Annual report of
N.V. Nederlandsche
Apparatenfabriek
"Nedap" on its

eighty seven th

financial year 2016

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Contents


01

supervisory board

Report of the Supervisory Board

To the shareholders

In 2016, Nedap's revenue was up 3% to €186 million. Nearly all business units contributed to this growth. The profit for the 2016 financial year came in at €10.8 million (€4.7 million in 2015).

The reorganisation of the supply chain in the financial year was not only a key focus point for the Board of Directors and staff, it was also high on our minds. The Board of Directors and those responsible for the process continuously briefed us on internal preparations for the outsourcing of production and logistics activities, the selection process for possible production partners, and the phasing out of a large number of products. We also kept close track of their considerations in this outsourcing process in terms of the continuity of deliveries to customers and process accuracy and speed. Needless to say, there was always ample discussion on the impact on staff and financial effects of the reorganisation process.

Another key focus point in 2016 was the new multi-year Changing Gears plan, as designed by the Board of Directors in close consultation with business unit managers and presented to us. This plan clearly shows that Nedap has excellent growth potential. And the plan ensures that this potential will boost financial results.

Financial statements

There were some changes to the structure of the statement of profit or loss this year. The new structure is better aligned with Nedap's organisational structure after completion of the supply chain reorganisation. For further details about this, please refer to the 'New-look statement of profit or loss' section in the Directors' Report. The financial statements were audited by our new auditor, PricewaterhouseCoopers Accountants N.V. Like in previous years, the auditor awarded a comprehensive unqualified audit certificate, which is specific to Nedap, and which is included in the report under 'Other information'.

A delegation from our Supervisory Board has discussed the audit in depth with the auditor, the Board of Directors, and Group Controlling.

With the Board of Directors and the auditor, we, as the full Supervisory Board, subsequently discussed the auditor's report and the 2016 annual report, which is made up of the Directors' Report, the Financial Statements, Other information, Social aspects of doing business, and Corporate Governance. Aside from that, we also spoke to the auditor without the Board of Directors present. No further particulars emerged from this meeting.

The Board of Directors submits regular (ten times per year) extensive financial reports with notes to us, which we also in 2016 discussed at length with the Board of Directors. In our meetings with managers, controllers, and other business unit employees, we discussed the affairs of each business unit.

Based on the information we have thus gathered, we are confident that the 2016 report provides a solid foundation for our accountability vis-à-vis our supervision of the Board of Directors' management of the company.

We therefore recommend that you adopt the 2016 financial statements as presented.

Dividend

The profit for the 2016 financial year came in at €10.8 million (€4.7 million in 2015), resulting in earnings per share of €1.61, compared with €0.70 in 2015.

Nedap's dividend policy ensues from the company's strategy and long-term policy. Profits are paid out to shareholders, after deduction of the amount needed for investments in profitable growth and the intended financing structure. In accordance with Article 45 paragraph 1 of the articles of association, a decision has been made to add €1.4 million to the Other reserves, putting the total amount available for dividend at €9.4 million. Dividend per share is therefore €1.40 (€1.28 in 2015) Standing at 48%, the solvency rate stayed at the same level as in 2015.

Meetings and activities

We had five regular meetings in the 2016 financial year, which were attended by all members. Aside from that, we had further meetings and liaised over the phone, both with each other and with the Board of Directors. Matters discussed include progress of the supply chain reorganisation, press releases, and the composition of our Board. Members of our Board also met with members of the Board of Directors on several occasions.

As stated, the new multi-year Changing Gears plan was discussed at length and ultimately ratified by us. In previous years, improving the company's scalability was a key focus point and a broad portfolio of propositions was created. The Changing Gears plan puts the focus on revenue growth, with a view to converting Nedap's growth potential into solid financial results. This plan includes a market analysis and a critical analysis of differentiating qualities, market opportunities and risks, growth drivers, and growth plans for each business unit. The business unit managers presented and further explained the strategy of their respective business units to us. Nedap's portfolio of activities was reviewed based on growth opportunities, capital allocation, technological interrelations, prospects of growth in profitability and financeability. There has also been extensive discussion on what kind of organisation and environment is needed to be able to maximise our growth plans' likelihood of success. And finally, we discussed how not to lose sight of growth opportunities and value creation for the longer term, addressing factors such as innovation, the ability to recruit and retain sufficient talent, and the upkeep and further development of our Nedap culture. A lot of attention was furthermore given to the detailed financial foundation of the multi-year plan, including an analysis of the main risks.
Based on all this and meetings we had throughout the year with managers, controllers, and other employees of the business units, we obtained a good picture of the different markets, the competitive position of the various business units, the development of the organisation, the strategic objectives and the related preconditions, as well as of the opportunities and risks for individual business units and Nedap as a whole. Other than that, we have also discussed Nedap's operational and financial targets in this respect.

Nedap has furthermore raised the level of professionalism in the area of risk management. As part of the global and Nedap-wide risk management programme that was launched in 2015, an updated Risk Management Framework was formulated in 2016 and adopted by the Board of Directors and us. For further details, please refer to the 'Nedap and risk management' section in the Corporate Governance chapter. Group Controlling's risk management capacity was raised in 2016. Partly in light of this, we discussed the set-up, functioning, and effectiveness of internal risk management and control systems with the Board of Directors. The integrity and quality of financial reporting was addressed in a meeting about the financial management system and the new-look statement of profit or loss.

The risk management project will continue over the coming years, and include a focus on the risks of internal processes, business risks, compliance with legislation and regulations, and Group Controlling's role in embedding risk management processes. No significant changes are expected.
Reasons for a possible renewal of the Nedap Additional Participation Plan (NAPP), the conditions for such a renewal, and its financial impact were discussed with the Board of Directors.

Together with the Board of Directors and like in previous years, we have concluded that there is no need for an internal auditor or an internal auditing department. This conclusion is based primarily on Nedap's limited size and organisational model, as well as on Nedap's culture. Within Nedap's corporate culture, everyone feels free to assume personal responsibility in dealing with risks. Interactions between the Board of Directors, business units, and subsidiaries in the Netherlands and outside the Netherlands are so well-developed that they create an effective system with strong informal checks and balances. These informal checks and balances are supplemented with formal procedures and controls wherever these are compulsory or useful. Aside from that, there is zero tolerance across all levels of the organisation when it comes to risk appetite in the area of legislation and regulations, guided by the spirit of such legislation and regulations. Furthermore, the Risk Management Framework that was updated in 2016 is the basis for strict formal frameworks that ensure responsible risk management. Groenlo-based Group Controlling is in charge of the risk management process. And finally, a high level of transparency is guaranteed by the IT infrastructure, which is the same as that of Nedap N.V. at virtually all group companies.

Aside from regular financial reports, the NAPP, the reorganisation of the supply chain, Changing Gears, and risk management, we looked at various commonly reviewed items during the financial year, such as the budget for 2017, the organisational structure, and corporate governance.
In the 2016 financial year, both a code of conduct and a whistle-blower policy were introduced at Nedap. The new credit agreement, which extends the financing term to May 2023, was also discussed at length. This agreement further strengthens Nedap's financial position.

Together with the Board of Directors, we evaluated Nedap's auditor and the PwC organisation, as well as Nedap's collaboration with them. The transition report drawn up by PwC (for the transition from KPMG Accountants to PwC) was also discussed with the auditor and the Board of Directors. We are confident that the auditor has provided us with all relevant information in enabling us to adequately perform our supervisory duties. The auditor found no irregularities in the reporting.

Based on our assessment of PwC's independence as an auditor, we conclude that this is in no way compromised. PwC does not perform any work for Nedap other than its audit activities.

We considered and discussed Nedap's corporate social responsibility policy on several occasions, including when we discussed strategy. The Board of Directors bears ultimate responsibility for this policy. The 'Nedap and the social aspects of doing business' section was edited on a few minor points and updated. Policy in this area, as previously approved by us, has not been changed.

Both with and without the Board of Directors, we held meetings about our performance as the Supervisory Board and the performance of the Board of Directors, both collectively and individually, as well as about variable remuneration to award to board members. We have conducted a self-evaluation of our collective performance as the Supervisory Board and of our individual

performance as Supervisory Board members. We have furthermore talked about an adequate future composition of our Board on several occasions, partly with a view to the term limits and (revised) Corporate Governance Code. And we met with a delegation of the works council and business unit managers to discuss the performance of the Board of Directors and individual directors. Discussions on performance were open and critical and held in good faith.
Communications between the Board of Directors and the Supervisory Board are transparent and critical, and the mutual working relationship is a good one. Our conclusion is that the Supervisory Board and the Board of Directors have performed well, both individually and collectively.

As in previous years, we also had informal talks, either individually or as a delegation, with relevant Nedap employees to discuss items outside formal meetings. Informal contacts between the Supervisory Board and business unit managers and controllers to discuss financial performance, market trends and opportunities, the competitive position, staffing issues, the medium-term vision, risks and action points continued intensively throughout the 2016 financial year. Alongside our individual focus areas in terms of our expertise, each of us also focuses on one or several specific business units. This is in line with the preferred proactive approach of the Supervisory Board, both collectively and individually. We inform the other Supervisory Board members of our findings. These talks with employees of Nedap and its subsidiaries and with the Works Council enable us to continue to deepen our connection with and insight into developments at Nedap.

Our annual evaluation has shown that we were able to make enough time, both individually and as a group, to give due attention to developments at Nedap. There is a good distribution of focus areas and we complement each other sufficiently in our advisory role to the company.

Partly given our proactive way of working and the aforementioned spread of focus areas, we stand by our view that setting up formal committees within the Supervisory Board is not required and not desirable at this point in time, also given Nedap's and the Supervisory Board's limited size. As a whole, the Board will continue to be responsible for correct execution of the tasks of the audit, remuneration and selection and appointment committee. Any decisions are made jointly by the full Supervisory Board.

Our chairman regularly meets with the managing director to discuss current affairs at Nedap and any other issues. Any bilateral contacts between the Board of Directors and shareholders as part of the appropriate policy are discussed with our chairman. The Board of Directors and the Supervisory Board are committed to maintaining good relations with our shareholders. Both Nedap and the shareholders may initiate contacts. Such contacts are intended to provide a more complete picture of developments at Nedap. In talks with shareholders, the company is generally represented by a member of the Board of Directors.

Composition of the Supervisory Board

At the general meeting of shareholders of 31 March 2016, Mr G. F. Kolff, the current chairman of the Supervisory Board, was reappointed to the Supervisory Board for a period of four years. For the upcoming meeting of shareholders of 6 April 2016, there are two vacancies for our Supervisory Board on the agenda, i.e. the seats of Mr M.C. Westermann and Mr J.M.L. van Engelen. We are nominating both gentlemen for reappointment, Mr Van Engelen for a second four-year term, and Mr Westermann for a third term, albeit a two-year term.

With a view to the drastic transition that Nedap will be undergoing over the coming years and the planned standing down of Ms Theyse in 2018, reappointment of Mr Westermann for a third term is, in our opinion, desirable. To further ensure continuity on the Supervisory Board, a decision has been made to, in anticipation of Ms Theyse's standing down, temporarily appoint one additional member to the Supervisory Board. This additional member will therefore take on the role of the Supervisory Board's financial expert.

We believe the Supervisory Board has a good balance of skills, relevant knowledge and experience and can fulfil its statutory duty to supervise and advise the Board of Directors in an effective manner. All members of the Supervisory Board meet the requirements of the Corporate Governance Code with respect to their independence (best practice provision III.2.1) and expertise.

Remuneration

Board of Directors

The details of the remuneration policy for the Board of Directors under the articles of association are described in the Corporate Governance chapter of this report. The components of the remuneration received in the 2016 financial year as per the remuneration policy are listed under 'Board of Directors remuneration' in the financial statements.

The performance targets for the variable component of board members' pay under the remuneration policy were set by us at the start of the financial year. The Board of Directors invests a minimum of 50% of such variable remuneration in the Nedap employee participation plan, and thus in depositary receipts for shares that are locked up for a period of four years. As a result, at least 50% of variable remuneration is of a long-term nature. Since the creation of the employee participation plan, members of the Board of Directors under the articles of association have invested all of their variable remuneration in the plan.

We have discussed to what extent board members have achieved the targets that were set, concluding that the board members have fulfilled these targets as such that we – in compliance with the stipulations of the 'Remuneration policy for the Board of Directors under the articles of association' – have set the variable remuneration of the Board of Directors at 65% of their fixed annual income.

In setting the overall remuneration, we analysed various scenarios and took into account such factors as the development of revenue and results, the advancement of Nedap's interests in the medium and long term, and internal pay relationships at Nedap.

Supervisory Board members
Remuneration of the members of the Supervisory Board has not changed and is set out in the financial statements under 'Supervisory Board remuneration'.

We would also like to thank our shareholders and customers for their interest in Nedap and for placing their trust in our company.

We realise that the reorganisation of the supply chain was highly demanding on employees, also this year, especially on employees who will be made redundant. We would therefore like to express our appreciation to the Board of Directors and all employees for their dedication, effort, and loyalty to Nedap throughout the past year.

Groenlo, Netherlands, 17 February 2017

The Supervisory Board:
G. F. Kolff, chairman
M. C. Westermann, vice-chairman
D. W. J. Theyse
J. M. L. van Engelen

Supervisory Board profile

Nedap's policy is aimed at creating sustainable added value for customers, staff and shareholders. Nedap translates expertise of markets and technology into innovative and leading propositions based on which leading positions are built in different markets. In doing so, Nedap focuses on products, activities, and markets where they can truly make a difference. This forms the basis for long-term autonomous growth of revenue and results.
In supervising the Board of Directors, the Supervisory Board must always factor in these basic principles. They must also make themselves available to the Board of Directors in an advisory role.

This requires a balanced Supervisory Board, where management experience and broad expertise in the areas of finance, technology and commerce are coupled with affinity for and a strong sense of:

- entrepreneurship
- hands-on management in a flat organisation that is based on distinctive strengths
- attracting talent and enabling talent to grow
- innovation and proposition development
- sustainable organisational development, striking a balance between a short-term and a long-term focus
- building scalable business models in an international environment
- developments in society.

By and large, the Supervisory Board is required to adopt a critical attitude towards the Board of Directors. Its members must be independent from the company and each other, and possess complementary qualities. The aim is for the composition of the Supervisory Board to reflect the society in which Nedap operates. The Supervisory Board will never have more than five members.

Supervisory Board member details

At 17 February 2017

Mr G. F. Kolff (68), chairman, male

Extensive management experience, sound expertise in the area of technology, financial expertise, ability to translate technology to solutions and market opportunities, experience with and understanding of Nedap's value creation model, and solid communication skills.

Nationality	: *Dutch*
Profession/ most recent primary position	: Managing director of Shtandart TT B.V.
Relevant additional positions	: *none*
First appointment	: *17 April 2012*
Current term	: *2016-2020*
Supervisory board memberships	: *Paques Holding B.V. (chairman)* *Smits Bouwgroep B.V. (SBB)*

Mr M. C. Westermann (64) MBA, vice-chairman, male

Broad management experience, entrepreneurship, commercial focus, extensive expertise in the area of IT, an eye for innovation.

Nationality	: *Dutch*
Profession/primary position	: *Executive board member DIH International*
Relevant additional positions	: *none*
First appointment	: *12 May 2009*
Current term	: *2013-2017*
Supervisory board memberships	: *Triple-P* *Barenbrug Holding B.V. (chairman)*

Ms D. W. J. Theyse (48), female

Comprehensive financial knowledge, management experience and practical knowledge and experience with listed companies and other large legal entities.

Nationality	: *Dutch*
Profession/primary position	: *Managing director of Aevitas Property Partners*
Relevant additional positions	: *none*
First appointment	: *29 April 2010*
Current term	: *2014-2018*
Supervisory board memberships	: *none*

Prof. J. M. L. van Engelen (57), male

Wide-ranging management experience, broad expertise in the area of industrial product development, marketing and product strategy, financial acumen, as well as extensive contacts at knowledge institutes.

Nationality	: *Dutch*
Profession/primary position	: *Professor of Integrated Sustainable Solutions, Faculty of Industrial Design Engineering, Delft University of Technology*
Relevant additional positions	: *Professor of Business Development, Faculty of Economics and Business, University of Groningen*
First appointment	: *16 April 2013*
Current term	: *2013-2017*
Supervisory board memberships	: *Member of the Supervisory Board of Espria* *Member of the Supervisory Board of the Open University of the Netherlands* *Member of the Supervisory Board of Pensioenfonds Zorg & Welzijn* *Member of the Supervisory Board of CentER Data, Tilburg University* *Member of the Board of Stichting Triade, University Medical Center Groningen*


02

directors' report

Directors' Report

2016 in a nutshell

The 2016 financial year was another year of revenue growth for Nedap. Operating profit, excluding one-off items, was up 29% on the previous year. Profit for the 2016 financial year rose from €4.7 million to €10.8 million.

Nedap's overall revenue was up 3% in 2016, rising to €186.0 million (€180.9 million in 2015) Excluding the Energy Systems business unit, whose activities have been phased out as planned, revenue grew by 5%. The Healthcare, Identification Systems, Library Solutions, Livestock Management, Retail, Staffing Solutions, and Security Management business units all contributed to growth, while the Light Controls and Nsecure units posted lower revenue than in the previous year. In 2016, the operating profit, excluding one-off items, rose 29% to €14.3 million (€11.1 million in 2015).

On balance, the operating profit for 2016 is €1.5 million lower due to one-off items. Totalling €1.8 million, one-off costs relating to the reorganisation of the supply chain in 2016 have stayed well below the level previously expected, mainly as a result of the lower-than-expected write-down on inventories.

The supply chain reorganisation is on schedule. The aforementioned annual cost reduction of at least €4 million and the €10-million decrease in the balance sheet total will be realised in full in 2018. In 2017, the positive effects of the reorganisation will gradually become visible, but there are still one-off operating costs. We currently do not expect to need additional provisions or additional impairment of assets on account of the phasing out of production and logistics activities.
Earnings per share were up to €1.61 (€0.70 in 2015), while dividends for 2016 have been set at €1.40 per share (€1.28 per share in 2015). The solvency ratio remained steady at 48%.

Market and strategy

Technological advancements are coming thick and fast, and they have the potential to turn established market positions on their heads. These market trends continued unabated in 2016. As market transparency is increasing thanks to the Internet, national boundaries are disappearing from many markets, often rendering a leading position in a local market irrelevant in one fell swoop. Companies are then forced to target a leading position on a European or even a global level. Plus, the dividing line between winners and losers in the market is becoming increasingly stark.

To be able to operate successfully in this drastically changing market, it is no longer enough to develop a technically superior product. All elements of the proposition around such a product have to be right. Aspects such as a competitive price, good global availability, quick delivery, powerful marketing, and professional support all have an effect on competitiveness and the resulting market position. When a proposition works and triggers a significant increase in sales, the organisation has to be ready to meet rising demand.

With our propositions, we aim to move markets. And we can only do so from a leading market position. Being a market leader is crucial if you want return on investments in a proposition. Experience has taught us that it generally takes years to acquire this kind of dominant position in a market. Nedap's long-term approach and perseverance is often decisive in this respect. Our market positions and the way our portfolio of propositions is structured are continuously subjected to critical review. Looking at criteria such as sustainable value growth, prospects of acquiring a leading market position, alignment with our technology basis, and scalability of the business model, we weigh up whether or not a proposition or market position is sufficiently attractive. In doing so, we will never hesitate to withdraw from markets where we cannot make a difference, or pull propositions that generate insufficient returns.

Over the past five years, hard work has gone into our Road to Excellence programme. And the hard work has paid off, as we now have a powerful portfolio of propositions with excellent growth prospects. Aside from that, the Road to Excellence programme has brought numerous improvements to business processes at Nedap, boosting the organisation's scalability and readying it for growth.

Over the 2016 financial year, we have set up the Changing Gears programme, a new multi-year plan to replace the Road to Excellence programme. The idea behind this plan is to turn the company's growth potential into concrete financial results. We intend to make this happen by harnessing the energy available across our company in pursuing operations through which we really make a difference. This means, among other things, that we will be considerably reducing the number of different products in our portfolio, that we will target our development efforts on four core technology areas, and that we will empower the various business units to focus on activities that make a difference in retaining or achieving a leading market position. This great intensification of focus in our operations will shift Nedap's development into the next gear.

Employees and organisation

Nedap operates in markets where new technological solutions emerge all the time. It is becoming increasingly difficult for companies to judge which products best meet people's needs and requirements at the present moment, let alone tomorrow and further into the future. We are seeing more often that companies and institutions pick us not only because of our products, but because of the people we have working here at Nedap. More and more customers tell us that the qualities of both individual employees and the team were the deciding factor in their choosing Nedap.

We stand out amid the competition thanks to our profound understanding of what customers and end users want out of technology, as well as of how they want to be able to use technology. We invest a lot of time in our customers and acquire first-hand experience of how our products perform in practice. This gives us new insights and helps us keep improving our products. In this light, we challenge our teams to create added value for our customers' objectives and processes in everything they do. Only then will we give our customers the lasting competitive edge that will help them make the difference. Customers tell us that this process of continuous development of products and the quality and way of working of our people has inspired them to commit to Nedap in the long term, and gives them confidence going forward.

Naturally, this places high demands on our staff. Our way of working is possible only with independent, self-willed, entrepreneurial, and highly motivated people who are prepared to take responsibility. That is precisely the kind of people we have working at Nedap, and we are proud of that. But our people also have high demands themselves when it comes to the company's working practices. They expect a company where employees, based on clear principles and transparent information provision, determine for themselves how best to contribute to Nedap's performance, a company that offers room for personal initiative and encourages people to independently make sensible decisions. Our employees' personal sense of responsibility is precisely what appeals to our customers.

At the end of the financial year, Nedap's workforce counted 783 employees, 18 more than the year-end figure for 2015. On average, the company employed 775 people over the 2016 financial year (763 in 2015) with an average age of 41.6 years (42.1years in 2015). The sickness absence rate

- excluding maternity leave - fell to 2.5% in the financial year (2.8% in 2015). Added value per FTE grew to €158k (€153k in 2015).

Supply chain reorganisation

Thanks to our unique way of working, we were able to carry off a process as complex as the reorganisation of the supply chain. This kind of project that requires a large number of decisions on all kinds of matters within a short time span can only run smoothly when employees can, based on a clear strategic line to follow and open communications, make the required decisions themselves on the shop floor. This not only boosts effectiveness, but also leads to clearly better-quality decisions.

In the 2016 financial year, we have entered into framework agreements with five production partners that were selected after careful consideration. All products have been classed in logical packages, where newly-formed teams responsible for each package have been tasked with ensuring successful outsourcing of their respective products. At the same time, a decision was made to phase out production of many of the items. It has taken great effort to put together the full product documentation package for each product and prepare the required testing equipment that can be used externally.
Insourcing additional capacity, making prototypes, and the greater costs involved in on-site support for production partners as they deliver their first batches produced one-off costs in 2016, as explained in the 'Financial highlights' section. The new cost of sales that have meanwhile been set for the entire product package show that the expected financial savings can actually be realised.
We made a conscious choice to announce the expected consequences of the reorganisation of the supply chain at an early stage and to be transparent about this at all time, including the announcement that this reorganisation at Nedap would lead to job losses and therefore compulsory redundancies. This is in keeping with the open and honest internal relations we have at Nedap, and which are the basis of great mutual trust across our company. Employees' strong commitment to Nedap is shown by the fact that everyone has worked with great dedication and effort to successfully complete the transfer of manufacturing activities to our production partners. We realise that the ongoing changes at Nedap appeal to our employees' will to work hard and sense of responsibility in a big way. These two traits were, in fact, prerequisites for the success of the transition. We therefore want to extend our gratitude to our employees for all their hard work, especially to those who now know that they will ultimately be made redundant.

Participating employees

The works council plays an important role in maintaining good relations between the company and its employees. As a body that flags up issues affecting workers, the works council makes sure such issues are addressed during consultations with the Board of Directors. To be able to fulfil this role, the works council actively seeks contact with colleagues. This way of working creates broad support for the works council across the organisation, thereby bolstering the works council's worth for the organisation. We would like to thank the members of the works council for all their hard work over the past year.

An essential part of our competitiveness is our ability to attract, develop, and retain talent. The fact that the number of candidates responding to our vacancies continues to grow leads us to conclude that Nedap's attractiveness as an employer has increased significantly. However, due to our consistently strict hiring policy, potential employees that meet our requirements and expectations continue to be scarce.
Needless to say, our aim is to create a diverse workforce that reflects the society in which Nedap

operates, ensuring diversity in terms of sex, nationality, age, origin, and other characteristics. Diversity is also an aim in the allocation of seats on the Board of Directors and the Supervisory Board. That said, meeting our high quality standards is always the first priority.

In the 2016 financial year, Nedap sealed a new 1-year collective labour agreement with the trade unions, which took effect on 1 April 2016 and included agreement on a 1.5% salary increase.

Under the Nedap employee participation plan, employees can use part or all of their annual share in the profits to purchase Nedap depositary receipts. These depositary receipts are locked up for four years after purchase. In addition to a 10% discount on the purchase price of the depositary receipt, one bonus depositary receipt is awarded, subject to conditions, after four years for every four depositary receipts. The holder of the depositary receipt is immediately entitled to the full dividend per share.

There is also the Nedap Additional Participation Plan (NAPP), which is intended to give employees an additional share of the profits whenever profits grow by over 5% a year, whereby the 2012 profit before taxation (€16.3 million) is taken as the reference point. In 2016, Nedap posted a profit – excluding one-off items – of €14.3 million, staying below the threshold value for 2016 of €19.8 million. A profit share under the NAPP will therefore not be awarded for 2016.

The Board of Directors has decided to extend the term of the NAPP to the end of 2021 to support the Changing Gears programme. On top of that, the operating profit, excluding one-off items, will from now on serve as the basis, while the threshold values for the NAPP will be recalibrated. The starting point for the NAPP in the period from 2017 to the end of 2021 is the 2016 operating profit, excluding one-off items, of €14.3 million. Every year, the threshold value will grow by 5%. This will see the threshold values adjusted to reflect the positive effect the reorganisation of the supply chain is expected to have on operating profits. For 2017, an amount of €2 million will be added to the threshold value, while a further €2 million will be added to the threshold value for 2018. This will result in the following threshold values: 2017 - €17 million, 2018 - €19.9 million, 2019 - €20.9 million, 2020 - €21.9 million, 2021 - €23 million.

At the end of the financial year, Stichting Medewerkerparticipatie Nedap held 107,983 Nedap shares, representing approx. 1.6% of the total issued share capital.

Management and supervision

As per the pre-agreed term limits, Mr G.F. Kolff stood down as Supervisory Board member at the general meeting of shareholders held on 31 March 2016, following which the same meeting reappointed him for another period of four years. For this appointment, the works council had enhanced powers of recommendation. The works council endorsed the nomination of Mr Kolff.

For our corporate governance statement, please refer to the chapter on corporate governance in this report. The Corporate Governance chapter also covers the main features of the company's management and control systems relating to Nedap's financial reporting, formation and functioning of the Board of Directors and Supervisory Board, and notifications within the context of the Decree on Article 10 of the Takeover Directive.

Energy Systems

In the first half of 2016, the activities of the Energy Systems business unit were phased out as planned, which has resulted in a sharp drop in revenue. An in-depth market analysis conducted in 2015 led to the conclusion that there were insufficient prospects of a profitable market position in the distributed energy storage market. Developments over the past year have shown that the distributed energy storage market continues to be unattractive for Nedap due to a combination of increasing price erosion and the great effort needed to keep up with continuously changing legislation and regulations.

In mid-2016, this business unit ceased all their commercial activities. Given that Energy Systems now solely focuses on complying with existing warranty and support commitments, this business unit has been downsized to a minimum.

Healthcare

The Healthcare business unit (automation of tasks for healthcare professionals) has again recorded healthy growth in revenue in 2016. This unit saw its share of the elderly care market grow further in the financial year, while it has also achieved significant growth in the mentally handicapped market. In the mental healthcare market, the first institutions have meanwhile contracted Nedap's services.

The impact of the transfer of responsibility for long-term healthcare to local authorities, which started in 2015, is still being felt by healthcare providers. Many healthcare providers are struggling due to pressure to cut their fees. In 2016, this even led to the largest ever number of bankruptcies in this market. Healthcare providers are going to have to change to survive. Healthcare providers' services are developing faster than ever before, creating new commercial opportunities for the Healthcare business unit.

One development is that patients are increasingly put in charge of their own care. Nedap taps into this development with our electronic patient record (EPR), which offers healthcare providers the option to use Caren, the informal carer portal that Nedap has been providing for some time now, to give patients greater insight into and control over their healthcare. This software service gives patients access to things such as their healthcare record and healthcare providers' schedules. It also lets patients share this information with members of their family and informal carers. Nedap has meanwhile started exploring the options for expanding the EPR with a personal healthcare environment (PHE). In such an environment, all medical details are gathered for a specific patient, giving the patient control over this information.

In 2016, several healthcare providers have decided to take advantage of the benefits offered by Nedap solutions, and the Healthcare business unit expects uptake of their software services to show rapid growth over the coming years.

The Healthcare business unit has also taken the first steps towards solutions of a more medical nature in 2016. Treatment professionals such as elderly care specialists, mental health physicians, and physiotherapists, for example, can also log their diagnosis and treatment details in the EPR. This step enables an integrated way of working across the healthcare process from one single patient record.

Growth opportunities

Growth for the Healthcare business unit will be determined by the following factors over the coming years. First of all, there are good opportunities for further growth of the market share in the elderly care segment. The challenge is to keep up the high level of service and further boost the value of Nedap services by adding new features. Apart from that, Nedap's approach to healthcare is also catching on in the mentally handicapped and mental healthcare market segments. To achieve the same level of support as Nedap provides in elderly care, Nedap has set out to invest considerable resources in the development of additional features. And finally, solutions such as a wound-care application and double dose detection offer inroads into an entirely new market. Based on positive feedback from the market in response to the Healthcare business unit's various new initiatives, further revenue growth is expected for the coming years.

Identification Systems

The Identification Systems business unit (vehicle and people identification products and wireless parking systems) achieved substantial revenue growth in 2016 too. Growth was driven by operations all over the world, excepting only southern Europe. Each of this business unit's four propositions (vehicle identification, vehicle detection, people identification, and city access control) contributed to revenue growth. On top of that, vehicle identification and vehicle detection showed the biggest growth.

Identification Systems' portfolio of long-range readers for vehicle identification was strengthened further in 2016 with the addition of a high-end UHF reader. These readers can read labels without a battery (which are generally affixed to a vehicle's windscreen) from a distance of up to ten metres. This addition and other innovations in the portfolio have made the overall proposition more powerful and further bolstered their market position. Aside from that, relations with sales partners have been intensified through further development of the partner programme and the associated partner portal. Revenue generated by RFID platforms (TRANSIT and UPASS) and automatic number plate recognition (ANPR) cameras showed healthy growth. The proposition for people identification was strengthened in 2016 through the introduction of MACE, an all-new platform for people identification that enables the use of a smartphone as a means of identification. This platform is made up of a next-generation reader, which can be operated using both regular access badges and smartphones, and associated apps and software services.

Sales of wireless parking sensors for the SENSIT platform have doubled over the past year. Nedap is increasingly seen as a globally leading player in the area of vehicle detection using wireless parking sensors in open-air parking spaces. Both the number of projects and the average scope of these projects have grown significantly in 2016. Together with certified partners, applications were rolled out in cities, at universities, on business premises, and at motorway services to guide drivers to available parking spaces through a system of signs and smartphone apps. In one Italian city, an application has been realised that gives disabled people an electronic parking permit, while the SENSIT system detects improper use of disabled parking. The Identification Systems business unit expects revenue to continue to grow over the coming years.

Growth opportunities

Over the coming years, growth in the vehicle identification market will be a key driver of overall revenue growth for the Identification Systems business unit. Further investment in their portfolio of vehicle and people identification products will make this business unit increasingly relevant for system integrators, and allow them to claim a bigger role in the execution of individual projects. Steady expansion of the partner network will also continue to be an important factor for revenue growth. Given the success of online marketing, the Identification Systems business unit will ramp up their activities in this area. The Identification Systems business unit is confident that these steps will lead to sustained revenue growth over the coming years.

Library Solutions

In 2016, the Library Solutions business unit (RFID systems for libraries) managed to again achieve revenue growth. Through its core portfolio of technological components, this business unit enables an increasingly large network of partners to offer competitive solutions for 'smart' libraries.

Although the market for RFID systems for libraries keeps growing, the number of providers of this kind of technology specifically for libraries continues to decline. Aside from that, the takeover of 3M's library division by Bibliotheca brought a shift in the market that had many former 3M partners looking for a new technology partner and finding one in Nedap. This was one of the drivers behind further significant growth of our partner network. The Library Solutions business unit now operates in over 35 countries. They are getting better and better at having new partners switch to Nedap technology faster. Partners who joined our network in 2015, for example, drove up revenue growth in the 2016 financial year.

Like in previous years, the Library Solutions business unit invested in the further development of their product portfolio in 2016. The launch of a new reader and a desktop self-service kiosk has strengthened the portfolio. For these products, too, simple installation and integration come first. Work has also gone into further improvement of user-friendliness and extension of the software's features.

Growth opportunities

Also in coming years, more and more libraries will start using RFID technology. Demand for the technological components to enable this will therefore continue to rise. Expansion of the partner network, professionalisation of commercial support for our partners, and raising average revenue per partner by expanding the product portfolio are Library Solutions' focus points for the coming years to boost their market share. Efforts in this respect are expected to result in further growth of revenue for Library Solutions.

Light Controls

At the Light Controls business unit (power electronics and control systems for the lighting industry), revenue for the 2016 financial year came in lower than in the previous year. Growth in revenue from light management systems was insufficient to absorb the drop in revenue from UV lamp drivers for disinfection.

Going into 2016, this business unit had good expectations for the market for UV lamp drivers for disinfection (treatment of water with intensive UV light), especially in the area of ballast water. However, uncertainty about the international IMO treaty in this area and US Coast Guard (USCG) regulations have led to many shipping companies putting off investments in systems for the treatment of ballast water. As a result, new orders of Nedap UV lamp drivers for disinfection dried up and current orders were delayed. This had a major negative effect on revenue in this market. Still, the outlook for this market has improved significantly recently. First of all, official ratification of the IMO treaty in September 2016 means that ballast water treatment will be compulsory internationally from September 2017. And the first suppliers of ballast water treatment systems based on Nedap lamp drivers have meanwhile earned both IMO and USCG certification. Given that the legislative and regulatory uncertainty has diminished and the first approved systems are now available, the Light Controls business unit expects shipping companies to proceed to the installation of these obligatory systems. This is expected to bring revenue growth in 2017.

In the curing market (UV drying and curing of industrial inks, coatings, and adhesives), the Light Controls business unit has focused specifically on getting various customers to use Nedap lamp drivers in their designs over the past few years. Despite continued low investment appetite for UV curing systems, Light Controls' efforts still produced revenue growth in this market. As the economy picks up, investment in this market is expected to rise over the coming years. This will have a positive effect on revenue development for the Light Controls business unit.

The investment climate in the offshore industry and the oil refinery industry is largely driven by persistently low oil prices. Revenue from lamp drivers for explosion-proof lighting has consequently remained stable over the past year. In light of oil price developments, revenue generated by this type of system is not likely to change in 2017 either. Revenue from QL lighting has - as expected - continued to drop. Operations in this area have, as planned, all but been phased out over 2016.

Luxon is Nedap's innovative light management system for online control of LED lighting. This Nedap product controls LED lighting wirelessly and based on demand, making sure that these lights are only on where and when needed to eliminate energy wastage. The additional energy savings Luxon produces generally result in a halving of the payback period of an investment in LED lighting systems. In this context, the Light Controls business unit focuses specifically on high-ceiling buildings, such as industrial buildings, distribution centres, and big-box retailers. Such buildings tend to have high-power LED fittings and the highest average electricity spending per light point, making these the kinds of buildings where Luxon will produce the most savings. Nedap stands out in this new market of dynamic light management systems with a platform that is independent of the brand of the LED lights used, and which manages to combine robustness and an impressive range of features with ease of use.

Growth opportunities

Luxon-driven revenue growth for the Light Controls business unit is dependent on three factors. First of all, the costs of the hardware needed for wireless control of fittings will have to come down drastically. In close collaboration with major suppliers in the lighting industry, the Light Controls business unit has meanwhile made great headway in terms of making this happen. One example is the Light Controls business unit's partnering with Philips Lighting in developing a new cost-effective hardware module that is easy to integrate with the latest Philips LED lamp drivers. Wireless light controls are expected to become a standard feature of fittings over the coming years. This will considerably reduce the additional costs involved in going smart when it comes to light controls. As the initial investment needed for wireless lighting system controls comes down, the market for Nedap Luxon will grow significantly.

The second factor is growth of average revenue per light point per year for the software services Nedap offers. Light Controls is getting increasingly better at highlighting the financial gains brought by their dynamic light management system. Continuous insight into actual consumption charges enables the use of new and improved cost-saving strategies. It also makes it possible to verifiably reduce maintenance costs. On top of that, Luxon offers fitters a technological platform on which they can develop new business models where lighting is offered as a full service.

And finally, growth of the average number of light points per project is a further important factor for revenue growth in this market. Experience has shown that Luxon produces particularly great cost savings at multi-site companies. The Light Controls business unit has therefore started to focus their marketing and sales efforts on those kinds of companies and institutions. Given the excellent progress made over the past year on each of these three factors, the Light Controls business unit expects revenue growth for Luxon.

In light of the positive outlook - both for the ballast water treatment market and for Nedap Luxon - Light Controls expects revenue to grow over the coming years.

Livestock Management

Revenue generated by the Livestock Management business unit (automation of livestock management processes based on identification of individual animals) in the dairy farming industry was hit hard last year by extremely low milk prices. Persistently low profitability in this industry led to further waning of investment appetite. On balance, revenue of the entire business unit showed a small increase in the 2016 financial year thanks to the excellent revenue growth achieved in the pig farming industry.

Dairy farming industry

Globally, milk prices dropped to historically low levels in the first half of 2016. On account of the long-term nature of low profits in the dairy farming industry, the level of investment has again stayed well below that of previous years in 2016. At the end of the year, demand for dairy products, especially from Asia, showed an increase, while milk supplies dropped as farms reduced their cattle. This uptick in milk prices is expected to continue, albeit that it is still unclear how quickly prices will rise and to what degree. The Livestock Management business unit does not expect revenue from the dairy farming market to show clear recovery until the second half of 2017.

The poor market conditions have further underlined the importance of low costs of sales of milk for the continuity of dairy farms. Globally, dairy farms continue to increase their scale to lower cost of sales and automate work wherever possible. Demand for Nedap's automation products will, in the long term, rise again.

Besides the smart tag systems for highly accurate monitoring of a cow's oestrus cycle and eating and rumination behaviour and the automation systems based on individual identification for feeding and milking, demand for our cow positioning systems has shown a sharp increase. Apart from monitoring the abovementioned behaviour parameters, these systems offer dairy farmers the option to keep track of where cows are in the stables at any time. This makes it possible to quickly track down cows that need treatment or are showing unusual behaviour. Such systems also open doors to great time savings in finding cows in growing herds of cattle. Since our cow positioning systems are now tried and tested, interest in them is growing significantly, especially among farms that use milking robots.

Growth opportunities in the dairy farming industry

Livestock Management's growth in the dairy farming industry over the coming years depends heavily on the extent to which the products offered manage to stand out in the market. Investment in product innovation will therefore be kept at a high level. Apart from that, there will be special focus on innovative software services that enable access to large volumes of animal and process data and translate this data to valuable insights. Expansion of the number of partners selling Nedap products is another priority for Livestock Management. This will produce strong(er) market penetration and market share growth. Revenue growth, finally, in this market depends largely on acceptance of our new technological solutions by dairy farmers themselves. Getting the practical benefits of our products across will therefore be a spearhead of Livestock Management's marketing efforts.

Pig farming industry

In the pig farming industry, Livestock Management again saw their revenue grow globally, excepting Europe, in 2016. Skyrocketing pork sales in China have triggered sizeable investment in the building of large European-style and US-style pig farms across China. The rate at which such pig farms can be built increasingly depends on environmental permits that are generally not granted quickly. The price of pork is expected to stay fairly high in China for the time being. Nedap also saw revenue in China grow significantly. In 2016, Nedap delivered its largest pig farming project to date, as part of which we installed our solutions for feeding pregnant sows, farrow feeding, and sorting finishing pigs.

Our investments in expanding our product portfolio for the pig farming industry over the past few years are starting to bear fruit. The new propositions that were launched in the previous year are starting to contribute considerably to revenue. For more and more projects, combinations of these propositions are installed, boosting our revenue per project. On top of that, a stronger product portfolio makes Livestock Management more competitive and an attractive option for other customer groups. One new customer that we have welcomed is a pig farm specialising in breeding, who has chosen our Pig Performance Test system for their farm.

Demand for electronic feeding stations for group accommodation systems also continues to rise. In North America in particular, awareness of the need for animal-friendly production at sow farms is growing. Pig farms that have invested in Nedap solutions over the past years have achieved excellent results, showing that animal-friendly systems are indeed compatible with good production figures and financial performance. This is further confirmed by repeat purchases by integrators and pig farms. In Asia, Central America, and South America, interest is growing slowly, as Nedap has completed various pig farming projects in this region in the 2016 financial year. Reference companies in North America play a key commercial role in convincing potential customers of the success of Nedap solutions at large-scale pig farms.

Growth opportunities in the pig farming industry
The Livestock Management business unit's success in this market is largely driven by our customers' return on their investments in Nedap solutions. With this in mind, Livestock Management invested heavily in proven training programmes, e-learning modules, and installation videos to help pig farms make their switch to Nedap technology a success. Aside from that, Nedap has built up a team of experts in the US, Europe, and Asia that can provide on-site technical and application support to assist companies in optimising their performance.

Growth opportunities for the business unit
Livestock Management has set out to grow their per-project revenue over the coming years by working on broadening their product portfolio to be able to support pig farms in an increasingly wide array of processes. One new proposition that was launched in 2016 is the automatic weighing of pregnant sows. In addition to these efforts, Livestock Management's sales and marketing activities will increasingly target larger farms, which will also have a positive effect on average project scope. And finally, work on expanding the business unit's geographic reach and deepening the partner network continues, with a view to making our solutions available in more and more countries.

Continuous development of new innovative and reliable products, new distribution channels, direct contacts with end users, and good service have strengthened the Livestock Management business unit's market position in both the dairy farming and the pig farming industries over the past few years. Despite heavily fluctuating profitability in cattle farming worldwide, Livestock Management is confident going into 2017, expecting revenue to grow over the coming years.

Retail

2016 was another year of challenging and volatile conditions in the retail market. Despite these conditions, the Retail business unit (systems aimed at improving in-store product availability) managed to expand their market share and record further revenue growth.

In the 2016 financial year, the transition from supplier of anti-theft gates to supplier of smart systems that boost in-store product availability has continued unchanged. This move taps into a trend in the retail market where online sales are increasingly combined with brick-and-mortar shops. And shoppers can already have items purchased in stores delivered to their home, often even on the same day. With new shop formats based on this principle, retailers are responding to consumers' increasingly higher demands and requirements.

Such hybrid store formats can only be successful when retailers have accurate information available about product availability at different stores. Given the huge volume of physical item movements in stores, staying on top of this kind of information is not possible without the use of state-of-the-art technology. Nedap Retail now offers an integrated hardware and software solution that enables continuous tracking of any item in the shop.

An important part of this solution is Nedap's !D Cloud, a cloud-based software platform that is used to process data from both fixed and mobile RFID readers and translate it to accurate stock summaries. Better insight into product availability empowers store staff to replenish stock before they run out and meet promised delivery times for online orders. Given the high demands !D Cloud has to meet in terms of functionality, scalability, and availability, investments in this software platform were kept at a high level last year. Ease of use is of crucial importance for this kind of solution. We are pleased to report that a growing number of retailers now have first-hand experience of how !D Cloud boosts shop revenue. After trialling !D Cloud on a large scale, UK retailer River Island decided to immediately install !D Cloud at each of their 280 outlets. !D Cloud is offered to retailers on a subscription basis.

Thanks to advances in the antenna technology used in the !Sense product line, these antennas can now be installed at supermarkets, hypermarkets, and fashion retailers. One key advantage of !Sense is that it makes switching to RFID a lot easier for retailers, which was one of the reasons that drove several major retailers to switch to !Sense in 2016. One such retailer is H&M, which renewed its global contract with Nedap for several years and switched to !Sense.

The !D Top overhead reader is based on the same underlying architecture as !Sense. The !D Top can be tucked away in the ceiling to keep the shop entrance unobstructed. This aspect proved particular popular in the US. In the US, retailers invest heavily in creating a better shopping experience, which includes keeping peripheral systems out of shoppers' sight. Various retailers are meanwhile reaping the benefits of an !D Top® overhead reader. An added benefit is that it can be integrated with our Retail business unit's !D Cloud platform, so that the !D Top is also used to update stock levels more accurately.

Given the huge size of the North American retail market, there is ample opportunity for growth. Retail has therefore decided to expand their sales team in this region to be able to seize these opportunities. The marketing efforts of the past few years are now starting to pay off. In 2016, the US-based sales team landed the first high-profile contracts, including a major food retailer, which procured Nedap equipment for a large number of their outlets. Seeing as our products have proven to cater to the needs and requirements of US retailers, we are confident growth will continue in this region. By building a market position for itself in this market, the Retail business unit has definitively established itself as a global player, raising our profile as an attractive option for retailers that operate on a global scale.

Label and tag sales were also up further in 2016. Coordination of labelling at the source from Hong Kong has meanwhile grown into a fully-fledged business with a supporting role for the sales of the Retail business unit's various propositions.

Growth opportunities

At the Retail business unit, revenue growth over the coming years depends on several variables. Firstly, the business unit's growth hinges on whether or not they manage to conquer a substantial market position in the North American retail market. Secondly, the degree to which retailers decide to switch from conventional security gates at the entrance to the innovative !D Top solution will have great impact on revenue growth for this product. And finally, the uptake rate of RFID in stores will be a decisive factor for commercial success and therefore for revenue growth.
Given greatly increased market interest in !D Top and !D Cloud and the first commercial successes in the North American market, the Retail business unit expects revenue to continue to grow in the current financial year.

Security Management

The Security Management business unit (development and supply of top-quality security systems) once again achieved fine revenue growth in 2016.

A key success factor in this market is revenue per security platform, as this is what determines whether there are sufficient financial means available to invest in innovation and marketing. An increasing number of players in the European security market are generating insufficient revenue with their platform, and therefore forced to cut their spending on product development and marketing. Security Management's calculated decision to keep investing in the AEOS platform over a period of many years has ultimately made this business unit very competitive, enabling them to keep growing their market share and keep AEOS revenue well above critically low levels.

AEOS end-to-end security is a fine example of how investments in product innovation lead to greater competitiveness. Nedap's AEOS solution encrypts all communication between card, reader, controllers, and the server, making it Europe's only security platform with official certification based on the highest security standards. Nedap is therefore ideally placed to respond to the development that sees European organisations in the area of critical infrastructures (defence, aviation, telecommunications, etc.) set increasingly stringent cyber security requirements for their physical access control systems. 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 steady stream of major organisations opting for Nedap has further raised Nedap's profile on a European scale. As a result, the Security Management business unit is more often actively invited by end customers to tender for security projects. And major system integrators are also increasingly seeking partnerships with Nedap. AEOS' stand-out functionality is not the only selling point in this respect, as the Security Management business unit's professional, commercial, and technical support for partners is progressively cited as the deciding factor prompting the switch to Nedap.

Growth opportunities

The Security Management business unit's revenue growth over the coming years depends on three factors. Landing contracts from prominent European organisations continues to be crucial for Nedap brand awareness in the market. The Global Client Programme is Security Management's trump card when it comes to raising their profile. Through this programme, Nedap offers tried-and-tested project methodology that enables European multinationals to successfully implement standard security policy worldwide based on AEOS.
The second crucial factor is further expansion of the partner network across Europe. This requires a structured approach focused on attracting system integrators that best suit Nedap as partners. Support during the transition phase is stepped up to ensure new partners are successful sooner in tendering for projects based on AEOS.
Finally, it is essential to make AEOS the preferred option of consultants, who play an important role in this market. The support such consultants receive from the Security management business unit's dedicated team in the form of advice, technical documentation, and worked-out tender specifications has meanwhile resulted in an increase in the number of projects with specifications based on AEOS. Given this team's great commercial impact, these activities will be further stepped up over the coming years.

The European market is expected to only produce limited annual growth for Security Management over the coming years. And yet, the Security Management business unit is counting on their investments in product innovation and commercial clout leading to further growth of their market share, and with that to revenue growth.

Staffing Solutions

On 1 July 2016, all PEP-related activities (digitised work schedules and timesheet processing) were split off from the Healthcare business unit and moved to the new Staffing Solutions business unit. Staffing Solutions has taken advantage of growth in the staffing market and a sharp increase in the number of new customers for PEP. Besides the registration of temporary workers, companies are also increasingly using our software services to register and schedule their own staff, driving Staffing Solutions' revenue up in 2016.

Due to growing complexity of the modern world, companies are no longer able to cover all their activities with employees on permanent contracts. Volatility in demand for a company's products and services is absorbed through flexibility. The growing staffing industry caters to this need for flexibilisation. Nedap Staffing Solutions is the only provider in this market with a solution, Workforce Platform, that can be used to schedule and register both permanent and temporary workers, empowering staffing agencies to stand out among the competition and enabling companies to focus on their core business.

Growth opportunities

Over the coming years, growth will largely be determined by the degree to which the Staffing Solution business unit is able to, by adding further features to PEP, support a broader range of staffing agencies' activities. This will raise not only the value of the solution offered, but also the threshold for switching to a competitor's system. With this in mind, Staffing Solutions will invest specifically in further development of the platform.

Expected continued labour flexibilisation in the Netherlands will have a positive effect on growth opportunities for PEP. The Staffing Solutions business unit is therefore confident that revenue will continue to grow.

Nsecure

In 2016, Nsecure (development, implementation and maintenance of sustainable, user-friendly

security solutions) only just failed to equal the revenue recorded in the previous year. This 100% Nedap subsidiary has managed to land contracts from various high-profile Dutch companies in 2016. Aside from welcoming these new customers, Nsecure expanded their range of services to existing customers to create a comprehensive services offering in the area of security. Innovation and process-supporting concepts played a major role in these efforts. When
it comes to identity, (work)permit and security certificate checks, Nsecure has succeeded in further adding to its service offering. Privacy in particular is a subject that is becoming ever more important.

To bolster their market position, Nsecure has further added to their innovative IT services in the area of access control. Thanks to further automation of various business processes, Nsecure was successful in further raising the quality of their services. Such new service formats will play a crucial role in boosting Nsecure's competitiveness.

Production

The past year was all about the supply chain project. However, the direct impact of this project on current production activities and the cost of sales of our products has been low so far.

In 2017, production and logistics activities at Inventi and in Groenlo will be downsized considerably. The aim is to fully phase out these activities at Inventi and close the sites in Neede by the end of 2017. The challenge we face in this respect is to ensure a smooth transfer of manufacturing activities to external production partners without compromising delivery times or quality in any way.

The remaining activities in the area of production, logistics, repairs, and product automation will be united under the name Nedap Smart from 1 January 2017. The new Nedap Smart unit is intended to support the various business units in dealing with issues in these areas.

New-look statement of profit or loss

The supply chain reorganisation has a major impact on the company's financial profile. As the costs of proprietary production operations go down, procurement from third parties goes up. In line with this transition, and with a view to improving insight into financial performance over the coming years, we have restructured the statement of profit or loss.

In the new-look statement of profit or loss, the shift in focus to markets and operations is reflected in the added value item. Added value is calculated by deducting spending on third-party products, materials and services from the revenue. The effect of inventory movements on added value is also factored in.

In the new-look statement of profit or loss, employee costs are made up of the total costs of permanent staff and the costs of staff insourced from third parties. The other operating costs include marketing, accommodation and other management expenses.

Depreciation and amortisation of fixed assets is now broken down into depreciation of tangible fixed assets and amortisation of intangible fixed assets. Impairment of assets is recognised separately.

The operating profit/loss (often called EBIT outside IFRS) is the balance of added value and the aforementioned costs.

Besides the IFRS results, Nedap will specify which items are one-off, so as to create greater clarity on underlying operating performance. One-off items comprise income and costs that were classified as exceptional in previous years, as well as other non-recurring items. One-off items that were recognised over the past five years related to the settlement of the old pension plan, the phasing out of the Energy Systems business unit, and the reorganisation of the supply chain.

The comparative figures for 2015 in the financial statements have been changed to bring them into line with the new definitions.

The five-year summary in this annual report has been rearranged so as to paint a clearer picture of relevant financial developments. The comparative figures in this summary have also been adjusted based on the new statement of profit or loss.

Financial statement for 2016

Revenue

Overall revenue in 2016 amounted to €186.0 million, which was up 3% on 2015 (€180.9 million). Excluding the Energy Systems business unit, whose activities have been phased out as planned, revenue grew by 5%. Recurring revenues (subscriptions and maintenance contracts) showed an 18% increase to €33.3 million (€28.3 million in 2015), amounting to 18% of total revenue (16% in 2015). The added value of €118.4 million represents 64% of revenue (62% in 2015), which is €158k per FTE (€153k in 2015).

Costs and profit/loss

Employee costs were down €3.1 million to €67.3 million, mainly owing to the €6.2-million provision made in 2015 for the social plan for the supply chain reorganisation. Like in 2015, employee costs for 2016 included one-off items relating to the settlement of the old pension plan. At €28.0 million, other operating costs remained at the same level as in 2015. Other operating costs included several one-off items in both 2016 and 2015.
Depreciation of tangible fixed assets fell by €0.4 million to €7.8 million in the 2016 financial year. Amortisation of intangible fixed assets was up €0.2 million to €1.5 million.
Development costs stood at €20.7 million (€20.5 million in 2015), of which €0.1 million has been capitalised (€0.3 million in 2015).
Impairment totalled €0.9 million in 2016,

consisting mainly of one-off non-cash impairment of inventories as part of the supply chain reorganisation.

One-off costs in 2016 amounted to €1.5 million. This concerns income totalling €0.3 million, recognised under employee costs, costs of €0.8 million as part of other costs, and €0.9 million in impairment of assets in the form of non-cash impairment of inventories.
The one-off items relate to the settlement of the old pension plan, the phasing out of the Energy Systems business unit, and the reorganisation of the supply chain. Settlement of the old pension plan has led to one-off income totalling €0.6 million in 2016. The supply chain reorganisation resulted in one-off costs totalling €1.8 million. As part of this reorganisation, Nedap N.V. acquired the remaining 10% stake in Nedap Iberia to become the 100% owner of Nedap Iberia.
The phasing out of the Energy Systems business unit produced one-off costs of €0.2 million.
The 2016 annual report provides a detailed breakdown of one-off costs from 2015 and 2016.
Net financing costs dropped by €0.1 million to €0.2 million, mainly on the back of improved interest rate conditions.

The 2016 tax rate stood at 19.4% (-16.3% in 2015), The tax rate was negative in 2015 due to the effect of the Innovation Box tax regime in combination with provisions made for the supply chain reorganisation.

The aforementioned developments produce a profit for the 2016 financial year of €10.8 million (€4.7 million in 2015).

Specification one-off items	Notes to the financial statements / note	2016		2015	
Operating profit/loss			12,817		3,490
Staff expenses	18	587		7,138	
Other operating costs	22	413		25	
Impairment of assets	21	848		1,997	
Supply chain reorganisation			1,848		9,160
Staff expenses	18	-297		56	
Other operating costs	22	432		312	
Impairment of assets	21	52		-426	
Energy Systems phase-out			187		-58
Staff expenses	18	-560		-1,501	
Settlement of the old pension plan			-560		-1,501
Operating profit excluding one-off items			14,292		11,091
Total					
Staff expenses		-270		5,693	
Other operating costs		845		337	
Impairment of assets		900		1,571	
Total of one-off items			1,475		7,601

Financing and capital structure

The balance sheet total rose by €6.0 million to €116.6 million in 2016, largely as a result of the temporary creation of buffer inventories for the supply chain reorganisation.

The inventory value increased by €4.7 million to €29.4 million, accounting for 15.8% of revenue at the end of the financial year (13.7% in 2015). At the end of 2016, trade and other receivables totalled €36.0 million, up €4.9 million on the previous financial year. The average credit term of trade accounts receivable rose from 7.3 weeks in 2015 to 7.4 in 2016. Standing at €24.3 million at the end of 2016, trade liabilities and other payables were up €1.7 million on 2015.

Due to the increased inventories, net debt rose €5.1 million to €23.9 million. Net debt/EBITDA stood at 1.0 at the end of 2016 (0.9 in 2015). Nedap's financing facilities were changed in 2016. A credit agreement was sealed with Nedap's main bank, with committed credit facilities totalling €44 million up to May 2023. No covenants have been agreed for these facilities, which have a flexible repayment schedule and take seasonal patterns into account.

By the end of 2016, committed credit facilities – excluding seasonal amounts – totalled €42.8 million (€44.9 million in 2015), of which €26.1 million has been used.

Cash and cash equivalents were €2.3 million as of 31 December 2016 (€3.6 million in 2015). The solvency ratio remained steady at 48%, the same level as in the previous year. The definition of solvency ratio has been brought into line with the market standard of 'shareholder's equity excluding minority interest divided by the balance sheet total'.

Return on invested capital (ROIC, i.e. the operating profit/loss, excluding one-off items, divided by invested capital) rose 3% to 19% in 2016.

For notes to Nedap's financial risk management and the risks, please refer to the new 'Nedap and risk management' section in the Corporate Governance chapter.

Outlook

Nedap focuses on smart applications of technology to help solve the challenges of today and tomorrow. In recent years, we have constantly worked to gear our organisation towards those customer groups, products and activities for which we can really make a difference. By fully focusing our talents on this goal, we will increase our impact on our markets.

The development and expansion of our market position is a lengthy process, and one that requires plenty of perseverance and drive. It is often impossible to predict when we will achieve commercial and financial success, but the robustness of our organisation will give us the patience we need to claim a leading market position. What is more, all of our business units can draw on the ample expertise in technology, markets and processes available throughout the organisation as a key tool in setting Nedap apart from other market players and maintaining a strong competitive position.

Continuous investment in developing our propositions and commercial strength has enabled us to expand our position on the various markets and enter new ones. A keen focus on maintaining a solid balance sheet and long-term financing arrangements will result in a strong financial position. We are confident about the future and expect healthy long-term growth. On this basis, we expect a further increase in revenue in 2017, unforeseen circumstances notwithstanding.

Groenlo, Netherlands, 17 February 2017

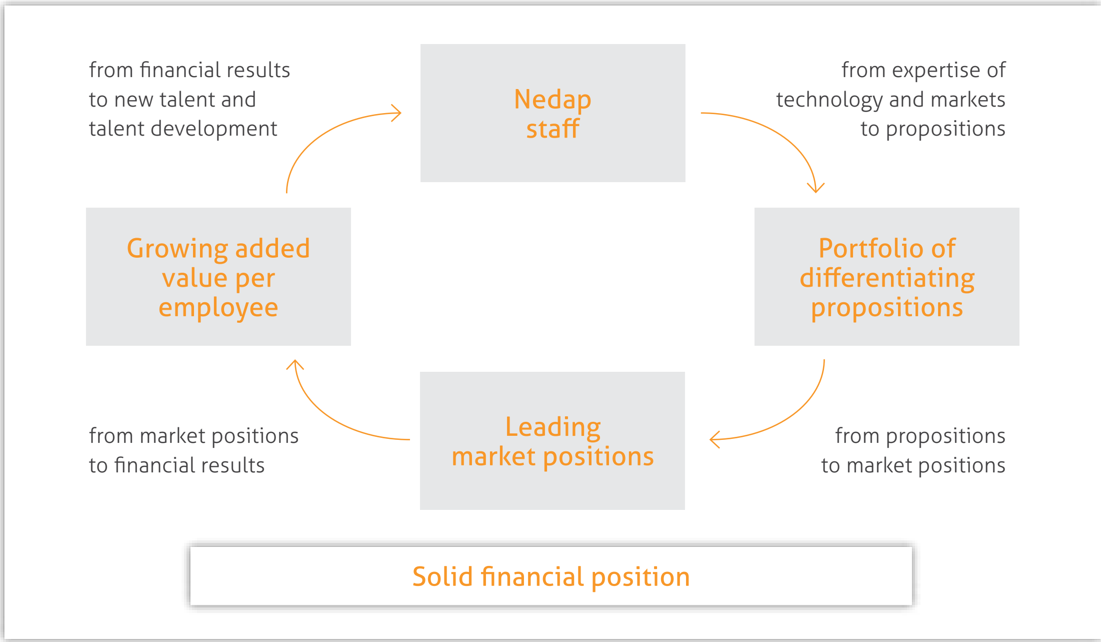
Board of Directors:
R. M. Wegman
E. Urff

We believe wholeheartedly that our people make the difference. To be competitive on a global scale, it is crucial that we have the best people working for us. And that we build an organisation that enables these people to actually make the difference. This is the basic principle underlying our value creation model.

Nedap's value creation model is focused on harnessing Nedap employees' ample and profound market and technology expertise in scalable propositions. And with these propositions, we want to build leading positions in attractive markets. Strong market positions not only enable us to have real impact in a market, but are also essential in achieving solid financial results. To us, these results, and value added per FTE in particular, are proof that we have not only managed to attract the best people but also that we have succeeded in effectively deploying these people to make a lasting difference in the markets in which we operate. Besides, high value added per employee also allows us to invest more in the further development of our people and recruiting new talent, thereby closing the circle of the value creation model and creating a self-reinforcing effect.

Back in 2009, we started implementing and activating our value creation model by ceasing operations that did not allow our employees to shine to their full potential and deliver value-added results. Following on from that, we quickly phased out traditional supplier activities and started focusing fully on developing and selling Nedap products.

We have, over the past few years, been very successful in recruiting new talent and further developing existing talent at Nedap. As a result, we now have a broad workforce of highly talented people, while the focus of our activities has shifted to development, sales, and marketing. We have also achieved fine results when it comes to translating our ideas of the market and technology to propositions with major differentiating attributes, whereby a product's technical specifications are merely one element of a proposition. We have made great headway on all aspects of our



Value creation model

propositions. Our market expertise has increased greatly, as has our ability to build partner networks. Our propositions are meanwhile sold in over one hundred countries, and supported using state-of-the-art resources. Today, millions of people comfortably use our carefully designed products in their day-to-day activities.

Over the past five years, hard work as part of our Road to Excellence programme has gone into making internal processes at Nedap more professional. Improvements to the way products are developed, marketed, produced, and delivered have greatly increased our organisation's scalability, meaning that revenue growth does not require our workforce to grow at the same rate.

Thanks to all our investments in product innovation and the organisation, Nedap now has a balanced portfolio of propositions with excellent growth opportunities. The challenge we are facing now is to convert all the energy available across Nedap into acceleration of revenue growth. This will instantly boost value added per employee, which is an essential part of our value creation model.

Over the past year, we have put together a new multi-year plan to replace the Road to Excellence programme. Considering that the basic goal of this plan is to shift the Nedap organisation into the next gear, we have called this new programme "Changing Gears".

Launched in 2016, which is when the first steps were taken, the Changing Gears programme will run through to 2020. With the supply chain reorganisation as one of its integral parts, the Changing Gears plan's objective is threefold.

1. Capturing Growth
2. Enabling Growth
3. Sustaining Growth

1. Capturing Growth

The basic idea of Capturing Growth is to identify growth opportunities and to capture these opportunities in growth plans. All Nedap business units have made a market analysis of their respective markets, which show that there are excellent prospects for growth in each of these markets. The business units also looked into which factors have the greatest impact on their revenue growth, compiling individual growth plans focused on these growth factors. The growth plans are converted into concrete actions through annual plans.

2. Enabling Growth

The Enabling Growth part of the Changing Gears programme is intended to create an environment that allows the business units to maximise time and effort spent on successful implementation of the growth plans. By enabling growth, we mean that we want to dedicate more of our company's capabilities and capacity to activities that have real impact on the growth rate of our revenue.

The various business units' analyses have shown that most of our revenue is generated by only a small part of our range. As the reorganisation of the supply chain will reduce the number of products we sell from over one thousand to fewer than four hundred, we will be able to focus our time and effort on products that generate the most revenue. Focus is a key element in Enabling Growth.
Over the coming years, our focus will be on four core areas of technology. By designating four areas (connected devices, communication technology, software architecture, and user experience), we are intensifying our focus on development activities and will be better able to deepen expertise in these areas.

And finally, the creation of a joint growth platform is a further key aspect of Enabling Growth, which is intended to unburden the business units as much as possible when it comes to non-core activities such as administration, IT management, sourcing, etc. By lightening the load for the business units, they will be enabled to fully focus, i.e. with as little distraction as possible, on realising the growth plans. Aside from that, we will look at each activity and weigh up whether to keep it in-house at Nedap or outsource it. We expect such assessments to lead to activities/sub-activities being outsourced to external parties on more and more occasions. The joint growth platform lowers the threshold in merging and deepening expertise of different processes. And this platform will make it easier to meet ever stricter compliance requirements. The supply chain reorganisation is an integral part of Enabling Growth.

3. Sustaining Growth

Given that the Changing Gears programme is all about speeding up the company's growth, the focus naturally shifts to existing propositions and activities with a direct impact on revenue growth. Although this is what we are pursuing, we also have to make sure this does not go at the expense of long-term growth opportunities. In a nutshell: we must not only harvest, but also sow to secure Nedap's future growth.
The third part of the Changing Gears programme, Sustaining Growth, is therefore about creating future market opportunities. Sustaining Growth makes sure that, apart from the focus on implementing growth plans, there is sufficient room for innovation. Experience has shown that it takes between five and ten years for innovations to turn into proven propositions. In fact, our current portfolio of innovation projects is testimony to our ample innovation potential. The challenge is to make sure we keep it this way.

It is becoming increasingly clear that having sufficient and well-developed talented staff is key in being able to successfully execute our growth plans and develop new growth initiatives. Sustaining Growth will therefore include intensification of our talent attraction and development efforts.

The specific Nedap culture is an essential factor of our competitiveness. However, to seize our growth opportunities, this culture will have to be developed further on a number of points. Things such as ambition, building on each other's strengths, and accountability are culture elements of which employees themselves have said that these need greater attention. However, they immediately add that this should never go at the expense of room for personal initiative and entrepreneurship. The further development and global embedding of the Nedap culture are important aspects of Sustaining Growth.

Changing Gears in financial terms

With the Changing Gears programme, we are targeting acceleration of Nedap's development. Concentrating on the right markets, the selection of four core areas of technology, more focus on fewer products, and prioritisation of development and commercial activities will end up giving our financial results a boost.

Revenue is set to grow over the coming years, in terms of both quantity and quality. Owing to the constant growth of our software services, recurring revenues will grow faster than total revenue.

By improving the organisation's scalability, which includes reorganisation of the supply chain, such revenue growth will drive up our operating profit. We expect our profitability, expressed as the operating profit excluding one-off items as a percentage of the revenue, to exceed 10% in 2018. And we expect further profitability growth beyond 2018.

The reorganisation of the supply chain will increase capital efficiency. Investments in fixed assets will be outsourced to third parties, unless such assets come with high added value per FTE and are critical assets in strategic terms. Over the coming years, return on invested capital will therefore grow faster than profitability.

Developing a proposition and thereby seizing a leading market position is not without risk. Some propositions never become successful and it often takes years for a new proposition to start making a significant contribution to revenue and profits. This is why a solid financial position with access to sufficient capital is essential.
We are aiming for a solvency rate of at least 45% and net debt / EBITDA of a maximum of 1.5. Temporary deviations from these targets are allowed only for strategic reasons.

Profits are paid out to shareholders, after deduction of the amount needed for investments in profitable growth and the intended financing structure. Given the organisation's increased capital efficiency and scalability, we also expect high payout ratios over the coming years.

Statement pursuant to Article 5:25c(2c) of the Dutch Financial Supervision Act

To the best of our knowledge.

1 the financial statements (with Other information as specified in Article 2:392 of the Dutch Civil Code) provide a faithful representation of the assets, liabilities, financial position, and profit/loss of Nedap N.V. and the companies included in the consolidation; and

2 the annual report provides a faithful representation of the position at 31 December 2016 and the development and performance during the 2016 financial year of Nedap N.V. and the undertakings included in the consolidation taken as a whole and the 2016 annual report describes the significant risks Nedap N.V. is facing.

Groenlo, Netherlands, 17 February 2017

Board of Directors:
R. M. Wegman
E. Urff

03 *Financial targets*

Nedap's primary financial target is sustainable value creation in the form of cash flow-generating company equity in the short and the long term.

Through the Changing Gears programme, Nedap expects to achieve the following financial results:

1. High and growing added value per FTE.

2. Long-term autonomous revenue growth. Recurring revenue that outgrows total revenue in the coming years.

3. Operating profit, excluding one-off items, of at least 10% in 2018, increasing further in the following years.

4. Return on invested capital (ROIC) that outgrows profitability.

5. A conservative financing structure reflected by a solvency rate of at least 45% and net debt / EBITDA of a maximum of 1.5. Temporary deviation from this target is possible for strategic reasons.

6. 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 payout ratios over the coming years too.

	2016	2015	2014	2013	2012
Operations					
€ x 1,000					
Revenue	**185,959**	180,875	177,193	173,696	171,874
Revenue growth	**3%**	2%	2%	1%	13%
Recurring revenues [1)]	**33,283**	28,297	23,643	20,953	18,035
Recurring revenues growth	**18%**	20%	13%	16%	17%
Recurring revenues as % of revenue	**18%**	16%	13%	12%	11%
Added value [2)]	**118,379**	112,933	113,886	109,921	108,569
- as % of revenue	**64%**	62%	64%	63%	63%
- per FTE [2)]	**158**	153	155	152	160
Development costs	**20,676**	20,191	20,303	18,693	14,386
- as % of added value	**18%**	18%	18%	17%	13%
- as % of revenue	**11%**	11%	12%	11%	8%
Operational cash flow	**9,244**	13,089	30,696	19,162	23,332
EBITDA	**22,206**	13,085	33,130	21,767	25,586
- as % of revenue	**12%**	7%	19%	13%	15%
EBITDA excluding one-off items	**23,681**	20,686	23,004	21,767	25,586
- as % of revenue	**13%**	11%	13%	13%	15%
Operating profit/loss	**12,817**	3,490	22,573	11,751	16,382
- as % of revenue	**7%**	2%	13%	7%	10%
Operating profit excluding one-off items	**14,292**	11,091	12,447	11,751	16,382
- as % of revenue	**8%**	6%	7%	7%	10%
Profit for the financial year	**10,779**	4,652	17,881	9,807	13,505
- as % of revenue	**6%**	3%	10%	6%	8%
Profit appropriation					
€ x 1,000					
Profit distributable to shareholders	**9,370**	8,567	8,366	7,362	10,106
Retained earnings	**1,409**	-3,896	9,511	2,430	3,374
Minority interest profit	**-**	-19	4	15	25
Per share of €0.10 [3)]					
in €					
Operational cash flow	**1.32**	1.96	4.59	2.86	3.49
Profit for shareholders	**1.61**	0.70	2.67	1.46	2.01
Profit excluding one-off items	**1.77**	1.67	1.46	1.46	2.01
Dividend	**1.40**	1.28	1.25	1.10	1.51
Pay-out percentage	**87%**	183%	47%	75%	75%
Highest price	**33.84**	34.75	33.50	33.66	29.64
Lowest price	**28.20**	26.05	26.00	27.65	19.77
Price at year-end	**33.40**	30.80	26.78	30.00	29.30
Price/profit ratio at year-end	**21**	44	10	21	15

comparative figures have been changed to bring them into line with new definitions

	2016	2015	2014	2013	2012
Financing					
€ x 1,000					
Net debt	**23,884**	18,869	17,691	33,899	31,645
Net debt / EBITDA excluding one-off items	**1.0**	0.9	0.8	1.6	1.2
Shareholder's equity [4]	**55,851**	52,884	56,451	53,569	59,129
Balance sheet total	**116,641**	110,916	112,129	126,182	125,978
Solvency [5)]	**48%**	48%	50%	43%	47%
Utilisation of capital					
€ x 1,000					
Intangible fixed assets	**3,247**	4,665	5,805	10,530	10,884
Tangible fixed assets	**40,692**	42,430	45,219	48,001	45,836
Inventories	**29,397**	24,728	23,437	25,811	26,810
- as % of revenue	**16%**	14%	13%	15%	16%
Net working capital [6)]	**31,675**	20,768	19,784	24,999	30,734
- as % of revenue	**17%**	12%	11%	14%	18%
Invested capital [7)]	**75,886**	68,078	71,139	84,652	88,503
ROIC [8)]	**19%**	16%	18%	14%	19%
Number of employees					
Year end	**783**	765	761	744	709
Yearly average	**775**	763	757	742	702
FTEs					
Year end	**756**	741	739	721	687
Yearly average	**751**	739	735	723	680

1) revenue from subscriptions and maintenance contracts
2) added value per FTE is revenue less inventory movements, the cost of materials, and outsourced work divided by the average number of FTEs
3) 6,692,920 shares are in issue
4) shareholder's equity is exclusive of the minority interest
5) solvency is the shareholder's equity 4) divided by the balance sheet total
6) 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, trade liabilities and other payables
7) invested capital is fixed assets + net working capital - associate
8) Return On Invested Capital (ROIC) is EBIT excluding one-off items, divided by the invested capital.


05

financial statements

Consolidated balance sheet as at 31 December

(€ x 1,000)

	note		2016	2015
Assets				
Fixed assets				
Intangible fixed assets	1	3,247		4,665
Tangible fixed assets	2	40,692		42,430
Associate	3	3,849		3,681
Deferred tax assets	4	272		215
			48,060	50,991
Current assets				
Inventories	5	29,397		24,728
Income tax receivable		842		390
Loans receivable	6	-		63
Trade and other receivables	7	36,013		31,106
Cash and cash equivalents	8	2,329		3,638
			68,581	59,925
			116,641	110,916
Liabilities				
Group equity	9			
Shareholder's equity		55,851		52,884
Minority interests		-		96
			55,851	52,980
Non-current liabilities				
Borrowings	10	14,953		14,458
Derivatives	11	92		142
Employee benefits	12	765		598
Provisions	13	994		6,219
Deferred tax liabilities	14	619		979
		17,423		22,396
Current liabilities				
Borrowings	10	127		1,751
Derivatives	11	31		31
Employee benefits	12	23		-
Provisions	13	4,824		2,150
Bank overdrafts	15	11,010		6,125
Income tax payable		230		74
Taxation and social security contributions		2,848		2,854
Trade and other payables	16	24,274		22,555
		43,367		35,540
Total liabilities			60,790	57,936
			116,641	110,916

Consolidated statement of profit or loss

(€ x 1,000)

	note		2016	2015
Revenue	17		185,959	180,875
Cost of materials and outsourced work		73,320		66,841
Inventory movements of finished goods and work in progress		-5,740		1,101
			67,580	67,942
Added value			118,379	112,933
Staff expenses	18	67,280		70,365
Amortisation	19	1,549		1,383
Depreciation	20	7,840		8,212
Impairment of assets	21	900		1,571
Other operating costs	22	27,993		27,912
			105,562	109,443
Operating profit/loss			12,817	3,490
Financing income		74		41
Financing costs		-331		-417
Value movements in derivatives		50		66
Net financing costs			-207	-310
Associate share of profit (after income tax)	23		617	955
Result before taxation			13,227	4,135
Taxation	24		2,448	-517
Profit for the financial year			10,779	4,652
Profit attributable to shareholders of Nedap N.V.			10,779	4,671
Profit attributable to minority interests			-	-19
Profit for the financial year			10,779	4,652
Average number of shares in issue	9		6,692,920	6,692,920
Earnings per ordinary share (in €)			1.61	0.70
Diluted earnings per ordinary share (in €)			1.61	0.70

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

		2016	2015
Profit for the financial year		**10,779**	4,652
Unrealised profit/loss			
Items that will (or may) be reclassified to profit or loss after initial recognition:			
Currency translation differences	-62		60
Unrealised profit/loss over the reporting period after taxation		**-62**	60
Total realised and unrealised profit/loss for the financial year		**10,717**	4,712
Total realised and unrealised profit/loss attributable to:			
Nedap N.V. shareholders		**10,717**	4,731
Minority interests		-	-19
Total comprehensive income		**10,717**	4,712

Consolidated statement of cash flows

(€ x 1,000)

	note	2016		2015
Cash flow from operating activities				
Profit for the financial year			10,779	4,652
Adjustments for:				
Depreciation and amortisation including impairment	19,20	9,389		10,694
Book profit/loss on sale of tangible fixed assets		118		-135
Associate share of profit	23	-617		-955
Exchange differences for participations		16		-92
Net financing costs		207		310
Share-based remuneration		396		-
Income taxes	24	2,448		-517
			11,957	9,305
Movements in trade and other receivables	7	-4,904		-1,653
Movements in inventories	5	-4,669		-1,291
Movements in taxation and social security contributions		-6		-359
Movements in trade and other payables		1,889		-3,777
Movements in employee benefits	12	190		598
Movements in provisions	13	-2,551		6,178
			-10,051	-304
Interest paid		-351		-430
Interest received		71		32
Income tax paid		-3,161		-166
			-3,441	-564
Cash flow from operating activities			9,244	13,089
Cash flow from investing activities				
Investments in tangible fixed assets		-6,702		-6,518
Investments in intangible fixed assets		-131		-617
Proceeds from sale of tangible fixed assets		332		465
Dividend received from associate		449		426
			-6,052	-6,244
Cash flow from financing activities				
Long-term borrowings drawn	10	630		-
Repayments on long-term borrowings	10	-1,759		-181
Repayments on loans receivable	10	63		91
Dividend paid to shareholders of Nedap N.V.	6	-8,567		-8,366
Acquired minority interest		-96		-34
Sale of own shares		421		530
Acquisition of own shares		-		-462
			9,308	-8,422
Movements in cash and cash equivalents and bank overdrafts			-6,116	-1,577
Cash and cash equivalents and bank overdrafts at 1 January			-2,487	-1,062
Exchange differences for cash and cash equivalents and bank overdrafts			-78	152
Cash and cash equivalents and bank overdrafts at 31 December			-8,681	-2,487

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 interest	total shareholder's equity
Balance as at 01/01/2015	669	5,578	32,327	17,877	56,451	149	56,600
Realised result for financial year				4,671	4,671	-19	4,652
Unrealised result for financial year		60			60		60
Result for financial year	-	60	-	4,671	4,731	-19	4,712
Dividend				-8,366	-8,366	-	-8,366
Appropriation of profit for previous financial year		-1,451	10,962	-9,511	-		-
Acquired minority interest					-	-34	-34
Movement in own shares			68		68	-	68
Balance as at 31/12/2015	669	4,187	43,357	4,671	52,884	96	52,980
Realised result for financial year				10,779	10,779		10,779
Unrealised result for financial year		-62			-62		-62
Result for financial year	-	-62	-	10,779	10,717	-	10,717
Dividend			-3,896	-4,671	-8,567	-	-8,567
Appropriation of profit for previous financial year		-1,767	1,767		-		-
Share-based payments			396		396		396
Acquired minority interest					-	-96	-96
Movement in own shares			421		421		421
Balance as at 31/12/2016	669	2,358	42,045	10,779	55,851	-	55,851

Statutory reserves can be broken down as follows:

	2016	2015
Capitalised development costs	**2,221**	3,569
Profit from participations not freely distributable	**318**	737
Exchange differences	**-181**	-119
Total	**2,358**	4,187

Reserve on share-based payments:

	2016	2015
Bonus shares	**336**	-
10% purchase discount	**60**	-
Total	**396**	-

An (estimated) amount of €86 of the total amount of €396 relates to the 2016 financial year.
Cumulative costs relating to outstanding bonus depositary receipts amount to €310.
In previous years, this liability was recognised under Trade liabilities and other payables.
Bonus depositary receipts are recognised at the closing price on the last day of trading of the year (€33.40), less the expected dividend yield during the remaining locked-up period during which the depositary receipts cannot be sold.

Accounting policies

General

N.V. Nederlandsche Apparatenfabriek "Nedap" is based in Groenlo, the Netherlands.
The company's 2016 consolidated financial statements cover the company and its subsidiaries, who together form the group, referred to below as Nedap.
Nedap develops and supplies smart technological solutions for socially relevant themes, including sufficient food, clean drinking water, security, and healthcare.
On 17 February 2017, 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 general meeting of shareholders for adoption on 06 April 2017.

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.

The basis for preparation of the financial statements is historical cost, unless specified otherwise below.

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 estimates relate primarily to measurement of tangible and intangible fixed 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 and the restructuring provision.

Changes to the presentation of comparative figures

In the 2016 financial statements, Nedap has made some changes to how balance sheet items and items in the statement of profit or loss, both the consolidated and the separate versions, are presented. On the balance sheet, the presentation of the loans receivable has been changed to short-term. Following the change to the presentation of the statement of profit or loss, it is now better aligned with the company's current financial profile. The reclassifications do not affect shareholder's equity, net profit, earnings per share, and bank covenants. For further details, please refer to the Directors' Report.

Consolidation

The financial data of N.V. Nederlandsche Apparatenfabriek "Nedap" and of the subsidiaries listed below (jointly referred to as Nedap), over which it has a controlling influence, have been consolidated in full. On 04 November 2016, Nedap increased its 90% participation in Nedap Iberia (based in Alpedrete, Spain) to 100%, making Nedap Iberia a wholly-owned subsidiary.
Stichting Medewerkerparticipatie Nedap has also been included in the consolidation.
The 49.8% participation in Nedap France S.A.S., which is based in Eragny sur Oise, France, has not been included in the consolidated financial statements. Nedap has normal trade transactions with this participation and these transactions are

Nedap Beveiligingstechniek B.V., Groenekan, Netherlands	100%	participation
Nsecure B.V., Barendrecht, Netherlands	100%	participation
Inventi B.V., Neede, Netherlands	100%	participation
Nedap Deutschland GmbH, Meerbusch, Germany	100%	participation
Nedap Great Britain Ltd., Theale, Reading, UK	100%	participation
Nedap Iberia S.A., Alpedrete (Madrid), Spain	100%	participation
Sappers Iberia S.L., Alpedrete (Madrid), Spain	100%	participation of Nedap Iberia S.A.
Nedap Asia Ltd., Hong Kong	100%	participation
Nedap China Ltd., Shanghai, China	100%	participation of Nedap Asia Ltd.
Nedap FZE, Dubai, United Arab Emirates	100%	participation
Nedap Inc., Wakefield, USA	100%	participation

performed on a commercial basis with terms that are similar to those for transactions with third parties. Balance sheet positions and transactions between consolidated companies and unrealised profit/loss 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

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 impairment losses.

Derivatives

Nedap uses interest rate swaps to hedge interest rate risks. Interest rate swaps are recognised at fair value. Valuation differences are recognised in the statement of profit or loss as a separate item under net financing costs. Nedap does not use hedge accounting.

Intangible fixed assets

Research

Expenditure on research activities is recognised in the statement of profit or loss at the time of occurring.

Development

Any development expenditure for which future economic benefits can reliably be estimated, that can be reliably measured and that was not incurred for the maintenance of an existing product or adaptation to suit new market circumstances is capitalised. Such expenditure is 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 lighting and detection systems.

Amortisation of intangible fixed assets

Capitalised development costs are amortised on a straight-line basis. Amortisation rates depend on product types and range from 10% to 20%.

Other

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

Tangible fixed assets

Tangible fixed assets are recognised at historical cost less accumulated depreciation and impairment. The recognised value of assets manufactured in-house consists of external and directly attributable internal costs and overheads.
Tangible fixed assets are classified as 'available-for-sale assets' 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 and amortisation of tangible fixed assets

Depreciation and amortisation 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	3% to 10%
Machinery	13% or 18%
Installations	7% or 10%
Other fixed assets	20%

Depreciation rates are evaluated annually and adjusted if necessary.

Associate

Associates in which Nedap can exercise significant influence on commercial and financial policy but does not hold a controlling influence are recognised using the equity method. The equity method is determined based on the accounting policies underlying the consolidated financial statements.

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.

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 finished goods includes direct manufacturing costs, plus a mark-up for indirect manufacturing and purchasing costs.

Cash and cash equivalents

Cash and cash equivalents consist in cash and bank balances.

Projects for third parties in progress

Projects for third parties in progress concerns the gross amount that is yet to be charged and is expected to be collected for work performed up to the balance sheet date. This item is recognised at cost incurred, plus profit recognised up to that point and less invoiced instalments prorated according to the progress of the project and recognised losses. On the balance sheet, projects for third parties in progress where the sum of incurred costs and recognised profits exceeds the sum of invoiced instalments and recognised losses are recognised under trade and other receivables. Projects in progress where the sum of invoiced instalments and recognised losses exceeds that of incurred costs and recognised profits are presented as trade liabilities and other payables on the balance sheet. Prepayments by customers are also presented as trade liabilities and other payables.

Impairment of assets

The book value of assets is reviewed mid-year and at year-end for any indication of impairment. Impairment of assets are impairments that do not ensue from regular business operations. 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 impairment was overestimated, 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 and for the share in participations which cannot be freely obtained. Statutory reserves have also been included in the consolidated statement of changes in shareholder's equity to ensure reconciliation with the shareholder's equity as recognised in the company financial statements.

Minority interests

Minority interests are recognised at the share that the minority shareholders hold in the shareholder's equity of the consolidated company concerned.

Share-based remuneration

Nedap currently has two plans that give employees the option to invest in Nedap depositary receipts through the 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 shareholder's equity. The total amount to recognise as cost is the fair value of the depositary receipts awarded without factoring in the 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 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 managers 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. Employees can purchase depositary receipts with a discount of 10% of the weighted average closing Nedap share price during a time window designated by the Stichting within an open trading period. After purchase, depositary receipts will be the unconditional property of the holder and they cannot be sold for a period of 4 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 4 depository receipt after 4 years, provided certain conditions are met. Bonus depositary receipts entitle the holder to dividend from the moment they are awarded.

As part of the extension of the NAPP, Nedap has reviewed the applicability of IFRS 2, Share-Based Payment, to the financial statements, concluding that transactions under the Plan and the NAPP in 2016 comply with the conditions for application of IFRS 2. In compliance with the aforementioned standard, a reserve for share-based payments has been recognised as at 31 December 2016.

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 4 years during which the depositary receipts are locked up.

Defined-contribution pension scheme

Since 01 January 2015, Nedap has had a defined-contribution pension scheme 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 paid.

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.

Provisions

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 provisions contain specific guarantee commitments.

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 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 encompasses the fair value of receivables ensuing from the sale of goods or provision of services to third parties as part of Nedap's regular business operations, excluding taxation levied on revenue.

Revenue from the sale of goods is recognised in the profit/loss when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from goods installed by Nedap itself is recognised in the profit/loss in proportion to the stage of completion of the installation on the balance sheet date. The stage of completion is determined from the proportion of costs incurred to the total expected costs.

Revenue from services is recognised for each service or on a straight-line basis over the term of the contract. 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'.

Subsidies are deducted from the other costs in the period to which they relate. Subsidies are recognised insofar as these have been applied for and approved.

Financing income and costs

Financing income and costs are interest and similar costs received from and paid to third parties and value movements on interest rate swaps. 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 shareholder's equity, in which case the related taxation is also recognised in shareholder's 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 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 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.

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 May 2023 has been taken out, whereby €45.7 million of the total facilities of €47.8 million (including temporary facilities of €5.0 million in the period from April to September) is not subject to covenants. Nedap uses a target net debt/EBITDA of a maximum of 1.5, whereby deviations from this target figure are possible only if necessary for strategic reasons.

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 on a global scale, which means that payments in US Dollars are made using US Dollars available elsewhere in the company. Net US dollar transactions, minus costs, did not exceed 4% of revenue (4% in 2015). Net transactions in other foreign currencies were no more than 2% each. A change of 10% in the US Dollar exchange rate would affect the profit for the financial year by €0.6 million.

Interest rate risk

A change of 100 basis points in interest rates would affect the profit for the financial year by €0.3 million (€0.2 million in 2015).

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.

As yet unimplemented standards and interpretations

Several new standards, amendments to standards and interpretations did not come into force until 01 January 2017 and have therefore not been applied in these consolidated financial statements. The standards relevant to Nedap are explained below. Like in previous years, Nedap does not adopt standards early.

IFRS 9, published in July 2014, replaces the existing guideline in IAS 39 Financial Instruments: Recognition and Measurement and includes revised provisions on the classification and measurement of financial instruments including a new model for expected credit losses for the calculation of a fall in value of financial assets and new general requirements for hedge accounting. IFRS 9 will come into force for financial years beginning on or after 1 January 2018. Nedap does not foresee any material impact on its financial statements following the application of IFRS 9.

IFRS 15 provides a comprehensive framework for determining whether, when and how much revenue is recognised. This standard is intended to replace the existing stipulations for the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. In 2015, the International Accounting Standard Board delayed entry into force of IFRS 15 by 1 year, meaning that it will be effective for financial years starting on or after 01 January 2018. Nedap has reviewed its contracts and revenue streams in the 2016 financial year and is of the opinion that its revenue can already be recognised largely in compliance with IFRS 15. Nedap does not foresee any material impact on its financial statements following the application of standard IFRS 15.

IFRS 16 replaces existing regulations regarding IAS 17 Leases, therefore scrapping the distinction between operational leases and financial leases, on the basis that virtually all liabilities under lease contracts are to be recognised on the balance sheet. Exceptions include contracts with a term of under 12 months or contracts that are linked to assets that are of minor value. IFRS 16 will come into force for financial years beginning on or after 1 January 2019. Nedap owns most of its assets and only makes limited use of leases. Nedap does not foresee any material impact on its financial statements following the application of standard IFRS 16.

1. Intangible fixed assets

	capitalised development costs	software & licences	total intangible fixed assets
year-end 2014:			
investment	17,401	326	17,727
amortisation incl. impairments	11,922		11,922
book value	5,479	326	5,805
movements in 2015:			
investment	293	324	617
completed assets in progress			-
disposal (on balance)			-
amortisation	-1,371	-12	-1,383
impairments	-374		-374
net movements	-1,452	312	-1,140
year-end 2015:			
investment	15,100	650	15,750
amortisation incl. impairments	11,073	12	11,085
book value	4,027	638	4,665
movements in 2016:			
investment	56	205	261
completed assets in progress	-11	11	-
disposal (on balance)	-130		-130
amortisation	-1,415	-134	-1,549
net movements	-1,500	82	-1,418
year-end 2016:			
investment	12,758	866	13,624
amortisation incl. impairments	10,231	146	10,377
book value	2,527	720	3,247

Impairment is explained under "Impairment of assets".

2. Tangible fixed assets

	company buildings and premises	machinery and installations	other * equipment	in progress and pre-payments	total tangible fixed assets
year-end 2014:					
investment	43,828	31,877	61,043	1,297	138,045
depreciation incl. impairments	20,427	25,082	47,317		92,826
book value	23,401	6,795	13,726	1,297	45,219
movements in 2015:					
investment	1,065	1,813	3,339	261	6,478
completed assets in progress			1,297	-1,297	-
disposal (on balance)			-330		-330
depreciation	-1,578	-1,692	-4,942		-8,212
impairments			-725		-725
net movements	-513	121	-1,361	-1,036	-2,789
year-end 2015:					
investment	44,893	33,442	61,684	261	140,280
depreciation incl. impairments	22,005	26,526	49,319		97,850
book value	22,888	6,916	12,365	261	42,430
movements in 2016:					
investment	1,100	587	2,796	1,938	6,421
completed assets in progress			261	-261	-
disposal (on balance)			-319		-319
depreciation	-1,709	-1,719	-4,412		-7,840
net movements	-609	-1,132	-1,674	1,677	-1,738
investment	45,958	33,808	61,389	1,938	143,093
depreciation incl. impairments	23,679	28,024	50,698	-	102,401
book value	22,279	5,784	10,691	1,938	40,692

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.
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 €17.4 million (€19.9 million in 2015) has been provided as security for all amounts owed to the bank.
Liabilities entered into at the end of the financial year were €0.8 million (€1.1 million in 2015).
Impairment is explained under "Impairment of assets".

Geographical information on the book value of tangible fixed assets and intangible fixed assets:

	2016	2015
Netherlands	**40,670**	43,402
Germany	**1,237**	1,312
Spain	**1,471**	1,562
other Europe	**376**	558
other countries	**185**	261
total	**43,939**	47,095

3. Associate

This is Nedap France S.A.S., Eragny-sur-Oise, France.

	2016	2015
value as at 1 January	**3,681**	3,152
profit after taxation	**617**	955
dividend received	**-497**	-398
other changes	**48**	-28
value at 31 December	**3,849**	3,681
Key figures of the associate, on 100% basis:		
revenue	**23,641**	24,528
costs	**22,404**	22,606
net result after taxes	**1,237**	1,922
total assets at 31 December	**15,716**	16,298
total liabilities at 31 December	**7,987**	8,891
Transactions with associate:		
sales of goods and services to associate	**6,938**	7,885

Of the liabilities as at 31 December 2016, €2,420 (€2,616 in 2015) is of a long-term nature.
In 2016, the acquisition of 2 shares in Nedap France S.A.S. increased our stake in this company from 49.7% to 49.8%.

4. Deferred tax assets

	2016	2015
balance at 1 January	**215**	177
withdrawals	**-62**	-48
additions	**119**	86
balance at 31 December	**272**	215

These receivables relate to the losses brought forward.
Certain losses can be carried forward indefinitely and others for 20 years. At 31 December 2016, there were no temporary differences, uncompensated tax losses or unused tax credits for which no deferred tax assets had been recognised, except for unused state tax credits in various states in the United States. Given the uncertainty regarding future profits in these states, the deferred tax asset of €9 (€15 in 2015) has been recognised at nil

5. Inventories

	2016	2015
raw materials and components	7,369	8,796
products in progress	1,368	763
finished goods	20,660	15,169
total	29,397	24,728

6. Loans receivable

	2016	2015
balance at 1 January	63	154
repayments	-63	-91
balance at 31 December	-	63

The borrowings have been granted to business partners.

7. Trade and other receivables

	2016	2015
trade receivables	29,762	25,578
amounts owed by associate	1,360	1,664
other receivables and prepayments and accrued income	4,891	3,864
total	36,013	31,106

Of the trade and other receivables, €0.3 million (€0.3 million in 2015) has a term of over 1 year.
An amount of €1,917 (€1,289 in 2015) relates to receivables from projects for third parties in progress.

Movements in provision for trade receivables that are deemed uncollectible:

	2016	2015
balance at 1 January	596	140
withdrawals	-573	-69
additions	11	525
balance at 31 December	34	596

In 2016, the average credit term for trade accounts receivable was: 7.4 weeks (7.3 weeks in 2015).
Nedap has insured the credit risk in its receivables wherever possible, whereby 80% is covered, with a pay-out of 90% (90% in 2015).
For the risk assessment, please refer to details in the 'Nedap and risk management' section in the Corporate Governance chapter.

8. Cash and cash equivalents

	2016	2015
cash	5	5
banks	2,324	3,633
total	2,329	3,638

Cash and cash equivalents are available on demand.

9. Share capital

The company's authorised share capital consists of 15,600,000 ordinary shares and 15,600,000 preference shares, all with a nominal value of €0.10 each. 6,692,920 ordinary shares have been issued.

At year-end, the company repurchased 5,575 (19,680 in 2015) of its own shares that have yet to be transferred to employees under the employee participation plan.

10. Borrowings

Type of borrowing	Nominal interest rate	Maturity date	2016	2015
Standby Roll-Over	Euribor + 1.6%	2023	**14,000**	14,000
Bank loan	Euribor + 0.5%	2016	**-**	1,675
Bank loan	Euribor + 0.5%	2021	**630**	-
Annuity loan	Euribor + 0.8%	2022	**450**	534
balance at 31 December			**15,080**	16,209
repayment liabilities < 1 year			**127**	1,751
repayment liabilities > 1 year and < 5 years			**932**	14,428
repayment liabilities > 5 years			**14,021**	30

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 May 2023. Security has been provided in the form of a right of mortgage (€16.3 million) and a pledge of fixtures and fittings and trade receivables. The agreement does not contain any covenants.

The financing facilities of the Barendrecht-based Nsecure group company, i.e. the bank loan maturing in 2021, are subject to covenants. Nsecure's ability to provide guarantees must always amount to 20% and the total debt/EBITDA ratio may not be more than 3.
As of 31 December 2016, both these conditions were met.

The annuity loan was used to pay for the building in Alpedrete (Spain). A right of mortgage on immovable property has been granted to the amount of the remaining loan.

11. Derivatives

For part of the loans amounting to €0.6 million, the risk of interest rate fluctuations has been hedged using an Interest Rate Swap (IRS). The interest rate swap is recognised at market value. Value movements are recognised in the statement of profit or loss under net financing costs.

Type of derivative	Nominal interest rate	Maturity date
Interest Rate Swap	4.55%	2021

	2016	2015
balance at 1 January	**173**	239
change in value	**-50**	-66
balance at 31 December	**123**	173

The short-term part amounts to €31 (€31 in 2015)

12. Employee benefits

	2016	2015
Anniversary benefits provision:		
balance at 1 January	598	-
withdrawals	-106	-
additions	296	598
balance at 31 December	788	598

Measurement of the anniversary benefits provision is based on the following factors:

future salary increase	1.5%
present value factor	1.6%

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

13. Provisions

	2016	2015
Guarantee provision:		
balance at 1 January	2,071	1,468
withdrawals	-1,302	-3,116
additions	1,700	3,719
balance at 31 December	2,469	2,071
Restructuring provision:		
balance at 1 January	6,298	723
withdrawals	-2,989	-1,618
additions	40	7,193
balance at 31 December	3,349	6,298
total provisions	5,818	8,369

The part of the provisions with a term of under 1 year (€4,824) is recognised under short-term liabilities.
Given the short-term nature of the provisions, they were not converted into cash.
The restructuring provision was formed as per the assumptions from the social plan.

14. Deferred tax liabilities

	2016	2015
tangible fixed assets	237	468
intangible fixed assets	555	892
inventories	207	127
receivables	-257	-272
employee participation costs	-99	-157
provisions	-24	-79
balance at 31 December	619	979
Movements in deferred tax liabilities:		
balance at 1 January	979	1,874
charged to the profit/loss (net)	-360	-895
balance at 31 December	619	979

The deferred tax liabilities have a predominantly long-term nature.

15. Bank overdrafts

The maximum overdraft under the facility is €27.7 million (€28.7 million in 2015).
Every year, over the period from April to September inclusive, an additional facility of €5 million will be available.

16. Trade and other payables

	2016	2015
trade payables	**9,162**	7,884
liabilities on account of investments	**331**	481
prepayments received	**3,401**	4,339
other liabilities and accruals and deferred income	**11,380**	9,851
total	**24,274**	22,555

There are no other liabilities and accruals and deferred income with a term of over 1 year (€0.5 million in 2015).
An amount of €1,729 (€2,850 in 2015) relates to prepayments received for projects for third parties in progress. An amount of €1,698 (€107 in 2015) of other liabilities and accruals and deferred income relates to severance obligations following the supply chain reorganisation.

Other information

Off-balance sheet rights and commitments

Long-term financial obligations of group companies:
(in € x million)

	< 1 year	> 1 year and < 5 years	> 5 years and < 10 years
2016:			
building rental	**0.9**	0.5	-
operating leases for vehicles	**0.7**	0.9	-
operating leases for ICT	**0.3**	0.7	-
2015:			
building rental	**1.0**	0.8	-
operating leases for vehicles	**0.8**	0.9	-
operating leases for ICT	**0.3**	0.2	-

Guarantees issued by group companies in relation to building rental were €0.1 million (€0.1 million in 2015) and other €0.2 million (€0.2 million in 2015).

Nedap leases various business premises. The leases usually have a term of 5 years with a renewal option. Rents are revised annually. There is also a lease contract relating to hardware and software leasing, maintenance and management. This contract runs through to mid-2020. Per-user costs under this deal are fixed for the entire contract term. Three of the group companies lease their fleet of vehicles.

In the financial year, €2.5 million (€2.5 million in 2015) was recognised in the statement of profit or loss under operational lease contracts.

Nedap has received claims from several customers regarding Nedap's alleged failure to meet contractual obligations. Nedap does not expect these claims to have any financial consequences for Nedap.

A plan has been put together in partnership with the provincial authorities of Gelderland regarding the clean-up of contaminated soil. Nedap does not expect any kind of financial fallout from this.

Related parties

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 Directors. 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.

17. Revenue

	2016	2015
products, systems, and installations	**152,676**	152,578
services	**33,283**	28,297
total	**185,959**	180,875

Services consist mainly in subscriptions and maintenance contracts for the Healthcare, Retail, Security Management, and Staffing Solutions business units.

Geographical sales areas:

	2016	2015
Netherlands	**60,060**	55,110
Germany	**23,536**	27,641
other Europe	**59,165**	59,390
North America	**21,423**	19,344
other countries	**21,775**	19,390
total	**185,959**	180,875

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

18. Staff expenses

	2016	2015
wages and salaries	**46,030**	44,571
social security costs	**5,340**	5,425
pension costs	**2,696**	1,802
staff restructuring costs	**-93**	7,193
insourced staff	**10,373**	8,115
other staff costs	**2,934**	3,259
total	**67,280**	70,365

In 2016, the items 'staff restructuring costs' and 'insourced staff' included one-off costs totalling €290 (€7.2 million in 2015).
A one-off pension payment of €560 as a subsequent payment as part of the settlement of the pension contract that expired at the end of 2014 had a positive impact on pension costs in 2016. In 2015, a one-off payment of €1,501 relating to this same settlement had already been received.

The costs of share-based payments (€86), recognised in accordance with IFRS 2, consist in:
- a 10% purchase discount that is charged to the profit for the financial year in full.
- costs of bonus depositary receipts that, factoring in the fair value, are charged to the profit/loss over a period of 5 years.

Average number of employees

	2016	2015
Netherlands	**670**	660
other EU	**56**	60
Asia	**32**	30
USA	**17**	13
total	**775**	763

Board of Directors remuneration

	basic income	variable remuneration	benefits of employee participation plan	pension costs	total
2016					
R. M. Wegman	392	247	36	56	731
E. Urff	324	202	19	45	590
total	716	449	55	101	1,321
2015					
R. M. Wegman	385	150	23	48	606
E. Urff (from 2 April 2015)	231	92	7	30	360
G. J. M. Ezendam (until 2 April 2015)	73	308	18	16	415
total	689	550	48	94	1,381

Mr Urff's pay from 1 January to 2 April 2015 totalled €115.

Mr Ezendam's variable remuneration in 2015 included an amount of €280 in compensation for loss of income due to his standing down from his directorship under the articles of association.

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 four 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). Since the creation of the Plan, members of the Board of Directors have invested all of their variable remuneration in the Plan.

	depositary receipts held at year-end	bonus depositary receipts not yet awarded year-end
2016		
R. M. Wegman	20,702	2,640
E. Urff	4,133	1,033
total	24,835	3,673
2015		
R. M. Wegman	17,277	2,740
E. Urff	1,949	546
total	19,226	3,286

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

	2016	2015
G. F. Kolff	**40**	40
M. C. Westermann	**30**	30
D. W. J. Theyse	**30**	30
J. M. L. van Engelen	**30**	30
total	**130**	130

19. Amortisation

	2016	2015
development costs	**1,415**	1,371
software & licences	**134**	12
total	**1,549**	1,383

20. Depreciation and amortisation

	2016	2015
company buildings	**1,709**	1,578
machinery and installations	**1,719**	1,692
other equipment	**4,412**	4,942
total	**7,840**	8,212

21. Impairment of assets

	2016	2015
impairment of assets	**900**	1,571

Impairment of assets relates to costs for obsolete inventories relating to the reorganisation of the supply chain (€848; €1,997 in 2015) and the phasing out of the Energy Systems business unit (€52; €-426 in 2015).
In 2015, impairment of assets included impairment of intangible and of tangible fixed assets.

22. Other operating costs

Other operating costs includes general, sales, accommodation, restructuring, and indirect manufacturing costs.

In 2016, one-off items totalling €845 (€337 in 2015) were recognised under other operating costs on account of the supply chain reorganisation and the phasing out of the Energy Systems business unit.

23. Associate share of profit

This is the share of profit of Nedap France S.A.S., Eragny-sur-Oise, France.

24. Taxation

	2016	2015
profit before taxation excluding associate	12,610	3,180
income tax	2,872	417
deferred income tax	-424	-934
total income tax	2,448	-517

Reconciliation of effective tax rate:

	2016		2015	
income tax based on Dutch tax rate	3,153	25.0%	795	25.0%
change in domestic tax rate	-20	-0.2%	-10	-0.3%
effect of tax rate for non-resident associates	-146	-1.1%	-145	-4.6%
non-deductible expenditures	108	0.8%	71	2.2%
tax incentive schemes	-647	-5.1%	-794	-25.0%
prior-year adjustment	-	-	-434	-13.6%
total	2,448	19.4%	-517	-16.3%

Other information

Development costs

	2016	2015
employee and other operating costs	20,363	19,869
depreciation and amortisation	1,415	1,372
capitalised costs	-56	-293
subsidies	-1,046	-757
total	20,676	20,191

Stichting Medewerkerparticipatie Nedap shareholding (in no. of shares)

	2016	2015
balance as at 1 January	96,714	83,898
purchased during the year	9,093	17,255
bonus shares awarded	5,017	3,197
sold during the year	-2,841	-7,636
balance as at 31 December	107,983	96,714

Shares purchased over the period from 2013 to 2016 are still locked up. Of the 107,983 shares held, 52,244 are still in the locked-up period. Stichting Medewerkerparticipatie holds approx. 1.6% of total issued share capital.
The 52,244 locked-up depositary receipts entitle holders to 13,226 bonus depositary receipts.

Profit appropriation

€ x 1,000

Profit shareholders	10,779
Addition to other reserves	1,409
Dividend payable on ordinary shares	9,370

Financial statements

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

	note		2016	2015
Assets				
Fixed assets				
Intangible fixed assets	1	2,361		3,656
Tangible fixed assets	2	31,445		31,605
Financial fixed assets	3	18,164		16,850
			51,970	52,111
Current assets				
Inventories	4	17,620		11,654
Loans receivable	5	-		63
Trade and other receivables	6	36,263		30,846
Cash and cash equivalents	7	280		613
			54,163	43,176
			106,133	95,287
Liabilities				
Shareholder's equity	8			
Share capital		669		669
Statutory reserves		2,358		4,187
Reserves		42,045		43,357
		45,072		48,213
Result for financial year		10,779		4,671
			55,851	52,884
Provisions	9	7,030		9,698
Non-current liabilities	10	14,000		14,000
Current liabilities	11	29,252		18,705
Total liabilities			50,282	42,403
			106,133	95,287

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

	note		2016	2015
Revenue	12		134,587	128,189
Cost of materials and outsourced work		55,420		48,134
Inventory movements of finished goods and work in progress		-5,749		542
Staff expenses	13	44,915		47,997
Amortisation	14	1,374		1,203
Depreciation	15	5,857		5,919
Impairment of assets	16	900		1,571
Other operating costs	17	23,548		21,690
Total operating costs			126,265	127,056
Operating profit/loss			8,322	1,133
Financing income		54		42
Financing costs		-241		-269
Net financing costs			-187	-227
Result before taxation			8,135	906
Taxation	18		1,496	-943
Profit for the financial year			6,639	1,849
Profit/loss of participations after taxation			4,140	2,822
Profit attributable to shareholders of Nedap N.V.			10,779	4,671

Accounting policies

Pursuant to Article 362, subsection 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 shareholder's 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. The net asset value of subsidiaries is increased by the value of borrowings granted to them, measured at amortised cost.

1. Intangible fixed assets

	capitalised development costs	software & licences	total intangible fixed assets
year-end 2014:			
investment	15,862		15,862
amortisation incl. impairments	10,798		10,798
book value	5,064	-	5,064
movements in 2015:			
investment	71	97	168
completed assets in progress			-
disposal (on balance)			-
amortisation	-1,192	-10	-1,202
impairments	-374		-374
net movements	-1,495	87	-1,408
year-end 2015:			
investment	13,338	97	13,435
amortisation incl. impairments	9,769	10	9,779
book value	3,569	87	3,656
movements in 2016:			
investment	-	79	79
completed assets in progress			-
disposal (on balance)			-
amortisation	-1,348	-26	-1,374
net movements	-1,348	53	-1,295
year-end 2016:			
investment	11,081	176	11,257
amortisation incl. impairments	8,860	36	8,896
book value	2,221	140	2,361

Impairment is explained under “Impairment of assets”.

2. Tangible fixed assets

	company buildings and premises	machinery and installations	other * fixed business assets	in progress and pre-payments	total tangible fixed assets
year-end 2014:					
investment	35,156	23,589	51,722	1,297	111,764
depreciation incl. impairments	18,346	19,294	41,593		79,233
book value	16,810	4,295	10,129	1,297	32,531
movements in 2015:					
investment	1,035	1,676	3,093	261	6,065
completed assets in progress			1,297	-1,297	-
disposal (on balance)			-347		-347
depreciation	-1,236	-1,010	-3,673		-5,919
impairments			-725		-725
net movements	-201	666	-355	-1,036	-926
year-end 2015:					
investment	36,191	25,190	52,286	261	113,928
depreciation incl. impairments	19,582	20,229	42,512		82,323
book value	16,609	4,961	9,774	261	31,605
movements in 2016:					
investment	985	565	2,421	1,938	5,909
completed assets in progress			261	-261	-
disposal (on balance)			-212		-212
depreciation	-1,345	-1,128	-3,384		-5,857
net movements	-360	-563	-914	1,677	-160
year-end 2016:					
investment	37,176	25,546	52,350	1,938	117,010
depreciation incl. impairments	20,927	21,148	43,490	-	85,565
book value	16,249	4,398	8,860	1,938	31,445

* moulds, dies, measuring and testing equipment, furniture and fittings, computer systems and vehicles.
Tangible fixed assets are insured at new-for-old value.
A right of mortgage on immovable property amounting to €16.4 million (€16.4 million in 2015) has been provided as security for all amounts owed to the bank.
Liabilities entered into at the end of the financial year were €0.8 million (€1.1 million in 2015).
Impairment is explained under 'Impairment of assets'.

3. Financial fixed assets

	2016	2015
Participations in group companies:		
value as at 1 January	**13,169**	12,784
result	**3,524**	1,467
dividend payment	**-2,990**	-2,610
movement in current account relationships participations	**634**	4,103
exchange differences	**-62**	60
other changes	**115**	79
value at 31 December	**14,390**	15,883
new borrowings issued to participations	**-**	213
repayments of borrowings by participations	**-75**	-2,927
total value at 31 December	**14,315**	13,169

Total borrowings issued to participations in group companies at year-end 2016: €0.6 million (€0.7 million in 2015). For these borrowings, security has been received of pledging of receivables and inventories.

Type of borrowing	Nominal interest rate	Maturity date
Private placement	1.7%	2025

	2016	2015
Associate:		
value as at 1 January	**3,681**	3,152
profit/loss after taxation	**617**	955
dividend payment	**-497**	-398
other changes	**48**	-28
value at 31 December	**3,849**	3,681
total financial fixed assets at 31 December	**18,164**	16,850

4. Inventories

	2016	2015
raw materials and components	**2,739**	3,190
products in progress	**706**	289
finished goods	**14,175**	8,175
total	**17,620**	11,654

5. Loans receivable

	2016	2015
balance at 1 January	**63**	154
repayments	**-63**	-91
balance at 31 December	**-**	63

The borrowings have been granted to business partners.

6. Trade and other receivables

	2016	2015
trade receivables	14,609	13,982
receivables from participations	18,240	15,011
other receivables and prepayments and accrued income	3,414	1,853
total	36,263	30,846

7. Cash and cash equivalents

	2016	2015
cash	2	1
banks	278	612
total	280	613

Cash and cash equivalents are available on demand.

8. Shareholder's equity

Please see the consolidated statement of changes in shareholder's equity for the 'statement of changes in shareholder's equity'.

9. Provisions

	2016	2015
employee benefits	730	541
guarantee provision	2,332	1,953
restructuring provision	3,349	6,225
deferred tax liabilities	619	979
total	7,030	9,698

Employee benefits

	2016	2015
Anniversary benefits provision:		
balance at 1 January	541	-
withdrawals	-73	-
additions	262	541
balance at 31 December	730	541

The anniversary benefits provision has a predominantly long-term nature.
Please refer to the consolidated financial statements for the assumptions.

Guarantee provision

	2016	2015
balance at 1 January	**1,953**	1,316
withdrawals	**-1,197**	-2,935
additions	**1,576**	3,572
balance at 31 December	**2,332**	1,953

An amount of €1.3 million (€1.4 million in 2015) of the guarantee provision is of a short-term nature.

Restructuring provision

	2016	2015
balance at 1 January	**6,225**	723
withdrawals	**-2,916**	-1,618
additions	**40**	7,120
balance at 31 December	**3,349**	6,225

For the liability ensuing from the supply chain reorganisation, Nedap has agreed a social plan to enable arrangements in dealing with the negative consequences that the phase-out of production activities at Nedap N.V. and Inventi B.V. will have for redundant employees. The restructuring provision was formed as per the assumptions from the social plan. At the end of 2016, the restructuring provision has a short-term nature (€0.6 million in 2015).

Deferred tax liabilities

	2016	2015
tangible fixed assets	**237**	468
intangible fixed assets	**555**	892
inventories	**207**	127
receivables	**-257**	-272
employee participation costs	**-99**	-157
provisions	**-24**	-79
total	**619**	979

Movements in deferred tax liabilities:

	2016	2015
balance at 1 January	**979**	1,874
charged to the profit/loss (net)	**-360**	-895
balance at 31 December	**619**	979

10. Non-current liabilities

	2016	2015
borrowings	**14,000**	14,000

Borrowings

This is a credit facility with a ceiling of €14.0 million ending on 01 May 2023, under which amounts of at least €0.5 million can be withdrawn for a term of no less than 14 days and no more than 12 months. The interest rate is Euribor plus 1.6%.

11. Current liabilities

	2016	2015
bank overdrafts	**14,298**	5,784
taxation and social security contributions	**1,380**	1,539
trade payables and other liabilities and accruals and deferred income	**13,574**	11,382
Total	**29,252**	18,705

Bank overdrafts

The maximum overdraft under the facility is €25 million (€25 million in 2015).
Every year, over the period from April to September inclusive, an additional facility of €5 million will be available.

Trade and other payables

	2016	2015
trade payables	**4,300**	3,487
liabilities on account of investments	**321**	244
prepayments	**913**	902
other liabilities and accruals and deferred income	**8,040**	6,749
total	**13,574**	11,382

There are no other liabilities and accruals and deferred income with a term of over 1 year (€0.4 million in 2015).

Other information

Off-balance sheet rights and commitments

Bank guarantees of €1.7 million have been issued for group companies.

For corporate income tax purposes, Nedap N.V. forms a fiscal entity with Inventi B.V., to which Nedap Beveiligingstechniek B.V. also acceded on 22 November 2015.

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.

Under Article 2:403 of the Dutch Civil Code, Nedap N.V. has assumed joint and several liability for Inventi B.V.'s debt ensuing from legal acts.

12. Revenue

	2016	2015
products, systems, and installations	112,005	113,076
services	22,582	17,752
total	134,587	130,828

Services consist mainly of subscriptions and maintenance contracts for the Healthcare, Staffing Solutions, Retail and Security Management.

Geographical sales areas:

	2016	2015
Netherlands	39,112	34,751
Germany	20,196	24,358
other Europe	43,273	43,340
North America	18,581	15,912
other countries	13,425	12,467
total	134,587	130,828

Major customers:

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

13. Staff expenses

	2016	2015
wages and salaries	33,324	32,414
social security costs	3,367	3,589
pension costs	2,378	1,350
staff restructuring costs	-507	7,193
recharged to subsidiaries	-2,500	-3,550
insourced staff	6,593	4,551
other staff costs	2,260	2,450
total	44,915	47,997

A one-off pension payment of €560 as a subsequent payment as part of the settlement of the pension contract that expired at the end of 2014 had a positive impact on pension costs in 2016. In 2015, a one-off payment of €1,501 relating to this same settlement had already been received.

Staff expenses

	2016	2015
Netherlands	553	549
other EU	5	5
total	558	554

14. Amortisation

	2016	2015
development costs	1,348	1,193
software & licences	26	10
total	1,374	1,203

15. Depreciation

	2016	2015
company buildings	1,345	1,235
machinery and installations	1,128	1,011
other equipment	3,384	3,673
total	5,857	5,919

16. Impairment of assets

	2016	2015
impairment of assets	900	1,571

Impairment of assets relates to costs for obsolete inventories relating to the reorganisation of the supply chain and the phasing out of the Energy Systems business unit.

In 2015, impairment of assets also included impairment of intangible and tangible fixed assets.

17. Other operating costs

Other operating costs includes general, sales, accommodation, restructuring and indirect manufacturing costs.

Restructuring costs

	2016	2015
guarantee costs and purchase commitments	407	338
total	407	338

These costs relate to the supply chain reorganisation and the phasing out of the Energy Systems business unit.

18. Taxation

	2016	2015
profit before taxation excluding associate	8,135	906
income tax	1,827	-114
deferred income tax	-331	-829
total income tax	1,496	-943

Reconciliation of effective tax rate:

	2016		2015	
income tax based on Dutch tax rate	2,034	25,0%	226	25,0%
change in domestic tax rate	-10	-0,1%	-	-
effect of tax rate for foreign branch	17	0,2%	-	-
non-deductible expenditures	102	1,3%	64	7,0%
tax incentive schemes	-647	-8,0%	-794	-87,6%
prior-year adjustment	-	-	-439	-48,5%
total	1,496	18,4%	-943	-104,1%

Other information

Development costs

	2016	2015
employee and other operating costs	20,163	19,642
depreciation and amortisation	1,415	1,372
capitalised costs	-	-293
subsidies	-1,046	-751
total	20,532	19,970

Independent external audit fees

This item relates to the total fee for services provided by PricewaterhouseCoopers Accountants N.V. (2015: KPMG Accountants N.V.)

	2016	2015
audit of financial statements	175	165
audit of related contracts	0	0
taxation	0	0
total	175	165

Groenlo, Netherlands, 17 February 2017

Board of Directors

R. M. Wegman
E. Urff

The Supervisory Board

G. F. Kolff, chairman
J. M. L. van Engelen
D. W. J. Theyse
M. C. Westermann


06

other information

Audit certificate issued by the independent auditor

To: the general meeting of shareholders and the Supervisory Board of N.V. Nederlandsche Apparatenfabriek 'Nedap'

Statement on the 2016 financial statements

Our opinion

In our opinion:

* the consolidated financial statements in this annual report provide a faithful representation of the size and composition of the equity of N.V. Nederlandsche Apparatenfabriek 'Nedap' at 31 December 2016 and of the profit and cash flows for 2016, 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 separate financial statements in this annual report provide a faithful representation of the size and composition of the equity of N.V. Nederlandsche Apparatenfabriek 'Nedap' at 31 December 2016 and of the profit for 2016 in accordance with Title 9 of Book 2 of the Dutch Civil Code.

What we audited

We have audited the 2016 financial statements of N.V. Nederlandsche Apparatenfabriek 'Nedap', based in Groenlo ('the company'), as included in this annual report. The financial statements consist of the consolidated financial statements of N.V. Nederlandsche Apparatenfabriek 'Nedap' and its subsidiaries (jointly: 'the group') and the separate financial statements.

The consolidated financial statements are made up of:

* the consolidated balance sheet as at 31 December 2016;
* the following statements for 2016: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in shareholder's equity; and
* notes with a summary of primary accounting principles and other explanatory notes.

The separate financial statements are made up of:

* the separate balance sheet as at 31 December 2016;
* the separate statement of profit or loss for 2016; and
* notes 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 separate 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.

Independence

We are independent of N.V. Nederlandsche Apparatenfabriek 'Nedap', as required by the Regulation regarding the independence of accountants in the case of assurance engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, 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)).

We are of the opinion that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinion.

Our audit approach

Summary and context

N.V. Nederlandsche Apparatenfabriek 'Nedap' is a company that develops, manufactures, or has third parties manufacture, and markets technologically innovative products and solutions. Nedap's development activities are primarily based at its headquarters in Groenlo, in so-called business units. In 2016, most product manufacturing was still being handled by a Nedap subsidiary, Neede-based Inventi B.V., but these activities will gradually be outsourced to specialist partners. Another Nedap subsidiary, Barendrecht-based Nsecure B.V., develops, implements, and maintains systems for security solutions and also provides support services in this area. In all, the group has eight international sites that provide sales support.

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 abovementioned Netherlands-based divisions and the Hong Kong division (Nedap Asia Ltd.), because these represent significant size on their own.

Our audit approach was designed by setting the level of materiality and identifying and estimating the risk of the financial statements containing material misstatements. Special attention was paid to those areas where the Board of Directors has made subjective estimates, such as significant estimates where assumptions are made about future events that are inherently uncertain. In the accounting principles used for the financial statements, the company explains the estimated items and main sources of estimation uncertainty. Owing to the significant level of estimation uncertainty with respect to the transition of product manufacturing and logistics ('reorganisation of the supply chain') to specialist partners and the impact thereof on the measurement of inventories, as well as on the restructuring provision, we have designated these matters as key points as specified in the section entitled 'The key points of our audit'.

We have furthermore designated the audit of revenue 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 a lot of our attention to auditing revenue recognised in the financial statements.

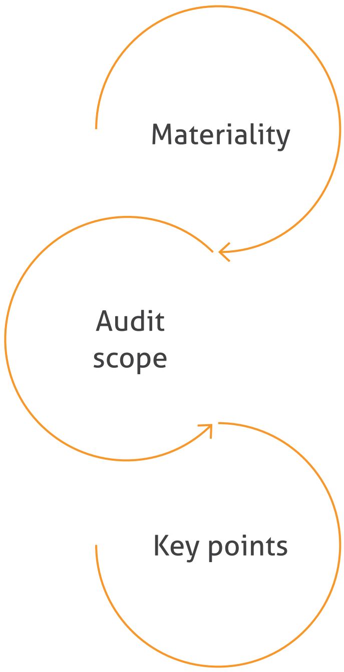
Our audits focused on the risk of the Board of Directors breaching internal control measures, including the evaluation of risks of material misstatements as a result of fraud based on an analysis of possible interests of the Board of Directors.

Given that the 2016 financial year was the first year in which we were appointed as the auditor of N.V. Nederlandsche Apparatenfabriek 'Nedap', we have, besides our regular auditing activities, performed additional transition activities, which included:

* work in relation to obtaining sufficient and appropriate audit evidence on the opening balance sheet as at 1 January 2016, including peer consultations with our predecessor and a review of the audit file for 2015;
* research on the group and their activities, as well as the audit environment and IT systems, based on which we were able to put together our risk assessment and audit plan, which we subsequently ran by the Board of Directors and the Supervisory Board.

We have made sure that the audit teams, both at group level and at the level of the various group companies, possessed sufficient knowledge and expertise to be able to audit a company that generates revenue through the development and sales of products or systems, as well as through the associated service offering. We also had specialists in the areas of IT, taxes, and share-based pay on our team.

In general terms, our approach was as follows:



Materiality

* Materiality: €700,000, based on 5% of the pre-tax operating profit, excluding one-off items.

Audit scope

* We have primarily performed our audit work at the head office in Groenlo, which is also where Inventi B.V.'s administration is based, and at Nsecure B.V. in Barendrecht.
* We focused in particular on the effects of the 'reorganisation of the supply chain' and the audit of revenue streams.
* We directed Nedap Asia Ltd.'s local auditor through audit instructions. We also visited Nedap Asia Ltd. in Hong Kong and met with local management. Also in Hong Kong, we discussed the adequacy of the local auditor's audit approach, as well as their execution of the approach.
* Audit coverage: 90% of consolidated revenue, 87% of the consolidated balance sheet total, and 87% of the pre-tax operating profit (excluding one-off items).

Key points

* Audit of revenue
* Measurement of inventories
* Audit of restructuring provision

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.

We set quantitative boundaries for materiality. 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 on our opinion.

Based on our professional judgement, we have set materiality for the financial statements as a whole as follows:

Materiality for the group	€700,000
How materiality has been set	5% of the pre-tax operating profit, excluding one-off items.
Considerations in choosing a benchmark	We applied this 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 pre-tax operating profit, excluding one-off items, of €1,475,000 as specified on page 33 of the Directors' Report, is a key figure in the company's financial performance.
Materiality for group companies	We allocated a level of materiality to every business unit that was in scope for our audit, based on our judgement, which is below the level of materiality for the group as a whole. The level of materiality we attributed to the group entities was between €300,000 and €700,000.

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 EUR 35,000 to the board, as well as minor misstatements that we consider to be relevant for qualitative reasons.

The scope of our group audit

N.V. Nederlandsche Apparatenfabriek 'Nedap' heads up a group of entities. This group's financial information is captured in the consolidated financial statements of N.V. Nederlandsche Apparatenfabriek 'Nedap'.

Since four of the group companies are financially significant in their own right, i.e. 'Nedap' (separate), Inventi B.V., Nsecure B.V., and Nedap Asia Ltd., we have audited all the financial information of these four group companies separately.
In total, our audit activities achieved the following coverage of the following items in the financial statements:

Revenue	90%
Balance sheet total	87%
Pre-tax profit, excluding one-off items	87%

Of the group companies that were not in scope for this audit, none represent more than 3% 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.
The Netherlands-based group companies were audited by the group team. For the audit of the Nedap Asia Ltd. group company, we used the services of the group company's local auditor. We made an assessment of the degree to which our involvement was required to be able to draw a conclusion on whether sufficient and appropriate audit evidence was obtained to underpin our opinion for the consolidated financial statements as a whole. We sent the group company's local auditor

instructions specifying the outcome of our risk assessment and the audit approach based on that. We also visited Nedap Asia Ltd.'s offices in Hong Kong and discussed the year-end closing with the local management. As part of this visit, we met with the local auditor of Nedap Asia Ltd. to evaluate and discuss their work based on the instructions we had sent them.

Consolidation of the group, notes to the financial statements, and a number of complex aspects were audited by the group team. These latter aspects include the (deferred) tax positions and 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 to be able to form an opinion on the consolidated financial statements.

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. Although we submitted the key points to the Supervisory Board, they do not constitute a comprehensive reflection of all risks and points that we identified and discussed during our audit. Please find below a description of each of the key points 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 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.

Key points

Audit of revenue

Notes to the revenue are included in note 17 to the financial statements.

N.V. Nederlandsche Apparatenfabriek 'Nedap' generates revenue from various contract types with elements of supply of products, services, licensing income, and/or combinations thereof.

In the organisational culture of N.V. Nederlandsche Apparatenfabriek 'Nedap', informal checks and balances, such the Board of Directors' and the management's direct involvement, are key elements of the governance system. Formal internal checks at transaction level are not always visibly recorded as such.

As a result, we focused a great deal of our effort on verifying the accuracy and completeness of revenue recognised in the financial statements.

Our audit activities for revenue

We audited the accuracy of the revenue streams through our own detailed observations in the form of (random) checks of revenue amounts recognised in the general ledger based on underlying sales invoices, funds received, delivery documents, and sales contracts.

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. In verifying such connections, we also attended stocktaking.

We audited the completeness of other revenue streams recognised in the financial statements, depending on the nature of these revenue streams, based on the database and subsequently by linking them to the register of licences generated and the maintenance contract register, as well as by assessing selling prices realised.

Measurement of inventories

The notes to the measurement of inventories are included in notes 5 and 21 to the financial statements.

At year-end 2016, inventories are recognised on the balance sheet at a total amount of €29.4 million (€24.7 million at 31 December 2015).

A decision was made in 2015 to phase out production and logistics activities in 2016 and 2017. At the same time, Nedap also decided to remove a number of products from their range. To be able to continue to guarantee that products and services are delivered on time during this transitional period, inventories were raised temporarily in 2016.

Based on plans made and formalised in the 2016 financial year, the Board of Directors and business units made an assessment of which products to discontinue immediately, which to phase out gradually, and which to outsource to external production partners. Based on this assessment, the Board of Directors estimated what part of the inventories would likely remain unsold or would no longer be needed in the production process. This estimation depends on projected sales in 2017, among other things. Besides the regular downward revaluation on account of possible obsolescence, an additional impairment to the amount of €900,000 has been recognised for these specific products and materials.

Owing to its direct impact on the measurement of inventories, the classification of inventories as products that will be discontinued immediately, phased out gradually, or outsourced to production partners, and the assessment of the saleability or usability of remaining products was a key focus point in our audit.

Our audit activities for measurement of inventories

We have audited the measurement of inventories. With respect to the downward revaluation on account of obsolescence and additional impairment, our audit consisted in assessing turnover ratios and checking age data, which included checks based on partial observations of the reliability of source information used. We have found no material misstatements in the reliability of the source data used.

Based on phase-out plans, orders, correspondence with customers, and recent sales patterns for each product or product group, we were able to perform a critical review of the classification, sales, and consumption expected by the Board of Directors and business units for 2017. We found that the management and the business units have made a sound analysis for classification, sales, and consumption.

For inventory items that, according to the Board of Directors, do not require downward revaluation, we performed partial observations to check whether there are any orders for these products, assessed whether sales are expected based on budgets and other factors, and verified whether positive margins had been achieved on recent sales. We found no material misstatements in relation to the analysis conducted by the Board of Directors.

Audit of restructuring provision

Details of the restructuring provision are included in note 13 to the financial statements.

In relation to the decision made in 2015 to phase out production and logistics activities in 2016 and 2017, N.V. Nederlandsche Apparatenfabriek 'Nedap' has a provision for restructuring costs that stood at €3.3 million at 31 December 2016 (€6.3 million at 31 December 2015). Besides this provision, a liability of €1.7 million has been recognised as a short-term liability relating to settlement agreements entered into in 2016.

Given that the balance of the restructuring provision has a significant effect on the financial statements and comes with estimation uncertainty with respect to expected severance expenses, the balance of the restructuring provision was an important focus point in our audit.

Our audit activities for the restructuring provision

In auditing the restructuring provision, we checked the foundation of the balance against commitments to the employees involved. We assessed the reasonableness of assumptions and estimations made by the Board of Directors. These assumptions and estimations relate mainly to when employees are expected to leave and to possible changes in the workforce. We agree with the assumptions and estimations used.

In auditing the short-term liability relating to previously agreed settlement agreements, we looked at the signed settlement agreements, finding no material misstatements.

We established that by year-end 2015, the conditions for the creation of a provision had already been met. We also verified the accuracy of the presentation of the provision on the balance sheet and the adequacy of the relevant notes.

Statement on other information included in the annual report

Besides the financial statements and our audit certificate, the annual report includes the following other information:

* Report by the Supervisory Board
* Directors' Report
* Other information
* The corporate governance report
* The report on the social aspects of doing business for Nedap.

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.

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 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.

Statement regarding other legal and regulatory requirements

Our appointment

We were appointed by the Supervisory Board as the external auditor of N.V. Nederlandsche Apparatenfabriek 'Nedap' following a decision by the general meeting of shareholders of 2 April 2015. The audit for the 2016 financial year was our first as Nedap's external auditor.

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 audit opinion intends to provide reasonable assurance that the financial statements are free from material misstatement.
Reasonable assurance is a high level of, albeit not absolute, assurance, and we may therefore not have identified all 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.
For a more detailed description of our responsibilities, please refer to the appendix to our audit certificate.

Utrecht, 17 February 2017
PricewaterhouseCoopers Accountants N.V.

Original signed by Mr C.J.A.M. Romme RA

Appendix to our audit certificate for the 2016 financial statements of N.V. Nederlandsche Apparatenfabriek 'Nedap'

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 aim is to obtain a reasonable level of certainty in concluding that the financial statements are free from material misstatements due to errors or fraud. 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 business activities 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 geographic 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.

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 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.

Articles of association provision regarding profit appropriation in accordance with Article 45

Paragraph 1:
Every year, the Board of Directors and the Supervisory Board decide 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 the previous paragraph, 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 general meeting can, however, following a joint proposal to that effect by the Supervisory Board and the Board of Directors, decide to offset such a loss against the distributable part of the shareholders' equity.

Branches

- Public limited company 'Nederlandsche Apparatenfabriek Nedap', based in Vilvoorde, Belgium (trading under the name: Nedap België).
- Nsecure, based in Valencia, Spain.

Companies and management

At 17 February 2017

N.V. Nederlandsche Apparatenfabriek 'Nedap' Parallelweg 2 7141 DC Groenlo, Netherlands	R. M. Wegman (50) E. Urff (49)	
	Business units	
	Energy Systems	R. M. Wegman (50) acting
	Healthcare	G.J.W. Droppers (47)
	Identification Systems	M. C. Mijwaart (43)
	Library Solutions	J. M. Beugelsdijk (44)
	Light Controls	J. Somsen (52)
	Livestock Management	A. B. M. Verstege (54)
	Retail	R. Schuurman (47)
	Security Management	R. M. Wegman (50) acting
	Staffing Solutions	G.K. Hollander (34)
	Nedap SMART	P.G.M. Oostendorp (53)
	Inventi	M.G.M. Hoitink-te Woerd (45)
	Sourcing Team	M.W.T. van Zutphen (49)
Nedap België Maria-Theresialaan 2.0.1 1800 Vilvoorde Belgium	T. Elferink (33)	
Nedap Beveiligingstechniek B.V. Groenekanseweg 24A 3737 AG Groenekan Netherlands	E. Groeskamp (55)	
Inventi B.V. Industrieweg 20 7161 BX Neede Netherlands	R. M. Wegman (50)	
Nsecure B.V. Lübeck 1 2993 LK Barendrecht Netherlands	J. van Driel (56)	
Nedap France S.A.S. 8-10 Chemin d'Andrésy 95610 Eragny sur Oise France	C. Paijens (57) A. Sot (61)	

Nedap Deutschland GmbH Otto-Hahn-Strasse 3 40670 Meerbusch Germany	I. A. C. van Balveren (50)
Nedap Great Britain Ltd. 1310 Waterside Arlington Business Park Theale, Reading Berkshire RG7 4SA Great Britain	E. Groeskamp (55)
Nedap Iberia S.A. Avenida de los Llanos 18 28430 Alpedrete Madrid Spain	A. Carmona Badillo (57) (until October 2016) T. Elferink (33) (from October 2016)
Nedap China Ltd. Room 2507, Longemont Yes Tower No. 369 Kaixuan Road 200051 Shanghai China	E. Urff CMA CFM (49) E.H. Ridderinkhof (32)
Nedap Asia Ltd. Austin Plaza 15F, Units 3&4 No 83, Austin Road Kowloon Hong Kong	E. Urff CMA CFM (49) E.H. Ridderinkhof (32)
Nedap FZE DSO Head Quarters, D-205 Dubai Silicon Oasis Dubai United Arab Emirates	J.B.F. van der Willik (33)
Nedap Inc. 401 Edgewater Place Suite 560, Box 10 Wakefield, MA 01880, USA	M.J. Bomers (34)

07

Nedap and the social aspects of doing business

Nedap and the social aspects of doing business

We at Nedap focus on smart applications of technology to help solve the challenges of today and tomorrow. We want to know exactly what needs there are in the market and what moves organisations. Through unrelenting investment in development, we are able to provide high-quality, secure, and sustainable products, services, and systems that exceed the expectations of customers and end users, while also making them better prepared for the future. As a company, we want to truly make a difference.

Key principles

We have identified the following three key principles in the area of corporate social responsibility:

1. Enabling our people to develop and thrive
   We offer an environment where respect for individuals is combined with a strong team spirit. As explained in the Directors' Report, our people are an essential part of Nedap's value creation model.

2. Care for the environment and our living environment. Nedap's propositions help customers make their operations more sustainable, and they contribute to making a better world.

3. Rigorous but objective selection of parties for our value chain. Our partners abide by the same strict standards in terms of ethics and integrity as we do.

Needless to say, Nedap's Board of Directors is ultimately responsible for ensuring that these principles be adhered to and respected, and that they play a role on an operational, tactical, and strategic level, such as in the company's hiring policy or in specific collaborations. These principles are, however, so deeply embedded in our organisation that no formal procedures have been implemented to enforce them. The underlying given is that these principles are supported broadly across Nedap, and felt and experienced externally, also without formal requirements.

Nedap's culture

The people who work at Nedap are independent, self-willed, enterprising, and highly motivated people who take responsibility for their actions. We firmly believe that we, as a company, can only keep growing if we always make our team our first priority. Our team has to be challenged every day to – through optimum use of talent and skills – realise sustainable value creation (as described in the Directors' Report) for our customers. To be and stay competitive in our markets, employees have to be given the opportunity to come up with new ideas, suggest unconventional solutions, run experiments, and take initiative. This does not mean we do not need organisational frameworks or structures at all: it means that we expressly want employees to dare to venture outside these frameworks. Managers at the various business units, departments and subsidiaries always try to encourage employees to take personal initiative and personal responsibility as much as possible.

To enable creation and maintenance of this kind of culture, we have a flat organisation. Daring to ask questions, challenging each other, giving honest feedback, taking a healthy critical approach to things, and letting go of conventions are all things that are part of working at Nedap, based on the belief that a lack of guts is often the biggest risk a company faces.

Nedap and the social aspects of doing business

In 2016, one of our colleagues suggested that we start using Facebook's Workplace platform at Nedap. We decided to take his advice, and it has turned out to be the perfect way of connecting people at Nedap. We are now using it for a broad array of purposes, such as to ask specific questions to specialists within a group or to share practical information for colleagues, but also to publish New Year's speeches or other presentations intended for all employees across the organisation.

We set great store by enabling our people to look beyond company interests, i.e. to have regard for the inevitability of friction between what is good for the world, for our customers, and for our customers' end users, and to carefully weigh up these interests every time in deciding what is the right thing to do.

Robust

A healthy financial position and a robust business model are prerequisites for optimum and responsible realisation of our ambitions, as formulated in the Directors' Report. Nedap is organised in business units that work together and, wherever possible, share ideas and specific and in-depth knowledge of technology and the market, thus contributing greatly to our continuity. As a result, we have a robust portfolio that is primed for changes in markets and economic trends.

One important strategic principle is that we operate only in markets where we can make a difference. In our decision-making, both at group level and at the various business units, the interests of all our stakeholders are carefully weighed up to strike a balance between financial results and the social aspects of doing business.

Nedap and the social aspects of doing business

Sustainability: concrete and measurable

At Nedap, sustainability is more than a catch-all for all kinds of good intentions. We make our sustainability ambitions concrete and measurable, such as by optimising production processes, but also by pursuing a responsible procurement policy. Our overriding aim is to minimise the harmful environmental impact of our operations, and even prevent it altogether wherever we can. This ambition permeates every stage of our production process and the full life cycle of our products, from obtaining natural resources, reducing the use of harmful chemicals, manufacturing the products, and their ultimate use to waste management and possible reuse. And we couple this with a keen focus on reducing the amount of packaging and reusing or recycling packaging. Each and every one of our business units aims to cut their energy consumption and develop energy-efficient products, services, and systems. Nedap and our Inventi B.V. subsidiary have furthermore fully switched to renewable power.

All our business units create intelligent technological solutions in socially relevant areas such as protection of the environment and our living environment, and the health and safety of people and animals.

Here are a few examples of our efforts and achievements in this area. It should be noted, however, that this is only a very small selection from our wide range of products, services, and systems that help create a better and cleaner world.

With its smart light management systems, our Light Controls business unit empowers companies to meet their sustainability targets.

Livestock Management developed an advanced system for animal identification that leads to better cattle management at cattle farms, while also improving animal welfare.

The Identification Systems business unit develops high-end technology to improve the flow of traffic in densely-populated areas, bringing better air quality and quality of life to these areas.

Specialists at our Healthcare business unit work on reducing the administrative burden in the healthcare industry in order to help improve patient care.

Nedap and the social aspects of doing business

Broad responsibility

As a globally-operating enterprise, we are active members of a large number of communities. This also comes with several responsibilities. In concrete terms, it means that:

* Integrity and responsibility are at the basis of everything we do. Bribery or other unethical practices are – needless to say – absolutely forbidden and we avoid conflicts of interest at all times.
* We stimulate free enterprise and fair competition. Wherever possible, we strive to meet the needs of our customers faster, better and more clearly than our competitors. In doing so, we compete fiercely but always fairly.
* We strive for open and honest communication.
* We respect and guarantee confidentiality and privacy under all circumstances.
* We set great store by social equality. Our workforce is, as much as possible, a reflection of the societies in which we operate. We never discriminate on the basis of race, ethnic background, age, religion, gender, sexual orientation, or disability.
* We respect human rights, as specified in the Universal Declaration of Human Rights.
* We work within the legal frameworks applicable in the countries in which we operate and abide by the principles and requirements of international law under all circumstances.
* We never use hard labour, forced labour, or child labour and always act 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.
* Wages and benefits are in full compliance with local legislation and standards, and aligned with the general principle of just and fair treatment.
* We investigate, based on the OESO guideline, how companies with which we do business deal with human rights, such as by conducting company visits. In fact, we only do business with organisations that, like us, hold the above values in high regard and operate accordingly. Whenever we find that they do not, we immediately switch to another partner or supplier.


08

corporate governance

Nedap

Nedap focuses on smart applications of technology to help solve the challenges of today and tomorrow, challenges in areas such as healthcare, security, food supply, and drinking water. With our propositions, we want to build leading positions in attractive markets. We understand what technology needs to do for our customers and end users and how they want to use it.

Nedap is organised in eight business units that work together, sharing their ideas and knowledge of technology and the market. All business units – Healthcare, Identification Systems, Library Solutions, Light Controls, Livestock Management, Retail, Security Management and Staffing Solutions – are based at Nedap's head office in Groenlo, the Netherlands. Whenever necessary, our teams work together to – continuously – create added value for our customers' objectives and processes. Only then will we give our customers the lasting competitive edge that will help them make the difference. Nedap employs 783 people worldwide, 500 of whom are based in the Netherlands.

Nedap's long-term policy is aimed at creating sustainable added value for customers, staff and shareholders. The value creation model, as described in the Directors' Report, is the main driver behind Nedap's operations.

Nedap and risk management

I Culture

Nedap has a culture of entrepreneurship where employees' personal responsibility, independence, and ownership come first. There is a firm belief across the organisation 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. This is inspired by the firm belief that Nedap has a workforce of highly competent specialists who have the kind of skills and experience that is needed to be able to anticipate the consequences of their actions and decisions. Interactions in and between teams, between business units, and with the Board of Directors are so well-developed at Nedap that they create a powerful system with strong informal checks and balances. These informal checks and balances are supplemented with formal procedures and controls wherever these are compulsory or useful.

II Risk appetite

Nedap's risk appetite in terms of proposition development and commercial initiatives is medium to high. But when it comes to compliance with legislation and regulations, Nedap's risk tolerance is zero, as Nedap always respects the spirit of the law.

III Risk Management Framework

Global risk management programme

Nedap has strict formal frameworks in place for responsible risk management. These are based on the Risk Management Framework that was updated in 2016 and subsequently adopted by the Board of Directors and the Supervisory Board.

The Framework update was prompted primarily by Nedap's growing presence in international markets and by global digitalisation, which are factors that come with risks such as those involved in developing new software-as-a-service propositions and the global rollout of products that have to meet international instead of local standards, but also the risk involved in working with customers and partners with whom we have not yet built a working relationship.
Operating in new jurisdictions also means we are faced with new compliance requirements.

In 2015, Nedap launched a global risk management programme for the entire group. Key elements of this project that were tackled in 2016 included the formulation and adoption of the updated Risk Management Framework and amplification of Group Controlling's risk management capacity. Workshops were held at all of Nedap's business units to raise awareness of risk management and identify the most pressing risks.
The risk management programme will continue through 2017 and 2018, focusing on risks at subsidiaries, the risks involved in internal processes, and Group Controlling's role in embedding risk management processes.

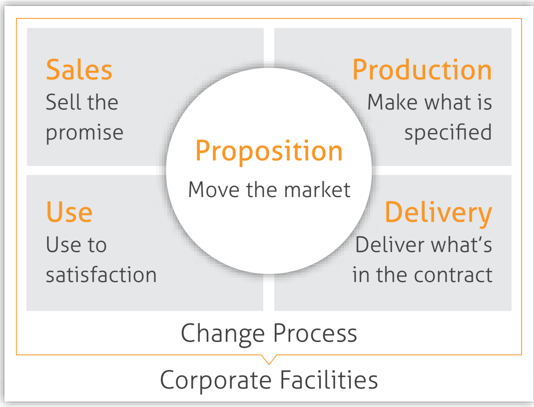
Nedap's updated Framework is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) standard, which was developed in 2002 and updated in 2013.
In a nutshell, COSO has identified correlations between enterprise risk and the internal control system. The updated Risk Management Framework contextualises all COSO principles for Nedap and links them to business processes, procedures, and available data.

Risk categories

Nedap has designed the update to the Risk Management Framework around their business processes. Scenario and other analyses were used to identify the risks involved in each business process.

* Proposition: a possible risk in this respect is the hypothetical situation where the market potential of a new product, service, or system has been overestimated, while (significant) funds have already been poured into it.
* Sales: disappointing new product sales or a new product is not up to expectations. Disappointing revenue and a damaged reputation are possible risks in such cases.
* Production: loss-causing developments that can occur in production include delays or higher-than-projected procurement costs.
* Delivery: features promised in a new product, service, or system may be unsatisfactory or lacking altogether.
* Usage: possible risks are when the use of products, services, or systems leads to damage to people or the environment, which would also come with damage to Nedap's reputation and financial consequences.

Aside from these 5 risk areas, Nedap also faces risks in their support functions, which create enabling conditions for the above processes. These functions include IT, HR, production, sourcing, and controlling.



Risk Management Framework

The three most important risks for Nedap are:

1. Proposition development
   It is of crucial importance to Nedap to have sufficient value-creating propositions to be able to remain relevant for Nedap customers, both today and tomorrow. It often takes several years (or many more) before it becomes clear how successful a proposition is. And successful propositions can be thwarted by technological changes, causing market positions to change rapidly. Nedap mitigates this risk by closely monitoring the performance and potential of individual propositions. Having a portfolio with multiple propositions reduces Nedap's dependency on individual propositions.

2. Talent development and recruitment
   A second risk relates to the fact that Nedap employees in the Netherlands and elsewhere are the basis of the company's competitiveness, capacity for innovation, and continuity. One of the biggest risk factors is therefore an inability to attract, retain, and develop enough top talent. With this in mind, Nedap has launched a large number of initiatives in the area of People Excellence.

3. Supply chain reorganisation
   The outsourcing of a significant part of our production and logistics activities comes with operational risks as we have to guarantee supply continuity during the transition. The reorganisation has therefore been prepared down to the last detail and will be implemented in stages over a period of more than two years. After completion of the reorganisation, Nedap will be working with a number of strategic production and logistics partners. Despite the extensive measures taken to mitigate any risks

involved in such partnerships, Nedap does not have absolute control over these partners' performance.

Fraud is treated as a separate risk area within the Framework. Again, this is countered by a specific risk regime and process, as laid down in Nedap's whistle-blower policy and code of conduct.

Levels of control

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

* The first level of control is Normal Operation. Whenever a risk manifests itself, the impact of this risk is not critical or vital for the company or one of the business units. Those involved will resolve or repair the fallout of such a situation as they deem appropriate. Reporting the situation to the Board of Directors at incident/ operational level is not necessary.
* The second level is called Critical Operation and 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 Nedap's risk management processes. The Board of Directors must be notified of the risk management process that was used to deal with the risk in question.
* The third level is Vital Operation. This is 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 Nedap's 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 of Directors will decide on a possible follow-up.

IV Financial targets

Nedap's primary financial target is sustainable value creation in the form of cash flow-generating company equity in the short and the long term.

The 6 financial targets are described on page 41. These targets are tracked in a five-year outlook on page 42.

V Financial risk management

The Nedap management system identifies and mitigates a number of financial risks. These risks are also detailed in the financial statements.

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 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.

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 May 2023 has been taken out, whereby €45.7 million of the total facilities of €47.8 million (including temporary facilities of €5.0 million in the period from April to September) is not subject to covenants. Nedap pursues a target net debt/EBITDA of a maximum of 1.5, whereby deviations from this target figure are possible temporarily if necessary for strategic reasons.

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 on a global scale, which means that payments in US Dollars are made using US Dollars available elsewhere in the company. Net US dollar transactions, minus costs, did not exceed 4% of revenue in 2016 (4% in 2015). Net transactions in other foreign currencies were no more than 2% each. A change of 10% in the US Dollar exchange rate would affect the profit for the financial year by €0.6 million.

Interest rate risk

A change of 100 basis points in interest rates would affect the profit for the financial year by €0.3 million (€0.2 million in 2015).

VI Financial management system

Nedap has an adequate and effective financial management system which is designed to:

* 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

The internal information and reporting flows are as follows:

A Article 20 of the Articles of Association of Nedap N.V. specifies which actions the Board of Directors is only allowed to perform with the prior approval of the Supervisory Board.

Each year, the Board of Directors provides the Supervisory Board with an outlook for the coming years which, on the basis of the knowledge available at the time, sets out the company strategy and provides a breakdown of figures in a budget for the coming year, as well as forecasting expected developments for the foreseeable future.

The Board of Directors also reports regularly (ten times per year) to the Supervisory Board on the actual performance versus budget.

The Supervisory Board meets at least five times per year, and more often as necessary, to discuss these reports and other matters.

The Supervisory Board members have regular direct meetings with managers of the various business units, which are not attended by members of the Board of Directors. Please refer to page 14 for details on the composition, competence, and way of working of the Supervisory Board.

B The business unit managers set out their visions each year in the budget. This includes, on the basis of the financial objectives, plans relating to the market, R&D efforts, staffing and capital investments. These plans have been translated into a financial estimate of revenue, added value, operating costs, results, and investments.

The business unit managers also report regularly (ten times per year) and extensively to the Board of Directors on the actual performance versus the budget.

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.
Aside from that, the Board of Directors and business unit managers have specific

consultations before making final decisions, in the interest of Nedap as a whole, on:

* significant market-related matters
* R&D projects
* appointment of staff
* investments.

Certain actions by the boards of subsidiaries are subject to the approval of the Board of Directors of Nedap. In addition, a budget, forecast statement of profit or loss, forecast balance sheet and planned investments and staffing must be submitted for the coming year. Regular reports on these matters are also submitted (ten times a year) to the Board of Directors on the actual performance versus budget.

C 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.
It has set up a uniform reporting system (including explanatory notes) that is designed to supply the information required by the heads of the business units. The department also ensures the correct, complete and timely delivery of these reports (ten times a year).
The department also assesses the various administrative organisations, devoting attention to the prevention of possible fraud.

Group Controlling in Groenlo also 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.

Group Controlling in Groenlo is in charge of the risk management process globally. They are furthermore responsible for the execution of the aforementioned multi-year risk management programme.

D Nedap limits financial reporting risks by reporting based on the International Financial Reporting Standards (IFRS), which are, in fact, compulsory standards for listed companies in the Netherlands. Group Controlling sees to compliance with these standards in the preparation of financial reports for external publication. They regularly consult with IFRS experts, and they have access to all IFRS, IAS, and IFRIC (IFRS Interpretations Committee) standards or decisions (or proposed decisions) and/or interpretations and guidance by their auditor.

E The external auditor acts as objective assessor of the above process for the parts relevant to the audit of the financial statements.

Directors' statement

The Board of Directors states that the internal risk management and control systems, as described above, provide a reasonable degree of assurance that the company's financial reporting is free of material errors or an incorrect presentation of facts. The financial reports give a true and fair view of the company's financial situation and results of its activities and the required notes. The financial reporting risk management system has operated satisfactorily over the 2016 financial year.

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.

Taxation

Policy

Policy in the area of taxation starts from the given that we pay taxes globally based on the economic value of our activities. Paying taxes is an integral part of the sustainable value we create for society (as defined in the financial targets specified in the Directors' Report).

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 taxes
* 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 the Nedap Risk Management Framework (see page 116).

Execution

Nedap's tax policy ties in with our global governance model. Our Dutch operations consist mainly of strategy design, product development, marketing, sales, supply chain management, service, procurement, production, and controlling. Activities in other countries consist almost exclusively of local sales and services. 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.

As per the transfer pricing policy, nearly all Nedap companies outside the Netherlands are compensated for their costs, including a consistent mark-up in line with market conditions, so as to ensure that they make a profit that is aligned with the size and risk on the underlying activities. Such profits are subject to all applicable local taxes.

In the Netherlands, Nedap has agreed on a horizontal supervision regime with the Dutch Tax and Customs Administration. In the spirit of this arrangement, Nedap provides the Dutch tax authorities timely and full insight into all relevant developments that affect current and future trends in the group's results.

Managers of the various Nedap companies/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.

Implementation of the global tax policy and monitoring of compliance therewith is coordinated by Group Controlling in Groenlo. One specific measure that has been taken to manage tax and other risks is that the management of virtually every single subsidiary is made up of controllers that spend a considerable part of their time working at Group Controlling in Groenlo.

Taxes are an integral part of Nedap's risk management (see page 116). For years, Nedap has pursued a conservative tax risk policy.

Situation in 2016

Nedap's policy is well aligned with OESO recommendations in terms of Base Erosion & Profit Shifting (BEPS). It should be noted, however, that tax complexity is relatively low at Nedap and that a large part of the economic value of Nedap's activities is generated in the Netherlands. In 2016, a lot of time and effort has gone into documenting and executing the transfer pricing policy within the framework provided by BEPS.

Globally, Nedap has one ruling with tax authorities. This ruling concerns an agreement with the Dutch Tax and Customs Administration to apply their Innovation Box tax regime for the period 2016-2019.

Nedap does not use so-called tax havens and does not have any third-party arrangements aimed at evading or avoiding taxes.

Please refer to page 84 for detailed information about Nedap's tax burden, tax position, and taxes paid.

Governance

Nedap's Supervisory Board and Board of Directors are confident that they comply with the 'principles of good corporate governance' set out in the 2008 Dutch Corporate Governance Code. For the full text of this Code, please refer to www.commissiecorporategovernance.nl. The 'best practice' provisions are also largely complied with. The information required by the Code is provided in various places in this Annual Report.

Reading the 'best practice' provisions, it soon becomes apparent that they are aimed at large listed companies. This focus of the Corporate Governance Code is understandable given those companies' individual social relevance. However, smaller companies such as Nedap often have a completely differently set-up from large listed companies. The management is more in touch with daily operations, and so lines of control are less formal and more direct. Management tasks are also less complex, often due to their nature and smaller scope. This means that a less rigorous allocation of duties is required at smaller companies. Moreover, the supervisory boards of smaller companies tend to be more involved in the company and consequently have a better understanding of what is happening at the company. This, too, obviously improves the quality of supervision in general.
In cases where the detailed nature of the 'best practice' provisions is designed to address typical governance issues at large listed companies, the 'apply or explain' rule does not provide enhanced insight into the application of the desired principles of sound corporate governance and supervision at smaller companies. Nevertheless, departures from the provisions will be disclosed and explained as required.

A new Corporate Governance Code will take effect from the financial year starting on or after 1 January 2017. In accordance with the recommendation by the Corporate Governance Code Monitoring Committee, we will submit the main features of the Corporate Governance structure and compliance with this Code as a separate agenda item to the general meeting of shareholders for review in 2018.

Management and supervision

Since Nedap has a 'two-tier' board structure, its Supervisory Board members are appointed by the general meeting of shareholders following nomination by the Board.

The shareholders and the works council are also given an opportunity to recommend persons for appointment.

The profile for the size and composition of the Supervisory Board is described in the 'Supervisory Board profile' section in the annual report and also on the company's website. The membership of the Supervisory Board conforms with the profile.

The professional background of the members has also been published. The members are independent of the company and of each other and none of them hold more supervisory directorships at Dutch listed companies than specified in the Code.
The Supervisory Board currently has four members. In view of Nedap's transparency and the limited size of the Supervisory Board, there are no audit, remuneration or selection and appointment committees. Consequently, the full Supervisory Board has been designated to perform the duties of the audit and other committees. The chairman of the Supervisory Board monitors the quality and frequency of the information flow on the company's financial performance, market position, product development and organisational progress. The Supervisory Board as a whole assesses the financial and other information.
Remuneration agreements made with the Board of Directors are set out below. The chairman and a member of the Supervisory Board hold annual appraisal interviews with the members of the Board

of Directors on the basis of predefined targets. The variable income of the Board of Directors is determined by the performance of its members with respect to those targets. The maximum variable remuneration is 90% of the fixed annual income. Given the small size of the Supervisory Board, the experience of its members and the need for flexible working procedures,
the Board has not drawn up any formal regulations.

The Board of Directors under the articles of association has two members. The Supervisory Board members believe that appointing directors for four-year terms would impede the proper performance of their role within the company. The directors are entrusted with the task of mapping out the company's long-term strategy and translating that strategy into effective policy. Four-year mandates are not sufficient to adequately fulfil this role at a company like Nedap. 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.

The members of the Board of Directors do not hold supervisory directorships with any other companies, nor do they hold any capital and/or voting interests in other companies that conflict with those of Nedap. However, it has been agreed that the acquisition of capital and/or voting interests in another company that might give rise to a potential conflict of interests shall be avoided and, in case of doubt, shall be discussed in advance. This applies to members of both the Supervisory Board and the Board of Directors.

Remuneration policy for the Board of Directors under the articles of association

The aim of the 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.

The compensation package for the Board of Directors comprises:

I **Fixed annual income**
Fixed annual income that is revised each year at least by a percentage equal to that of the salary increase provided for in Nedap's collective labour agreement.

II **Variable annual income**
The variable annual income depends on the members of the Board of Directors meeting targets set in advance by the Supervisory Board. One third of the variable income is determined by financial targets, one third by targets relating to the development of the internal organisation and one third by targets focusing on the way in which the organisation operates in its environment. 60% of the fixed annual income is paid for performance at target level, with a maximum of 90% of the fixed annual income.

Each director must contribute at least 50% of his variable annual income after taxation to Stichting Medewerkerparticipatie Nedap in exchange for depositary receipts. This means that a significant part of the variable income is dependent on the company's long-term performance.

The Supervisory Board may increase or decrease the variable income if, in its opinion, the calculations lead to an unreasonable outcome.

If variable remuneration is granted on the basis of incorrect information, the Supervisory Board is entitled to recover it from the director concerned.

The compensation package for the Board of Directors has been set taking into account internal pay relationships and market information.
The compensation package is reviewed regularly to

ensure that it is still competitive and in line with the extent and complexity of the duties.

The Board of Directors has the same defined contribution pension plan as Nedap N.V. staff, albeit that the defined contribution is 6/5 of the premium for staff and that the minimum old-age pension deductible is applied. Like staff members, board members are entitled to compensation for the employer's contribution released as a result of the statutory pensionable wages cap. The pensionable salary is based on the fixed annual income.

No agreements have been made with the members of the Board of Directors regarding a period of notice.

As of 1 January 2015, directors under the articles of association appointed after this date are entitled to contractual severance pay that does not exceed the compensation specified in provision II.2.8 of the Dutch Corporate Governance Code.
A severance package was not agreed with directors appointed before 1 January 2015.

No loans, advances or guarantees have been granted to the directors.

External communications
Nedap publishes an overview of the company's performance and progress at least five times a year. Besides the annual report, this includes financial statements for the first six months of the year and for the whole year, supplemented by two interim reports on developments at relevant business units, primary events and transactions, and their implications for Nedap's financial position, as well as a general description of this financial position, both in the spring and in the autumn.
These reports and much more information can be found on the website www.nedap.com.

Best practice provisions
Given the company's innovative, resourceful, and flexible style of entrepreneurship, Nedap has opted to apply certain provisions of the Corporate Governance Code in a different way. All such instances of non-standard application are explained below in the same order as the Code:

II.1.1 **A management board member is appointed for a maximum period of four years and may be reappointed for a term of not more than four years at a time.**
Given the long-term nature of Nedap's policy, members of the company's Board of Directors are appointed for an indefinite period of time. A director's length of tenure depends on his performance which is reviewed annually by the Supervisory Board.

II.2.8 **Severance pay amounts to a maximum of one year's salary (the 'fixed' part of a director's remuneration). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, the board member will be eligible for severance pay not exceeding twice the annual salary.**
As pointed out with respect to II.1.1, members of Nedap's Board of Directors are appointed for an indefinite period and there is therefore no such thing as a 'first term of office'. In the unfortunate event that a director's performance proves unsatisfactory, the severance pay will be partly determined by the number of years of service at Nedap. Directors appointed after 01/01/2015 are subject to the severance pay cap, as specified in this best practice provision.

II.2.13 **The summary referred to in best practice provision II.2.12 always contains the following information:**

f) A description of the performance criteria on which the performance-related component of variable remuneration is dependent – in so far as disclosure would not be undesirable due to the information being of a competitively sensitive nature – and of the discretionary component of variable remuneration that can be set by the Supervisory Board as it sees fit.
The compensation package for the Board of Directors comprises fixed and variable annual income.
The variable annual income depends on the members of the Board of Directors meeting targets set in advance by the Supervisory Board. One third of the variable income is determined by financial targets, one third by targets relating to the development of the internal organisation and one third by targets focusing on the way in which the organisation operates in its environment. As far as possible, the Supervisory Board will set quantifiable objectives for these targets. No further details of the targets can be given for competitive reasons.
g) A summary and account of the methods that will be applied in order to determine whether the performance criteria have been fulfilled.
As no further details of the targets are being given, it is also difficult to give a summary and account of the methods that will be applied in order to determine whether the performance criteria have been fulfilled.
h) An *ex ante* and *ex post* account of the relationship between the chosen performance criteria and the strategic targets applied, and of the relationship between remuneration and performance.
As the selected targets cannot be set out in greater detail than in f), an account of the relationship between these targets and the strategic targets cannot be given if the targets would have to be disclosed for this.
A significant proportion of the variable income is dependent on Nedap's long-term strategy and performance, since each director must contribute at least 50% of their variable annual income after taxation to Stichting Medewerkerparticipatie Nedap in exchange for depositary receipts.
These depositary receipts are locked up for a period of four years.
With respect to the relationship between remuneration and performance ex ante and ex post, it is only possible to say that 60% of the fixed annual income is paid for performance at target level, with a maximum of 90% of the fixed annual income.

II.2.14 **The key elements of a director's contract with the company are published after the contract has been signed, and in any case no later than the notice convening the general meeting where appointment of the director will be proposed. These elements shall in any event include ... performance criteria to be applied.**
At Nedap, members of the Board of Directors are appointed by the Supervisory Board after announcing the proposed decision to the general meeting.
The applicable performance criteria are not set out in greater detail than in 'Remuneration policy for the Board of Directors under the articles of association'.

III.1.1 **Regulations will be put together specifying the duties of the Supervisory Board and its way of working. In these regulations, the Supervisory Board will include a paragraph dealing with its relations with the Board of Directors, the general meeting and the (central) works council. The regulations will be posted on the company's website.**

In view of the nature of the company and the company-specific working procedures of the Supervisory Board as set out in the Report of the Supervisory Board to the Shareholders, and also given the size of the board and the desired flexibility, the Supervisory Board considers it undesirable to lay down formal regulations for its dealings with the Board of Directors, the general meeting of shareholders and the works council.

III.3.3 **After their appointment, all Supervisory Board members follow an induction programme, which, in any event, covers general financial, social and legal affairs, financial reporting by the company, any specific aspects that are unique to the company and its business activities, and the responsibilities of a Supervisory Board member.**
The Supervisory Board conducts an annual review to identify any aspects with regard to which its members require further training or education during their period of appointment. The company plays a facilitating role in this respect.
Nedap's size and organisational set-up are such that no formal induction programme is necessary. Newly appointed members naturally receive an appropriate introduction, including a visit to the head office in Groenlo, the Netherlands.

III.3.5 **A Supervisory Board member can sit on the Supervisory Board for a maximum of three four-year terms.**
The Supervisory Board feels that the length of its members' tenure should be determined by the member's quality and contribution, in combination with the specific knowledge he or she brings to Nedap. The performance of the Supervisory Board and its members is evaluated annually. The Articles of Association stipulate that a member's tenure must end when the member reaches the age of 72.

III.4.1 **The chairman of the Supervisory Board ensures that:**
a) Supervisory Board members attend the required induction and training programme.
As specified in III.3.3, Nedap does not have a formal induction programme.
It goes without saying that the chairman of the Supervisory Board ensures that the competencies of the members of the Supervisory Board match the Board's profile and that the members receive proper training.

III.6.5 **..... The company also sets rules governing the ownership of and transactions in securities by directors and Supervisory Board members other than those issued by the company.**
It has been agreed that the acquisition of interests in other companies involving an actual or potential conflict of interests must be avoided and, in case of doubt, must be discussed in advance with the Supervisory Board.
Given Nedap's size and market position, the Supervisory Board sees no need to draw up written regulations regarding members of the Board of Directors holding and dealing in securities in companies other than Nedap.

IV.1 Principle
..... Wherever possible, the company shall give shareholders the opportunity to vote remotely and to communicate with all other shareholders.
Nedap does not have an international shareholder base. Nedap feels that the interest its shareholders have in the company and its culture is demonstrated

by their personal attendance at the general meeting of shareholders and, if necessary, their participation in the discussion. Personal attendance is particularly important when matters of substance are being discussed. Shareholders may vote by proxy, where necessary.

IV.1.4 **The company's policy on dividends and additions to reserves (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and accounted for as a separate agenda item at the general meeting of shareholders.**
Nedap's policy on dividends and additions to reserves is directly determined by its strategy and long-term policy and will be discussed in that context.
The long-term policy is aimed at creating sustainable added value for customers, staff and shareholders. The policy on dividends and additions to reserves will be an item for discussion on the agenda.

IV.1.5 **The proposal to pay dividend will be discussed at the general meeting as a separate agenda item.**
As pointed out with respect to IV.1.4, the dividend payment is directly determined by the strategy and the long-term policy. The dividend payment will be explicitly included on the agenda as a separate item.

IV.3.9 **............ and proposals for the appointment of directors [...] shall be submitted separately to the general meeting.**
As pointed out with respect to II.2.14, directors are appointed by the Supervisory Board in accordance with the articles of association, after the proposed decision has been announced to the general meeting. Consequently, no formal proposal to appoint directors is submitted to the general meeting.

V.3.1 **The external auditor and audit committee will be involved in drawing up a work plan for the internal auditor and will also be informed of the internal auditor's findings.**
In view of its size, Nedap does not have an internal auditor (or an audit committee).
It goes without saying that the external auditor performs the audit of the financial statements with due attention to the internal audit system and internal audit. The external auditor attends the meeting of the Supervisory Board at which the financial statements and annual report are discussed.

Information on the company structure and control pursuant to the Decree on article 10 of the Takeover Directive

Capital structure

Nedap's authorised share capital consists of 15,600,000 ordinary shares and 15,600,000 preference shares, all with a nominal value of €0.10 each.
The preference shares are registered, while the ordinary shares are bearer shares. The issued share capital currently amounts to €669,292, consisting of 6,692,920 ordinary shares.

The ordinary shares are listed on Euronext Amsterdam and are freely tradable. They are embodied in a 'global note' that is held in custody by Necigef on behalf of the shareholders.

Stichting Medewerkerparticipatie Nedap

Following the foundation of Stichting Medewerkerparticipatie Nedap (subsequently referred to as 'the Stichting') in 2009, employees have been able to acquire depositary receipts for shares in Nedap since 1 January 2010. This ability to become a depositary receipt holder in the company is in line with the entrepreneurship required of employees. It also enables employees to be heard through the Stichting at the general meeting of shareholders when fundamental decisions are being made about Nedap's direction and future. Every year, employees have the option to use either part or all of their profit share to purchase depositary receipts.
The depositary receipts are locked up for a period of 4 years. In addition to a purchase discount of 10% on the depositary receipt price, one bonus depositary receipt is issued for every 4 depositary receipts after 4 years, subject to certain conditions. The full dividend for each depositary receipt is assigned directly to the depositary receipt holder. At 31 December 2016, the Stichting held 107,983 shares (1.6%) in Nedap for which it had issued depositary receipts to employees.

Stichting Preferente Aandelen Nedap

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 the interests of Nedap, 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, its business and all stakeholders, providing defence wherever possible against influences which could threaten continuity, independence 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 shares in issue, 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
Mr J. Lock, secretary
A. P. M. van der Veer-Vergeer
Mr R.P. Voogd
Prof. J.P. Bahlmann

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, subsection 1 under 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.

Voting rights

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

Shareholders wishing to attend the general meeting of shareholders are required to notify Nedap of their intention before a date set by Nedap's Board of Directors - which shall not be earlier than the seventh day before the date of the general meeting of shareholders - 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.

Notification requirement regarding participations under the Dutch Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions Act (WMZ)

In the context of notifications regarding major holdings and capital interests, the Netherlands Authority for the Financial Markets publishes the list below of reported interests.

There are no material transactions between legal or natural persons who hold at least 10% of the shares in Nedap as meant by provision III.6.4 of the Dutch Corporate Governance Code.

Appointment and dismissal of directors

Nedap is a two-tier board company, which means that directors are appointed by the Supervisory Board.
The Supervisory Board notifies the general meeting of shareholders of the proposed appointment.
The Supervisory Board will not dismiss a director until the general meeting of shareholders has been able to decide on the proposed dismissal.

	February 2017 as %	February 2016 as %
Add Value Fund N.V.	3.36	3.36
ASR Nederland N.V.	8.20	8.20
Cross Options Beheer B.V.	15.11	15.11
Darlin N.V.	5.19	5.19
Decico B.V.	5.01	5.01
Delta Lloyd Deelnemingen Fonds N.V.	13.45	13.45
Delta Lloyd N.V.	12.60	12.60
Kempen Capital Management N.V.	6.34	6.34
TKH Group NV	5.06	5.06
(Stichting Preferente Aandelen Nedap (potential))	(100)	(100)
Total	74.32	74.32

Appointment and dismissal of Supervisory Board members

Supervisory Board members are appointed by the general meeting of shareholders following a proposal by the Supervisory Board, generally for a period of four years. This proposal is made on the basis of a profile drawn up by the Supervisory Board. The general meeting of shareholders and the works council may recommend people as Supervisory Board members. The works council has an enhanced right of nomination for one member of the Supervisory Board.

The general meeting of shareholders may reject a nomination by an absolute majority of the votes cast representing at least one third of the issued share capital.

The Enterprise Section of the Amsterdam Court of Appeal may, on application, dismiss a Supervisory Board member for neglect of duty, other compelling reasons or due to significant changes in circumstances such that the company cannot reasonably be expected to let the Supervisory Board member remain in office. The application may be submitted by the company, represented by the Supervisory Board, or a representative designated by the general meeting of shareholders or the works council.
The general meeting of shareholders may pass a resolution of no confidence in the entire Supervisory Board by an absolute majority of the votes cast representing at least one third of the issued share capital.
Such a resolution brings about the immediate dismissal of the members of the Supervisory Board.

Authority of the Board of Directors to issue shares and acquire the company's own shares

The Board of Directors is only authorised to issue shares if the general meeting of shareholders appoints it as the body authorised to issue shares. This appointment has not been made.

A resolution by the general meeting of shareholders to issue shares or to appoint another body as the body authorised to issue shares, or the withdrawal of a resolution to appoint can only be passed on a joint proposal of the Supervisory Board and the Board of Directors.
A resolution to issue preference shares by a body other than the general meeting of shareholders is always subject to co-operation of the Supervisory Board in each specific case.
Preferential rights can be limited or excluded by the body appointed to decide on share issues.

Nedap may only acquire its own fully paid-up shares for no consideration. Acquisition other than for no consideration is only possible if:

* shareholder's equity –/– the acquisition price is not less than the paid up and called up part of the capital plus the reserves that must be maintained by law or under the articles of association
* the nominal amount of the company's own shares is no more than 50% of the issued share capital; and
* the general meeting of shareholders 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.

Amendment of the articles of association

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

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.

Significant agreements in the event of a take-over bid

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. In relation to the overall scope, these clauses are not regarded as significant as defined in the Decree on Article 10 of the Takeover Directive.

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.

Provisions of the Articles of Association concerning special rights

Below are some of the special rights granted to the Supervisory Board and the Board of Directors:

Art. 10:
Proposal to issue new shares.

Art. 11:
Proposal to restrict or exclude preferential rights.

Art. 18:
Determination of the number of members of the Board of Directors.

Art. 23:
Proposal to set the remuneration policy for the Board of Directors.
Determination of the remuneration and other terms of employment for each member of the Board of Directors.
Proposal to remunerate the Board of Directors in the form of shares or rights to acquire shares.

Art. 24:
Determination of the number of members of the Supervisory Board.
The Board must comprise at least three members.

Art. 25:
Nomination for appointment to the Supervisory Board.

Provisions of the Articles of Association concerning approval of resolutions by the Board of Directors in accordance with Article 20

Paragraph 1:
Without prejudice to provisions elsewhere in the articles of association, the following resolutions by the Board of Directors shall be subject to the approval of the Supervisory Board:

a. issue and acquisition of shares in and debt instruments payable by the company or of debt instruments payable by a limited partnership or a commercial partnership of which the company is a fully liable partner;
b. cooperation in the issue of depositary receipts of shares;
c. application for the listing of the debt instruments or depositary receipts referred to in a and b on a regulated market or in a multilateral trading facility, as referred to in Article 1:1 of the Dutch Financial Supervision Act or in a system similar to a regulated market or multilateral trading facility in a non-member state or an application for the withdrawal of such listing;
d. entry into or termination of a long-term partnership by the company or a dependent company with another legal entity or company, either as a fully liable partner in a limited partnership or a commercial partnership, provided this partnership or termination thereof are of major importance to the company;
e. acquisition of a participation with a value of at least a quarter of the amount of the issued share capital plus the reserves as recognised on the company's balance sheet with explanatory notes, by the company or a dependent company in the capital of another company, as well as a decision to significantly increase or decrease such a participation;
f. investments requiring an amount that equals at least a quarter of the issued share capital plus the company's reserves as per its balance sheet with explanatory notes;
g. a proposal to amend the articles of association;
h. a proposal to terminate the company;
i. filing for bankruptcy and suspension of payments;
j. a resolution to terminate the employment contracts of a substantial number of employees of the company or a dependent company simultaneously or within a short period of time;
k. a resolution to implement radical changes in the working conditions of a substantial number of employees of the company or a dependent company;
l. a proposal to effect a reduction in the issued share capital;
m. a proposal to legally merge or divide the company within the meaning of Part 7 of Book 2 of the Dutch Civil Code.

Paragraph 2:
The following resolutions by the Board of Directors are also subject to the approval of the Supervisory Board:

a. setting the company's operational and financial targets, the strategy intended to lead to achievement of those objectives and the preconditions used in formulating this strategy;
b. appointment of officials as specified in Article 19, paragraph 2 and determination of their titles;
c. a resolution to engage in legal proceedings, with the exception of taking precautionary measures or measures which cannot be delayed;
d. acquisition, alienation, or encumbering of property subject to registration;
e. entering into a contract of suretyship;
f. taking out loans and credit agreements. If a credit agreement has been entered into, the Supervisory Board's approval is not required for usage of this facility;
g. a resolution to enter into a merger, or to acquire, wind up or dispose of a participation;
h. a resolution to found or close down a branch.

Paragraph 3:
The Supervisory Board may determine that a resolution as referred to in paragraph 2 above will not require its approval if the interest involved does not exceed a value to be determined by the Supervisory Board.

Paragraph 4:
The Board of Directors requires the approval of the general meeting for decisions involving a significant change in the identity or nature of the company or its business undertakings, including:

a. transfer of the company, or almost all of it, to a third party;
b. entering into or terminating a long-term partnership by the company or a subsidiary company with another legal entity or company, either as a fully liable partner in a limited commercial partnership, provided this partnership or termination thereof are of major importance to the company;
c. the acquisition or disposal by the company or a subsidiary of a participation in the capital of a company to the value of at least one third of the assets according to the balance sheet with notes or, if the company prepares a consolidated balance sheet, according to the consolidated balance sheet with notes, as stated in the company's most recently adopted financial statements.

Paragraph 5:
The absence of the approval of the Supervisory Board or the general meeting for a decision as intended in this article does not impair the representative authority of the Board of Directors or its members, except in relation to a decision as referred to in paragraph 1(l) and paragraph 2(a).

Colofon

Graphic design
Studio Kluif

Layout
Adrian van Wyk

Production
Drukkerij Tesink

Nedap N.V.
PO Box 6
7140 AA Groenlo,
Netherlands

T +31(0)544 47 1111
F +31(0)544 46 3475
www.nedap.com

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


See you in the eighty eighth 2017 financial year


20