535	50,666	44,559	37,187
Growth in recurring revenue	21%	16%	14%	20%	20%
Recurring revenue as % of total revenue	31%	28%	27%	23%	19%
Added value²	154,544	139,325	125,098	121,106	118,926
- as % of revenue	67%	67%	66%	63%	62%
- per FTE	186	180	169	173	179
Research and development costs³	40,419	36,732	34,972	30,024	25,873
- as % of revenue	18%	18%	18%	16%	14%
EBITDA excluding one-off items *	33,458	33,214	26,503	25,968	26,571
Operating profit	23,790	23,072	17,119	17,488	19,442
- as % of revenue	10%	11%	9%	9%	10%
Operating profit excluding one-off items *	23,790	23,072	17,119	17,488	19,442
- as % of revenue	10%	11%	9%	9%	10%
Operating profit growth	3%	35%	-2%	-10%	22%
Profit for the financial year	18,704	18,284	13,751	24,127	17,072
- as % of revenue	8%	9%	7%	13%	9%

* A specification of one-off items, as applicable, is provided in the report for the financial year to which these items relate.

¹ Revenue from software subscriptions (licences) and services.

² Added value per FTE is revenue plus or less inventory movements, the cost of materials, outsourced work and logistics costs divided by the average number of FTEs.

³ Research and development costs mostly relate to maintaining and further developing current products and services. The remaining costs are for research and development in relation to new products or services. Such development costs are only capitalised if the applicable IAS 38 criteria are met.

Per share of €0.10⁴ (in €)	2022	2021	2020	2019	2018
Operating cash flow	2.71	4.36	4.69	4.58	2.84
Profit for the financial year	2.87	2.82	2.13	3.74	2.66
Profit excluding one-off items	2.87	2.82	2.13	3.74	2.66
Dividend **	3.00	3.00	4.50	-	2.50
Pay-out ratio	105%	106%	211%	0%	94%
Outstanding shares					
Year-end ⁵	6,519,965	6,486,501	6,468,343	6,452,833	6,414,866
Yearly average ⁵	6,512,369	6,482,444	6,465,033	6,444,622	6,407,929
Number of employees					
Year-end	915	820	805	752	705
Yearly average	868	812	775	728	684
Number of FTEs					
Year-end	872	786	766	724	681
Yearly average	829	775	741	702	663

** The dividend for 2020 includes a one-off interim dividend payment, following a previous decision to withdraw the dividend proposal for 2019 on account of the COVID-19 pandemic.

⁴ Based on the average number of outstanding shares; dividend is based on the number of outstanding shares at the end of the financial year.

⁵ Explained in note 7 to the consolidated financial statements.

Financing (€ x 1,000)	2022	2021	2020	2019	2018
Net debt	-3,483	-15,615	-11,579	-4,492	16,567
Net debt/EBITDA excluding one-off items	-0.1	-0.5	-0.4	-0.2	0.6
Shareholders' equity ⁶	81,194	80,306	73,253	73,571	64,940
Balance sheet total	134,677	131,511	119,076	120,546	115,438
Solvency ⁷	60%	61%	62%	61%	56%
Utilisation of capital (€ x 1,000)	2022	2021	2020	2019	2018
Inventories	28,343	23,466	23,062	28,501	37,509
- as % of revenue	12%	11%	12%	15%	20%
Net working capital ⁸	32,582	22,127	19,535	26,873	38,522
- as % of revenue	14%	11%	10%	14%	20%
ROIC ⁹	31%	36%	28%	25%	25%

⁶ Shareholders' equity includes undistributed profit.

⁷ Solvency is the shareholders' equity ⁶) divided by the balance sheet total.

⁸ Net working capital is current assets excluding cash and cash equivalents, less employee benefits, provisions, deferred tax liabilities, income tax payable, taxation and social security contributions, lease liabilities, trade liabilities and other payables.

⁹ Return On Invested Capital (ROIC) represents operating profit excluding one-off items divided by the invested capital (fixed assets + net working capital - associate).

7.2 Nedap shares

Euronext Amsterdam listing

Nedap has been listed on the Amsterdam stock exchange, which is currently known as Euronext Amsterdam, since 1947, trading under the ticker symbol NEDAP and ISIN code NL0000371243. Nedap is included in the AScX index. All Nedap outstanding shares are ordinary shares with a nominal value of €0.10. As at 31 December 2022, a total of 6,519,965 ordinary shares were in issue.

Substantial participations

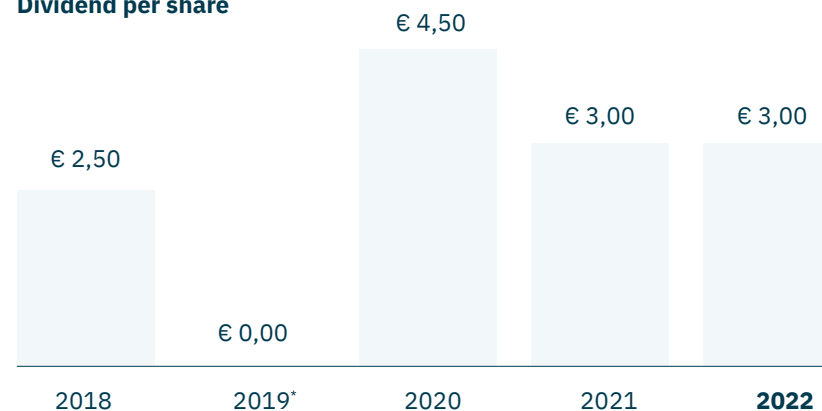
In the context of notifications regarding major holdings and capital interests, stakes of 3% or more in the issued share capital must be reported to the Dutch Authority for the Financial Markets. The table below lists all notifications to the Dutch Authority for the Financial Markets through to mid-February 2023.

Shareholders	Stake in Nedap
Cross Options Beheer B.V.	14.61%
Teslin Participaties Coöperatief U.A.	10.19%
Kempen Capital Management N.V.	10.00%
NN Group N.V.	9.97%
ASR Nederland N.V.	8.20%
Decico B.V.	5.01%
Add Value Fund N.V.	3.36%

Dividend policy

Nedap's dividend policy ensues from the company's strategy and long-term policy. The policy is made based on a careful assessment of how much of the profit is deemed necessary for investments in profitable growth and the intended financing structure. The remaining amount is paid out to shareholders in full.

Dividend per share



* The initial dividend proposal for 2019 was withdrawn on account of the COVID-19 pandemic.

Liquidity provider

Kepler Cheuvreux has been the company's liquidity provider since 1 March 2020.

Financial calendar

Trading update – Q1	6 April 2023
Annual General Meeting	13 April 2023
Ex-dividend date	17 April 2023
Record date	18 April 2023
Dividend payable date	24 April 2023
Publication of half-yearly figures	20 July 2023
Trading update – Q3	19 October 2023

Nedap shares

	2022	2021
Total number of ordinary shares in issue	6,692,920	6,692,920
Number of ordinary outstanding shares	6,519,965	6,486,501
Number of shares traded	525,590	848,936
Highest closing price	€69.10	€63.40
Lowest closing price	€52.60	€48.80
Closing price on 31 December	€55.00	€62.60
Dividend per share	€3.00	€3.00
Price-earnings ratio	19	22
Dividend yield (on closing price)	5.45%	4.79%
Market capitalisation at end of financial year	€368 million	€419 million

Investor Relations

Nedap sets great store by maintaining a close and open dialogue with its shareholders to provide them with insight into the organisation and the markets in which we operate. We stay in touch with shareholders and interested institutional investors, both in the Netherlands and beyond, through conferences, road shows, and one-on-one meetings. During the Capital Markets Day in March 2021, we presented our new strategic plan. All publications, presentations and meetings in this context adhere to current rules and guidelines set by the industry regulator, i.e. the Dutch Authority for the Financial Markets. Informing all stakeholders immediately and simultaneously always comes first in this respect. Daniëlle van der Sluijs (CFO) is the point of contact for Investor Relations at Nedap.

Prevention of misuse of inside information

Being a listed company, Nedap has an Inside Information code of conduct (*gedragscode Voorwetenschap*) that lays down our policy with respect to preventing the misuse of inside information. This code of conduct governs all employees, directors, Supervisory Board members, and any external staff where relevant. The Inside Information code of conduct is available on <https://nedap.com/nl/investeerders/corporate-governance/>. The inside information compliance officer oversees compliance with laws and regulations on the misuse of inside information.

7.3 EU Taxonomy

Over the past years, the European Parliament and the European Commission have worked on regulations for non-financial reporting (EU regulation 2020/852, also known as the Taxonomy Regulation (the ‘Taxonomy’)).

This regulation establishes a framework to facilitate sustainable investment. The Taxonomy is essentially a classification of economic activities based on their contribution to achieving specific environmental objectives. The aim of the Taxonomy is to enhance transparency and comparability. Tying in with the climate targets from the Paris Climate Agreement, the Taxonomy Regulation establishes the following environmental objectives:

- a) climate change mitigation;
- b) climate change adaptation;
- c) the sustainable use and protection of water and marine resources;
- d) the transition to a circular economy;
- e) pollution prevention and control;
- f) the protection and restoration of biodiversity and ecosystems.

For objectives c) to f) inclusive, delegated regulations that activities would have to comply with for eligibility as an environmentally sustainable economic activity have not yet been drawn up.

The criteria that economic activities would have to meet to be considered an activity that substantially contributes to climate change mitigation or adaptation have already been described.

Climate change

An economic activity is classed as an economic activity that substantially contributes to climate change *mitigation* if, in line with the long-term temperature target from the Paris Agreement, it substantially contributes to the stabilisation of concentrations of greenhouse gases in the atmosphere at a level where hazardous anthropogenic disruption of the climate system is prevented, by preventing or reducing greenhouse gas emissions or increasing greenhouse gas removal, including through process or product innovation. Making a building climate-neutral is an example of such an activity.

An economic activity is classed as an economic activity that substantially contributes to climate change *adaptation* if it involves solutions that substantially reduce the (risk of) adverse effects of the current climate and the expected future climate on that economic activity. Or if that activity directly facilitates other activities that contribute substantially towards achieving one or several of the objectives. Earthquake-proofing or flood-proofing a building is an example of such an activity.

Besides contributing to countering or dealing with climate change, the activity must not do significant harm to the other defined environmental objectives. Certain minimum safeguards must also be in place to guarantee compliance with the OECD guidelines for multinational enterprises and the UN’s guiding principles on business and human rights, including the principles and rights described in the eight fundamental conventions in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and in the International Bill of Rights.

The European Parliament's focus with this regulation is on those activities that can contribute the most to things such as the reduction of greenhouse gas emissions. These are mainly activities in industries other than the industry in which Nedap operates, i.e. industries with greater emission reduction potential.

Developments in 2022

General

The focus areas that the EU has designated for reporting on environmentally sustainable economic activities are found mainly, albeit not exclusively, in sectors in which Nedap does not operate, such as forestry, construction, heavy industry, energy generation, water supply, waste processing, and transport. However, the information and communications sector, which is relevant to Nedap, is also mentioned. This sector can substantially contribute to preventing climate change by developing data-driven solutions that are used primarily to provide data and analyses that enable reduction of greenhouse gas emissions. Activities in this sector may also be eligible if the operations of a data centre meet the defined energy-efficiency standards.

In 2021, Nedap conducted specific industry-based analyses of the activities identified by the EU in the regulation as contributing to the mitigation of or adaptation to climate change.

These analyses assessed for each of the activities identified by the EU whether Nedap engages in that activity or whether Nedap's products or investments help third parties in performing that activity.

Following a review of this analysis in 2022, the conclusion remained that the following activities are considered the most relevant in this context:

- 6.5 Transport by motorbikes, passenger cars, and light commercial vehicles.
- 7.X Renovation of existing buildings, installation, maintenance, and repair of energy efficiency equipment, installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).
- 8.1 Data processing, hosting, and related activities.

Activities relating to activities 6 and 7 are connected to the procurement of output of Taxonomy-aligned economic activities and to individual measures that can turn the target activities into low-carbon activities or that can cut greenhouse gas emissions (company's own operations). Activity 8 is related to products and services for customers.

Nedap does not report on a number of activities mentioned in the regulation (manufacture of energy efficiency equipment for buildings) because Nedap does not perform or no longer performs these activities itself, seeing as the manufacture of these products has been outsourced to third parties.

Revenue

Activity 8.1 is the only Taxonomy-eligible revenue-generating economic activity at Nedap. The Taxonomy classes this activity as a transition activity that contributes to climate change mitigation if it is performed through data centres ('The storage, manipulation, management, movement, control, display, switching, interchange, transmission, or processing of data through data centres, including edge computing (decentralised data processing)'). These data centres' greenhouse gas emissions must be aligned with best practices in the sector or industry.

The revenue that Nedap generates from software subscriptions (licences) and services (€70,983k in 2022, note 14 of the consolidated financial statements) is largely (€65,443k) made up of economic activities performed through data centres. The data centres that Nedap uses the most all meet the European code of conduct for energy efficiency in data centres. Alignment cannot be established for a small number of the data centres, specifically the hosting by Amazon Web Services (AWS) and Microsoft (Azure), as these providers' facilities are very spread out, which makes it impossible to establish for individual facilities to what extent the activities they perform for Nedap demonstrably comply with the Taxonomy. Both hosting parties have set themselves the target of using only renewable energy by 2025.

When it comes to the part of the activity that is aligned with the technical screening criteria (€63,548k) set in the Taxonomy, it was also deemed positive that it does not significantly harm climate change adaptation, sustainable use and protection of water and marine resources, and the transition to a circular economy, which we verify based on, among other things, information from these data centres' certification (ISO 14001 and ISO 50001).

The remainder of the revenue (€159,576k, note 14 'Products, systems, and installations' in the consolidated financial statements) comes from activities that the European Parliament has not designated as eligible for climate mitigation or adaptation. With its energy efficiency products, Nedap directly contributes to achievement of the climate targets. Reducing greenhouse gas emissions is, however, not the primary purpose of these products.

These activities could classify as facilitating activities under the Taxonomy, to the extent that they demonstrably contribute towards one of the environmental objectives. The contributions are described in various text boxes in chapter 3 of this annual report. The European Union, however, explicitly stipulates '...evidence from existing life cycle assessments' as a condition to rule out significant harm to environmental objectives and to thus be able to consider it as a facilitating activity.

Nedap has started conducting life cycle assessments for all of its hardware products, completing the assessment for several product groups (see section 2.2 'Products'). The activities performed using Nedap products are intended to, among other things, reduce waste streams at retailers, boost food efficiency at agricultural companies, and prevent the use of chemicals in water purification. In Nedap's view, they contribute to facilitating its customers in transitioning to a more sustainable organisation and society. Information on how our customers use these products, which would be needed to be able to establish a demonstrable contribution towards one or several of the EU-defined environmental objectives, is currently lacking. Nedap's contribution towards customers' sustainability objectives is, therefore, captured in qualitative terms. Revenue from products, systems, and installations has, therefore, not been designated as a Taxonomy-eligible activity.

Capital and operating expenditure

All the listed Taxonomy categories that are relevant to Nedap involved capital expenditure in 2022. This expenditure and the associated operating expenditure is shown in the tables at the end of this section.

The following percentages of total revenue, investments, and operating costs are Taxonomy-eligible and Taxonomy-aligned.

Capital expenditure

Eligible investments in fixed assets are related primarily to hosting activities, the further decarbonisation of buildings and installations on our Campus in Groenlo, and electrification of our fleet of vehicles, including the installation

of charging facilities on Nedap premises and at employees' homes. Nedap offers a home charging point for every employee with a PHEV or fully electric car. Ineligible investments include investments in the modernisation of facilities and workplaces at our sites, right-of-use leases, moulds/dies, and capitalised development costs for activities that are not part of activities eligible under the Taxonomy.

Major renovations of Nedap's headquarters were part of an investment plan that was made several years ago. This redevelopment adhered to the building regulations for major renovations (Directive 2010/31/EU), with a specific focus on the environmental aspects specified in article 7.2 of the Taxonomy, to which no significant harm may be done.

	Total	Taxonomy-eligible	Taxonomy-aligned	Aligned/ eligible
2022 (€ x 1,000,000)				
Revenue	231	28%	28%	97%
Investments in tangible and intangible fixed assets ²	13	51%	48%	95%
Specific operating costs in scope for the Taxonomy	2	19%	13%	71%
2021 (€ x 1,000,000)				
Revenue	207	27%	-	
Investments in tangible and intangible fixed assets	11	20%	-	
Specific operating costs in scope for the Taxonomy	3	56%	-	

¹ Reporting on alignment was not required in 2021.

² Ineligible investments in assets are mainly investments in machines, moulds, stamps, and measuring and test equipment for products that the European Parliament has not designated as eligible as substantially contributing towards climate change mitigation or adaptation. The same goes for the assets used for these economic activities (inventory, computer systems). Since information on alignment with the Taxonomy criteria is lacking for investments in (leased) accommodation of subsidiaries, which are generally based outside the European Union, these investments have not been recognised as aligned.

Operating expenditure

The operating costs to be assessed under the Taxonomy are direct non-capitalised costs relating to research and development, building renovations, short-term rentals, maintenance and repairs, and all other direct expenditures relating to the day-to-day maintenance of tangible fixed assets and equipment by the company or a third party engaged for these purposes, which are needed to guarantee the continuous and effective functioning of such assets. Given that Nedap has been investing in greening its buildings and other assets for years, these assets are relatively new and involve limited operational costs. These are mainly operating costs for hosting activities, maintenance of Nedap's fleet of vehicles, and costs relating to the correct (continued) functioning of systems in the various company buildings.

Based on the accounting policies cited in the consolidated financial statements, the percentages listed have been calculated as the revenue, investments in fixed assets, and operating costs that qualify under the Taxonomy, as part of the total revenue, investments in fixed assets, and the total aforementioned direct non-capitalised operating costs. The percentages listed were calculated based on the materiality threshold applied in the financial statements.

Conclusion

Sustainability is an integral part of Nedap's strategic ambitions for all propositions, meaning that we aim to decarbonise our operations and perform Taxonomy-eligible activities in the most aligned manner possible.

Given that the EU primarily focuses on sectors other than the ones in which Nedap operates, i.e. sectors with greater contribution potential, the share of Taxonomy-eligible revenue is likely to stay limited. Nedap's aim is, therefore, not to have 100% eligible activities, but rather to perform activities that the

EU has designated as activities that substantially contribute towards the sustainability objectives in the most aligned manner possible. This means that we aim to maximise the share of aligned activities in relation to the share of eligible activities.

Needless to say, we also continue to invest in propositions that contribute towards the decarbonisation of our customers' business model. We do this from a long-term perspective on sustainable value creation. It is our firm conviction that shared value creation, with Nedap creating solutions that contribute towards the decarbonisation of our customers' value chain, delivers the greatest sustainable value.

Revenue (€ x 1,000)

Economic activities	Code(s)	Absolute revenue	Proportion of revenue	Substantial contribution criteria					DNSH criteria ("Does not significantly harm")				Minimum safeguards	Taxonomy-aligned proportion of revenue, year N	Taxonomy-aligned proportion of revenue, year N-1	Category (enabling/transitional activity)	
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources					Circular economy
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																	
Hosting at data centres	8.1	65,443	28%	97%	0%										28%		T
Revenue from taxonomy-eligible, environmentally sustainable activities (Taxonomy-aligned) (A.1)		65,443	28%	97%	0%										28%		28%
A.2 Not environmentally sustainable activities (not Taxonomy-aligned)																	
Activity 1																	
Activity 2																	
Revenue from Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		-	0%												0%		
Total (A.1 + A.2)			28%												28%		28%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Revenue from taxonomy-non-eligible activities (B)		165,116	72%														
Total (A + B)		230,559	100%														

CapEx (€ x 1,000)

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria					DNSH criteria ('Does not significantly harm')					Minimum safeguards	Taxonomy-aligned proportion of revenue, year N	Taxonomy-aligned proportion of revenue, year N-1	Category (enabling/transitional activity)		
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy					Pollution	Biodiversity and ecosystems
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Hosting at data centres	8.1	729	6%	100%								Y	Y	Y	Y	Y	Y	6%	T
Transport by passenger car	6.5	744	6%	100%								Y	Y	Y	Y	Y	Y	6%	(14% T)
Renovation of existing buildings	7.2 + 7.6	4,364	34%	100%								Y	Y	Y	Y	Y	Y	34%	T+E
Installation, maintenance, and repair of energy-efficient equipment	7.3	217	2%	100%								Y	Y	Y	Y	Y	Y	2%	E
Charging stations for electric vehicles	7.4	44	0%	100%								Y	Y	Y	Y	Y	Y	0%	E
CapEx for Taxonomy-eligible, environmentally sustainable activities (Taxonomy-aligned) (A.1)		6,098	48%															48%	
A.2 Not environmentally sustainable activities (not Taxonomy-aligned)																			
Transport by motorbikes, passenger cars, and light commercial vehicles	6.5	303	2%																
Renovation of existing buildings	7.2	47	0%																
CapEx for Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		350	3%															0%	
Total (A.1 + A.2)		6,448	51%															48%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx for taxonomy-non-eligible activities (B)		6,251	49%																
Total (A + B)		12,699	100%																

OpEx (€ x 1,000)

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria					DNSH criteria ("Does not significantly harm")					Minimum safeguards	Taxonomy-aligned proportion of revenue, year N	Taxonomy-aligned proportion of revenue, year N-1	Category (enabling/transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy				
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																	
Transport by passenger car	6.5	134	8%	100%												8%	
Renovation of existing buildings	7.2	192	11%	100%												11%	T
OpEx for Taxonomy-eligible, environmentally sustainable activities (Taxonomy-aligned) (A.1)		326	19%													19%	
A.2 Not environmentally sustainable activities (not Taxonomy-aligned)																	
Renovation of existing buildings	7.2	1,431	81%														T
OpEx for Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		1,431	81%													0%	
Total (A.1 + A.2)		1,757	100%													19%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
OpEx for taxonomy-non-eligible activities (B)		-	0%														
Total (A + B)		1,757	100%														

