



nedap Half-yearly report 2011

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The revenue of the N.V. Nederlandsche Apparatenfabriek “Nedap” for the 1st half-year 2011, at € 69.6 million, was 14% up on the same period in 2010 (€ 61.1 million). Nearly all market groups contributed to this organic growth. Operating profit increased by 41% to € 4.6 million (1st half-year 2010: € 3.3 million), and the profit after taxes was up by 25% to € 3.7 million (1st half-year 2010: € 3.0 million). The earnings per share finished at € 0.55 (1st half-year 2010: € 0.44).

The growth in revenue came from virtually all market groups, namely Agri, AVI, Healthcare, Power Supplies, Retail, and Security Management. As expected, only the revenues from the Library Solutions and Specials market groups were flat. The organic growth in revenue of Nedap N.V. is currently being tempered by the gradual phasing out, in close consultation with the buyers, of the supplier activities. These activities are now being handled by the **Specials** market group. A few years ago, revenue from these supplier activities still accounted for more than 20% of the total revenue. During the 1st half-year of 2010 this was reduced to around 15%, and during the 1st half-year of 2011 to only 8%. Excluding the revenue from supplier activities, the organic growth in the 1st half-year of 2011 was not 14%, but 23%. The growth in the profit after taxes (compared to the 1st half-year of 2010) was not as strong primarily due the one-off tax benefit booked in 2010. Corrected for this one-off benefit, the growth in the profit after taxes would have been more than 50%.

The launching of a large number of new products on the market was accompanied by extra investment and expenditure within the various market groups. Over the last period, a considerable amount has once more been invested in new sales channels and marketing materials. Furthermore, the number of permanent employees, following the sizeable expansion in 2010 (51 new employees), rose further in the first half-year by 18 employees to a total of 670. Use was made of employment agency staff in some market groups in order to accelerate the launch of new products on the market. The shortage of components on the world market and the streamlining of new production and logistical processes at Inventi B.V. created additional costs. The operating profit rose in the period from 5.4% to 6.6% of revenue. The circumstances described above meant it was still not at the target level of 10%. An agreement in principle was reached with the trade unions about a new collective labour agreement (CAO) that will last until 31 March 2012. It included a salary increase of 2% on 1 April 2011 and an increase in the entitlement under the profit-sharing scheme of 0.5%.

Market Developments

The market group **Agri** (ICT systems for the dairy and pig farming industry) experienced a positive first half-year. The robust growth in revenue was primarily realised in the dairy farming industry. Despite the high cost of animal feed, the increase in milk prices led to an increase in confidence about the future. The situation in the pig farming industry varied from region to region. There was a strong increase in revenue in China, the situation was reasonably stable in Western Europe, while the other regions remained flat for a variety of reasons. The market group continued to invest substantially in its product portfolio, which in turn has recently led to new market propositions and sales channels. The market group **AVI** (Automatic Vehicle Identification) spent a lot of time and resources on developing and launching new products on the market, such as UHF readers and parking information systems. After a limited drop in 2010, the group saw its revenue slowly increase once more. Government cutbacks meant purchasing decisions for city-access systems were put on hold.

The market group **Healthcare** (computerisation of time registration for the healthcare sector) has been able to further reinforce its position in the healthcare market through its continual focus on product innovation and marketing. The group is currently the market leader in planning and registration software for the healthcare sector in the Netherlands. The solution developed by this market group for the employment agency sector, PEP (computerised time registration), also contributed to the strong growth in revenue. The market group **Library Solutions** (RFID self-service check-in/checkout systems for libraries) experienced the negative consequences of government cutbacks in a number of countries during the first months of the year: there were fewer customer enquiries, decisions on orders were deferred, and budget commitments were revised. The market group has been working hard, however, to expand its sales territories to such regions as Scandinavia, Eastern Europe, and the Middle East. The market group **Power Supplies** (switch-mode power supplies for lighting and renewable energy systems) showed further growth in revenue with an increasing number of in-house products under the Nedap brand name, including the PowerRouter. The group also recently significantly expanded its sales channels in North America.

The major investment in product development and marketing by the market group **Retail** (anti-shoplifting systems, control and information systems to combat stock losses) was not without success. Its revenue rose significantly during the last half-year. The market group was able to improve its market share in this segment with a new proposition for supermarkets and hypermarkets. New products, such as Cube (extensive management information systems for retail outlets) and the Tweet mirror (store mirror with camera and twitter/e-mail functions), proved to be very popular in various retail markets. The Global Label Center, opened in Hong Kong at the end of last year, also contributed to the growth in revenue of the market group. Several prestigious orders have been won from new large-scale retail chains in the past few months. The **Security Management** market group (systems for access control, registration, payment, fire and intruder alarms, observation, locker management, and biometrics) also showed a strong increase in its revenues. The advanced technology of the AEOS security platform is being embraced by a growing number of players in the security services sector. This group was once more able to win a number of major orders over the last period.

Financial

Revenue over the first half-year of 2011, at € 69.6 million, was 14% up on the same period in 2010 (€ 61.1 million). The added value (revenue plus or minus movements in inventories minus cost of materials) went up by no less than 16% to € 47.6 million (first half-year 2010: € 41.2 million). The added value as a percentage of revenue rose from 67% to 68%, primarily as a result of a better product mix.

Expenditure on "Subcontracting and other external costs" was up by € 2.6 million, amongst other things due to the higher production levels and the higher costs resulting from the strengthening of the commercial activities.

Expenditure on "Salaries and social security charges" was up by a total of € 2.3 million, which – in addition to the usual salary increases – was primarily caused by the increase in the number of employees. The normal amortisation and depreciation, including "Impairment losses on intangible assets", showed a limited increase. The amount that was capitalised for non-current assets manufactured in-house stayed more or less the same. On balance, an operating profit remained which was € 1.3 million up on the same period in 2010. As a percentage of revenue, it amounted to 6.6% (first half-year 2010: 5.4%).

The financing expenses fell as a result of the value adjustment of interest rate hedging costs by almost € 0.2 million. The share in the profit of our associate Nedap France S.A.S. (Retail, Security Management, and Library systems) went up by € 0.1 million. After deduction of corporation tax, a profit remained of € 3.7 million, as opposed to € 3.0 million for the same period in 2010. As a percentage of revenue, profit amounted to 5.3% (first half-year 2010: 4.8%).

The lower tax liability for the first half-year 2011 of 21.1% (the corporation tax rate in the Netherlands is 25%) was amongst other things due to the application of the Innovation tax bracket. In the first half-year of 2010, the tax benefits under the Innovation tax bracket for the previous years were recognised in the figures all at once, which consequently resulted in a much lower tax liability of just 0.8%. A new settlement agreement has since been agreed with the Tax Department for the period 1 January 2012 to 31 December 2015. The Innovation tax bracket has a certain income threshold, which effectively allows companies to have revenue from innovation taxed at a lower rate.

The positive cash flow from operating activities in the first half-year was € 4.0 million. € 6.5 million was spent on investing activities and € 6.6 million was paid out in dividends over 2010. Furthermore, repayments on loans were made of € 0.1 million, and € 0.3 million of own shares were sold to the Stichting Medewerkerparticipatie Nedap (Nedap Employee Participation Foundation). On balance, the borrowing requirement consequently rose to € 8.9 million. The credit facilities at the banks as per 30 June 2011 totalled € 45.7 million; of this, € 42.0 million had been drawn. In addition, there were € 5.0 million of cash and cash equivalents.

In the first half-year of 2011, there was a sharp increase in investment in accommodation, production resources, development projects, and inventories. The balance sheet total consequently went up from € 113.0 million (at year-end 2010) to € 122.9 million halfway through 2011. The increase in inventories by € 6.7 million was caused amongst other things by an increase in the work in progress, the shortage of components on the world market, and seasonal trends associated with the closure of the factories of suppliers during the holiday period. Another factor was the conscious decision to maintain higher stock levels at several locations around the world to increase the rapidity and efficiency of supplies. The average credit term for trade receivables was steady at 7.5 weeks. These changes led on balance to a decrease in the solvency position (equity excluding undistributed profit divided by the total assets) at the end of the period under review to 38.3% (year-end 2010: 39.5%).

Perspectives, risks, and uncertainties

Knowledge of customers' business processes and the application of new technologies form the basis for new, original, and sustainable applications that offer customers a unique selling point. This qualitative aspect of the revenue, expressed by the high percentage of added value in revenue terms, is a key factor at Nedap. It has the highest priority and ensures a solid foundation on which Nedap is continuing to build organic growth in revenue and results. In the short term, revenue and results may be influenced by restraint in the market due to economic conditions. The year 2009 was an extreme example of this. In recent years, Nedap has continued to invest in new products, systems, services, and marketing. This helped to make the recovery in 2010 and the first half of 2011 possible. The expenditure on marketing and on research and development will also remain at a relatively high level in 2011. Based on our current position in the various markets and barring unforeseen circumstances, we expect further growth in revenue and profit for the whole year of 2011.

A description of the most important risks for Nedap is included in the Annual Report for 2010.

Groenlo, 4 August 2011

The Board of Management:

R.M. Wegman
G.J.M. Ezendam

Half-yearly Financial Statements 2011

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Consolidated balance sheet

(€ x 1,000)

	2011 half-year	2010 year-end
	€	€
Assets		
Non-current assets		
Property, plant and equipment	44,710	42,914
Intangible assets	8,645	7,925
Investment in associate	2,462	2,537
Deferred tax assets	546	472
Employee benefits	1,891	3,100
	58,254	56,948
Current assets		
Inventories	28,292	21,635
Income tax receivable	1,509	1,489
Trade and other receivables	29,851	28,533
Cash and cash equivalents	5,042	4,367
	64,694	56,024
	122,948	112,972
Equity and liabilities		
Equity		
Share capital	669	669
Statutory reserves	8,792	8,072
Reserves	37,633	35,854
	47,094	44,595
Undistributed profit attributable to shareholders	3,699	8,718
	50,793	53,313
Minority interests	120	129
Undistributed profit attributable to minority interests	5	47
	125	176
	50,918	53,489
Non-current liabilities		
Loans	16,898	17,030
Derivative financial instruments	315	540
Employee benefits	1,196	1,556
Deferred tax liabilities	3,790	3,393
	22,199	22,519
Current liabilities		
Loans	241	241
Bank overdrafts	24,902	15,356
Employee benefits	864	764
Warranty provision	689	710
Income tax payable	37	63
Taxes and social security charges	3,077	3,470
Trade and other payables	20,021	16,360
	49,831	36,964
Total liabilities	72,030	59,483
	122,948	112,972

Consolidated income statement

(€ x 1,000)

	2011 half-year	2010 half-year
	<u>€</u>	<u>€</u>
Revenue	69,563	61,118
Cost of materials	25,153	23,172
Movement in inventories of finished goods and work in progress	-/- 3,176	-/- 3,230
Subcontracting and other external costs	18,596	16,020
Salaries and social security charges	21,725	19,410
Depreciation and amortisation	4,115	3,559
Impairment losses on intangible assets	-	368
Non-current assets manufactured in-house	-/- 1,475	-/- 1,463
Total operating expenses	64,938	57,838
Operating profit	4,625	3,280
Financing income	75	90
Financing expenses	-/- 613	-/- 536
Value movements instruments	225	-/- 46
Net financing expenses	-/- 313	-/- 492
Share of profit of associate (after taxes)	303	188
Profit before taxes	4,615	2,976
Taxes	911	21
Profit after taxes	3,704	2,955
Profit attributable to shareholders of Nedap N.V.	3,699	2,931
Profit attributable to minority interests	5	24
Profit after taxes	3,704	2,955
Average number of shares in issue	6,692,920	6,692,920
Earnings per ordinary share (in €)	0.55	0.44
Diluted earnings per ordinary share (in €)	0.55	0.44

Consolidated cash flow statement

(€ x 1,000)

	2011 half-year	2010 half-year
	€	€
Cash flow from operating activities		
Profit after taxes	3,704	2,955
Adjustments for:		
Depreciation and amortisation	4,115	3,559
Impairment losses on intangible assets	-	368
Book profit on sale of property, plant and equipment	-/- 97	-/- 17
Net financing expenses	313	492
Income taxes	911	21
	<u>5,242</u>	<u>4,423</u>
Movements in associate:		
Profit after taxes	-/- 303	-/- 188
Dividend received and other movements	378	171
	<u>75</u>	<u>-/- 17</u>
Movements in trade and other receivables	-/- 1,316	-/- 4,489
Movements in inventories	-/- 6,657	-/- 5,157
Movements in taxes and social security charges	-/- 393	315
Movements in trade and other payables	3,597	2,485
Movements in employee benefits	949	881
Movements in warranty provision	-/- 21	-/- 62
	<u>-/- 3,841</u>	<u>-/- 6,027</u>
Interest paid	-/- 560	-/- 498
Interest received	73	89
Income tax paid	-/- 634	-/- 502
	<u>-/- 1,121</u>	<u>-/- 911</u>
	<u>4,059</u>	<u>423</u>
Cash flow from investing activities		
Acquisitions of property, plant and equipment	-/- 5,246	-/- 2,996
Acquisitions of intangible assets	-/- 1,500	-/- 1,486
Proceeds from sale of property, plant and equipment	223	104
	<u>-/- 6,523</u>	<u>-/- 4,378</u>
Cash flow from financing activities		
Long-term loans repaid	-/- 132	-/- 142
Dividend paid to minority interests	-/- 56	-/- 77
Dividend paid to shareholders of Nedap N.V.	-/- 6,559	-/- 937
Resale / repurchase of shares	340	-/- 293
	<u>-/- 6,407</u>	<u>-/- 1,449</u>
Movements in cash and cash equivalents and banks	<u>-/- 8,871</u>	<u>-/- 5,404</u>
Cash and cash equivalents and banks at 1 January	-/- 10,989	-/- 9,658
Exchange gains and losses on cash and cash equivalents and banks	-	-
Cash and cash equivalents and banks at 31 December	<u>-/- 19,860</u>	<u>-/- 15,062</u>

Consolidated statement of changes in equity

(€ x 1,000)

	share capital	statutory reserves	reserves	profit attributable to share-holders	equity attributable to share-holders	minority interests	total equity
	€	€	€	€	€	€	€
Balance at 1 Jan. 2010	669	6,530	38,039	1,057	46,295	206	46,501
Dividend				-/- 937	-/- 937	-/- 77	-/- 1,014
Appropriation of profit		750	-/- 630	-/- 120	-		-
Repurchases of shares			-/- 293		-/- 293		-/- 293
Profit for the year				2,931	2,931	24	2,955
Exchange gains and losses					-		-
Balance at 30 June 2010	669	7,280	37,116	2,931	47,996	153	48,149
Balance at 1 Jan. 2011	669	8,072	35,854	8,718	53,313	176	53,489
Dividend				-/- 6,559	-/- 6,559	-/- 56	-/- 6,615
Appropriation of profit		720	1,439	-/- 2,159	-		-
Resale of shares			340		340		340
Profit for the year				3,699	3,699	5	3,704
Exchange gains and losses					-		-
Balance at 30 June 2011	669	8,792	37,633	3,699	50,793	125	50,918

At 30 June 2011, the company repurchased 24,187 of its own shares for delivery to the Stichting Medewerkerparticipatie Nedap.

The statutory reserves were as follows:

	30-06-2011	30-06-2010
	€	€
Capitalised development costs	8,586	7,047
Profit of subsidiaries not freely distributable	338	379
Exchange gains and losses	-/- 132	-/- 146
Total	8,792	7,280

Notes to the half-yearly Financial Statements 2011

(€ x 1,000, unless stated otherwise)

Accounting policies

General

N.V. Nederlandsche Apparatenfabriek "Nedap" is registered in Groenlo, the Netherlands. The interim half-yearly 2011 report of the company comprises the company and its subsidiaries, who together form the Group, referred to below as Nedap.

Nedap develops and supplies innovative and sustainable security and electronic control solutions and automation, management and information systems for organizations.

The 2010 consolidated financial statements of Nedap are available at request at info@nedap.com or per telephone +31 (0) 544 471111 or can be downloaded from our website www.nedap.com.

Statement of accordance

This consolidated interim report has 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 2010 consolidated financial statements of Nedap.

This condensed consolidated interim report was drawn up by the Board of Management on August 4th 2011.

Relevant accounting policies

The accounting policies and calculation methods applied by Nedap in this consolidated interim report are equal to the policies and calculation methods applied by Nedap in the consolidated financial statements for 2010.

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 preparing this consolidated interim report, the relevant judgements, made by the management and used in applying the accounting policies of Nedap and the relevant sources of estimates used, are the same judgements and sources as in its consolidated financial statements 2010. Estimates relate primarily to tangible and intangible assets and provisions for employee benefits.

Financial risk management

The objectives and measurements of Nedap in the field of financial risk management correspond with the objectives and measurements as stated in the consolidated financial statements 2010.

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 taxes.

Related parties transactions

Nedap's related parties are the associate Nedap France S.A.S., Stichting Preferente Aandelen Nedap, the members of the Supervisory Board and the Board of Management. With the associate normal business transactions take place against conditions similar to those applicable to transactions with third parties. There were no transactions with Stichting Preferente Aandelen Nedap. Only normal transactions took place with the members of the Supervisory Board and the Board of Management.

The figures in this interim report have not been audited by an external accountant.

This is a translation of the original Dutch interim report. In the event of any conflict of interpretation the Dutch text will prevail.

Statement pursuant to Section 5:25c (2c) of the 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; 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, 4 August 2011

The Board of Management:

R.M. Wegman
G.J.M. Ezendam

Nedap is characterized by an open, innovative and creative company culture aimed at development and entrepreneurship.

Nedap's long-term policy is aimed at creating a durable added value for clients, employees and shareholders. The company plans on achieving this by means of an organic increase in revenue and profit, whereby diversification and innovation, based on the expertise available within Nedap, play a key role.

Nedap concentrates on the development and delivery of distinctive and durable

- solutions for computerization and management of operating processes, whereby recognition of persons, animals and goods as a rule play an important role and
- products whereby power and control electronics play an important role.

In order to continue operating in the manner which makes the company strong, and is based on autonomous growth, the financial standards applied by Nedap consist of an operating profit of at least 10% of revenue, a 15%-20% return on equity, and a solvency ratio of about 45%.

Nedap was founded in 1929 and has been listed on the NYSE Euronext since 1947.



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