

Nedap to post increased revenue in 2016; supply chain reorganisation on schedule

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Nedap's revenue for 2016 is expected to be up by approximately 3% (revenue in 2015: €180.9 million). Excluding the Energy Systems business unit, whose activities are being phased out this year as planned, the growth in revenue for 2016 will amount to around 5%. Profit before taxation excluding one-off items is expected to rise by 20-25% compared with the €11.2 million posted in 2015.

The Healthcare, Identification Systems, Library Solutions, Security Management and Staffing Solutions business units are expected to post increased revenue in 2016. The scheduled phase-out of Energy Systems and Light Controls activities is putting pressure on the increase in revenue expected to be achieved in the second half of the year. The low milk price, which is remaining low for longer than expected, is having a negative impact on revenues of the Livestock Management business unit. As previously reported, one-off items associated with the supply chain reorganisation are having a major impact on 2016 profits. These one-off items will amount to an expected €4-5 million.

Supply chain reorganisation on schedule

The phase-out of production and logistics activities is on schedule, which means that the selected strategic suppliers will start delivering the first products before the end of 2016 and that the manufacturing of many products will be outsourced during the first six months of 2017. The Inveni subsidiary is due to be closed at the end of 2017.

As well as generating one-off operating costs, the supply chain reorganisation is causing part of the inventories to lose value. The one-off operating costs are expected to amount to around €1.0 million, while the loss in value (consisting of a non-cash impairment of the book value) is estimated at €2-4 million. A decision has also been made to reorganise the Nedap Iberia subsidiary and integrate it in the business units' global sales and logistics model. As a result, there will be additional one-off costs of around €0.5 million in 2016. Nedap N.V. has acquired the 10% of the Nedap Iberia shares that it did not already hold.

When it comes to the scope and timeframe of the positive financial impact brought about by the outsourcing process, the expectations presented in the half-yearly report published on 28 July 2016 are still fully applicable.

Energy Systems phase-out on target

The phase-out of the Energy Systems business unit is going as planned. The sale of PowerRouters stopped during the summer and the number of employees has been reduced further. The remaining employees are focusing on service and guarantee-related activities.

Business unit developments

The Healthcare business unit (automation of administrative tasks for healthcare professionals) has achieved continued growth in 2016. The business unit's share on the elderly care market is increasing further, while sound progress has been made with propositions for the mentally handicapped and mental healthcare markets.

The Identification Systems business unit (security, traffic and parking solutions) is achieving growth in revenue for all of its propositions. Over the next few years, the business unit will be focusing on creating a scalable organisation and the most commercially appealing products.

The Library Solutions business unit (RFID systems for libraries) will once again be successful in increasing its revenue in 2016, thanks to its range of technical core components for 'smart' libraries.

Revenue posted by the Light Controls business unit (power electronics and control systems for the lighting industry) is dropping in 2016. As expected, revenue from QL and HID activities is significantly decreasing in the last six months of 2016, following the decision to phase out these activities, made in 2015. Revenue for these activities will be almost zero in 2017.

On the up side, the International Maritime Organization recently ratified the ballast water treaty, meaning that ships will be subject to new regulations with effect from September 2017. Despite the drop in revenue for UV products due to the postponement of orders in 2016, the various investments in treatment systems for ballast water present sound growth opportunities for this business unit in the medium term.

The Luxon software proposition is showing sound commercial development. Since the connected lighting market is a dynamic one, the business unit is continuing to evaluate its opportunities and competitive position on a regular basis and adapt these where necessary.

Revenue posted by the Livestock Management business unit (automation of livestock management processes based on identification of individual animals) is around the same level as in 2015. As a result of the long-term low milk price, revenue from sales to dairy farmers has dropped, whereas revenue from sales in the pig breeding sector displays healthy growth in 2016.

The Retail business unit (security, management and information systems for the retail sector) will also post approximately the same revenue as in 2015, due to the sector's reluctance to invest. Activities on the North-American market are starting to contribute towards revenue. The business unit has also landed an interesting contract of significant commercial value with UK-based retailer River Island to supply the RFID !D Cloud® stock management system.

The Security Management business unit (systems for access control, registration, payments, fire and intrusion alarms, observation, locker management and biometrics) is posting further growth in revenue in 2016. The Dutch Ministry of Defence's decision to standardise security at all of its locations with the AEOS security management platform proves that the business unit has a strong competitive position.

The Staffing Solutions business unit (digitised timesheet processing, planning and employee scheduling) is achieving increased revenue in 2016 and its PEP® proposition will be expanded further over the next few years in order to take administrative tasks off the hands of intermediaries at temporary employment organisations.

Revenue posted by the Nsecure subsidiary (innovative security services) in 2016 is expected to roughly equal that of 2015. Decision-making processes on the security market are lengthy and competition is increasing. In developing innovative software solutions and services, Nsecure is striving to retain its leading position on this market.

Outlook

The expectations for 2016 presented above are based on the facts as they stood at the time of writing this press release. However, major changes can occur in the last few weeks of the year, as a result of developments on specific markets and orders from individual customers, as well as the general economic climate.

The 2016 annual figures will be published on Thursday 16 February 2017 (after the close of trading).

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Nedap develops and supplies smart technological solutions to relevant problems. Feeding a growing population, providing clean drinking water all over the world and creating smart sustainable energy networks are just some of the issues Nedap works on. The company's focus is always maintained on relevant technology.

N.V. Nederlandsche Apparatenfabriek "Nedap" was founded in 1929. It has been listed on the stock exchange since 1947 and has over 750 employees worldwide.

