

# ☆ 2018 Nedap half-yearly figures press release

## H1 2018: revenue up 10%; operating profit up 46%

### Focus on developing and marketing Nedap's own propositions

Groenlo, Netherlands, 26 July 2018

#### H1 2018 highlights

- Revenue grew 10% to €96.7 million, recurring revenue was up 22%
- Healthcare and Livestock Management in particular showed significant growth
- Operating profit excluding one-off items rose 46% to €10.0 million (€6.9 million in the same period of 2017)
- The operating margin came in at 10.4%, compared to 7.9% in the same period of 2017
- Added value per FTE was up 9%, rising from €167,000 in the first half of 2017 to €182,000 in the first half of 2018
- Net profits totalled €8.8 million, an 82% rise on the same period of 2017
- Although Nedap expects revenue to continue to grow over the second half of 2018 compared with the same period of 2017, various uncertainties will determine whether revenue will grow at the same rate as in the first half of 2018

#### Key figures\*

in millions of euros	H1 2018	H1 2017*	Growth
Revenue	96.7	87.5	10%
Recurring revenue	17.9	14.6	22%
Operating profit excl. one-off items	10.0	6.9	46%
Operating profit incl. one-off items	10.0	4.9	105%
Operating margin	10.4%	7.9%	
Net profit	8.8	4.8	82%
Earnings per share (x €1)	1.37	0.72	90%
	30/06/2018	31/12/2017	
Net debt/EBITDA	0.9	0.6	
Solvency	48%	55%	

\*Nsecure, which was sold at the end of 2017, was deconsolidated in the figures for 2017

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## Progress on the strategy

Nedap focuses on smart applications of technology to help solve the challenges of today and tomorrow.

Over the past few years, Nedap has taken major steps in increasing the company's focus in terms of its operations and organisation. Over the 2015-2017 period, Nedap completely reorganised its supply chain, largely phasing out internal production and logistics operations and outsourcing them to strategic partners. The disposal of non-core activities, such as the sale of Nedap's subsidiary Nsecure, also brought greater focus. Following these steps, Nedap is now able to focus fully on developing and marketing its own propositions by prioritising product development and marketing & sales. In the first six months of 2018, Nedap was successful in hiring highly qualified people in these disciplines.

## Financial affairs

In late 2017, Nedap sold its subsidiary Nsecure (which specialises in system integration in the security market). Nsecure was therefore deconsolidated in the figures for 2017 with retroactive effect. The profit Nsecure posted in the first half of 2017 (€0.8 million) was recognised as result from discontinued operations.

## Revenue

Nedap's revenue over the first six months of 2018 totalled €96.7 million, a 10% increase on the same period last year. Recurring revenue (software services) showed a 22% rise, growing to €17.9 million (€14.9 million in the same period of 2017). The Healthcare, Identification Systems, Livestock Management and Staffing Solutions business units all contributed to this growth. The Light Controls business unit showed stable revenue development, while Retail and Security Management saw a decrease in revenue.

Overall, Nedap's revenue growth was held back slightly by the fact that new partnerships were launched with production partners as part of the supply chain reorganisation. Hard work has recently gone into further synchronising our operations with those of these partners. While excellent progress has meanwhile been made, this continues to be a major focus point for us. Aside from that, several of Nedap's business units are facing scarcity in the electronics components markets, which has had an impact on purchase prices and delivery times.

Added value was up from €55.0 million in the first six months of 2017 to €59.5 million in the first six months of 2018. As a percentage of revenue, added value showed a minor drop from 63% to 62%, partly due to the change in Nedap's product mix, but mainly on the back of the outsourcing of production and logistics, as a result of which the purchase price paid for products now also includes wages and salaries.

## Costs

Personnel costs were up slightly to €33.2 million (€32.8 million in the first six months of 2017). This rise came mainly as a result of the revamped organisational profile, which has been brought into line with the strategy and saw considerable numbers of employees leave and new employees join the company. Production staff left the company following the supply chain reorganisation in 2017, while the increased focus on product development and marketing & sales saw Nedap hire highly qualified new employees in these areas.

As at 30 June 2018, the total number of FTEs stood at 659 (646 FTEs as at 30 June 2017, not including Nsecure). Personnel costs in the first six months of 2017 included €0.5 million in one-off items due to the supply chain reorganisation. All employees who were redundant due to the supply chain reorganisation left Nedap at the end of 2017.

Other operating costs totalled €12.6 million in the first six months of 2018, compared to €13.5 million in the same period of 2017 (including €1.5 million in one-off items relating to the supply chain reorganisation).

## Amortisation and depreciation

Due to the limited need to invest in tangible fixed assets over the past few years, depreciation was again down slightly to €3.3 million (€3.4 million in the first six months of 2017). At €0.3 million, amortisation remained at the same level as in the same period of 2017.

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### Operating profit

In the first six months of 2018, the operating profit rose to €10.0 million, doubling the €4.9 million operating profit posted for the same period of 2017. In the first six months of 2017, one-off items totalled €2.0 million, but there were no one-off items in the same period of 2018. The operating profit excluding one-off items was up 46% from €6.9 million to €10.0 million. The operating margin, i.e. the operating profit (excluding one-off items) as a percentage of revenue, consequently rose from 7.9% in the first half of 2017 to 10.4% in the first half of 2018.

### Financing costs and taxation

In the first six months of 2018, net financing costs stood at €0.1 million, the same level as in the same period last year. Taxes paid over the first half of 2018 totalled €1.6 million (€0.9 million in the same period of 2017). The net tax rate came in at 16.8% in the first half of 2018.

### Profit in the first half of the financial year

Nedap achieved a profit of €8.8 million in the first half of the financial year, an 82% increase on the first half of 2017. The profit of €4.8 million posted in the first six months of 2017 included €0.8 million in results from discontinued operations (Nsecure). Earnings per share rose 90% from €0.72 in the first six months of 2017 to €1.37 in the first half of 2018. Due to share repurchases in the second half of 2017, the average number of issued shares decreased from 6,692,920 as at 30 June 2017 to 6,400,821 as at 30 June 2018.

### Financial position

The balance sheet total grew from €113.8 million as at 31 December 2017 to €118.6 million as at 30 June 2018. This rise came mainly on the back of the increase in inventories by €5.4 million. As the company transitioned during the supply chain reorganisation, greater buffer inventories were kept to guarantee that deliveries to customers could continue as much as possible. Inventory levels are still relatively high, and are expected to normalise towards the end of 2018. However, revenue growth will mean inventory growth.

Over the first six months of 2018, the net debt position grew to €25.3 million (€14.2 million at year-end 2017), mainly as a result of the dividend of €16.0 million paid for 2017. Net debt/EBITDA stood at 0.9 at 30 June 2018 (0.6 at year-end 2017). Solvency stood at 48% at 30 June 2018 (55% at 31 December 2017).

### Business unit developments

Healthy revenue growth at the **Healthcare** business unit (automation of administrative tasks for healthcare professionals) continued in the first half of 2018. Besides growth of the share in the elderly care market, the Healthcare business unit has also strengthened its market position in the market for care of mentally disabled persons.

The **Identification Systems** business unit (vehicle and driver identification products and wireless parking systems) also contributed to Nedap's overall revenue growth in the first half of 2018.

In the first half of 2018, revenue generated by the **Light Controls** business unit (power electronics and control systems for the lighting industry) remained largely at the same level as in the same period of 2017. With new legislation requiring seagoing vessels to have on-board ballast water treatment capabilities about to take effect in 2019, activities in the UV propositions are gaining traction. Revenue growth at Nedap's Luxon proposition (light management in the form of software services) was hampered due to the limited commercial availability of LED lamp drivers that are compatible with the Luxon IoT node that was introduced last year.

Revenue posted by the **Livestock Management** business unit (automation of livestock management processes based on identification of individual animals) showed a clear rise on 2017. Continuing favourable market conditions in the global milk market and a rise in the market share have led to considerable revenue growth in dairy farming. Revenue in pig farming also showed excellent growth, despite delays in several construction projects that had already been contracted.

## \*2018 Nedap half-yearly figures press release

Although the **Retail** business unit (security, management and information systems for the retail sector) saw revenue decline compared to the excellent year they had in 2017, Nedap is still well positioned to capitalise on developments in the retail landscape. Interest among retailers in Nedap's RFID-based inventory control systems (!D Cloud) has soared in recent months, as shown by the growing number of retailers that have opted to launch pilot projects with this technology. Revenue from conventional RF-based anti-shoplifting systems, on the other hand, has declined.

On 1 January 2018, the **Library Solutions** business unit was integrated into the Retail business unit, on account of the huge overlap in the underlying technology of both product portfolios.

The **Security Management** business unit (systems for access control and security) registered a decline in revenue in the first half of 2018, due mainly to the fact that its revenue is project-based, albeit the underlying trend continues to be positive. The Nedap Global Client Programme, which was developed especially for successful global implementation of large-scale access control projects, is seeing growing demand from large organisations.

Revenue at the **Staffing Solutions** business unit (digitised work schedules and timesheet processing) continued to grow over the first half of 2018. Staffing Solutions has been investing in expanding the features of its software services to further grow its role in the market for temporary employment organisations.

### Outlook

In the second half of 2018, the Board of Management expects revenue to grow compared to the same period in 2017, unforeseen circumstances notwithstanding. However, it remains to be seen whether the growth rate of the first half of 2018 can continue into the second half of the year. The growth rate depends on the general economic climate, as well as on developments in certain markets and orders from individual customers. Revenue may also be impacted by disruptions in the supply chain in the second half of 2018, partly due to continuing scarcity of certain electronics components.

*This is a translation of the original Dutch press release. In the event of any discrepancies or conflict of interpretation the Dutch text will prevail.*

#### About Nedap N.V.

Since the company's founding in 1929, N.V. Nederlandsche Apparatenfabriek "Nedap" has been manufacturing smart technical applications for the challenges of today and tomorrow, and selling them all over the world. Headquartered in Groenlo in the Netherlands, Nedap boasts a workforce of approx. 680 employees and operates on a global scale, while the company has been listed on Euronext Amsterdam since 1947.



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*\*2018 Nedap half-yearly figures press release*

## *Half-yearly financial statements 2018*

## Half-yearly Financial Statements 2018

### Consolidated balance sheet (€ x 1,000)

	2018 half-year	2017 year-end
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible fixed assets	1,396	1,689
Tangible fixed assets	35,053	35,753
Financial fixed assets	4,662	4,454
Deferred tax assets	345	280
	41,456	42,176
<b>Current assets</b>		
Inventories	36,910	31,477
Income tax receivable	816	1,029
Trade and other receivables	36,855	37,260
Cash and cash equivalents	2,557	1,840
	77,138	71,606
	118,594	113,782
<b>Equity and liabilities</b>		
<b>Group equity</b>		
Shareholders' equity	56,490	61,962
<b>Non-current liabilities</b>		
Borrowings	14,239	14,282
Employee benefits	836	789
Provisions	1,193	1,119
Deferred tax liabilities	-	471
	16,268	16,661
<b>Current liabilities</b>		
Borrowings	85	85
Employee benefits	19	53
Provisions	1,303	1,491
Bank overdrafts	13,548	1,669
Income tax payable	595	120
Taxation and social security contributions	2,558	1,763
Trade and other payables	27,728	29,978
	45,836	35,159
<b>Total liabilities</b>	62,104	51,820
	118,594	113,782

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

		2018 half-year	2017 half-year
<b>Revenue</b>		96,658	87,518
Cost of materials and outsourced work	31,987		31,817
Inventory movements of finished goods and work in progress	5,188		665
		37,175	32,482
Added value		59,483	55,036
Personnel costs	33,214		32,802
Amortisation	312		372
Depreciation	3,303		3,446
Other operating costs	12,627		13,529
		49,456	50,149
<b>Operating profit</b>		10,027	4,887
Financing income	19		34
Financing costs	-142		-136
<b>Net financing costs</b>		-123	-102
Share in profit of associate (after income tax)		519	132
<b>Profit before taxation from continued operations</b>		10,423	4,917
Taxation		1,661	866
<b>Profit for the financial half-year from continued operations</b>		8,762	4,051
Profit for the financial half-year from discontinued operations		-	760
<b>Profit for the financial half-year</b>		8,762	4,811
Profit attributable to shareholders of Nedap N.V.		8,762	4,811
Average number of issued shares		6,400,821	6,692,920
Earnings per share from continued operations (in €)		1.37	0.61
Diluted earnings per share from continued operations (in €)		1.37	0.61
Earnings per share (in €)		1.37	0.72
Diluted earnings per share (in €)		1.37	0.72

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

	2018 half-year	2017 half-year
Profit for the financial half-year from continued operations	8,762	4,051
Profit for the financial half-year from discontinued operations	-	760
<b>Profit for the financial half-year</b>	<b>8,762</b>	<b>4,811</b>
<b>Unrealised profit/loss</b>		
Items that will (or may) be reclassified to profit or loss after initial recognition: Currency translation differences	16	-63
<b>Unrealised profit/loss for the reporting period after taxation</b>	<b>16</b>	<b>-63</b>
<b>Total realised and unrealised profit/loss for the financial half-year</b>	<b>8,778</b>	<b>4,748</b>
<b>Total realised and unrealised profit/loss attributable to:</b>		
Nedap N.V. shareholders	8,778	4,748



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

	2018 half-year	2017 half-year
<b>Cash flow from operating activities</b>		
Profit for the financial half-year from continued operations	8,762	4,051
Adjustments for:		
Depreciation and amortisation including impairment	3,615	3,818
Book profit on sale of tangible fixed assets	-14	-210
Share in profit of associate	-519	-132
Exchange rate differences on participating interests	4	4
Net financing costs	123	103
Share-based remuneration	274	-
Income tax	1,661	866
	5,144	4,449
Movements in trade and other receivables	405	-8,833
Movements in inventories	-5,433	-467
Movements in taxation and social security contributions	795	1,355
Movements in trade and other payables	-2,208	6,715
Movements in employee benefits	13	-30
Movements in provisions	-114	-3,365
	-6,542	-4,625
Interest paid	-141	-82
Interest received	19	20
Income tax paid	-1,509	-1,885
	-1,631	-1,947
Cash flow from operating activities of continued operations	5,733	1,928
Cash flow from operating activities of discontinued operations	-	760
<b>Cash flow from operating activities</b>	5,733	2,688
Investments in tangible fixed assets	-2,932	-3,595
Investments in intangible fixed assets	-19	-174
Proceeds from sale of tangible fixed assets	300	541
Dividend received from associate	311	356
	-2,340	-2,872
Cash flow from investing activities of continued operations	-2,340	-2,872
Cash flow from investing activities of discontinued operations	-	-267
<b>Cash flow from investing activities</b>	-2,340	-3,139

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

	2018 half-year	2017 half-year
Repayments on long-term borrowings	-43	-48
Dividend paid to shareholders of Nedap N.V.	-16,038	-9,370
Sale of own shares	1,514	740
Acquisition of own shares	-	-757
	<hr/>	<hr/>
Cash flow from financing activities of continued operations	-14,567	-9,435
Cash flow from financing activities of discontinued operations	-	-20
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>	<b>-14,567</b>	<b>-9,455</b>
	<hr/>	<hr/>
<b>Movement in cash and cash equivalents and bank overdrafts</b>	<b>-11,174</b>	<b>-9,906</b>
Cash and cash equivalents and bank overdrafts at 1 January	171	-8,681
Exchange differences for cash and cash equivalents and bank overdrafts	12	-67
	<hr/>	<hr/>
<b>Cash and cash equivalents and bank overdrafts at 30 June</b>	<b>-10,991</b>	<b>-18,654</b>
	<hr/>	<hr/>
Cash and cash equivalents	2,557	2,773
Bank overdrafts	-13,548	-21,427
	<hr/>	<hr/>
	<b>-10,991</b>	<b>-18,654</b>

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

	share capital	statutory reserves	reserves	profit attributable to share- holders	total shareholders' equity
Balance as at 01/01/2017	669	2,358	42,045	10,779	55,851
Realised result for the 1st half-year	-	-	-	4,811	4,811
Unrealised result for the 1st half-year	-	-63	-	-	-63
Result for the 1st half-year	-	-63	-	4,811	4,748
Dividend	-	-	-	-9,370	-9,370
Appropriation of profit for previous financial year	-	-326	1,735	-1,409	-
Movement in own shares	-	-	-17	-	-17
Balance as at 30/06/2017	669	1,969	43,763	4,811	51,212
Balance as at 01/01/2018	669	1,263	31,995	28,035	61,962
Realised result for the 1st half-year	-	-	-	8,762	8,762
Unrealised result for the 1st half-year	-	16	-	-	16
Result for the 1st half-year	-	16	-	8,762	8,778
Dividend	-	-	-	-16,038	-16,038
Appropriation of profit for previous financial year	-	-289	12,286	-11,997	-
Movement in share-based payments	-	-	274	-	274
Movements in own shares	-	-	1,514	-	1,514
Balance as at 30/06/2018	669	990	46,069	8,762	56,490

At 30/6/2018, the company holds 277,914 of its own shares (5,206 at 30/6/2017) that are expected to be transferred to employees under the employee participation plans.

Statutory reserves can be broken down as follows:

	30/6/2018	30/6/2017
Capitalised development costs	1,230	1,870
Profit from participations not freely distributable	12	342
Exchange differences	-252	-243
Total	990	1,969

## Accounting policies

### General

N.V. Nederlandsche Apparatenfabriek "Nedap" is registered in Groenlo, the Netherlands. The interim consolidated half-yearly Financial Statements 2018 of the company cover the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap develops and supplies smart technological solutions for relevant themes, including sufficient food, clean drinking water, security and healthcare. The company's focus is always maintained on relevant technology.

It concentrates on markets where its technological know-how, market knowledge and knowledge of the customer's business process can create added value for the customer. These markets are approached through the company's own sales channels as well as through third parties.

The 2017 consolidated financial statements of Nedap are available on request at [info@nedap.com](mailto:info@nedap.com) or per telephone +31 (0) 544 471111 or can be downloaded from our website [www.nedap.com](http://www.nedap.com).

### Statement of accordance

These consolidated half-yearly Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. It does not contain all information that is required for full financial statements and has to be read in combination with the 2017 consolidated financial statements of Nedap.

These condensed consolidated interim half-yearly Financial Statements were drawn up by the Board of Management on 26 July 2018.

### Relevant accounting policies

The same accounting policies and calculation methods were used by Nedap for both these consolidated interim half-yearly Financial Statements and the consolidated financial statements for 2017.

### New standards and interpretations

The new IFRS 9 and IFRS 15 standards, which are relevant to Nedap, came into force on 1 January 2018. Their application has not had a material impact on Nedap's opening balance sheet. Nedap does not expect any material consequences for the financial statements relating to the financial year as a whole.

### Estimates

Interim 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 expenses. The actual outcomes may differ from these estimates. In drawing up these consolidated interim half-yearly Financial Statements, the relevant judgements used, which were formed by the management during application of Nedap's accounting policies, and the relevant sources used for estimates were the same as the judgements and sources used in drawing up the consolidated financial statements 2017. Estimates relate primarily to tangible and intangible assets, employee benefits and provisions. In the context of the reorganisation of the supply chain, estimates were also made in relation to the measurement of inventories.

### Financial risk management

Nedap's financial risk management objectives and measures are in line with the objectives and measures set out in the consolidated financial statements 2017.

#### *Income taxes*

Income taxes are determined as the product of the weighted average of the tax rate expected for the year under review and the interim profit before taxation.

#### *Related parties transactions*

Parties related to Nedap are the associate Nedap France S.A.S., the Stichting Preferente Aandelen Nedap and the members of the Supervisory Board and the Board of Management. Nedap has normal trade transactions with the associate and these transactions are performed on a commercial basis with terms that are similar to those for transactions with third parties. No transactions with the Stichting Preferente Aandelen Nedap took place, and only normal transactions took place with the members of the Supervisory Board and the Board of Management.

#### *As yet implemented standards and interpretations*

Nedap has evaluated the IFRS 16 standard, which has not been implemented yet. Based on the preliminary assessment made in the first half of 2018, Nedap concludes that implementation of the standard will likely not have a significant impact on the balance sheet and statement of profit or loss. The notes on page 63 and 64 of the 2017 financial statements remain fully applicable.

#### *Audit*

The figures in these half-yearly Financial Statements have not been audited by an external accountant.

This is a translation of the original Dutch interim half-yearly Financial Statements. In the event of any discrepancies or conflict of interpretation the Dutch text will prevail.

## Statement

### Statement pursuant to Article 5:25d of the Dutch Financial Supervision Act

To the best of our knowledge,

1. the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Nedap N.V. and the undertakings included in the consolidation taken as a whole in accordance with IAS 34; and
2. the half-yearly report of the Board of Management includes a fair review of the information as required under Section 5:25d (8 and 9) of the Financial Supervision Act.

Groenlo, 26 July 2018

The Board of Management:

R.M. Wegman

E. Urff