

ANNUAL REPORT





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Disclaimer

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/ Foreword from our CEO

Like many other companies, Nedap felt the inevitable impact of the COVID-19 pandemic last year. The specific effects and the speed at which they occurred differed for each business unit. While Healthcare and Livestock Management managed to post growth, some business units saw revenue fall. On the whole, Nedap's net revenue was down 1% on the previous year. Recurring revenue grew by 14% over the financial year, with revenue from software services meanwhile representing 27% of our total revenue.

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Looking back on the past year, we can only be proud of how the Nedap employees have shown a great sense of responsibility towards our customers, each other, and the organisation. This sense of responsibility combined with initiative, drive, and perseverance have enabled Nedap to respond quickly and tap into the unprecedented and rapidly changing circumstances over the past year.

Focus on safe working and continuity

When the decision came in early March for everyone to work from home as much as possible, the company was able to set up home workplaces and the required systems within a very short time span, so that everyone could continue with their work. And wherever employees had to work on-site, suitable measures were taken right away to ensure they could do so safely. Luckily, the number of COVID-19 cases among Nedap employees remained low worldwide.

Attention and energy was also put into supporting our customers in these challenging times. In close collaboration with our production and logistics partners, we managed to deliver virtually all customer orders on time and keep the quality and reliability of our software services at the high level that our customers have come to expect from us. Being able to continue investing in our employees and the partnership with customers and business partners even in these times has set us apart from the rest of the market.

Solid financial foundation and balanced portfolio

In the spring of 2020, the world was in a state of suspense as to how the COVID-19 crisis would play out. This prompted us to further shore up our financial reserves by withdrawing the previously announced dividend proposal. When the total impact on our revenue and profits ultimately turned out to be minor, a decision was made to pay an interim dividend after all in November. Our solid financial foundation combined with our balanced portfolio of propositions for various markets and our quick action in taking mitigating measures have ensured that we have been able to weather the global COVID-19 crisis so far, and that we can continue our strategic course unchanged. Even in this extraordinary year, we have been able to successfully further improve our propositions and reinforce our market positions, albeit with some fine-tuning to fit in with the economic reality.

Impressive commercial results

This has led to impressive commercial results in the various markets. Right at the end of 2020, the business unit Retail, for example, landed a number of important new customers for !D Cloud, both in Europe and in North America. It is further proof of the strength of our stock management solution and a fine close to what was an exceptionally challenging year for this business unit. Dutch electronics giant Philips choosing AEOS for all its sites worldwide was a key commercial success for the business unit Security Management. And in the Middle East, yet more leading companies and organisations opted for AEOS as their standard access control system, marking an important step in building a leading position in this region.

Light Controls was successful in driving further strong growth in the number of light points that are controlled using Luxon every day. In the healthcare industry, a number of mental healthcare facilities formalised their switch to Nedap software, committing to Nedap for the long term. Identification Systems also made good progress by striking up partnerships with leading access control system manufacturers, so as to be able to sell our long-range readers in more projects. Large-scale advertising campaigns in newspapers and on the radio have stirred up great interest in Staffing Solutions' efficient deployment of staff on a permanent and flexible basis, such as at e-commerce distribution centres and regional health centres. And finally, the business unit Livestock Management managed to extend its leading position in both dairy farming and pig farming in 2020. In the pig farming sector in China in particular, we had to pull out all the stops to be able to meet sharply growing demand for Nedap solutions as the swine fever outbreak was contained.

Internal communications essential

One major impact that COVID-19 is having on us as colleagues is the lack of truly personal contact. This became clear very quickly when, in March, everyone had to start working from home due to the first lockdown. During the year, the good internal communications at Nedap turned out to be of essential importance. Through Zoom meetings attended by all Nedap employees, leads on local market developments were picked up quickly and knowledge and experienced gained worldwide were shared among a broad base of Nedap employees. Weekly updates from the Board of Directors kept the organisation informed of the latest company developments and plans, making sure that everyone knew what was expected of them. All of this contributed to us, as a globally operating company, growing closer together. Given the positive experiences with these forms of communication, we will continue to use them, also after COVID-19.

Continuation of the development of a new strategic plan

Over the past year, hard work has also gone into the successor to the Changing Gears five-year plan that was introduced in 2016. Building on the experiences with Changing Gears and new insights, we developed a new approach to strategy development. We have started using strategic stories for all business units, excellence workstreams (themed Nedap-wide improvement programmes), and strategic roadmaps: specific implementation plans for the coming years. The concept of the strategic story harnesses the power of storytelling. A good story inspires, provides direction, and is easy to share. At the same time, a story can evolve along with changing circumstances. Smart use of new ways of remote working enabled us to complete the first versions of all strategic stories and roadmaps and share them across Nedap in late 2020, despite the challenging circumstances. The external release of the new strategic plan is scheduled for March 2021.

A broad group of Nedap employees had a hand in developing the strategic stories and roadmaps. It not only resulted in high-quality strategic plans, the approach chosen also released great energy and enthusiasm across the company. The process has built broad support for and commitment to Nedap's strategic course, which is crucial for its successful implementation. And finally, we have made an important start on reformulating and fleshing out our Corporate Social Responsibility policy as an integrated part of the new strategic plan, in line with our long-term perspective. In 2021, we will be further shaping and implementing our sustainability plans, based partly on ongoing dialogue with our stakeholders.

Outlook

The past year has shown that our strategic principles enable us to withstand extraordinary circumstances while remaining able to invest in propositions and the organisation. This meant that our competitive edge increased further over the past year and that Nedap is well positioned to benefit from new opportunities for growth that will arise in the various markets sooner or later. Given our latest market insights and strategic plans, we are confident about our organisation's future. However, business developments in 2021 will be determined by the COVID-19 pandemic to a significant extent.

The duration of the pandemic and the extent of its impact are difficult to predict. Persistent global uncertainty presents several challenges. For the supply chain, this means that possible disruptions in the supply of components over the coming year could have an impact on the reliability of deliveries to our customers and on the cost of sales of our products. The uncertainty also applies to the markets we operate in. It is therefore currently not possible to reliably estimate revenue development for the coming financial year.

Ruben Wegman, CEO

18 February 2021

Key figures for 2020

-1%

€189.9

revenue
(in millions of €)

-43%¹

€2.13

earnings per share

+7%

805

number of employees
Year-end

+14%

€50.7

recurring revenue
(in millions of €)

+2%

€4.69

operating cash flow
per share

-2%

169

added value per FTE
€ x 1,000 per FTE

-2%

€17.1

operating profit
(in millions of €)

2019: €0

€4.50

dividend
per share

2019: 16%

18%

R&D expenditure
as % of revenue

5

¹ The profit for the financial year and earnings per share were down 3% in 2020 compared to 2019, not including the book profit on the sale of the participation in Nedap France.

A modern office interior with large windows, indoor plants, and people working at desks. The scene is partially obscured by a large orange semi-transparent rectangle on the left side. The text '1. ABOUT NEDAP' is overlaid on this rectangle in a large, white, sans-serif font.

1. ABOUT NEDAP



1.1 The Nedap Story

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

To develop technology that has a tangible impact on people's professional lives, you need a people-driven approach. We therefore always put people centre stage: *first people, then technology*. Only if we understand their needs and preferences can we start designing Technology for Life.

We aim for *market leadership* in the markets in which we operate.

To make this happen, we have adopted a *long-term perspective*. This is essential for our overriding goal of guaranteeing our company's continuity. We consider market share an indicator of the success of our *value creation process* and our relevance in people's professional lives. The purpose of our work lies in creating real value both for our customers and for ourselves.

The people, our culture, and our perspective on leadership are *what set us apart*. *High added value per employee* is the indicator of our success in translating knowledge of markets and technology to valued solutions with real market impact. It enables us to keep investing in our employees and the organisation, and thus boost our competitive strength.

1.2 Facts & Figures

€189.9 million in revenue

€17.1 million in operating profit

4 Core technological domains

Connected devices
Communication technology
Software architecture
User experience

7 business units

Healthcare	Retail
Identification Systems	Security Management
Light Controls	Staffing Solutions
Livestock Management	

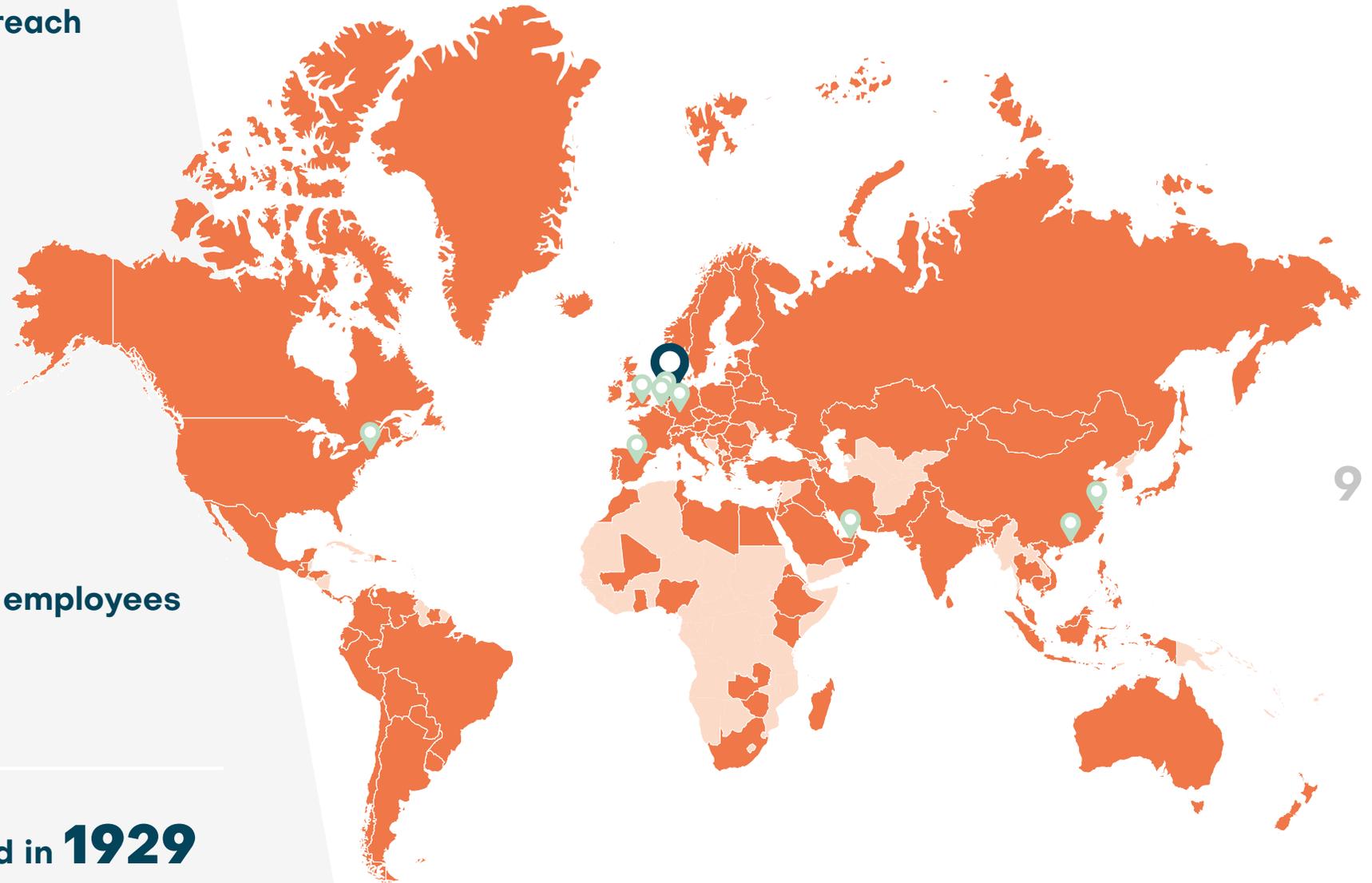
Global reach

805 employees

614 men
191 women

founded in 1929

stock market listing since 1947
Amsterdam



10 offices worldwide



Nedap head office in Groenlo



Nedap offices



Global reach



1.3 Strategic principles

Long-term perspective ('urgent patience')

Nedap has a *Create & Scale* business model. We develop industry-leading propositions to build leading market positions. This is by no means easy. It takes great effort, conviction, and perseverance, and it often takes many years to be successful. It requires a long-term perspective. A solid financial foundation and a balanced portfolio of propositions are key preconditions for us to be able to adopt this long-term perspective. We are convinced that this way of working will ultimately yield the greatest value for our customers, and consequently also for the company. For a company, working with this kind of long-term perspective is possible only if you also achieve specific short-term results. We have branded this way of working 'urgent patience': working full of energy and focus every day, always with the patience and perseverance needed to ultimately achieve market leadership.

Our people drive the success

Another strategic principle is the importance of good people. After all, their expertise, experience, skills, and market knowledge are the basis of our propositions. Added value per employee is a key indicator for the degree of our success in translating ideas and insights on the market and technology to leading propositions that help us build leading market positions. High added value per employee allows us to keep investing in the further development of our people and in recruiting top talent. And to keep top talent on board, it is essential that we provide an inspiring work environment where entrepreneurship and job satisfaction are stimulated.

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Value creation model

Input

Human

Employees
Partners

Intellectual

Research & development
Intellectual property

Financial

Financial capital

Manufactured

In-house manufacturing
Outsourced manufacturing

Social and relationship

Communities
Ecosystems
Networks
Partnerships

Natural

Natural resources

Strategic principles

Long term perspective: urgent patience
Employees are key to our succes

Core assets

People
Culture
Leadership

Changing Gears

Growth added value per employee

Nedap employees

Portfolio distinctive propositions

Leading market positions

Capturing Growth

Enabling Growth

Sustaining Growth

Core technologies

Connected devices
Communication technology
Software architecture
User experience

Business units

Healthcare
Identification Systems
Light Controls
Livestock Management
Retail
Security Management
Staffing Solutions

Governance

Output

Human

Creating inspiring, attractive and safe work environments

Intellectual

Developing insights in technology and markets

Financial

Generating investments, dividends and taxes

Manufactured

Developing and marketing leading propositions

Social and relationship

Developing and sustaining close relationships with customers, suppliers, partners and communities

Natural

Continuous reduction the use of natural resources by our products and in our supply chain

1.4 The organisation

Besides the usual support departments, Nedap has a management board, business units, and excellence workstreams.

Management Board

In 2020, the Management Board comprised Ruben Wegman (CEO), Daniëlle van der Sluijs (CFO), and two members of the leadership team, Rob Schuurman and Fokko van der Zee. Due to personal circumstances, leadership team member Guus Droppers has stepped down from the Management Board. The Management Board will continue with the members listed above.

Business units

Nedap is organised in various business units:

- Healthcare
- Identification Systems
- Light Controls
- Livestock Management
- Retail
- Security Management
- Staffing Solutions

Excellence workstreams

In 2020, we furthermore launched 'excellence workstreams', which are Nedap-wide improvement programmes focused on specific areas:

- Commercial excellence
- Customer excellence
- Corporate Social Responsibility excellence
- Create excellence
- Financial excellence
- People excellence

1.5 Five-year summary

Operations (€ x 1,000)	2020	2019	2018	2017	Excluding Nsecure* 2016	Including Nsecure* 2016
Revenue	189,916	191,549	191,403	182,185	163,244	185,959
Revenue growth	-1%	0%	5%	12%		3%
Recurring revenue¹	50,666	44,559	37,187	30,916	25,437	33,283
Growth in recurring revenue	14%	20%	20%	22%		18%
Recurring revenue as % of total revenue	27%	23%	19%	17%	16%	18%
Added value²	125,098	121,106	118,926	112,696	105,683	118,379
- as % of revenue	66%	63%	62%	62%	65%	64%
- per FTE	169	173	179	172	164	158
Research and development costs³	34,972	30,024	25,873	23,484	20,532	20,676
- as % of revenue	18%	16%	14%	13%	13%	11%
EBITDA excluding one-off items^{**}	26,503	25,968	26,571	23,554	20,955	23,681
Operating profit	17,119	17,488	19,442	9,927	10,697	12,817
- as % of revenue	9%	9%	10%	5%	7%	7%
Operating profit excluding one-off items^{**}	17,119	17,488	19,442	15,936	12,172	14,292
- as % of revenue	9%	9%	10%	9%	7%	8%
Operating profit growth	-2%	-10%	22%	31%		29%
Profit for the financial year	13,751	24,127	17,072	28,035	10,779	10,779
- as % of revenue	7%	13%	9%	15%	7%	6%

* The figures for 2016 include Nsecure BV, which was sold in 2017 and deconsolidated for comparison purposes as of 1/1/2017. For comparison purposes, the 2016 figures excluding Nsecure are also presented here.

** A specification of one-off items, as applicable, is provided in the report for the financial year to which these items relate.

¹ Revenue from software subscriptions (licences) and services.

² Added value per FTE is revenue plus or less inventory movements, the cost of materials, outsourced work and logistics costs divided by the average number of FTEs.

³ Research and development costs mostly relate to maintaining current products and services and keeping them up to date. The remaining costs are for research and development in relation to new products or services. Such development costs are only capitalised if the applicable IAS 38 criteria are met.

Per share of €0.10⁴ (in €)	2020	2019	2018	2017	Excluding Nsecure* 2016	Including Nsecure* 2016
Operating cash flow	4.69	4.58	2.84	2.00		1.38
Profit for the financial year	2.13	3.74	2.66	4.21		1.61
Profit excluding one-off items	2.13	3.74	2.66	2.02		1.77
Dividend ***	4.50	-	2.50	2.50		1.40
Pay-out ratio	211%	0%	94%	59%		87%
Outstanding shares						
Year-end ⁵	6,468,343	6,452,833	6,414,866	6,383,546	6,692,920	6,692,920
Yearly average ⁵	6,465,033	6,444,622	6,407,929	6,651,543	6,692,920	6,692,920
Number of employees						
Year-end	805	752	705	655	674	783
Yearly average	775	728	684	678	666	775
Number of FTEs						
Year-end	766	724	681	637	651	756
Yearly average	741	702	663	657	645	751

* The figures for 2016 include Nsecure BV, which was sold in 2017 and deconsolidated for comparison purposes as of 01/01/2017. For comparison purposes, the 2016 figures excluding Nsecure are also presented here.

** A specification of one-off items, as applicable, is provided in the report for the financial year to which these items relate.

*** The initial dividend proposal for 2019 was withdrawn on account of the COVID-19 crisis. Of the dividend for 2020, an amount of €2.25 was paid as interim dividend in November 2020.

⁴ Based on the average number of outstanding shares; dividend is based on the number of outstanding shares at the end of the financial year.

⁵ Explained in note 8 to the consolidated financial statements.

Financing (€ x 1,000)	2020	2019	2018	2017	Excluding Nsecure* 2016	Including Nsecure* 2016
Net debt	-11,579	-4,492	16,567	14,196	23,357	23,884
Net debt/EBITDA excluding one-off items	-0.4	-0.2	0.6	0.6	1.1	1.0
Shareholders' equity ⁶	73,253	73,571	64,940	61,962	55,851	55,851
Balance sheet total	119,076	120,546	115,438	113,782	110,939	116,641
Solvency ⁷	62%	61%	56%	55%	50%	48%

Utilisation of capital (€ x 1,000)	2020	2019	2018	2017	Excluding Nsecure* 2016	Including Nsecure* 2016
Inventories	23,062	28,501	37,509	31,477	29,038	29,397
- as % of revenue	12%	15%	20%	17%	18%	16%
Net working capital ⁸	19,535	26,873	38,522	33,982	29,640	31,675
- as % of revenue	10%	14%	20%	19%	18%	17%
ROIC ⁹	28%	25%	25%	22%	19%	19%

* The figures for 2016 include Nsecure BV, which was sold in 2017 and deconsolidated for comparison purposes as of 01/01/2017. For comparison purposes, the 2016 figures excluding Nsecure are also presented here.

⁶ Shareholders' equity is exclusive of the minority interest.

⁷ Solvency is the shareholders' equity (6) divided by the balance sheet total.

⁸ Net working capital is current assets excluding cash and cash equivalents, less employee benefits, provisions, deferred tax liabilities, income tax payable, taxation and social security contributions, lease liabilities, trade liabilities and other payables

⁹ Return On Invested Capital (ROIC) represents operating result excluding one-off items divided by the invested capital (fixed assets + net working capital - (associate & non-consolidated company)).

1.6 Nedap shares

Euronext Amsterdam listing

Nedap has been listed on the Amsterdam stock exchange, which is currently known as Euronext Amsterdam, since 1947, trading under the ticker symbol NEDAP and ISIN code NL0000371243. Nedap is included in the small cap index. All Nedap outstanding shares are ordinary shares with a nominal value of €0.10. As at 31 December 2020, a total of 6,468,343 ordinary shares were in issue.

Substantial participations

In the context of notifications regarding major holdings and capital interests, stakes of 3% or more in the issued share capital must be reported to the Dutch Authority for the Financial Markets. The table below lists all notifications to the Dutch Authority for the Financial Markets through to mid-February 2021.

Shareholders	Stake in Nedap
Cross Options Beheer B.V.	14.61%
Teslin Participaties Coöperatief U.A.	10.19%
Kempen Capital Management N.V.	10.00%
NN Group N.V.	9.97%
ASR Nederland N.V.	8.20%
Decico B.V.	5.01%
Nedap N.V.	4.14%
Add Value Fund N.V.	3.36%

Dividend policy

Nedap's dividend policy ensues from the company's strategy and long-term policy. The policy is made based on a careful assessment of how much of the profit is deemed necessary for investments in profitable growth and the intended financing structure. The remaining amount is paid out to shareholders in full.

Dividend per share



* Het initiële dividendvoorstel over 2019 is ingetrokken als gevolg van de COVID-19-crisis.

Liquidity provider

Kepler Cheuvreux has been the company's liquidity provider since 1 March 2020.

Financial calendar

Trading update – Q1	6 April 2021
General Meeting of Shareholders	8 April 2021
Ex-dividend date	12 April 2021
Record date	13 April 2021
Dividend payable date	19 April 2021
Publication of half-yearly figures	22 July 2021
Trading update – Q3	19 October 2021

Nedap shares

	2020	2019
Total number of ordinary shares in issue	6,692,920	6,692,920
Number of ordinary outstanding shares	6,468,343	6,452,833
Number of shares traded	1,630,213	1,257,357
Highest price	€51.80	€53.20
Lowest price	€31.30	€41.10
Closing price on 31 December	€51.00	€48.50
Dividend per share	€4.50	€-
Price-earnings ratio	24	13
Dividend yield (on closing price)	8.82%	0.00%
Market capitalisation at end of financial year	€341 million	€325 million

Investor relations

Nedap sets great store by maintaining a close and open dialogue with its shareholders to provide them with insight into the organisation and the markets in which we operate. We stay in touch with shareholders and interested institutional investors, both in the Netherlands and beyond, through conferences, road shows, and one-on-one meetings. We have scheduled a Capital Markets Day for March 2021. On this day, we will present the new strategic plan.

All publications, presentations and meetings in this context adhere to current rules and guidelines set by the industry regulator, i.e. the Dutch Authority for the Financial Markets. Informing all stakeholders immediately and simultaneously always comes first in this respect. Daniëlle van der Sluijs (CFO) is the point of contact for Investor Relations at Nedap.

Prevention of misuse of inside information

Being a listed company, Nedap has an Inside Information Code of Conduct (*Gedragcode Voorwetenschap*) that lays down our policy with respect to preventing the misuse of inside information. This Code of Conduct governs all employees, directors, Supervisory Board members, and any external staff where relevant. The Inside Information Code of Conduct is available on <https://nedap.com/investors/corporate-governance/>. Our inside information compliance officer oversees compliance with laws and regulations on the misuse of inside information.

1.7 Employee participation

Employee participation plan

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

In 2020, 64% of Nedap's workforce took part in the employee participation plan. For the financial and further technical details of the plan, please refer to Note 16 and the Other information section of the financial statements.

Nedap Additional Participation Plan (NAPP)

The *Nedap Additional Participation Plan* (NAPP) lets employees acquire an extra share in Nedap's profit. This option becomes available whenever the EBIT excluding one-off items outgrows a predefined benchmark by over 5% a year. Of all growth beyond this 5% threshold, 40% is distributed to employees. This share in the profits is subsequently allocated to employees in the form of depositary receipts. These depositary receipts are also subject to a 4-year locked-up period. The starting point for the NAPP in the period

from 2017 to the end of 2021 is the 2016 EBIT excluding one-off items of €12.2 million. Every year, the threshold value will go up by 5%, which will be adjusted to reflect the positive effect the supply chain reorganisation in 2017 and 2018 is expected to have on the EBIT. This means the threshold values are €14.8 million (2017), €17.5 million (2018), €18.4 million (2019), €19.3 million (2020) and €20.3 million (2021). In the financial year, the NAPP was not triggered because the threshold value for 2020 was not achieved.

Collective labour agreement

During the financial year, Nedap signed a one-year collective labour agreement with the trade unions, which took effect on 1 April 2020 and included agreement on a 1.5% salary increase.

Employee participation

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



“Being able to participate in Nedap’s profits reinforces the sense of Nedap being ‘our’ company.”

Sandra Kuster, Legal



“A great number of employees have meanwhile become shareholders in Nedap, which demonstrates confidence.”

Gerdo ten Barge, Light Controls



“Together, we drive Nedap’s success. The way I see it, the NAPP is a great opportunity to share in that success as an employee!”

Steffie Broere, Retail

1.8 Corporate Social Responsibility

Nedap is a high-tech company that creates high-quality, innovative hardware and software products. We are passionate about technology and how it can help people find more enjoyment and be more successful in their professional lives. As a company, we want to make a difference for our customers. Having an eye for the development of high-quality, safe, and sustainable products, services, and systems is a part of that. Corporate Social Responsibility (CSR) is, therefore, an integrated part of our mission of creating Technology for Life.

Material topics

Our material topics in the area of Corporate Social Responsibility are the following:

1. Enabling people to develop and thrive.
2. Care for the environment and our living environment.
3. Supply chain responsibility.

Enabling people to develop and thrive

We offer an environment where respect for individuals is combined with a strong team spirit. Nedap staff are an essential part of our value creation model.

Development and training programmes

The quality of our people makes the difference. Our successful propositions are built on our people's knowledge and acumen, both in terms of the market and technology. Recruiting and retaining top talent is, therefore, one of our spearheads. Offering development and training programmes is key in attracting and retaining talent, so we invest in our people's development on an ongoing basis. Besides Nedap-specific professional training, we also offer general training programmes that were developed for Nedap.

Diversity and inclusion

When it comes to the composition of our workforce, we aim for a Nedap-relevant composition that reflects the society around us. The combination of diversity and a culture that invites constructive discussions leads to deeper insights into markets and technology. Quality is always the first criterion in this respect. People's background, race, sexual orientation, religion, or gender play no role. We offer everyone with the right skills, training, and drive the same opportunities for development and promotion.

Selecting people based on their qualities has earned us first place in the 2020 *Female Board Index* compiled by TIAS Business School. Over the coming years, we will continue to focus on increasing diversity at our organisation. This year, for example, we created the *International Diversity & Inclusion Community* in which Nedap employees from around the world take part. This group emerged from the intrinsic motivation to actively engage on diversity and inclusion.

Care for the environment and our living environment

Our propositions help customers make their operations more sustainable, thus contributing to making a better and more sustainable world. The business units develop and deliver intelligent technological solutions that contribute to the protection of the environment, our living environment, and the health and safety of people and animals. Here are a few specific examples:

- The business unit *Healthcare* works on solutions that contribute to the quality of patient care and job satisfaction among professionals in the healthcare industry.

- The business unit *Identification Systems* 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.
- With its connected lighting system, our business unit *Light Controls* enables energy savings of up to 65%, thus empowering companies to meet their sustainability targets.
- *Livestock Management* develops advanced systems for better livestock management and performance at livestock farms, while also improving animal welfare.
- The business unit *Retail* empowers retail organisations to make their stock management more efficient and, therefore, more sustainable.
- By developing smart security systems, *Security Management* helps keep government buildings, airports, schools, and hospitals secure.
- *Staffing Solutions* develops software that increases intermediaries' job satisfaction and performance.

Supply chain responsibility

One area where Nedap's sustainability drive materialises is in our supply chain responsibility. As a company, 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 the intended 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. We also pursue a responsible procurement policy.

Our strategic suppliers have an active CSR policy in place and also a Code of Conduct based on the RBA (Responsible Business Alliance) Code of Conduct. We require all our strategic suppliers to submit a Conflict Minerals statement based on the latest version of the conflict minerals reporting template from the RBI (Responsible Business Initiative). This is valid for both the US and the European market. All our strategic suppliers use software tools to check products for compliance with environmental and human rights regulations.

Audits and certification

Nedap works together with various supply chain partners. To be able to monitor sustainability across the various stages of the process, strategic partners are audited at least once a year.

These audits also include the monitoring of sustainable procurement practices. Due to COVID-19, the audits were different this year, as they were handled through online meetings.

All of Nedap's suppliers are ISO 14001 (Environmental Management Systems Standard) certified, while several are also ISO 45001 (Occupational Health and Safety) certified. Needless to say, we contractually record any arrangements we make in this area. And we couple this with a keen focus on reducing the amount of packaging and reusing or recycling packaging.

Well prepared for legal guidelines

With respect to substances that are recorded in the European Chemicals Agency's (ECHA) Substances of Concern In articles as such or in complex objects (Products) (SCIP) database, we made preparations in 2020 for the new disclosure obligation under two European directives (Waste Framework Directive and REACH Directive), which came into effect on 1 January 2021.

The idea behind this database is to record information about products containing 'substances of very high concern' (SVHC) on one central platform in Europe. This information is intended for companies that have to safely process products that have reached the end of their service life and recycle them into new raw materials.

Our business units work to develop energy-efficient products, services and systems, and are committed to also reducing their own energy usage. Various types of buildings now have to comply with what is known as the EED, the EU Energy Efficiency Directive, to get greater clarity on a building's carbon emissions and identify efficiency measures. A number of our suppliers are ISO 50001 (Energy Management Systems) certified. At other suppliers, energy reduction is part of their CSR plan, with associated KPIs.

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Green power

Nedap procures only green power, meaning that 100% of the electricity used is generated from hydropower or European wind. To further boost our sustainability credentials, we previously installed heat pumps at the head office and improved insulation, while we are increasingly using LED lighting combined with our very own Luxon light management system to light our premises.

Responsible partner

As a globally-operating enterprise, we are active members of a large number of communities. This comes with major responsibility. The principles for responsible partnership are our Code of Conduct. In 2020, we further fleshed out our Code of Conduct and took the first steps in creating an e-learning programme. For us, being a responsible partner means that:

- integrity and responsibility are at the basis of everything we do and we avoid conflicts of interest at all times. Nedap operates a zero-tolerance policy on issues such as bribery, corruption and fraud;
- we stimulate free enterprise and fair competition;
- we strive for open and honest communication;
- we respect and guarantee confidentiality and privacy under all circumstances;
- we are committed to social equality and diversity in our workforce;
- 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;
- wages and benefits are in full compliance with local legislation and standards, and aligned with the general principle of just and fair treatment;
- we respect human rights, as specified in the Universal Declaration of Human Rights;
- 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;
- we investigate, based on the OECD guideline, how companies with which we do business deal with human rights, such as by conducting company visits. Such investigations will be conducted in a way that matches

Nedap's size and the nature and context of its operations, as well as the seriousness of the risks of adverse effects on human rights;

- we only do business with organisations that, like us, hold the above values in high regard and operate accordingly.

Non-financial reporting directive

The Board of Directors is of the view that it is not exposed to notable environmental, human rights, and bribery risks. Given the nature of the company's operations, the environmental risks to which it is exposed are limited. Nedap discusses these risks on a regular basis with its suppliers, which are mainly parties to which Nedap has outsourced the manufacturing of its products, focusing specifically on environmental aspects that are specific to each individual supplier. Nedap's human rights policy is geared towards maximum mitigation of the risk of direct or indirect negative impact on the many communities in which Nedap operates. Besides the impact of human rights breaches on an individual's private life, they could lead to Nedap becoming an unattractive party to do business with for customers, suppliers, or current and potential employees. Given its risk profile, Nedap does not have any generic indicators in this area. When it comes to bribery, we operate a zero-tolerance policy. One of the control measures we have implemented is that all material transactions involve more than one person. Whenever a suspicion of bribery arises, we take action based on individual observations. No suspicions of bribery were reported to Nedap in the financial year.

2021 CSR strategy

In 2020, the first steps were taken in redefining our CSR ambitions and objectives. We have put together a step-by-step plan for the reformulation of our CSR strategy in the first half of 2021. Strategic storytelling will play an important role in the CSR domain as well.



2. DEVELOPMENTS IN 2020



2.1 Introduction

The impact of the crisis on our results has been limited so far. In 2020, we posted €189.9 million in revenue (1% down on 2019) and an EBIT of €17.1 million (9% of revenue). Recurring revenue was up 14%, partly on the back of strong revenue growth at the business unit Healthcare. The business unit Livestock Management also showed revenue growth. The revenue growth at Livestock Management and Healthcare was almost enough to entirely compensate for the drop in revenue at the business units Identification Systems, Light Controls, Retail, Security Management and Staffing Solutions. The drop in revenue at the latter business units was primarily the result of the COVID-19-related lockdown measures.

The extraordinary circumstances during the year required extra attention from the Board of Directors. In managing the situation, the focus was on three priorities:

- 1) employees' health and well-being,
- 2) the continuity of deliveries to our customers, and
- 3) ensuring business continuity from a financial perspective.

Despite the challenges that the COVID-19 crisis brought, important steps were taken in centralising the organisation of support functions. This was a key objective of the Changing Gears five-year plan that we introduced in 2016. The commercial excellence programme, for example, was rolled out on a larger scale and the financial excellence programme merged the accounts of the various business units into one single Nedap-wide financial system. The customer excellence programme produced a consistent sales & operations planning process for efficient and optimised operations and inventory availability. Furthermore, work went into the development of our new strategic plan in 2020, as well as into the ongoing development of the

foundation for what sets us apart: the quality of our people, our culture, and our perspective on leadership.

2.2 Strategy

Changing Gears progress in 2020

In order to accelerate the company's development, we launched a five-year plan in 2016¹ called *Changing Gears*, which is made up of three parts: *Capturing Growth*, *Enabling Growth*, and *Sustaining Growth*. This plan was intended to give our people even more opportunities and encourage them to do what they are truly good at, thus empowering them to make a difference.

One important step in the Changing Gears programme was the outsourcing of virtually all our production and logistics operations in 2018. Over the financial year, we were able to benefit from the robustness of the reorganised supply chain and deliver customer orders on time in close collaboration with our production and logistics partners, despite the volatile circumstances.

One of the main aims of Changing Gears is to increasingly centralise organisation of support functions such as accounts, IT management, procurement, compliance, and HRM. This centralisation will give our business units scope to focus fully on the development and marketing of their propositions. Based on the experiences in this area over the past year, we launched 'excellence workstreams', i.e. Nedap-wide improvement programmes in specific areas with a dedicated team for each area. This way of working allows us to pool together knowledge and experience and increase effectiveness. These programmes have meanwhile produced the first tangible results.

¹ The 2019 annual report erroneously states 2017.

Excellence workstream results

The financial excellence workstream has made good headway in standardising and streamlining our business units' financial processes.

One milestone was the introduction of a single financial system to which all business units have meanwhile been migrated. Having fewer different systems means less complexity and is an important precondition for implementation of follow-up plans in the area of process automation.

The customer excellence workstream has made good progress on forecasting and ordering processes. The introduction of standard processes and reports at all business units has enabled us to further decrease inventories, despite demand sometimes fluctuating greatly from product to product.

Commercial excellence has made great strides in bolstering the business units' commercial clout. New recruitment processes and onboarding and training programmes were implemented to increase knowledge and skills on the commercial teams at the business units. In introducing 'client journeys', supported by software, we gained significantly increased insight into the steps in the commercial process and the first specific actions were taken to make more effective use of marketing and sales capacity.

The fact that these impactful and large-scale projects were implemented successfully, despite the exceptional and challenging circumstances, is in our view testimony to all Nedap employees' tremendous drive and commitment to keep working on Nedap's development.

Financial targets

1. High and growing added value per FTE. *In 2020, added value per FTE came in at €169,000, down 2% on 2019.*
2. Autonomous revenue growth, with recurring revenue growing at a faster rate than total revenue. *In 2020, total revenue fell by 1% compared to 2019, while recurring revenue grew by 14%.*
3. A rising EBIT margin, excluding one-off items, of at least 10%. *In 2020, the EBIT margin came in at 9.0% (9.1% in 2019).*
4. Return on invested capital (ROIC) that outgrows profitability. *ROIC was 28% in 2020, an increase compared to 2019 (25%).*
5. 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. *The solvency rate was 62% in 2020 (61% in 2019), while net debt/EBITDA came in at -0.4 (-0.2 in 2019). Access to sufficient cash and cash equivalents is crucial in these challenging and volatile circumstances during the COVID-19 crisis.*
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 pay-out ratios over the coming years too. On account of the uncertainty as to the duration and impact of the COVID-19 crisis, we recently decided to take a more prudent approach to paying dividend. *After withdrawing the original dividend proposal for 2019, which results in a pay-out ratio of 0% in 2019, the pay-out ratio for 2020 is 211% of the profit.*

New strategic plan

The Changing Gears programme's five-year term came to an end in 2020. Drawing on experience and insights gained along the way, process development for a new strategic plan started in late 2019. Work on this plan continued in the financial year, whereby we are maintaining our commitment to accelerating the development of the company by intensifying commercial activities, improving collaboration, and creating new growth opportunities.

In the new strategic plan, we are harnessing the power of storytelling. Good stories are inspiring and create a sense of direction. And they are easy to pass on. But what is perhaps even more important is that stories evolve to stay relevant, also when circumstances change. *The Nedap Story*, which presents our strategic principles, is the foundation for the business units' *strategic stories*, which are essential building blocks in the development process. Strategic stories describe a market, explain the most important trends over the coming years, and identify what we need to acquire a leading position in that market. Aside from that, strategic stories allow Nedap employees enough scope to make their own choices based on their talent and experience in attaining strategic objectives. Each strategic story is translated into an ambition with strategic objectives and the key plans and milestones for the next three years are detailed in a *roadmap*.

2.3 Financial affairs

Key figures

In millions of euros or as a percentage	2020	2019	Growth
Revenue	189.9	191.5	-1%
Recurring revenue	50.7	44.6	+14%
Added value as % of revenue	66%	63%	
Operating profit	17.1	17.5	-2%
Operating margin ¹	9.0%	9.1%	
Profit for the financial year ²	13.8	24.1	-43%
Earnings per share (x €1)	2.13	3.74	-43%
Dividend per share (x €1)	4.50	-	
	31/12/2020	31/12/2019	
Net debt/EBITDA	-0.4	-0.2	
Solvency	62%	61%	
ROIC ³	28%	25%	

Revenue

Revenue in 2020 amounted to €189.9 million, which was 1% lower than in 2019 (€191.5 million). Recurring revenue rose by 14% to €50.7 million (€44.6 million in 2019), comprising 27% of revenue (23% in 2019). The business units Healthcare and Livestock Management posted sound growth in revenue, which almost entirely compensated for the drop in revenue at the business units Identification Systems, Light Controls, Retail, Security Management and Staffing Solutions. This drop was primarily the result of the COVID-19-related lockdown measures.

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

² Profit for the 2019 financial year includes book profit of €9.9 million achieved on the sale of Nedap France.

³ ROIC represents operating profit/loss excluding one-off items divided by the invested capital (fixed assets + net working capital - (associate & non-consolidated company)).

Added value was up from €121.1 million in 2019 to €125.1 million in 2020. As a percentage of revenue, added value increased to 66% (63% in 2019), partly thanks to the growing share of recurring revenue in the overall revenue. Added value per FTE dropped from €173,000 in 2019 to €169,000 in 2020. This is caused by newly hired employees during the year to enable further growth from a long-term perspective.

Costs

Personnel costs rose by 2% from €72.7 million to €74.4 million in 2020, mainly due to the increase in the number of FTEs. This is in line with our long-term strategy of investing in the recruitment and development of talented people. The number of FTEs went up from 724 at year-end 2019 to 766 at the end of 2020. Other operating costs rose from €22.4 million in 2019 to €24.2 million 2020. This increase is related to further development of our propositions and the fact that fewer development costs were capitalised than in 2019. We have also seen an increase in administrative costs, partly because of further automation of our business support processes. Marketing and sales costs were lower, due to limited opportunities to travel as a result of COVID-19 and because most trade fairs and physical events were cancelled.

Research and development costs of €35.0 million (including €0.2 million in capitalised development costs) amounted to 18% of revenue (€30.0 million or 16% of revenue in 2019, including €1.3 million in capitalised development costs). Next to innovation, these costs mostly relate to maintaining current products and services and keeping them up to date.

Amortisation and depreciation

Depreciation rose from €7.6 million in 2019 to €8.0 million 2020. Depreciation remained relatively low due to the limited investments in tangible fixed assets in recent years. At €1.1 million, amortisation was higher than in 2019 (€0.9 million), mainly as a result of development costs that were capitalised in previous years.

Operating profit

The operating profit (EBIT) in 2020 amounted to €17.1 million compared to €17.5 million in 2019. Despite the increasing added value, this drop is the result of lower capitalised development costs combined with increasing personnel costs due to an increase in the number of employees. The operating margin, i.e. the operating profit as a percentage of revenue, amounted to 9.0% in 2020 (9.1% in 2019).

Financing costs

Net financing costs in 2020 remained at the same level as in 2019 (€0.2 million).

Share in profit of associate (after income tax)

Share in profit of associate concerns the share in Nedap France's results. This participation was sold in 2019. The profit of €10.3 million posted in 2019 consisted mainly of a book profit upon sale of €9.9 million.

Taxation

Taxes paid over 2020 totalled €3.1 million (€3.4 million in 2019), while the effective tax rate came in at 18.5% for 2020 (19.7% in 2019).

Profit for the financial year

Nedap posted €13.8 million in profit for the 2020 financial year, down on the €24.1 million posted in 2019. The 2019 profit includes €9.9 million in book profit on the sale of the participation in Nedap France. Excluding this book profit, the 2019 profit amounted to €14.2 million.

Earnings per share and dividend

Earnings per share dropped from €3.74 in 2019 to €2.13 in 2020. The average number of outstanding shares in 2020 was 6,465,033 (6,444,622 in 2019). This increase comes on the back of the sale of shares held by the company itself to cover employee participation plans.

Given the COVID-19 crisis, Nedap's Board of Directors took a prudent approach not to pay a dividend for the 2019 financial year, in order to reinforce the financial position in these uncertain and volatile times. During 2020, the relative small impact of the COVID-19 crisis on the financial results and the financial position of Nedap allowed for the payment of an interim dividend of €2.25 per share.

Furthermore, a final dividend of €2.25 per share will be paid for 2020, putting the overall dividend for 2020 at €4.50 per share. The final dividend comes on the back of results achieved in 2020, with a sufficient financial buffer to allow us to stay on our strategic course despite the persisting uncertainty regarding economic developments.

Financial position

The balance sheet total dropped from €120.5 million as at 31 December 2019 to €119.1 million as at 31 December 2020. Inventories decreased further in 2020, thanks to continuous improvements in the collaboration with supply chain partners.

Of the credit facilities available on 31 December 2020 and totalling €39.0 million an amount of €14.0 million has been withdrawn. Following the withdrawal of the dividend proposal for 2019 and the further decrease of inventories, the net debt position as at 31 December 2020 amounted to a surplus of €11.6 million, up from the surplus of €4.5 million at 31 December 2019. Given the current uncertain economic developments due to the COVID-19 crisis, financial buffers greater than the financial objectives formulated by Nedap are currently being maintained.

Net debt/EBITDA stood at -0.4 on 31 December 2020 (-0.2 in 2019).

Solvency stood at 62% on 31 December 2020 (61% in 2019).

Cash flow

2020 saw the net working capital decrease to €19.5 million (€26.9 million in 2019). This decrease is primarily the result of lower inventory levels. The operating cash flow was €30.3 million in 2020, up on 2019 (€29.5 million).

Return on invested capital

The return on invested capital (ROIC) rose from 25% in 2019 to 28% in 2020.

2.4 People, culture and leadership

The quality of our people, our culture, and our perspective on leadership are the basis of what sets us apart. These three core elements are closely interwoven. The top talent that we are looking for needs to feel attracted to a company with an open culture where people are given space to take initiative and grow. This requires leadership that provides direction for developments and the organisation in an inspiring way. This is a form of leadership that is geared towards empowering people to independently make sensible decisions. It is also the kind of leadership that sits best with capable and driven people who want to pull together in working on Nedap's further growth. It is our challenge to keep developing these three core elements and strike a balance between them.

Recruitment and growth

Intensification of and investments in online

COVID-19 meant that physical talent recruitment activities, and raising our brand awareness in the process, were impossible from March. It prompted us to intensify our use of online recruitment sources, organise webinars for students, and invest in the online candidate experience. This meant that the *Internship Day* could go ahead in 2020, again offering an important way for us to give interns, trainees, and final-year students a platform to share experiences and for us to keep in contact with these groups.

We were able to tap into the existing talent pools and recruitment sources to the maximum degree and keep up, and even increase, the quality of our selection process. Thanks to the *commercial excellence* workstream, we gained greater insight into what kind of professional we need to maximise the sales of our propositions. Based on this newly acquired knowledge, we set up a new selection process for the recruitment of sales staff.

Focus on brand awareness to boost our appeal

We also continued to invest in further lifting our brand awareness.

To increase our appeal, we launched a new, fresh employer brand look & feel for campus recruitment. The sixth *Nedap University* group also started with students with backgrounds in mathematics, physics, and food & technology. With high-profile events and campaigns, we managed to stand out in the market.

Vitality, well-being, and employability

The vitality, well-being, and consequently also the employability of our people were our top priority this year more than ever before. Not only did we provide employees with the resources they needed to be able to work from home, we also put a lot of time into actively addressing topics such as maintaining a sense of togetherness in the absence of physical contact, striking a good work-life balance, and knowing one's boundaries. Various initiatives were launched to monitor Nedap employees' physical and mental condition under these challenging circumstances. For example, we organised a run called *The Rat Race* (Running Apart Together), connecting runners through digital means so that they could run together, and shared lockdown exercise tips. For colleagues who needed mental support, we made internal and external coaches available.

Over the coming year, we will maintain our focus on our people's vitality, well-being, and employability.

Training and development

With a range of development and training programmes, we continue to be committed to our employees' further development. Besides Nedap-specific professional training, we also offer general training programmes that were developed for Nedap. Where possible, we switched from in-person to online training from March.

Training programmes are an important way of forging bonds between employees, especially in times like these. The *Nedap Survival Skills* programme revolves around employees and their personal development. Apart from the *Personal Leadership* coaching programme, we also offer the *Leading Business* programme for leadership skills development.

In addition, we met further training and development needs by offering various e-learning modules on LinkedIn, which enjoyed great uptake. People can also work on their commercial skills by taking part in our *Sales Academy*.

Diversity and inclusion

When it comes to the composition of our workforce, we aim for a Nedap-relevant composition that reflects the society around us. The combination of diversity and a culture that invites constructive discussions leads to deeper insights into markets and technology. Quality is always the first criterion in this respect. People's background, race, sexual orientation, religion, or gender play no role. We offer everyone with the right skills, training, and drive the same opportunities for development and promotion.

Selecting people based on their qualities has earned us first place in the 2020 *Female Board Index* compiled by TIAS Business School. Over the coming years, we will continue to focus on increasing diversity at our

organisation. This year, for example, we created the *International Diversity & Inclusion Community* in which Nedap employees from around the world take part. This group emerged from the intrinsic motivation to actively engage on diversity and inclusion.

2.5 Outlook

Nedap focuses on the development and supply of Technology for Life: technological solutions that make people more comfortable and successful in their professional lives. Even amidst the current economic developments, Nedap continues to invest in proposition development and its commercial clout.

The past year has shown that our strategic principles enable us to withstand extraordinary circumstances while remaining able to invest in propositions and the organisation. This meant that our competitive edge increased further over the past year and that Nedap is well positioned to benefit from new opportunities for growth that will arise in the various markets sooner or later.

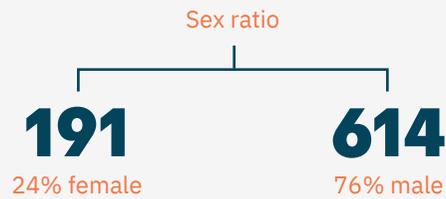
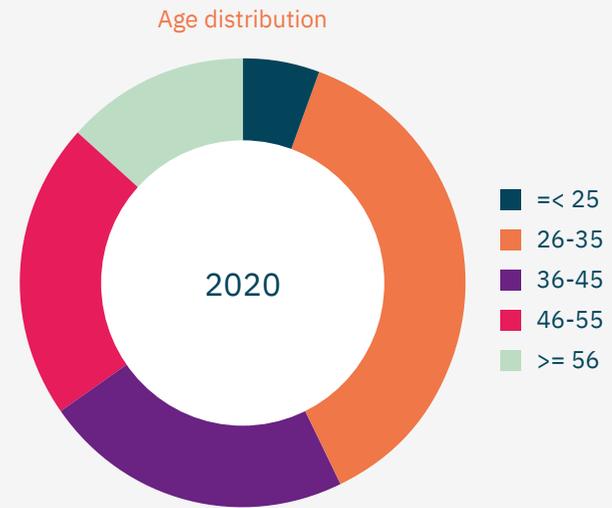
Given our latest market insights and strategic plans, we are confident about our organisation's future. However, business developments in 2021 will be determined by the COVID-19 pandemic to a significant extent. The duration of the pandemic and the extent of its impact are difficult to predict. Persistent global uncertainty presents several challenges. For the supply chain, this means that possible disruptions in the supply of components over the coming year could have an impact on the reliability of deliveries to our customers and on the cost of sales of our products. The uncertainty also applies to the markets we operate in. It is therefore currently not possible to reliably estimate revenue development for the coming financial year.

Employees

805
number of employees

766
number of FTEs

40
average age

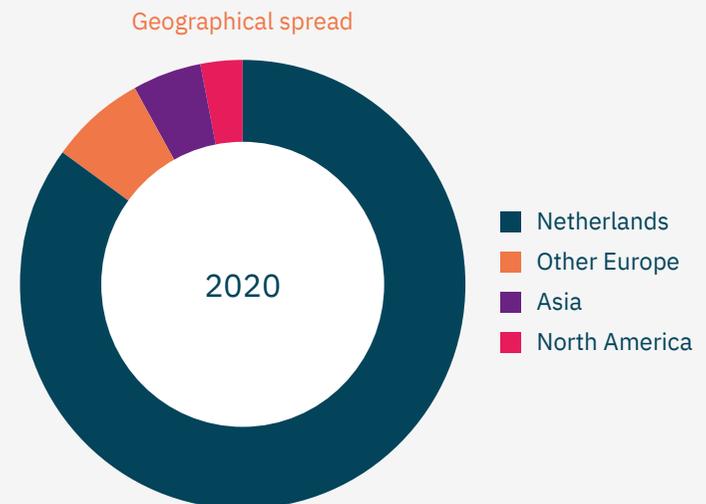


2.3%
sickness absence rate

117
new hires

64
leavers

€169
added value
x 1,000 per FTE



3. BUSINESS UNITS



3.1 Healthcare

Nedap Healthcare develops software services that digitalise and automate care, logistics and administrative processes in the healthcare industry.

Demand for innovative solutions and the need for technology to support healthcare processes is continuing to grow. The business unit Healthcare has meanwhile built strong market positions in the various long-term care sectors in the Netherlands. They are the market leader in what is called the VVT sector in the Netherlands, which is made up of nursing homes, care homes, and home care organisations, along with a leading position in the disabled care sector. Furthermore, Healthcare's share in the mental healthcare market has been growing steadily since 2018.

Developments in 2020

Ons® software platform

Many healthcare professionals are meanwhile working with the user-friendly Ons® software platform. Thanks to the platform's large number of features, many healthcare institutions use it as their core system for administrative, logistics, and care processes in elderly care, disabled care, and mental healthcare. Like in previous years, Healthcare made great strides in the area of data-driven care in 2020. One example is Ons® Wondzorg, a service that Healthcare has developed to allow users to track the development and healing of a wound through photos and digital image recognition. With the pilot completed successfully in 2020, this service is expected to be launched in the first quarter of 2021.

COVID-19

Within our Ons® software platform, the business unit Healthcare has developed a COVID-19 registration system for their nursing home clients. Data collected through this system has helped *Verenso*, for example, to draw attention to the alarming situation that has arisen at nursing homes due to the number of infections. Aside from that, the business unit Healthcare launched a fast-track development process for a vaccination registration system in late 2020, in the run-up to the national vaccination programme. This system will facilitate the vaccination process for healthcare institutions and give the Dutch National Institute for Public Health and the Environment (RIVM) access to vaccination data to monitor the vaccination programme.

Given that the GDPR dictates that such data cannot be shared without consent, consent forms have been incorporated into the system.

The vaccination registration system has meanwhile been made available to customers.

'Klantendag' customer event: Life with Ons®

Like at previous editions, interactions with customers and business partners at the annual 'Klantendag' customer event produced valuable insights that will be used to further improve the platform. Held completely online in 2020, the customer event attracted some 600 participants.

Caren

Caren is a digital health environment that gives people control over their own and each other's health, helping carers organise care, share information, and plan tasks and treatments. Caren is linked to the Ons® software platform, thus connecting informal care to professional care provided by institutions. Used by over 300,000 clients and carers, Caren is now the

Netherlands' largest healthcare platform. The effects of COVID-19 have once again reaffirmed Caren's benefits and impact. When visiting someone in a healthcare institution or a nursing home became complicated or even impossible altogether from March 2020, Caren helped countless people stay connected and informed on their loved ones' physical and mental condition. This development contributed to the product's further growth.

After various developments and a broad certification process, Caren was officially certified as a personal healthcare environment in 2020. Certification under this standard confirms that Caren complies with the set of MedMij agreements for standardisation of healthcare data-sharing between healthcare institutions, clients, and patients, giving people greater control in managing their healthcare.

Luna

The business unit Healthcare has, furthermore, worked on the new hardware tool they launched in 2018, Luna. This accessible digital diary with a simple photo frame design has been designed to help people with early onset or middle-stage dementia get better control of their day. Luna increases their self-reliance and, consequently, their quality of life. On top of that, Luna helps healthcare professionals work more efficiently and effectively, thanks in part to the interface with the Caren digital healthcare environment. After the pilot was completed successfully in 2019, work started on rolling out the next phase in 2020.

Nuts

Nuts was created with the help of several team members from Nedap's business unit Healthcare. It is an open-source platform that serves as an interface between software packages in the healthcare landscape. The idea behind it is to ensure secure and fast data-sharing between healthcare providers. Through the Nuts initiative, Nedap aspires to create easy access to all of a client's available healthcare data, no matter which system it is kept in. This kind of access is a key precondition for cross-institution healthcare processes. Nuts gained further traction in 2020, with 6 different software vendors now actively contributing to Nuts' growth.

Results

The business unit Healthcare's market share is growing in all the healthcare markets they serve (elderly care, disabled care, and mental healthcare). Further growth is expected in 2021, partly on the back of opportunities in the mental healthcare market.





Working on the healthcare infrastructure of the future

Milestone for Nuts

For many healthcare professionals, it is often difficult or even impossible to collaborate with peers who use a different IT system. There is a great need for an open protocol for simple, secure, and fast data-sharing. After the successful launch of Nuts in 2018, software vendor Caresharing and Nedap set up the first Nuts-based data-sharing in the healthcare industry in September 2020.

Silofication

The availability and sharing of (patient) information is of undeniable importance to high-quality healthcare. Accurate and up-to-date data empowers healthcare professionals to make the right choices. When healthcare providers want to collaborate digitally across different platforms, software vendors end up spending a lot of time and resources building interfaces between the various IT systems. Not only is this costly, it is also error-prone. Mark Weernink, Account Manager at Nedap Healthcare and Nuts chairman: 'The failure of the Electronic Health Record in 2011 led to widespread silofication in the healthcare industry as many healthcare institutions and IT vendors adopted an inward-looking approach of protecting their own data and making sure no one could touch it. Parties across the industry would rather be overprotective of their data than too generous in their data-sharing. This impasse continued for quite some time, until a group of software vendors that includes Nedap decided it was time to change tack. That was when Nuts was born.'

Manifesto

‘The primary idea behind Nuts is to create a decentralised communications network in the healthcare industry that enables simple, secure, and fast data-sharing between healthcare providers,’ Weernink explains. ‘Our aim is to facilitate access to all of a person’s healthcare data, no matter where it is kept.’ The Nuts initiative comprises a foundation and an open-source software community. The software community takes care of sourcing, building, and testing the required software, facilitated by the foundation, which provides tools for the development and alignment of the software, organises workshops for developers, and arranges audits and tests. Besides facilitating the software community, the foundation also spreads the ideas behind the Nuts initiative. ‘There are eight principles that make up the basis of the initiative, which we have recorded in a manifesto, presenting our vision on essential topics,’ Weernink explains. One fundamental Nuts principle is to work with open standards. Weernink: ‘Joining our network should be entirely frictionless. The basis is a shared communications structure that is open, standardised, and free to use, i.e. there are no licence or other fees attached. On top of that, it has to come with an open-source reference implementation.’ Needless to say, the manifesto also goes into the topic of privacy. Weernink: ‘*Privacy by design* is key in this network. We are striving for a system where information is shared consciously and responsibly. It is important to us that people choose to share information, such as by recording their consent or accepting a request for information.’ Any relevant party that endorses the manifesto can join Nuts. There are currently about twenty participating parties alongside Nedap.

Impact on society

The first organisations to start using Nuts are *Huisartsenorganisatie Zorggroep ZGWA*, an umbrella organisation for GP practices, and *Aafje Thuiszorg Huizen en Zorghotels*, which is a home care provider and care hotel operator. The general practitioners and home care providers affiliated with these organisations have seen their collaborative practices improve hugely thanks to the fact that they can now request real-time healthcare information from each other. ‘In order to better support healthcare processes using software, it is essential that patient data be shared between various healthcare providers in a way that is secure and streamlined. Thanks to Nuts, this is now finally possible,’ says Weernink. ‘Our role in creating Nuts is perfectly aligned with our pursuit of partnering with healthcare professionals to continuously further improve healthcare in the Netherlands.’

‘Our role in creating Nuts is perfectly aligned with our pursuit of partnering with healthcare professionals to continuously further improve healthcare in the Netherlands.’

Mark Weernink, Account Manager at Nedap Healthcare and Nuts chairman

3.2 Identification Systems

Nedap Identification Systems develops hardware and software for security, traffic, and parking applications that optimise traffic flow at controlled vehicle access points and car parks.

The business unit Identification Systems is a leading global player in vehicle detection, vehicle identification, and vehicle access control. Their smart products reinforce and support security, parking, and traffic management systems.

Developments in 2020

In 2020, work went into refining the three core propositions, i.e. SENSIT, readers, and MOOV, with the intention of further focusing the market orientation. For all propositions, good progress was made on this point, which has added to their relevance.

SENSIT

With SENSIT, the business unit Identification Systems is well positioned in the area of smart parking space management using wireless sensors. The parking data generated by SENSIT helps ensure better enforcement and directions in areas where parking is scarce, whereby the system contributes significantly to generating detailed enforcement and mobility insights. In 2020, various partnerships were shaped further through platforms that run information and enforcement processes that can be used to make life easier for end users.

Reader portfolio

The business unit's portfolio of readers, which is made up of the Transit, uPASS, and ANPR product lines, enables long-range identification of vehicles at controlled vehicle access points. Thanks to the diversity in the product portfolio, these solutions can be used in a wide range of scenarios, from access control at commercial car parks to land-to-airside access processes at airports with entirely different security requirements and conditions. They have a complex mix of products available, which contribute significantly to the optimisation of these processes. What is unique about the vehicle identification portfolio is how easy it is to integrate the various products into other systems. The full range of readers has now been made compatible with OSDP, which is an international standard that ensures better compatibility between the systems of access control providers worldwide. Another



advance in this same context is the Electronic Access Control Programme that Nedap has launched to make it easy for access control system vendors and installers to integrate Nedap long-range identification into the solutions they offer their customers.

MOOV

With MOOV, the business unit Identification Systems positions itself in the market for vehicle access control in urban areas, recreational areas, and multi-tenant office buildings, primarily in the Netherlands and Belgium. After identifying vehicles by their registration number or reading a digital badge, MOOV decides whether or not they are given access to a certain location. MOOV makes sure unauthorised vehicles are denied access and simplifies all kinds of related and mostly repetitive processes. In 2020, the number of clients in urban and other environments showed attractive growth. We are also seeing increasing interest in this product line outside the Netherlands.

Results

COVID-19 measures causing delays in order placement and installation of various projects led to a drop in revenue at this business unit. Given the current uncertainty about how the COVID-19 crisis will develop, it is not possible to formulate a reliable expectation with respect to the business unit Identification Systems' revenue development in 2021.



Staying visible and connected

The value of dynamic webinars

Every year, Identification Systems takes part in around twenty five trade shows and events worldwide. It is one of the marketing tools that they use year after year to raise awareness of Nedap automated vehicle identification solutions among their target group, i.e. system integrators. In 2020, COVID-19 threw a spanner in the works. To still stay in contact with the target group and attract new business, webinars turned out to be a highly valuable tool.

Finding an alternative to in-person meetings was hugely important in order to stay in contact with and visible to customers and prospects. It prompted the business unit Identification Systems' marketing team to change their approach quickly. In a matter of only a few days, hundreds of home-working parking and security professionals across the globe, from Sydney to Moscow and from Frankfurt to Vancouver, were invited to the first webinar, which was all about ANPR Lumo: Nedap's vehicle number plate camera for vehicle access control. LinkedIn, email marketing and personal invitations to the Business Development team's network were used to actively promote the webinar to the target group.

Hundreds of participants during pilot

Two weeks after the plan for a webinar was made, over 300 participants were welcomed in Nedap's virtual meeting room in early April. While product experts gave a dynamic presentation, colleagues behind the scenes ensured a smooth, technically impeccable process and answered questions that came in through the chat during the presentation. The webinar closed with





a live Q&A where the product experts answered questions from the audience. Within only a few minutes after the end of the webinar, the first requests for additional information, demo kits, and a number of sales requests started to come in.

New targeted marketing mechanism

The success of the pilot was a reason to organise yet more webinars. Various relevant topics were covered in a whole series, with one webinar in the summer of 2020 attracting a record number of 500 participants. Where necessary, the concept was tailored to specific markets. This new marketing mechanism has certainly borne fruit, confirming Nedap’s ability to stay visible and relevant to its target group, also online.

Valuable addition to existing commercial activities

One key takeaway is that webinars, especially the kind of dynamic and content-rich webinars that the business unit Identification Systems organised, make an extremely valuable addition to the regular commercial activities aimed at connecting with the target group. Even when the physical trade shows and events return, webinars will undoubtedly continue to be a prominent part of Identification Systems’ range of marketing and sales activities.

3.3 Light Controls

Nedap Light Controls provides sustainable lighting solutions that reduce the use of energy and resources and contribute to efficient production processes, higher productivity, and more pleasant living environments.

Luxon

With their globally leading connected lighting platform, Luxon, Light Controls supplies light management electronics and software services. The business unit caters specifically to companies that operate in the manufacturing, logistics, and big-box retail domains. Luxon enables light management strategies that potentially increase productivity, contribute to a more pleasant work environment, and bring significant energy and maintenance cost savings.

UV driver technology

Light Controls is the global leader in smart UV driver technology, which is used for things such as rapid drying of inks and curing of coatings and paints. Aside from that, UV light offers a very effective and eco-friendly way to purify and treat water, and it can also be used for disinfection.

Developments in 2020

Connected lighting

Market adoption of connected lighting and Luxon continued to grow in 2020, partly on the back of increasing awareness among end users of the benefits in terms of sustainability and cost efficiency. The *Lighting as a Service* (LaaS) proposition also gained in popularity again this year, offering end users the option to procure lighting services such as connected lighting on a subscription basis and thus avoid capital investments. In many cases, parties use the money they save because of the greater energy efficiency to cover the fee for LaaS, which has a direct impact in terms of positive cash flow. Parties that have chosen Luxon are, without exception, satisfied with the savings achieved, as shown by the fact that they also choose the platform for new lighting projects. This was a reason for the business unit Light Controls to focus strongly on end customers with large numbers of light points, like in 2019.

Another key development that works in the favour of connected lighting is the growing awareness of the link between light quality and human well-being, as captured in the concept of human-centric lighting. This awareness is driving up demand for lighting solutions with dynamic colour composition control based on factors such as the position of the sun, the type of work, and the atmosphere. Dynamic control is exactly what Luxon provides.

UV driver technology

Despite demand for UV driver technology growing at schools, offices, and hospitals after March, total demand for UV driver technology was down. Even though the business unit Light Controls took action promptly in anticipation of the international ballast water treaty, the implementation of ballast water treatment systems in ships was delayed due to the COVID-19 crisis. The ballast water treaty dictates that new ships must be equipped with systems to treat ballast water. This, too, negatively impacted on demand for our UV driver technology.

However, given the stricter environmental requirements and an increasing need for (cost) efficiency and sustainability, demand for UV driver technology is expected to go up again across the board in the long term.

Results

The Luxon proposition showed healthy growth in 2020. Revenue from UV driver technology was down. Revenue for the business unit as a whole fell. Given the uncertainty as to the duration of the COVID-19 crisis and its impact, it is not possible to make a reliable estimate of revenue development in 2021.



CNH Industrial N.V. chooses Luxon-based Lighting-as-a-Service

CNH Industrial NV is the international parent company to twelve high-profile brands that produce agricultural and industrial vehicles. Their product range contains tractors, lorries, buses, and combine harvesters as well as drive and transmission systems for lorries, off-road industrial vehicles, and engines for ships. The company has a presence in 180 countries, with a workforce of over 63,000 people spread over 67 production sites and 56 research and development centres. Nedap equipped various CNH sites with its Luxon connected lighting system. In 2020, the group's subsidiary responsible for energy savings, CNH Energy, decided to contract Luxon-based Lighting-as-a-Service (LaaS) for its Iveco plant in the Italian city of Bolzano.

Significant savings

Giorgina Negro, Energy Director at CNH Energy: 'One year ago, we completed the first successful pilot with Nedap's system. Following on from that, the team installed the Luxon connected lighting system at four further sites, including our New Holland plant in Jesi, Italy.' 'Luxon maps out light fittings, assigns them to groups, and controls them wirelessly.' Negro: 'Luxon really meets our expectations. This platform enables the use of innovative lighting strategies and ensures a more efficient lighting environment at large production sites, while delivering highly attractive energy savings in the process.'





LaaS: no capital investment

LaaS is an excellent solution for parties that want to use connected lighting but are critical of capital investments and the payback period. LaaS lets end users procure lighting services on a subscription basis, meaning no capital outlay. It is also very common for parties to use the money they save on their energy bills to cover the LaaS fees. In fact, the cash flow is often positive. For LaaS to be a success, having a connected lighting platform such as Luxon is essential. In 2020, CNH started to implement LaaS at part of its plant in Bolzano, where they build Iveco-branded vehicles. At this site, implementation of LaaS based on Luxon can yield potential energy savings of around 60%. Preparations for implementation at a second site are meanwhile under way. Negro: 'We chose Nedap not only because of the technical product features and savings potential, but also because of the high level of professionalism that we have seen throughout every phase of the collaboration so far: from the light study through to actual implementation.'

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CNH in Jesi, Italy.

3.4 Livestock Management

Nedap Livestock Management supplies technological solutions for the dairy farming and pig farming industries worldwide.

The business unit Livestock Management helps livestock farmers all over the world optimise their operations. Its products are geared towards the necessity for more efficient and sustainable production due to the growing demand for animal protein, but also towards improving animal health and well-being. There is also a focus on the need for greater job satisfaction and an acceptable workload for livestock farmers. The number of dairy farmers who decide to invest in process automation based on individual animal identification and data is expected to continue to grow.

Developments in 2020

Dairy farming

Nedap CowControl

In 2020, Livestock Management was successful in further adding to the leading market position of Nedap CowControl, their leading dairy cattle monitoring and management system. CowControl helps optimise cattle performance and dairy farming efficiency. This proposition contributed to revenue growth in 2020. Nedap CowControl systems have been marketed successfully through suppliers of milking systems for some time now. Over the past year, a great deal of energy has gone into setting up a new distribution channel made up of genetics companies that can sell CowControl to complement their own solutions. This approach bore fruit in 2020.

Nedap Augmented Reality tool

The Nedap Augmented Reality tool was developed further in 2020, in combination with Nedap's cow positioning system. This prize-winning tool makes it possible to interactively project relevant information above a cow using a HoloLens. Innovative cattle farmers in the market are expected to start using this product in early 2021 to gain experience with it. At the current stage, there are already dairy farmers involved in the development process to ensure a successful market launch.

Nedap SmartFlow

In Nedap Smart Flow, the business unit has developed a milk flow meter, which is not only a breakthrough when it comes to milking technology, it also offers great installation benefits, because it is the first fully wireless milk flow meter. The Nedap SmartFlow records individual cows' milk production during milking with a high level of precision, allowing dairy farmers to track operational and strategic performance. The SmartFlow also controls the various automated processes in milking sheds. In 2020, SmartFlow was ICAR certified, which was a key condition for the global marketing of this proposition. Aside from that, the positive impacts of years of investments in the right positioning, infrastructure, distribution channels, and marketing became clear in 2020. The business unit accelerated the transition to online marketing, ran very successful campaigns, and organised webinars.

Pig farming

Especially in China, which is a key market for the business unit Livestock Management, pig farmers pulled out all the stops in 2020 to get pig numbers back up following the African swine fever that has been raging since 2019. The resulting professionalisation led to a strong increase in demand for

products from the business unit, which now has various successful pig farming propositions.

Nedap ProSense

Nedap ProSense in particular experienced strong growth in China.

It is a system that provides insight into pig performance using Nedap's Pig Performance Testing system, which carefully and consistently measures the main indicators.

Nedap PorkSense

This system sorts finishing pigs based on target weight. It also weighs each pig individually and automatically sends it to the area where it will get the right feed for optimum growth.

Nedap SowSense

The advanced Nedap SowSense sow feeding solutions provide individual animal feeding and management during the various stages of the gestation cycle, while also taking animal well-being into account. It optimises feed uptake for healthier and better performing sows and piglets.

Nedap Farrowing Feeding is a new SowSense product that has been developed to offer control over lactating sows' feed uptake. In 2020, a wireless Activator was added to the solution to enable pig farmers to set up demand-driven farrow feeding and monitor lactating sows' health. This product is extremely easy to install and significantly lowers the threshold for pig farmers to take the first step towards automating their operations.

Results

Good, long-term relationships with business partners once again contributed to the business unit's success in 2020. It has, furthermore, helped the business unit to absorb the inevitable drop in travel. The business unit posted higher revenue in 2020. Both the dairy farming and pig farming segments of the business unit contributed to the growth. The business unit expects further growth over the coming year.



Revolution in milk flow metering

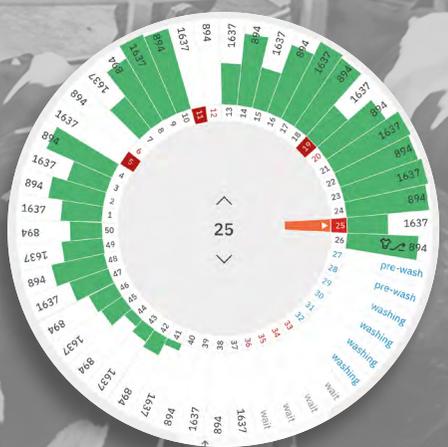
The Nedap SmartFlow revolutionises milking technology. Since it was first introduced, it has set a new standard in milk flow metering. Nedap's prize-winning milk flow meter empowers cattle farmers to generate a great quality boost in the area of animal health, milk quality, and operational efficiency. The SmartFlow is wireless and easy to use and install.

After years of intensive development, Livestock Management's team presented the first prototype of the SmartFlow at the well-known EuroTier trade show in 2018. The milk flow meter instantly landed a prestigious Innovation Award. What sets the SmartFlow apart from other free-flow milk meters is the guarantee of continuous free milk and air flow, meaning that there are no vacuum fluctuations in this meter, not even at high milk flows. Optimising the milking process, it helps keep udders healthy and improves milk quality. In 2020, the SmartFlow was ICAR certified, which marks an important step towards the market launch.

Fully wireless

As the Milking Solutions Product Owner, Jort Schutte was involved in developing the SmartFlow. 'The Nedap SmartFlow is the first fully wireless milk flow meter,' he explains. 'On top of that, our solution is very attractive in terms of cost and maintenance efficiency and ease of installation. The system stands out for its robustness, durability, scalability, and the option of easy integration into existing milking systems. The compactness and sleek design are also stand-out features of the Nedap SmartFlow.'





Operational and strategic insights

The Nedap SmartFlow measures and records individual cows’ milk production at each milking with a high level of precision. ‘This gives dairy farmers real-time management information and operational and strategic insights,’ Schutte explains. ‘SmartFlow helps them monitor performance and health at individual cow, group, and herd level using the data generated.’ The various insights based on the data are presented in a clear way in the Nedap management system interface and can be integrated with other business automation systems and management software. Schutte: ‘SmartFlow means gains for both the cow and the cattle farmer. It ensures better herd health, contributes to milk quality, and boosts dairy farm efficiency and profitability. It is a great addition to our existing CowControl proposition.’

3.5 Retail

Nedap Retail develops and markets RFID-based solutions worldwide and gives large-scale retailers insight into their inventories at item level, wherever in the world these inventories are. This enables optimum inventory management and simplifies shop processes, while also preventing loss of income.

The business unit Retail has two propositions: the !D Cloud inventory management system and the iSense range of anti-shoplifting systems.

!D Cloud

!D Cloud is a Software-as-a-Service (SaaS) solution that empowers retailers to achieve optimum inventory availability by using RFID technology. As standard, this software platform is compatible with all major suppliers of RFID handhelds and terminals and is easy to integrate into existing ERP and inventory management systems. The platform is scalable and easy to roll out internationally because it does not require any IT hardware infrastructure in shops.

iSense

iSense is a range of anti-shoplifting systems that use RFID technology. These solutions are intended to help retailers prevent loss of income. Meanwhile, this proposition is gaining more and more momentum on the back of the increasing popularity of new RFID-secured checkout solutions.

Developments in 2020

In recent years, the business unit focused its product development on the growth of the omnichannel retail market. What was not foreseen, however, was the impact of the COVID-19 pandemic. The lockdowns ordered by governments worldwide led to certain industries grinding to a complete halt and their anticipated growth never materialising. The resulting volatile market conditions took a lot out of the business unit Retail, even though the year had started well.

Optimised inventory management

On the flip side of the pandemic, there was a surge in online sales volumes, with products often delivered straight from shops. This made inventory management even more important than normal. Nedap's RFID technology helps retailers track their inventories with great accuracy, which is crucial for



optimum product availability. The situation created by the pandemic sparked growing interest in this solution. More customers were welcomed to the Nedap RFID platform in both Europe and the USA in 2020.

Fast prototyping

Retailers want real-time and easy tracking of footfall in their shops. With this in mind, the business unit Retail put a lot of effort into *fast prototyping* since the start of the pandemic. The fast prototyping approach enables retailers to test out their new ideas in practice faster. In a matter of just one month, a relatively simple application based on existing customer counting technology was developed using this approach. Roughly 1,200 shops worldwide have meanwhile started using this application. In the future, the business unit Retail will dedicate more time to this kind of product development.

Results

In 2020, further work went into developing key account management, so as to strengthen the business unit Retail's position in leading international supply chains. While new product development projects are creating good prospects for the future, the retail sector was one of the hardest hit by the impact of the COVID-19 pandemic, partly due to temporary shop closures in many regions. As was to be expected, revenue fell as a result of these extraordinary market circumstances. At the same time, the situation triggered strong growth in the online shopping market. This also created opportunities, which the business unit is well positioned to take advantage of. Given the uncertainty as to the duration of the COVID-19 crisis and its impact, it is not possible to make a reliable estimate of revenue development in 2021.



Decathlon: secure shopping thanks to real-time customer counting

With 1,647 stores in 57 countries, Decathlon is one of the world's largest sporting goods retailers. The COVID-19 pandemic presented the organisation with the challenge of offering customers the best possible shopping experience while at the same time enforcing social distancing rules. Nedap Store Occupancy helped them do exactly that.

Research has shown that the vast majority of shoppers are having second thoughts about visiting brick-and-mortar stores in these times of COVID-19. After all, it is hard to socially distance when there is literally not enough room to do so. Retailers, in turn, have to deal with strict and constantly changing restrictions on the number of visitors they can let into their shops. In addition, they also feel a responsibility to offer a shopping environment where customer and staff safety comes first.

Shopping in the new normal

When the actual impact of the COVID-19 measures on businesses became clear in early 2020, the Retail team wasted no time in looking for a solution enabling retailers to keep offering their customers high-quality service in the new normal. 'Within a very short time span, we developed a software solution that literally gives shoppers and shop staff the space they need to stay safe,' explains Jelle Clemens, Product Manager. Launched in late March, Nedap Store Occupancy uses existing anti-shoplifting systems that are equipped with customer counting sensors and anonymously track how many visitors enter and exit a shop. Using this data, Nedap Store Occupancy calculates a shop's real-time occupancy based on a predefined maximum capacity. A unique algorithm in the system then alerts shop staff whenever the number of people in the shop nears or exceeds the maximum capacity. This helps shops uphold social distancing rules at all times.

One essential feature of the proposition is the screens in a shop showing real-time visitor numbers and the number of 'free spaces'. Clemens: 'Retailers who already have our existing anti-shoplifting systems installed, including customer counting sensors, get our Store Occupancy software solution free of charge. We are not only helping our customers this way, but also contributing to the protection of public health.'



Peace of mind

A long-term user of Nedap's RFID technology, Decathlon was the first retailer to implement Nedap Store Occupancy. After a successful pilot at three of their over twenty stores in the Netherlands in April, the solution was soon rolled out to all of their other sites as well. Frank Reitsma, Senior Safety Expert at Decathlon: 'One of the main benefits of the system is that it sets our in-store teams' minds at ease and gives them control of the situation. This tool makes customer-friendly crowd management a lot easier. The clear display of the number of people in the shop is also very reassuring for customers, because they will not be walking into any unpleasant surprises. Nedap Store Occupancy also gives us relevant insights into peak and off-peak times that we can use to ensure that our staff scheduling is better aligned with customer volumes. This Nedap solution delivers *peace of mind* for customers, employees, and the retailer.'



**'Within a very short time span,
we developed a software solution
that literally gives shoppers and staff
the space they need to stay safe.'**

Jelle Clemens, Product Manager, Nedap Retail

3.6 Security Management

Operating primarily in Europe, Nedap Security Management develops security systems for companies, government institutions, schools, hospitals, airports, production sites, and public spaces.

AEOS

With AEOS, a scalable web-based security system based on intelligent network technology, the business unit Security Management occupies a leading market position in Europe. In 2020, further investment went into research and development to update the platform and keep it up to date.

Enterprise Professional Services

Enterprise Professional Services (EPS), which used to be called the Global Client Program, is one of the business unit Security Management's most important propositions. EPS uses a cost-effective and efficient framework to support multinational companies in the standardisation of security across all their premises worldwide. Since 2020, this programme has been offered on a modular basis, lowering the threshold for international organisations to turn to Nedap to solve their security issues.

Channel Partner Programme

Like in previous years, 2020 saw great energy go into the optimisation and rationalisation of the global channel partner network. The idea behind this successful programme is to give end customers a greater choice of partners who are able to use Nedap products in security projects.

The business unit Security Management felt the impact of COVID-19 relatively late into the pandemic. The pandemic strengthened and confirmed previously made choices and considerations. COVID-19 had greatly varying impacts on international customers and our ability to serve them. While a number of parties decided to invest heavily in security, others postponed investments and suspended projects. The business unit has a strong focus on new trends and developments that could arise from this pandemic in the long term, with a view to being ready to seize any opportunities. A change in how companies use their offices and growth in the number of logistics hubs are just two examples of the lasting impact of the pandemic.



Developments in 2020

As part of the *commercial excellence* workstream, the business unit Security Management, too, invested considerably in digital marketing. Examples include the successful webinars they organised in 2020, some of which replaced in-person meetings and events. Security Management also ran campaigns on LinkedIn and significantly improved their CRM system. All in all, COVID-19 accelerated the switch to marketing automation. The business unit Security Management landed a number of leading customers in 2020, including Royal Philips Electronics, Saudi Aramco, and the Flemish government.

Results

Revenue posted by the business unit Security Management (systems for access control and security) over the entire year showed a downward trend, but grew in the fourth quarter, compared to the same period in 2019. AEOS puts Security Management in a leading market position in Europe.

The spread of sectors that Security Management operates in slowed down the revenue decrease resulting from the COVID-19 crisis. However, given the project-based nature of the revenue, it is not possible to give a reliable estimate of the business unit's revenue development in 2021.



Philips chooses AEOS access control system worldwide

After winning a tender, Security Management installed its AEOS access control system at several Philips sites across the globe.

Global OneBadge

'Roughly two years ago, Philips decided to overhaul its security,' says Timon Padberg, Global Clients Sales Manager. They gave the project the name Global OneBadge (GOB). 'One of the things that the company wanted to professionalise and improve was access control. There was a need for a uniform global approach. Nedap had the honour of installing AEOS, our well-known access control platform, at Philips' Amsterdam head office. First, one of our channel partners dismantled the local system and replaced it with AEOS. There was still a local server for one single building then. Next, the first access badges were issued as part of Philips' OneBadge operation. Experiencing first-hand that the system worked well and was highly stable, Philips soon decided to also have us install AEOS at two other Philips buildings in the Netherlands. The successful pilot was the start of a close partnership.'

'Philips will be implementing AEOS at eighty of its premises in various countries,' says Padberg. 'We are currently working hard on setting up a centralised system that will in the long term be able to serve all sites worldwide.' Although this large-scale project is still in its start-up phase, implementation is already fully under way at various sites.

Padberg: 'In some cases, we replace old systems with AEOS, while in other cases we install AEOS directly in new buildings.'

'The successful pilot was the start of a close partnership.'

Timon Padberg, Global Clients Sales Manager





3.7 Staffing Solutions

Nedap Staffing Solutions develops generic software for the staffing industry and in-house HR departments. Their products are practical, intuitive, and easy to implement.

Staffing Solutions develops products that make the work of HR professionals such as employment intermediaries more effective, more enjoyable, and easier. They help organisations be successful. The business unit Staffing Solutions' tagline of *Making it about people* is seamlessly aligned with the Nedap principle of *first people, then technology*.

So far, the business unit's offering has revolved around the PEP product line, which comprises solutions for timesheet processing and scheduling for temporary agency workers and permanent employees. Over the past years, the business unit Staffing Solutions has developed a new generation of propositions, including Source for the staffing industry and Staffing Solutions Flux for companies' HR departments.

Developments in 2020

Source

Market research and experiences out in the field showed that there was great scope for improvement in the relationship between intermediary and temporary agency worker. This relationship is crucial for optimum placement of temporary agency workers. It prompted Staffing Solutions to develop Source, a software service that supports intermediaries in matching temporary agency workers to user companies. The first result is an app that lets temporary agency workers access their schedule and timesheets, while also interfacing with the staffing agency's portal. Source went live for intermediaries in July 2020. As early as in September, the first implementations were completed successfully.





Flux

It is becoming increasingly challenging for companies to determine the ideal size of their workforce. That is why the business unit Staffing Solutions came up with Flux, a platform that provides real-time information on the presence of and need for permanent and temporary workers in a workplace. Flux was launched in October 2020. Despite widespread interest in the solution among staffing agencies, the current circumstances have led to hesitation in the market, with many agencies putting off placing an actual order.

Marketing

In 2020, Nedap made various improvements to its sales processes, including by implementing a greater focus on lead generation. Staffing Solutions took the lead, proving the value of improved IT support across all phases of the sales process. During the year, the business unit raised its profile through a new marketing strategy, gained greater insight into the effectiveness of marketing activities, and ran a commercial on national radio.

Results

The business unit Staffing Solutions and its propositions are well positioned in the Dutch staffing market and have felt the impact of COVID-19 since March.

The number of staffing agencies opting for Nedap is growing, but a reduction in the number of hours processed caused the business unit's revenue to drop. In recent years, the business unit has developed a new generation of propositions that enable effective management of flexible pools of permanent employees and temps. There is more demand for this type of product in the current volatile market circumstances. Given the uncertainty that the COVID-19 crisis is creating in the staffing market, it is not possible to give a reliable estimate of the business unit Staffing Solutions' revenue development in 2021.

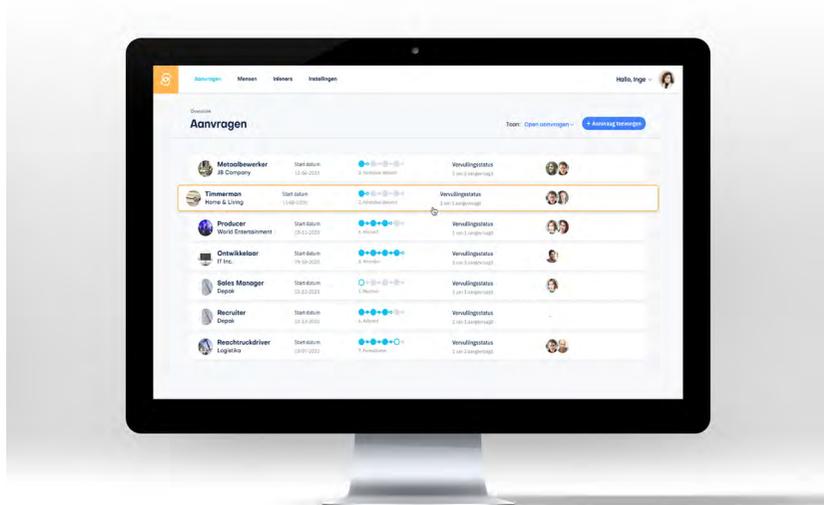
Source: growing while focusing on the individual

Around two years ago, the Staffing Solutions team embarked on a fundamental quest. By conducting countless personal interviews with customers, intermediaries, and temporary agency workers, they looked for an answer to an essential question: how can we support a staffing firm's core process, the placement process, with smart and human-centred software? It was the run-up to Source, the software solution for employment intermediaries who focus on the person behind the CV. Source connects staffing firms, their clients, and temps using smart technology.

Source makes the process-based parts of intermediaries' work more efficient and effective, freeing up time that they can spend on the personal relationship with temporary workers and clients. It all revolves around the idea that knowing the drives, needs, preferences, opportunities, and challenges of all parties involved considerably increases the chance of a successful match. In fact, knowing what motivates people is essential for every employment intermediary. Source offers more than just information on candidates' knowledge and skills, it shows the person behind the CV. Source also helps the intermediary get a clear idea of what kind of person the company is really looking for. Not only in terms of educational background, but also with a focus on criteria such as personality and individual drives.

Facilitating growth

As the use of temporary agency workers took off in a big way in many industries, staffing agencies started to grow rapidly and intermediaries saw their workload increase. One of the consequences was that important but non-urgent things were left undone or received less attention, ultimately jeopardising the essence of staffing, i.e. the focus on the individual. Alex de Coninck runs a staffing agency called The Professionals Group. He and his team were closely involved in developing Source. ‘In the staffing industry, people are still too often treated as numbers,’ he explains. ‘With Nedap, we share the ambition to change that.’



At a staffing firm, focus on the individual should come first. For most intermediaries, working with people is their most important driver. Source gives intermediaries scope to focus on what really matters: the person behind the CV.’

Close partnership

Source enables staffing agencies to grow without compromising on the quality of their service. For intermediaries who work in a commercial environment that requires speed and action every day, Source provides a solid footing. The real-time insight into the staffing process that this software solution delivers relieves pressure for intermediaries, boosts efficiency, and enables them to maintain an overall view. Source creates scope, both literally and metaphorically, for the essence of an intermediary’s work, which is to maintain contacts, invest in successful relationships, and achieve a perfect match every time. ‘In developing Source, we are working very closely together with the Nedap team,’ says De Coninck. ‘We are very critical in the development process, both of ourselves and of each other. That’s how you get the best results. Source really makes a difference for intermediaries, temps, and companies.’

‘We are very critical in the development process, both of ourselves and of each other. That’s how you get the best results.’

Alex de Coninck, Managing Director, The Professionals Group staffing agency



4. GOVERNANCE



4.1 Board of Directors member details

66



Ms D. van der Sluijs

CFO
(1972)

Nationality: Dutch

First appointment: 1 March 2020

Relevant additional positions: none

Mr R. M. Wegman

CEO
(1966)

Nationality: Dutch

First appointment: 1 July 1997

Relevant additional position: Supervisory Board member, Koninklijke Barenbrug B.V.

4.2 Supervisory Board member details



Mr G. F. Kolff

chairman
(1948)

Nationality: Dutch

Profession/most recent primary position: Managing Director, Shtandart TT B.V.

Relevant additional positions: none

First appointment: 17 April 2012

Current term: 2020-2022

Supervisory board memberships: Paques Holding B.V.



Prof. Dr J. M. L. van Engelen

vice-chairman
(1959)

Nationality: Dutch

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

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

First appointment: 16 April 2013

Current term: 2017-2021

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



Ms M. A. Scheltema

(1954)

Nationality: Dutch

Profession/most recent primary position: professional supervisory board member

Relevant additional positions: board (deputy) of Netherlands Enterprise Court at the Amsterdam Court of Appeal, chairwoman of the Governance Code Compliance Monitoring Committee for Pension Funds, member of the Netherlands Bureau for Economic Policy Analysis, partner at Scheltema Tammemons

First appointment: 5 April 2018

Current term: 2018-2022

Supervisory board memberships: vice-chairwoman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank), member of the Supervisory Board of Warmtebedrijf Rotterdam, member of the Supervisory Board of Nederlandse Bachvereniging and Nederlands Fotomuseum



Ms M. Pijnenborg

(1970)

Nationality: Dutch

Profession/most recent primary position: board member and entrepreneur

Relevant additional position: founder of Winc Academy, founder and investor in Boralis BV, board member at MK24, board member at Stichting LOEY Award

First appointment: 4 April 2019

Current term: 2019-2023

Supervisory board memberships: none

4.3 Risk management

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

Fulfilment of this board responsibility and the organisation of risk management have been brought into line with the corporate 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 needed to be able to anticipate the consequences of their actions and decisions. Strategic and operational decisions are targeted at creating sustainable value, which implies that decisions take long-term effects into account. At the same time, this prevents decisions being made that serve only short-term gains and destroy value in the longer term. The benefit of this approach is that it ensures that risk management is solidly integrated into and inextricably linked to operations.

Risk appetite

Nedap specifically tries to strike a balance between acceptable risk on the one hand and entrepreneurship and long-term value creation on the other. Nedap's risk appetite in terms of proposition development and commercial initiatives is moderate to high. But when it comes to compliance with legislation and regulations, Nedap's risk tolerance is zero, whereby Nedap respects the spirit of the law. The chart below shows Nedap's risk appetite by risk category.

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

Risk management and control systems

Risk Management Framework

Nedap has formal and informal frameworks in place for responsible risk management. These are based on the Nedap Risk Management Framework that was adopted by the Board of Directors and the Supervisory Board. The culture of entrepreneurship leads to widespread interaction within and between teams, business units and the Board of Directors, creating a solid system with strong informal checks & balances. These informal checks and balances are supplemented with formal procedures and controls wherever these are compulsory or deemed useful.

The Nedap Risk Management Framework identifies correlations between enterprise risk and the internal control system. The Nedap Risk Management Framework contextualises all COSO principles for Nedap and links them to business processes, procedures and available data. The COSO Framework published in 2017 was used as the guiding principle.

Levels of control

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

Level of control 1. Normal Operation.

Whenever a risk manifests itself, and the impact of this risk is not critical or vital for the company or one of the business units, the consequences will be dealt with or repaired by those involved as they see fit.

Reporting the situation to the Board of Directors at incident/operational level is not necessary.

Level of control 2. Critical Operation.

This level of control relates to risks that potentially cause substantial losses for a business unit or damage the company as a whole. Occurrence of such risks must trigger application of the processes that Nedap uses for risk management. The Board of Directors must be notified of the risk management process that was used to deal with the risk in question.

Level of control 3. 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 the risk management processes. In this kind of situation, the Board of Directors must receive a comprehensive report on the risk, fallout and process implemented as soon as possible. The Board of Directors will decide on a possible follow-up in such situations.

Financial management system

Nedap has an adequate and effective financial management system. Key components are the budgeting system and the financial reporting system that track both progress and actual outcomes of the company's operating activities.

The financial management system 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

Budget

The managers of the various business units 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. Based on this and other input, the Board of Directors presents an outlook for the coming years to the Supervisory Board, setting out the company strategy and providing a breakdown of figures in a budget for the coming year, as well as forecasting expected developments for the foreseeable future, all on the basis of knowledge available at the time.

Management and financial reporting systems

There is extensive monthly financial reporting to the Management Board on the actual state of affairs compared to the budget and the previous year (the financial report for the month of July is limited to a revenue report). In addition to this formal reporting system, a regular exchange of information takes place between the Board of Directors and the business units. This is made easier by the fact that the Board of Directors and management are based in Groenlo. With the same frequency, the Board of Directors reports to the Supervisory Board on actual performance versus the budget and performance in the previous year. Aside from that, the Board of Directors and leadership team have specific consultations before making final decisions, in the interest of Nedap as a whole, on significant market-related matters, large investments, the progress of R&D projects and staff appointments.

The Group Controlling department in Groenlo plays a leading role in terms of financial management. This department ensures that the administrative organisation and data processing are sufficient to ensure uniform and correct handling of all financial and business matters. The department has set up a uniform reporting system (including explanatory notes) that is designed to supply the information required by the leadership team. They make sure that this report is made available correctly, in time, and in full, while also assessing the administrative organisations with a focus on preventing possible fraud.

This department furthermore holds operational responsibility for financing, cash management, currency management and taxes. On such matters, they have timely and regular consultations with the Board of Directors.

The Group Controlling department is in charge of the risk management process globally, which sees them work closely together with teams of employees in both the Netherlands and other countries. The external auditor acts as objective assessor of the above process for the parts relevant to the audit of the financial statements.

Financial instruments

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.

The group assesses its receivables without credit risk insurance on an individual basis, while the expected credit loss model has been applied for those receivables without credit risk insurance that have not been revalued downward.

Liquidity risk

Liquidity risk is the risk that Nedap cannot meet its financial obligations when they become due. Nedap reduces this risk by maintaining sufficient access to capital. In this respect, an ample credit facility running through to April 2026 has been taken out, whereby the total facilities of €44 million (including temporary facilities of €5 million in the period from April to September) are not subject to covenants. 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. Note 24 goes into liquidity risk in greater detail.

Currency risk

Nedap reduces the currency risk by restricting the size of transactions in foreign currencies and, if necessary, hedging these risks. For the most important foreign currency – the US dollar – an internal hedging system is used, which means that payments in US dollars are made using US dollars available elsewhere in the company. In 2020, the US dollar was, after the euro, the currency used for most transactions. Purchases and sales in this currency were balanced (natural hedge), with different payment dates leading to limited currency gains. At 3% of revenue, the Chinese RMB was the currency with the highest number of net transactions, which represented a net gain. A change of 10% in the Chinese RMB exchange rate would affect the profit for the financial year by €0.6 million.

Market risk

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

Capital management

Nedap strives for a conservative financing structure reflected by a solvency ratio of at least 45% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target figure is possible for strategic reasons. In 2020, these ratios were 62% and -0.4 respectively (61% and -0.2 in 2019).

Policy and guidelines

To uphold a culture of integrity and ethical behaviour, Nedap has laid down a number of rules in the Nedap Code of Conduct. Nedap also operates a whistle-blower policy that allows current and former employees, as well as others working for Nedap, to raise concerns and report wrongdoing internally.

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

Recent developments

COVID-19 pandemic

As detailed under 'COVID-19 impact' in the accounting principles for the financial statements, the COVID-19 outbreak and restrictions imposed by various governments to stem the spread of the virus had major consequences for the company in 2020. Thanks to our broad range of business activities and geographic spread, the impact on our profit was ultimately limited in 2020. There is, however, still great uncertainty as to the scale and duration of this pandemic, which may have further adverse effects on our operations. In order to be able to control the main risks ensuing from the current uncertain situation and guarantee our continuity, the Board of Directors is prioritising employee health, continuity across the supply chain, and the continuity and financial solidity of the company.

There is a limited risk of the current economic uncertainty leading to impairments. Nedap has, for example, recognised intangible fixed assets to a limited degree. Given that Nedap has, thus far, not used government relief funds made available during the COVID-19 pandemic, we are not exposed to the risk of such relief funds ceasing to be available or having to be repaid.

Strategy and risks

In 2020, work went into Nedap's new strategic plan, which involved extensive talks on the strategic risks with both the Management Board and the Supervisory Board. It has led to a number of newly identified strategic risks, which are listed in the risk table from page 77. The risk of a pandemic has also been added following the outbreak of the COVID-19 pandemic in 2020. This outbreak showed that a pandemic can occur very unexpectedly and have a major impact on the global economy. Nedap's measures in 2020 to contain the impact of the pandemic on

operations and profits are lessons learnt that have given us valuable knowledge and experience that will be incorporated into the existing risk management framework.

In 2020, like in previous years, there was a specific group-wide focus on risks relating to IT/Cybersecurity, the supply chain, our North American subsidiaries' operations, export compliance, fraud prevention, talent recruitment and development, and other areas.

Nedap Compliance Framework

The Nedap Compliance Framework was further developed and embedded into the organisation in 2020. Best practices were shared and knowledge on taking responsibility was spread across the business units and subsidiaries. And we have used training to further increase awareness of Diversity and Information Security in particular.

The main risks in 2020

The year 2020 was marked by the outbreak of the COVID-19 pandemic, which had a major impact on the global economy. Apart from the pandemic, no risks in the 'vital' and 'critical' categories materialised in 2020.

IT/Cybersecurity

In 2020, IT/Cybersecurity was again high on the agenda and the information security officer launched a number of new initiatives, including the creation of an Information Security Committee on which all business units and support functions are represented. The Information Security Committee's work includes drawing up the security policy, approving general security standards, and monitoring security projects and programmes. To further raise awareness of information security risks across the organisation, a Nedap-

wide Information Security Awareness programme has been rolled out, which includes an e-learning programme. This programme will continue to receive a lot of attention in 2021.

Like in previous years, certification audits were conducted at various business units in 2020 to verify continued conformity with ISAE 3402, ISO 9001, ISO 14001, and ISO 27001/NEN 7510. At other business units, new certification processes were set in motion. Furthermore, various penetration tests and phishing email tests were performed in 2020. The results of these tests were shared with employees to raise awareness of threats.

Supply chain

The outbreak of the COVID-19 pandemic in 2020 led to extra pressure on the supply chain. A key priority in 2020 was to guarantee the continuity of deliveries by production partners.

Thanks to activities that we started in 2019, such as auditing processes at production partners, implementing transparent agreements and procedures, and amplifying the availability of electronic components, the supply chain functioned successfully, even in a year of crisis like 2020, as deliveries went ahead.

However, business developments in 2021 will still be determined by the COVID-19 pandemic to a significant extent. The duration of the pandemic and the extent of its impact are difficult to predict. Persistent global uncertainty presents several challenges. For the supply chain, this means that possible disruptions in the supply of components over the coming year could have an impact on the reliability of deliveries to our customers and on the cost of sales of our products.

Talent development

Attracting, retaining and developing talent is a very important mainstay of the Nedap strategy. Like in 2019, there was net workforce growth in 2020, by over 50. Due to the COVID-19 outbreak in 2020, we made more intensive use of online resources for talent recruitment and organised webinars for students to build our brand awareness. We were able to tap into the existing talent pools and recruitment sources to the maximum degree and keep up, and even increase, the quality of our selection process. To increase our appeal, we launched a new, fresh employer brand look & feel for campus recruitment. The sixth Nedap University group also started with students with backgrounds in mathematics, physics, and food & technology. With high-profile events and campaigns, we managed to stand out in the market.

Over the past years, further internal training courses and options were added, increasing the scope for employees to move up through the ranks at Nedap.

2021

In 2021, the Board of Directors will again be focusing on controlling the risks associated with the COVID-19 pandemic and, therefore, on the aforementioned priorities of employee health, continuity in the supply chain, and the company's continuity and financial solidity.

Aside from that, the following topics will continue to have priority over the coming year:

- IT/Cybersecurity.
- Talent development.
- Nedap Compliance Framework.
- Further harmonisation of administrative processes.
- Active monitoring of the Nedap Risk Management Framework.

Risks

Nedap has designed its Risk Management Framework around its business processes. Scenario and other analyses were used to identify the risks involved in each business process. For each risk, an assessment has been made of the potential impact on the organisation. Risks are grouped in four categories:

1. Strategic risks.
2. Operational risks.
3. Financial and reporting risks.
4. Compliance risks.

The risk table on the next page lists the main risks and their potential impact, as well as the main measures taken to mitigate these risks.

Our *Create & Scale* business model is based on developing our own propositions and involves greater inherent risk than many other business models. Our risk appetite for this aspect of our operations is relatively high, meaning that analysing and controlling all other risks must be an important part of our strategic process. Together, we have identified external and internal risks, assessed the impact of these risks, and defined control measures.

See pages 77 to 80 for the risk table.



Risk table

The main risks	Potential impact	Mitigation
Strategic risks		
Sensitivity to economic cycles	Drop in revenue. Customers' payment arrears.	The portfolio of activities is spread over different markets and geographical areas. Revenue from recurring software subscriptions (licences) and services outgrows total revenue.
Speed of technological developments	Decreased relevance of the four core technologies leading to a worsened competitive position.	A proposition's success hinges not only on the technology used, but also on customer relationships, the supply chain and the greater ecosystem. Every year, new developers are hired with up-to-date knowledge of current and upcoming technologies. Setting up an excellence workstream to support the research process.
Geopolitical developments with an increasing chance of social unrest and conflicts, war, and terrorism	Threat to the global economy, resulting in a drop in revenue.	The portfolio of activities is spread over different markets and geographical areas. Revenue from recurring software subscriptions (licences) and services outgrows total revenue.
Pandemic	Threat to the global economy, resulting in a drop in revenue.	Lessons learnt from the current COVID-19 crisis. The portfolio of activities is spread over different markets and geographical areas. Revenue from recurring software subscriptions (licences) and services outgrows total revenue. While our revamped supply chain has made component and product delivery more flexible and reliable, it still requires continuous monitoring.
Cybersecurity and IT	A successful cyberattack may inflict great damage on our company; financial and legal damage as well as damage to our reputation (customer confidence).	Audits and further roll-out of certifications (ISAE 3402, ISO 9001, ISO 14001 and ISO27001/NEN7510). Appointment of an information security officer in 2019 and creation of an Information Security Committee in 2020. Other measures that are currently being implemented are further migration of our internal IT to the cloud, further embedding of GDPR rules, and penetration test of applications for customers. Roll-out of e-learning module on information security in 2020.

The main risks	Potential impact	Mitigation
Strategic risks		
Unsuccessful proposition and product development	Excessive strain on financial and human resources over a prolonged period without an instant prospect of returns on these investments.	Nedap closely monitors the development and potential of propositions and products. R&D draws on various business units' experience and knowledge, which have been built up over a long period of time. Nedap has a portfolio with multiple propositions, which reduces Nedap's dependency on individual propositions.
Unbalanced portfolio of propositions	An unbalanced portfolio of propositions resulting in i) dependence on a limited number of growth factors; and/or ii) limited long-term growth due to a shortage of propositions for long-term growth.	Nedap closely monitors the development and potential of propositions and products. R&D draws on various business units' experience and knowledge, which have been built up over a long period of time. Nedap has a portfolio with multiple propositions, which reduces Nedap's dependency on individual propositions.
Attracting, developing, and retaining talent	Shortage of talented potential employees.	Nedap has launched a large number of initiatives to attract talent, such as the Nedap Masterclass and Nedap University. Many of Nedap's training programmes are also focused on talent development. Nedap counters unwanted staff turnover by implanting a culture of entrepreneurship and offering competitive employment terms, including an employee participation plan.
Shortage of leadership capabilities	Delay in the implementation of the strategy.	Developing leadership talent by offering a Leadership Development programme. Nedap counters unwanted staff turnover by implanting a culture of entrepreneurship and offering competitive employment terms, including an employee participation plan.
Shortage of commercial capabilities	Lower potential revenue and/or failure to seize market leadership opportunities.	Commercial excellence workstream to utilise knowledge available at business units and share best practices.

The main risks	Potential impact	Mitigation
Operational risks		
Dependency on the supply chain (production and logistics outsourced)	Insufficient or late product availability.	Nedap takes great care in selecting its production and logistics partners and sets the highest standards. Aside from that, a wide range of measures has been taken, including the creation of buffer inventories, audits at production partners, using multiple suppliers for critical products, and improving testing & measuring systems.
IT	Loss or damage on the part of our customers or partners as a result of faulty or inadequately functioning IT in propositions due to technical or organisational reasons.	The Nedap IT Security framework. Appointment of an information security officer and creation of the Information Security Committee. Audits at business units as part of certifications (ISAE 3402, ISO 9001, ISO 14001 and ISO 27001/NEN 7510). Migration of internal IT to the cloud. Embedding of GDPR legislation. Penetration testing of applications for customers.
The availability of materials and impact of material price increases	Insufficient or late product availability.	Creating buffer inventories. Having multiple suppliers available for critical materials.
Internationalisation, including new partners	Insufficient access to or insufficient implementation capacity at customers.	Availability of an ecosystem with business partners, implementation partners and technology partners.

The main risks	Potential impact	Mitigation
Financial risks		
Reporting risks	Inaccurate or incomplete information provided to shareholders and other stakeholders.	Reporting based on the International Financial Reporting Standards (IFRS), which are, in fact, compulsory standards for listed companies in the Netherlands. Having reported figures audited by an independent external auditor.
Credit risk	Late payment or non-payment by customers.	Taking out non-payment insurance with a credit insurer. Nedap has insured the credit risk in its trade receivables wherever possible, whereby over 80% is covered. If possible, security is requested from trade debtors who cannot be insured. Where necessary, a provision for doubtful debts is formed.
Liquidity risk	Insufficient availability of cash and cash equivalents to be able to cover short-term obligations.	Sufficient access to capital. One measure taken in response to this risk was to take out an ample credit facility that runs through to April 2026, which is not subject to covenants. A conservative net debt/EBITDA target of a maximum of 1.5 and a solvency target of at least 45%. Deviations from this target figure are possible if necessary for strategic reasons.
Currency risk	Loss of shareholder value due to adverse exchange rate developments.	Limited number of transactions in currencies other than the euro. When financially advantageous, currency risk is hedged. In 2020, the US dollar was, after the euro, the currency used for most transactions. Purchases and sales in this currency were balanced (natural hedge), with different payment dates leading to limited currency gains. At 3% of revenue, the Chinese RMB was the currency with the highest number of net transactions, which represented a net gain.
Compliance risks		
National and international legislation and regulations	Fines, sanctions and/or damage to reputation.	Nedap Compliance Framework.
Fraud & corruption	Fines, sanctions and/or damage to reputation.	Strong informal system of checks & balances. Several formal rules and policies, including a whistle-blower policy and a code of conduct.



The main risks

To give stakeholders more detailed insight into Nedap's risk profile, we have identified the three main risks from the above table, as explained below:

1. Proposition development

It is of vital importance to Nedap to have a sufficient number of value-creating propositions that also allow us to stay relevant for customers in the future. For many of Nedap's propositions, it takes a (considerable) number of years before we know how successful they are. 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.

IT is an integrated part of many of Nedap's propositions to ensure they are aligned with current and future market requirements. IT outages due to technical or organisational reasons cause a proposition to lose a lot of its functionality, exposing customers and partners to potential losses.

2. Talent development and recruitment

Nedap staff in the Netherlands and internationally are the basis of our competitive strength, our capacity for innovation and the company's continuity. One of the biggest risk factors is therefore an inability to attract, retain and develop enough top talent. To reduce this risk, Nedap has launched various initiatives in the area of *people excellence*.

3. IT/Cybersecurity

Relevant, reliable, and timely information provision is becoming ever more important. This applies not only to our internal process, but increasingly to

the services we provide to our customers. Raising awareness of different forms of digital threats, as well as the implementation of measures to minimise the chance of business disruptions caused by such threats and the potentially ensuing losses, is a continuous process that Nedap takes very seriously. The appointment of an information security officer and striking up cybersecurity partnerships with other companies and organisations are just two of the measures we have taken to guarantee our information security.

4.4 Taxation

Policy

For many years now, Nedap has pursued a responsible and conservative tax policy as an integral part of the value creation model (page 11). We consider paying taxes part of the process of creating sustainable long-term value for all stakeholders. Our tax policy starts from the given that we pay taxes globally based on the economic value of our activities.

This basic given has been captured in the following principles:

- Nedap's primary financial target is to create sustainable value.
- The design of the Nedap organisation is based on operational considerations, not on taxation.
- Nedap pays taxes in line with the economic value created by activities.
- Nedap complies with relevant tax legislation and regulations and respects the spirit of the law.
- Nedap maintains timely and comprehensive communications with tax authorities.
- Tax compliance is integrated into the Nedap Risk Management Framework (see page 69).

Execution

Governance model

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

Implementation and monitoring

Implementation of the global tax policy and monitoring of compliance therewith is coordinated by Group Controlling in Groenlo. Dilemmas and assessments regarding taxation (and other legal matters) have been integrated into and are explicitly specified in the Nedap Risk Management Framework (see page 69). But when it comes to taxation and compliance with legislation and regulations, as specified in the aforementioned framework, Nedap's risk tolerance is zero, respecting not only the letter of the law, but also the spirit of the law. All Nedap group companies issue periodical reports on their tax position, including taxes charged and paid. Group Controlling formulates and implements the transfer pricing policy and also actively monitors compliance.

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

Nedap does not use 'tax havens' and does not have any third-party arrangements aimed at evading or avoiding taxes. We seek to be transparent towards tax authorities in the countries in which we operate and we proactively share information with local tax authorities. The tax policy and ensuing principles have been approved by both the Board of Directors and the Supervisory Board.

Transfer pricing

In 2018, a new integrated transfer pricing system was implemented worldwide, which is updated on an ongoing basis. This new system is based entirely on a Base Erosion & Profit Shifting (BEPS) policy and the ensuing principles, and is therefore BEPS-compliant.

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

Tax risk control

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

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. In 2017, a new agreement was reached for the 2017-2021 period.

New technology makes it possible to strengthen awareness and assurance with respect to tax risks. Nedap has an open mind when it comes to technological developments, using them to make its tax policy more transparent and more effective and for communications. Major steps were taken from 2018 to use modern technology for easier access to and management of local information by Group Controlling. The information in question relates to insight into local operations, knowledge sharing with respect to the tax policy and monitoring of local implementation of the tax policy based on Nedap's policy and relevant legislation and regulations.

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. 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.

The Risk Management Framework that applies to all Nedap companies means, among other things, that decision-making policy and procedures are in place worldwide, whereby making assessments and risk estimation are key elements. Tax policy was a recurring topic in talks with various stakeholders,

both internal and external ones. Internally, awareness of tax-related topics is raised through workshops and regular meetings of all controllers, which focus specifically on tax, finance, and legal risks. The Board of Directors discusses potential material tax risks with the Supervisory Board.

Group Controlling ensures compliance with the new transfer pricing system. Implementing our transfer pricing system on a global scale has helped us structurally reduce tax risks further. While most of the countries where Nedap operates have endorsed the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the OECD guidelines), these are not binding and local tax authorities still have to sign off on a company's transfer pricing system. A minor tax risk has arisen as a result: transfer pricing has been further brought into line with the global Nedap governance model, as a result of which economic profits in the Netherlands now represent a greater percentage of the total profit. Although the chances of it happening are slim, local tax authorities may withhold approval of this change. Nedap does, however, not see any fallout from that in the form of financial, compliance or reputation risks.

Situation in 2020

As per the OECD Transfer Pricing guidelines, a new benchmark study conducted in 2019 resulted in full application of the principles used in previous years. In 2020, the extent of payments to or by group companies was again checked against the activities, responsibilities, and risks that can be attributed to these separate group companies, which did not lead to material adjustments.

In 2020, the Dutch tax authorities communicated their opinion that the current transfer pricing method should also have been applied at Nedap Asia Ltd. in 2014 and 2015.

Based on the current tax treaty to avoid double taxation between both member states, and a virtually identical effective corporate income tax rate, the possible net payments are expected to be limited to interest on overdue tax. These costs were not factored into the results for 2020.

Note 22 to the consolidated financial statements provides detailed information about the difference between the effective tax rate and the statutory tax rate, as well as about the tax position and tax paid.

4.5 Corporate governance

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

Nedap N.V. is a two-tier board company that was founded and is based in the Netherlands. The company's governance structure is determined by Dutch laws and regulations and the company's articles of association.

The articles of association are available at:

<https://nedap.com/investors/corporate-governance/>. Nedap shares have been admitted to trading on the Euronext Amsterdam regulated stock market. Being a listed company, Nedap is subject to the Corporate Governance Code (Code). The Code contains principles and best practice provisions that regulate the relationship between the Board of Directors,

the Supervisory Board, and the shareholders. These principles are broadly supported general opinions on good corporate governance that have been captured in specific best practice provisions. For the full text of this Code, please refer to www.commissiecorporategovernance.nl.

In this report, we are rendering account vis-à-vis our compliance with this Code, which is based on the principle of 'apply or explain'. The information required under the Code can be found in various sections of this report for 2020.

Board of Directors

Responsibilities

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

Aside from that, the Board of Directors is responsible for compliance with applicable legislation and regulations and managing the risks involved in the company's business activities through, among other things, adequate structuring of internal risk management and control systems. The Board of Directors renders account to the Supervisory Board regarding the effectiveness of the structuring and functioning of these risk management

and control systems. Certain decisions by the Board of Directors require the Supervisory Board's approval. Article 20 of the articles of association specifies what decisions are subject to Supervisory Board approval.

Appointment

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.

Remuneration and employment terms for the Board of Directors

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

On 25 June 2020, the General Meeting of Shareholders endorsed maintaining the current remuneration policy. The existing remuneration policy for the Board of Directors was adopted by the shareholders on 2 April 2015, while the remuneration policy for the Supervisory Board was adopted on 16 April 2013. More information about the existing remuneration policy is available at:

<https://nedap.com/investors/annual-general-meeting-of-shareholders/>.

The remuneration report provides, from page 102 onwards, further details of the implementation of the remuneration policy in the 2020 financial year.

Management Board

In implementing the strategy, setting the goals, and making and pursuing policy, the Board of Directors can rely on the support of the members of the Management Board. The Board of Directors and the Management Board meet on a fortnightly basis. For more details of how we are organised, refer to page 12. The members of the Management Board also attend Supervisory Board meetings on the invitation of the Supervisory Board chair.

Supervisory Board

Responsibilities

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

The profile for the size and composition of the Supervisory Board is described in the *Supervisory Board profile* section on the company website:

<https://nedap.com/investors/corporate-governance/>.

The membership of the Supervisory Board conforms to the profile and currently consists of four persons. The members are independent of the company and of each other. The number of supervisory board memberships they hold at Dutch listed companies is within the limit on supervisory positions for supervisory board members.

In view of Nedap's relatively low organisational complexity and correspondingly sized Supervisory Board, the Supervisory Board has no separate audit, remuneration or selection and appointment committees. In line with best practice provision 2.3.2, all Supervisory Board members are in attendance when the body performs the duties of the audit and other committees. Given that the Supervisory Board is made up of four members, a separate audit committee is not required.

Appointment

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, as specified in the articles of association. 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. The works council has a right of recommendation with respect to the appointment of Supervisory Board members and an enhanced right of recommendation for a third of the Supervisory Board membership, as laid down in Article 25.5 of the articles of association.

General Meeting of Shareholders

The General Meeting of Shareholders is held on an annual basis within six months of the end of the financial year. Items on the agenda for the General Meeting of Shareholders include the annual report, adoption of the financial statements, granting dividend, discharge for the members of the Board of Directors and the Supervisory Board, possible notices of proposed directorial appointments and possible appointments to the Supervisory Board. Other than that, key governance decisions that, by law and under the articles of association, must be submitted to the General Meeting of Shareholders,

as well as other proposals by the Supervisory Board or the Board of Directors, will also be addressed. Shareholders representing at least 1% of the issued share capital may request in writing that an item of their choice be put on the agenda. Requests to this effect will be granted, i.e. the requested item will be put on the agenda, if the company has received the request no later than on the sixtieth day before the day of the general meeting.

Extraordinary shareholders' meetings can be convened as often as deemed appropriate by a director or Supervisory Board member, if required by law, or if one or multiple shareholders who jointly represent at least 10% of the issued share capital submit a timely request to this effect to the Board of Directors and the Supervisory Board with a detailed breakdown of the items they want to address. The convocation procedure for an extraordinary shareholders' meeting is specified in Article 33 of the articles of association.

Convocation of a General Meeting of Shareholders

General Meetings of Shareholders are convened either by the Supervisory Board or by the Board of Directors, at least forty-two days ahead of the meeting date. The convocation notice will be posted on the company's website as per the procedure laid down in Article 48 of the articles of association.

Admission to the General Meeting of Shareholders and meeting rights

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

Shareholders wishing to attend the 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.

Voting rights

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

Independent auditor

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

Issue of shares in the company

As per the articles of association, the Board of Directors is only authorised to issue shares if the General Meeting of Shareholders appoints it as the body authorised to issue shares. The General Meeting of Shareholders of 25 June 2020 appointed the Board of Directors as the body authorised to issue ordinary shares in the capital of Nedap N.V. and to grant rights to subscribe to shares in the capital of Nedap N.V. The Board of Directors' authority to issue shares is limited to ordinary shares with a combined value of a maximum of 10% of the total issued share capital at the time of issue. This requested authorisation has been granted for a period of 18 months, starting on 25 June 2020. 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. The shareholders' decision to accept the proposal to authorise the Board of Directors has been published on Nedap's website: <https://nedap.com/investors/annual-general-meeting-of-shareholders/>.

Share reacquisition

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

1. shareholders' equity less the 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 and/or under the articles of association;
2. the nominal amount of the company's own shares is no more than 50% of the issued share capital;
3. the 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.

The General Meeting of Shareholders of 25 June 2020 has authorised the Board of Directors, in accordance with Article 15 of the company's articles of association, following approval by the Supervisory Board and without prejudice to the provisions of Article 2:98 of the Dutch Civil Code, to acquire ordinary shares up to a maximum of 10% of the total issued share capital of Nedap N.V., as such that after such an acquisition, Nedap N.V. or one or several of its subsidiaries can never hold more than 10% of the total issued

share capital of ordinary shares in Nedap N.V. (for their own account).

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

This requested authorisation has been granted for a period of 18 months, starting on 25 June 2020, which is the date of the annual shareholders' meeting where shareholders accepted the proposal to appoint the Board of Directors as the body authorised to issue ordinary shares in the capital of Nedap N.V. The decision by the shareholders has been published on <https://nedap.com/investors/annual-general-meeting-of-shareholders/>.

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.

Deviations from the Code

Principles and best practice provisions

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

1.3 Internal audit function

Given its scale and working methods, Nedap does not have an internal audit service or function. 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. Nedap sees opportunities to harness the knowledge and experience available across the organisation on a broader scale to increase the effectiveness and operation of implemented control processes. This belief and how it is embedded in our corporate culture is detailed further in the Risk management section. On an annual basis, the Supervisory Board and Board of Directors assess whether adequate alternative controls are in place, considering whether there is a need to set up an internal audit function after all.

2.2.1 Terms of appointment and reappointment for directors

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.

Given the aforementioned long-term nature of Nedap's policy, members of the company's Board of Directors are appointed for an indefinite period of time. The annual appraisal interviews also enable the Supervisory Board members to monitor the performance of the directors more effectively than if they were reappointed once every four years.

3.2.3 Director severance pay

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

3.4.2 Director contract

The key elements of a director’s contract with the company are published in a convenient list on the company’s website after the contract has been signed, and in any case no later than the notice convening the general meeting where appointment of the director will be proposed. Nedap complies with this provision in the sense that members of the Board of Directors are appointed by the Supervisory Board after announcing the proposed decision to the General Meeting of Shareholders.

4.1.3 Putting the dividend proposal on the agenda

Dividend payment is based directly on the company’s strategy and long-term policy. Dividend proposals will therefore not be addressed as an agenda item. Dividend payment will, however, be explicitly included on the agenda as an item for discussion.

4.2.3 Meetings and presentations

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

4.3 Casting votes

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

Stichting Preferente Aandelen Nedap

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

Since 1973, Nedap has been able to issue preference shares as a protective measure. This protection can be deployed if a third party intends to gain control of the company by acquiring a decisive interest or otherwise attempts to adversely affect Nedap, without securing 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 outstanding shares, less one, at the time the option is exercised. The call option obliges Nedap to issue the number of preference shares requested by the Stichting whenever

it makes that request. Consequently, no further decision by any corporate body of Nedap is required; the decision was made when the option was granted to the Stichting.

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

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

- N. W. Hoek, chairman
- R. P. Voogd
- A. P. M. van der Veer-Vergeer
- Prof. Dr J. P. Bahlmann

There is currently a vacancy on the board, which the board expects to be filled soon. 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.

Additional clause

Material transaction

To the best of the Supervisory Board's knowledge, there are no:

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

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

Change of control

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

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

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

Corporate Governance Statement

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

4.6 Directors' statement

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

1. the Directors' Report as included in this report offers an adequate level of insight into the shortcomings in the operation of Nedap's internal risk management and control systems;
2. the aforementioned systems provide reasonable assurance that Nedap's financial reporting is free from material misstatement;
3. it is justified based on Nedap's current operations that the financial reporting is prepared on a going concern basis;
4. the Directors' Report contains material risks and uncertainties that are relevant in the formulation of expectations as to Nedap's continuity for a period of 12 months after preparation of the Directors' Report.

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

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

1. the financial statements provide a faithful representation of the assets, liabilities, financial position, and profit/loss of the issuing entity and the companies included in the consolidation; and
2. the Directors' Report provides a faithful representation of the position at 31 December 2020 and the development and performance during the 2020 financial year of the company and the undertakings included in the consolidation taken as a whole and that the Directors' Report describes the significant risks the company is facing.

Groenlo, Netherlands, 18 February 2021

Board of Directors

R. M. Wegman (CEO)

D. van der Sluijs (CFO)





5. REPORT SUPERVISORY BOARD



5.1 Report of the Supervisory Board

We are pleased to present the report of the Nedap Supervisory Board for the 2020 financial year. The global COVID-19 pandemic had a major impact on revenue development at Nedap throughout the year. After a good start to the year, revenue was hit by the impact of the COVID-19 crisis in the second quarter. Revenue recovered in the second half of 2020, which ultimately resulted in revenue for the whole financial year coming in at roughly the same level as in 2019. The unprecedented conditions of the past year showed how important it is to have a solid financial foundation and a balanced portfolio of propositions. These two things have ensured that, despite the sometimes highly volatile developments in the various markets, Nedap still achieved a robust financial result. They also enabled Nedap to maintain its strategic course in the face of unexpected short-term developments. This, in turn, offered Nedap scope to keep investing in the company's clout and that which sets its propositions apart from the competition, while taking into account the economic reality. The company has proven that it is able to act quickly in making effective decisions and the required organisational changes, which is a key precondition when it comes to responding to volatile market conditions. We are, therefore, convinced that Nedap is well positioned to seize the growth opportunities that will arise when the COVID-19 crisis is behind us.

Financial statements

PricewaterhouseCoopers Accountants N.V. (PwC) audited the financial statements and issued a comprehensive unqualified audit certificate, which is included in the report under 'Other information'. The auditor also had the usual final evaluation with the Board of Directors and Group Controlling department this year, which was attended by a delegation from the Supervisory Board. The full Supervisory Board subsequently discussed the auditor's report and the 2020 report with the Board of Directors and the auditor, covering topics such as integrity and the quality of the company's financial reporting, material considerations regarding reporting, and material risks and uncertainties. The outcome of this discussion was incorporated into the audit certificate where necessary. No further specifics were raised in a subsequent meeting with the auditor, which was not attended by the Board of Directors.

We are kept informed on the company's operations on a regular basis through financial reports with explanatory notes from the Board of Directors. In addition, we receive detailed quarterly reports on the financial results achieved over the previous three months and progress made on the annual plans. We also had regular meetings with managers and other employees from the various business units to get a good idea of developments in the market and at each business unit. Based on the reports and these meetings, we are confident that the 2020 annual report provides a solid foundation for our accountability vis-à-vis our supervision of the Board of Directors' management of the company. Our advice to the General Meeting of Shareholders is therefore to adopt the 2020 financial statements.

Dividend

As per the profit appropriation proposal that was accepted after the 2019 financial year, the company was set to pay €4.50 in dividend. When COVID-19 reached Europe and spread rapidly, it was impossible to estimate the extent and duration of the pandemic. Access to sufficient cash and cash equivalents was and continues to be crucial to guaranteeing the company's continuity in challenging and volatile circumstances. The Board of Directors and the Supervisory Board therefore thought it prudent to withdraw the original decision about profit appropriation and dividend.

In the third quarter, it became clear that the negative impact of the crisis on profits and profitability had remained limited thanks to the spread in the company's operations. Combined with the focus on containing expenditure and working capital, it led to further strengthening of Nedap's financial position during the year. Although there was still uncertainty as to the duration and long-term impact of the COVID-19 crisis on the global economy, the Board of Directors and we considered it prudent to pay a one-off interim dividend of €2.25 per share. Nedap maintained the required reserves to be able to guarantee its continuity amidst difficult market conditions and was able to continue to invest in reinforcing its propositions and market positions.

In accordance with Article 45, paragraph 1, of the articles of association, a decision was made to add €0.8 million to the other reserves, meaning that €14.6 million is available for a final dividend of €2.25 per ordinary share, putting the total dividend paid at €4.50 per ordinary share (€- in 2019). Of this total dividend for 2020, €2.25 per share, i.e. a total amount of €14.6 million, was already withdrawn from the other reserves and paid out in 2020.

Meetings and activities

The turbulent developments in 2020 caused by the outbreak of the COVID-19 pandemic was reason to step up communications between Nedap and the Supervisory Board. Throughout the year, we had eleven meetings with the Board of Directors. These meetings were attended by all Supervisory Board members, except for one meeting which Marijn Pijnenborg was unable to attend. We, furthermore, stayed in regular contact with each other and with the Board of Directors by email, telephone, and video calls to discuss a range of different topics. This way, we were continuously kept informed on the latest state of affairs at Nedap and developments in the various markets. It was this intensive and open communication that enabled the company to both act quickly and deliberate carefully in making the decisions required throughout the year.

The General Meeting of Shareholders was also different in 2020. On account of tight government restrictions, the in-person meeting scheduled for 9 April 2020 could not go ahead. Using the options offered by the Dutch Temporary COVID-19 Justice and Security Act (Emergency Act), the meeting was ultimately held as a virtual meeting on 25 June 2020. Despite the fact that this General Meeting of Shareholders complied with all the current provisions and was a success, not having the usual direct contact with shareholders on this day was greatly missed.

Strategy development process

Besides the operations, we also maintained a special focus on the strategy development process. We discussed the detailed analyses of individual propositions and the composition of proposition portfolios with the Board of Directors at length and looked closely at the business units' strategic plans and the Nedap-wide improvement programmes (excellence workstreams). These were discussed at length with the Board of Directors, business unit employees, and the team that shaped and guided the strategy process. Together with the Board of Directors, we have set the strategic priorities for the coming years and assessed their viability. The key focus points in this context were innovation, the recruitment of talent and facilitating their growth, further development of the Nedap corporate culture, adequate capital allocation, and financial performance. We looked at all of this in light of the company's pursuit of long-term value creation. One key part of the strategy development process was the analysis of the main external and internal strategic risks and defining mitigating measures. Special attention was also directed at anchoring the Corporate Social Responsibility aspects of our operations into the new strategic plan. This resulted in the CSR excellence workstream. The idea behind this workstream is to integrate CSR into the strategy, based on the long-term perspective that Nedap adopted many years ago.

As the Supervisory Board, we were closely involved in defining the new approach for the strategy development process throughout the year, as well as in applying this process to the preparation of strategic plans. It has created a clear picture of the main trends in the various markets, what sets the individual propositions apart from the competition, and the main challenges that each business unit faces. In late 2020, this process resulted in a clear strategic direction for each business unit and for Nedap

as a whole, including specific action plans with financial scenarios and methods for the monitoring and embedding of progress made on these plans over the coming years. The use of new digital resources throughout the process made it possible to get a large number of Nedap employees involved, which has led to high-quality plans. The Supervisory Board has confidence in the company's strategic course and staff's commitment to the goals that have been set. The external release of the new long-term strategic plan is scheduled for March 2021.

Collaboration and responsibilities

Throughout the year, we discussed the effectiveness of the Management Board that was set up in 2019. We are pleased to be able to conclude that the intended improvement in collaboration between the business units has started to materialise. We are also seeing that yet more progress has been made in the Nedap-wide strategic improvement programmes as Nedap's clout is clearly increasing. When it comes to continuity, we focused on the various initiatives aimed at increasing the quality and quantity of the leadership potential in the organisation. Especially the creation of new roles in the organisation that will give current and potential leaders more and broader responsibilities at an earlier stage in their careers is something we welcome as an excellent leadership development initiative.

We also had meetings with the leadership team and employees of the business units during the financial year, albeit less frequently than usual due to the COVID-19 restrictions. These meetings served not only us as Supervisory Board members in getting a better view of the operations at the business unit, they also helped the attending employees gain more insight into the responsibilities and perspective of the Supervisory Board. While everyone has their own role and responsibilities, these meetings foster

greater mutual understanding and further improvement of communication and collaboration.

Risk management

Risk management at Nedap, as detailed in the Risk Management section, was also discussed at length, covering the various aspects based on the *Nedap Risk Management Framework*. The main risks in terms of strategy and activities were scrutinised, as well as measures taken to mitigate them. We furthermore took a critical look at Nedap's risk profile and risk appetite with respect to various aspects of the company's operations. The effectiveness of the organisation and operation of the internal risk management and control systems was also evaluated.

Finally, Nedap's corporate social responsibility policy and the usual topics such as the budget and audit plan for 2020, the organisation, and corporate governance were also addressed at our meetings. The Supervisory Board has signed off on the tax policy, as set out in the annual report from page 82.

Composition of the Supervisory Board

At the General Meeting of Shareholders of 25 June 2020, Foeke Kolff was reappointed to a 2-year term, during which he will continue to be the chairman of the Supervisory Board. Given Foeke Kolff's close involvement in the creation of the new strategic plan, we are pleased that he can continue to play a role in implementing it over the coming two years. This reappointment guarantees the continuity of supervision by the Supervisory Board.

The composition of the Supervisory Board meets current gender diversity requirements. We believe that the current composition constitutes a good balance between the various required skills, relevant knowledge, and

experience, enabling us to adequately fulfil our statutory duty of supervising and advising the Board of Directors. In our view, we meet the requirements of independence, as specified in best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code.

Composition of the Board of Directors

On 1 March 2020, Daniëlle van der Sluijs took up the position of Chief Financial Officer. As per the articles of association, the Supervisory Board appointed her director under the articles of association immediately following the General Meeting of Shareholders of 25 June 2020. Daniëlle's appointment puts the Board of Directors at full strength again. Although the COVID-19 restrictions presented an extra challenge for the onboarding programme, the Supervisory Board is pleased to see that Daniëlle has been able to settle into her role as CFO. Her appointment has also added to the gender diversity on the Board of Directors.

Evaluation

During the year, the performance of both the Board of Directors and the Supervisory Board was assessed, both on a collective and on an individual level. Based on a self-assessment, we reviewed performance both with and without the Board of Directors present. We were able to conclude that even under exceptional circumstances, which required additional effort from everyone involved, there was sufficient time available for us to fulfil our supervisory duty. As Supervisory Board members, we complement each other to a significant degree in terms of knowledge, experience, and interests, and also to a sufficient degree in our advisory role towards the company. By carefully allocating the different focus areas to the members, we guarantee supervisory continuity with respect to the company's strategic developments. Given the limited size of Nedap and the Supervisory Board,

we stand by our view that setting up separate committees, such as an audit, remuneration, selection, and appointment committee within the Supervisory Board, is not yet necessary.

Interaction between the Supervisory Board and the organisation was further intensified over the past years. To be able to perform well in our supervisory role, it is important to us that we have a real understanding of business units' operations and developments. We believe that this is necessary for us to be able to contribute to Nedap's further development. We are, therefore, happy with the open and transparent communication with the Board of Directors and Nedap employees, and we appreciate the critical and constructive discussions in which we were able to partake. This way of working forges a good mutual working relationship. A Supervisory Board delegation met with both the works council and a delegation from the leadership team to discuss the performance of the Board of Directors in all openness. What was discussed at these meetings was subsequently fed back to the rest of the Supervisory Board and to the Board of Directors. Based partly on these meetings, we conclude that the Supervisory Board, both on the level of individual members and on the level of the board as a whole, and the Board of Directors performed well.

Internal auditor

Together with the Board of Directors and like in previous years, we again assessed whether Nedap needs an internal auditor or an internal audit function, ultimately concluding that this need does currently not exist. The execution of the current internal processes is based on Nedap's culture, which revolves around individual employees taking ownership, being autonomous, and showing personal leadership. This culture ensures that employees truly take ownership of their responsibilities. As far as we are

concerned, this is an essential contribution to optimum risk management. Nedap sees opportunities to harness the knowledge and experience available across the organisation on a broader scale to increase the effectiveness and operation of implemented control processes. This belief and how it is embedded in our corporate culture is detailed further in the Risk management section.

External auditor

Every year, together with the Board of Directors, we evaluate Nedap's auditor and the PwC organisation, as well as Nedap's collaboration with them. Based on this evaluation and our observations, we believe that the auditor provided us with all the information we needed to be able to adequately carry out our supervisory duties. The auditor found no material deficiencies in the reporting. We have evaluated PwC's independence as the auditor and came to the conclusion that it is not compromised. PwC does not perform any work for Nedap other than its audit activities. At the General Meeting of Shareholders of 4 April 2019, PwC was reappointed for a period of three years through to the 2021 financial year, following our recommendation. During the year, discussions were held with Group Controlling and the Board of Directors about the performance of PwC as Nedap's external auditor and the effectiveness of the auditing process. The conclusion was that information sharing has further improved and that there is good collaboration between the auditing team and the Nedap organisation. As a result, the auditing process again ran smoothly last year. The good, open, and mutually critical collaborative practices enable PwC to form an objective opinion on all matters within the scope of the audit engagement.

Remuneration

On 25 June 2020, the General Meeting of Shareholders accepted the proposal to renew the current remuneration policy for the Board of Directors and the Supervisory Board for one year. This enabled us to work on a new remuneration policy last year, one that is a good fit for Nedap and meets the revised Shareholder Rights Directive that came into effect on 1 December 2019. With the help of the Focus Orange consultancy, we put together a new remuneration policy. During this process, we conducted a number of benchmarks and engaged in dialogue with various stakeholders. The works council was also involved in the policy-making process. This has resulted in a refined remuneration policy that complies with all relevant laws and regulations and is a good fit for Nedap at the same time. Along with positive advice from the works council, the new remuneration policy will be submitted for adoption to the General Meeting of Shareholders in 2021. For the current remuneration arrangements for the Board of Directors and the Supervisory Board, please refer to the remuneration report on page 102 and the financial statements on page 148.

Conclusion

The extraordinary circumstances in the 2020 financial year were extremely demanding on Nedap. We are proud of the resilience and perseverance that Nedap's employees have shown. We greatly appreciate the commitment, dedication, and loyalty of the employees and the Board of Directors towards Nedap throughout the year. Our thanks also go out to our shareholders and customers for continuing to place their trust in the company.

Groenlo, Netherlands, 18 February 2021

The Supervisory Board

G. F. Kolff, chairman

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

M. Pijnenborg

M. A. Scheltema

5.2 2020 remuneration report

This is the remuneration report for the members of the Board of Directors under the articles of association and the Supervisory Board for the 2020 financial year. The remuneration report complies with Article 2:135(b) of the Dutch Civil Code and the remuneration reporting requirements from the Corporate Governance Code. The remuneration report provides information about the remuneration policy pursued (see also <https://nedap.com/investors/corporate-governance/>) during the 2020 financial year to ensure transparency for all stakeholders. On 25 June 2020, the General Meeting of Shareholders (AGM) accepted the proposal to renew the current remuneration policy for the Board of Directors for one year.

The objective of the Board of Directors remuneration policy is to attract, motivate, and retain qualified and experienced directors under the articles of association. The Board of Directors remuneration policy is focused on the company's continuity and geared towards long-term value creation, offering remuneration focused on ongoing development of employees and the organisation, so as to ensure to continued success of Nedap's products and technologies in the various markets in which Nedap operates.

Along with positive advice from the works council, the new remuneration policy will be submitted for adoption to the General Meeting of Shareholders in 2021.

Accountability for remuneration policy implementation in 2020

At the AGM of 25 June 2020, the 2019 remuneration report was approved by a majority of votes cast.

This 2020 remuneration report will be submitted to an advisory vote at the 2021 AGM, thus rendering account on the implementation of the remuneration policy in the 2020 financial year. The Supervisory Board will take the result of this advisory vote into account and cite it in the remuneration report for 2021.

Remuneration summary

The table below provides a summary of the remuneration awarded to current and past board members under the articles of association as recognised in the financial statements.



(€ x 1,000)	Basic income	Variable remuneration	Employee participation plan benefits	Pension costs	Total
2020					
R. M. Wegman	419	267	42	79	807
D. van der Sluijs (from 1 March 2020)	211	132	12	29	384
Total	630	399	54	108	1,191
2019					
R. M. Wegman	413	243	45	78	779
E. Urff (up to 15 October 2019)	269	305 ¹	21	90	685
Total	682	548	66	168	1,464

¹ Mr E. Urff's variable remuneration includes an amount of 106 based on an agreement on a one-off payment upon leaving the company. Mr Urff stepped down from his position of director under the articles of association on 4 April 2019, staying on as titular director until he left the company on 15 October.

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

	(Amounts x €1,000)	Fixed remuneration		Variable remuneration				Total remuneration	Variable remuneration as % of total remuneration
		1. Basic salary ¹	2. Pension and other allowances	3. Variable remuneration		4. Share-based remuneration			
				3a. Paid out	3b. Used to purchase depositary receipts ²	4a. Purchase discount for depositary receipts ³	4b. 4:1 Matching depositary receipts ⁴		
R. M. Wegman, CEO	2020	409	79	-	267	14	31	800	39%
	2019	402	78	-	243	14	35	772	38%
D. van der Sluijs, CFO	2020	203	29	33	99	-	-	364	36%
	2019	-	-	-	-	-	-	-	-
E. Urff	2020	-	-	-	-	-	-	-	-
	2019	260	90	305	-	-	23	678	48%

Fixed annual income

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

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

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

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

⁴ This is the value of the depositary receipts awarded. Former CFO G. J. M. Ezendam received matching depositary receipts with a value of 6 in 2020 (26 in 2019).

Variable annual income

The Supervisory Board has set the variable component of the annual income for the Board of Directors under the articles of association for 2020 based on the following considerations:

- The year 2020 was dominated by the COVID-19 pandemic, which had a major impact on the company. As a result, the revenue and profit growth targets were unattainable. Thanks to proactive action, the company still managed to keep revenue stable, despite the sharp drop in demand in various markets. Nedap was successful in implementing cost-cutting measures quickly, keeping profitability at a good level and posting an operating profit of 9% of revenue.
- The ongoing focus on software services led to a 14% rise in recurring revenue to 27% of revenue.
- Cost savings pushed up added value from 63% to 66% of revenue.
- Despite great fluctuations in demand for individual products, Nedap succeeded in further optimising the supply chain and further slimming inventories from 28.5 million to 23.1 million, i.e. an 18% reduction.
- The inventory reduction combined with close monitoring of accounts receivable pushed working capital down and ROIC up from 25% to 28%.
- Partly on the back of excellent operating cash flow, Nedap is able to pay a total dividend of €4.50 per share, while the company's financial position continues to be solid.
- Alongside all the COVID-19-related activities, there were targeted investments, in line with the strategic course and taking into account the economic reality, in strengthening the company's propositions and clout by hiring new, talented employees. While this will lead to a drop in added value per employee in the short term, it will in the longer term position Nedap perfectly to seize opportunities that will arise when economic activity recovers in the various markets.

- A large-scale strategy development process was completed successfully in 2020, despite the challenging practical circumstances. It has resulted in a new strategic multi-year plan aimed at accelerating Nedap's growth, which is broadly supported across the organisation.
- During the year, important steps were taken in centralising back-office activities, with one major milestone being the migration of various accounts systems to one single system, which is a key precondition for acceleration of the next steps in digitalising the internal processes.
- A Corporate Social Responsible excellence workstream that was launched delivered a vision and an action plan. In 2021, policy in this area will be made explicit.
- Due to the COVID-19 pandemic, the Capital Markets Day planned for 2020 was postponed and will be held as a virtual event in 2021.

To recap, the Supervisory Board is of the view that the performance of the Nedap organisation and the Board of Directors was outstanding and has, therefore, decided to award the Board of Directors under the articles of association (in line with the remuneration policy) a variable annual income of 65% of the fixed annual income.



Directors pay mix

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

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Board member remuneration scenarios

(as % of basic salary)



Deferred remuneration/MPP

Under the remuneration policy, the CEO and CFO must use a minimum of 50% of their variable annual income for 2020 to purchase depositary receipts for shares. The CEO has opted to use his total variable remuneration to purchase depositary receipts, while the CFO used 75% of her variable remuneration to purchase depositary receipts.

Use of penalty and recovery scheme

This scheme was not used.

Share-based remuneration

(Items x 1)		Depositary receipts held as at 1/1*	Depositary receipts purchased	Bonus depositary receipts awarded	Depositary receipts sold	Depositary receipts held as at 31/12*	Contingent bonus depositary receipts awarded as at 1/1	Contingent bonus depositary receipts awarded	Bonus depositary receipts awarded	Contingent bonus depositary receipts awarded as at 31/12
R. M. Wegman, CEO	2020	33,466	2,810	665	-	36,941	3,363	703	-665	3,401
	2019	28,910	3,832	724	-	33,466	3,129	958	-724	3,363
D. van der Sluijs, CFO	2020	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-
E. Urff	2020	-	-	546	-	-	2,760	-	-546	2,214
	2019	9,843	3,145	487	-	-	2,461	786	-487	2,760
G. J. M. Ezendam	2020	-	-	-	-	-	125	-	-125	-
	2019	-	-	-	-	-	678	-	-553	125

On the date of delivery in 2020, the bonus depositary receipts represented a value of €47.00 (€47.80 in 2019). As at 31 December 2020, the price of Nedap shares was €51.00.

* The number of depositary receipts held by a director after stepping down as director under the articles of association is no longer recognised where the costs are no longer charged to the company in the financial year covered by the report.

Change in remuneration (Amounts x €1,000)	2020	2019	2018	2017	2016	2020-2016
R. M. Wegman, CEO	4% (800)	-4% (772)	2% (801)	9% (782)	19% (715)	12%
D. van der Sluijs, CFO	- (437)	-	-	-	-	-
E. Urff	-	8% (678)	2% (630)	9% (615)	19%	-
Supervisory Board members						
G. F. Kolff	0% (40)	0% (40)	0% (40)	0% (40)	0% (40)	0%
J. M. L. van Engelen	0% (30)	0% (30)	0% (30)	0% (30)	0% (30)	0%
M. Pijnenborg	0% (30)	- (30)	-	-	-	-
M. A. Scheltema	0% (30)	0% (30)	- (30)	-	-	-
M. C. Westermann	-	0% (30)	0% (30)	0% (30)	0% (30)	-
D. W. J. Theyse	-	-	0% (30)	0% (30)	0% (30)	-
Change in Nedap's performance	10%	23%	-1%	37%	13%	79%
Change in average employee pay	2% (59)	3% (58)	5% (57)	N/A	N/A	
CEO pay ratio	6.9	6.9	7.0	7.1	N/A	

The change in remuneration for the members of the Board of Directors is measured by dividing remuneration for the financial year by remuneration received in the previous financial year. If the date of appointment as director under the articles of association is not 1 January, the change is recognised on a pro rata basis in the financial year following the year of joining. The 2020-2016 column shows the relative change as at year-end 2020 compared to year-end 2016.

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

Deviations from the remuneration policy

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

Pay ratio

The pay ratio is the ratio of the CEO's current fixed annual income to the median pre-tax fixed annual income (including holiday pay and 13th-month bonus) of all Nedap employees worldwide as at 31 December 2020 ('median salary'). The annual salaries of the directors under the articles of association are not included in the calculation of the median salary. The CEO's fixed annual income equals 6.9 times the median salary (6.9 times in 2019).

Supervisory Board member remuneration

The remuneration paid to the Supervisory Board remained unchanged in 2020. The amounts paid are in line with the current remuneration policy for Supervisory Board members. The table below lists the remuneration that (former) Supervisory Board members received for the 2020 and 2019 financial years.

Supervisory Board members (€ x 1,000)	2020	2019
G. F. Kolff	40	40
J. M. L van Engelen	30	30
M. Pijnenborg	30	23
M. A. Scheltema	30	30
M. C. Westermann	-	7

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



6. FINANCIAL STATEMENTS



6.1 Consolidated financial statements

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

Assets	Note	2020	2019
Fixed assets			
Intangible fixed assets	1	2,211	2,828
Tangible fixed assets	2	38,031	38,621
Financial fixed assets	3	-	-
Deferred tax assets	4	990	758
		41,232	42,207
Current assets			
Inventories	5	23,062	28,501
Income tax receivable		10	625
Trade and other receivables	6	28,176	30,526
Assets held for sale	19	907	-
Cash and cash equivalents	7	25,689	18,687
		77,844	78,339
		119,076	120,546

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

Liabilities	Note	2020	2019
Group equity			
Shareholders equity attributable to shareholders	8	73,253	73,571
Non-current liabilities			
Borrowings	9	14,030	14,110
Lease liabilities	10	1,315	1,838
Employee benefits	11	997	1,001
Provisions	12	1,074	704
Deferred tax liabilities	4	20	176
		17,436	17,829
Current liabilities			
Borrowings	9	80	86
Lease liabilities	10	1,009	987
Employee benefits	11	82	45
Provisions	12	1,515	1,236
Bank overdrafts	13	-	-
Income tax payable		452	765
Taxation and social security contributions		1,986	2,374
Trade and other payables	14	23,263	23,653
		28,387	29,146
Total liabilities		45,823	46,975
		119,076	120,546

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

	Note		2020	2019
Revenue	15		189,916	191,549
Cost of materials and outsourced work		-61,319		-63,880
Inventory movements of finished goods and work in progress		-3,499		-6,563
			-64,818	-70,443
Added value			125,098	121,106
Personnel costs	16	-74,376		-72,690
Amortisation	17	-1,115		-880
Depreciation	18	-8,022		-7,600
Impairment of assets	19	-247		-
Other operating costs	20	-24,219		-22,448
Operating costs			-107,979	-103,618
Operating profit			17,119	17,488
Financing income		51		35
Financing costs		-290		-253
Net financing costs			-239	-218
Share in profit of associate (after income tax)	21		-	10,257
Profit before taxation			16,880	27,527

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

	Note	2020	2019
Result before taxation (carried forward)		16,880	27,527
Taxation	22	-3,129	-3,400
Result for the financial year		13,751	24,127
Result attributable to shareholders of Nedap N.V.		13,751	24,127
Average number of outstanding shares	8	6,465,033	6,444,622
Earnings per ordinary share (in €)		2.13	3.74
Diluted earnings per ordinary share (in €)		2.13	3.74

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

	2020	2019
Result for the financial year	13,751	24,127
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	-382	128
Unrealised result over the reporting period, after taxation	-382	128
Total realised and unrealised result for the financial year	13,369	24,255
Total realised and unrealised result attributable to:		
Nedap N.V. shareholders	13,369	24,255

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

	Note	2020	2019
Cash flow from operating activities			
Profit for the financial year		13,751	24,127
Adjustments for:			
Depreciation and amortisation including impairment	17,18,19	9,384	8,480
Book result on sale of tangible fixed assets		-123	-482
Share in profit of associate	21	-	-10,639
Exchange differences		-286	98
Net financing costs		239	218
Share-based remuneration		84	-1,184
Income taxes	22	3,129	3,400
		12,427	-109
Movements in trade and other receivables	6	2,349	1,370
Movements in inventories	5	5,439	9,008
Movements in taxation and social security contributions		-388	841
Movements in trade and other payables		-524	-1,394
Movements in employee benefits	11	33	144
Movements in provisions	12	649	-136
		7,558	9,833
Interest paid		-271	-241
Interest received		51	35
Income tax paid		-3,215	-4,138
		-3,435	-4,344
Cash flow from operating activities		30,301	29,507

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

	Note	2020	2019
Cash flow from investing activities			
Investments in tangible fixed assets		-8,188	-8,913
Investments in intangible fixed assets		-485	-1,758
Proceeds from sale of tangible fixed assets		405	1,603
Revenue from associate		-	15,808
Cash flow from investing activities		-8,268	6,740
Cash flow from financing activities			
Repayments on long-term borrowings and derivatives	9,23,24	-86	-86
Lease payments		-1,078	-779
Dividend paid to shareholders of Nedap N.V.		-14,554	-16,132
Sale of own shares		783	1,692
Cash flow from financing activities		-14,935	-15,305
Movements in cash and cash equivalents and bank overdrafts		7,098	20,942
Cash and cash equivalents and bank overdrafts at 1 January		18,687	-2,285
Exchange differences for cash and cash equivalents and bank overdrafts		-96	30
Cash and cash equivalents and bank overdrafts at 31 December		25,689	18,687
Cash and cash equivalents		25,689	18,687
Bank overdrafts		-	-
		25,689	18,687

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

	Share capital	Statutory reserves	Other reserves	Result attributable to shareholders	Total shareholders equity
Balance as at 1/1/2019	669	6,805	40,394	17,072	64,940
Realised result for financial year	-	-	-	24,127	24,127
Unrealised result for financial year	-	-	128	-	128
Result for financial year	-	-	128	24,127	24,255
Dividend	-	-	-	-16,132	-16,132
Appropriation of profit for previous financial year	-	488	452	-940	-
Movement in profit from participations not freely distributable	-	-5,169	5,169	-	-
Movement in share-based remuneration	-	-	-1,184	-	-1,184
Movement in own shares	-	-	1,692	-	1,692
Balance as at 31/12/2019	669	2,124	46,651	24,127	73,571
Realised result for financial year	-	-	-	13,751	13,751
Unrealised result for financial year	-	-	-382	-	-382
Result for financial year	-	-	-382	13,751	13,369
Appropriation of profit for previous financial year	-	-657	24,784	-24,127	-
Dividend	-	-	-14,554	-	-14,554
Movement in share-based remuneration	-	-	84	-	84
Movement in own shares	-	-	783	-	783
Balance as at 31/12/2020	669	1,467	57,366	13,751	73,253

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

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

The other reserves includes an amount of -536 for exchange differences.

	2020	2019
Share-based remuneration reserve		
Bonus depositary receipts	478	397
10% purchase discount	99	96
NAPP reserve	-	-
	<hr/>	<hr/>
Total	577	493

Statutory reserves can be broken down as follows:

	2020	2019
Capitalised development costs	1,455	2,112
Profit from participations not freely distributable	12	12
	<hr/>	<hr/>
Total	1,467	2,124

Dividend per share for the 2020 financial year has been set at €4.50 (€- in 2019), of which €2.25 was already paid out as interim dividend in 2020.

Accounting policies

General

Nedap N.V. is a public limited company under Dutch law, having its registered office under the articles of association at Parallelweg 2, 7141 DC in Groenlo, Netherlands, registered in the Chamber of Commerce's trade register under number 08013836. The company's 2020 consolidated financial statements cover the company and its subsidiaries, who together form the group, referred to below as Nedap. The financial year coincides with the calendar year. Nedap develops and supplies smart technological solutions for socially relevant themes, including sufficient food, clean drinking water, security and healthcare. On 18 February 2021, 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 8 April 2021. 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

Nedap Beveiligingstechniek B.V., Groenekan, Netherlands	100%	participation
Nedap Deutschland GmbH, Krefeld, Germany	100%	participation
Nedap Great Britain Ltd., Theale, Reading, UK	100%	participation
Nedap Iberia S.A.U., Madrid, Spain	100%	participation
Nedap 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., Burlington, USA	100%	participation

statements is historical cost, unless specified otherwise below.

Impact of the COVID-19 pandemic

The accounting principles used in preparing these financial statements are based on a going-concern assumption for the company. Over the year, and at the year-end closing in particular, there was additional focus on the collectability of accounts receivable, the measurement of inventories, and asset impairments. Since added value rose over the financial year and costs increased only slightly, the company was able

to post a profit for 2020. Given that the financial position is stable in terms of results and equity, and the outlook is positive, the going-concern assumption was applied in preparing the financial statements.

Rounding

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

Estimates

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

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

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

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

Comparison to last year

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

Consolidation

The financial data of Nedap N.V. and of the subsidiaries listed above (jointly referred to as Nedap) have been consolidated in full if the requirements of IFRS 10 are met. The 49.8% stake in Nedap France S.A.S. has not been included in the consolidation. As of the sale of the stake in Nedap France on 25 July 2019, transactions with the former non-consolidated company are recognised as transactions with third parties.

Balance sheet positions and transactions between consolidated companies and unrealised result on such transactions are eliminated when preparing the consolidated financial statements. The unrealised profit/loss of consolidated companies on transactions with non-consolidated companies is eliminated in proportion to Nedap's interest in that participation.

Foreign currency

The financial statements are presented in euros, which is Nedap's functional and presentational currency. Profits/losses and financial positions of consolidated companies in a functional currency other than the euro are converted to euros as follows: assets and liabilities are converted at the exchange rate as at the balance sheet date, and income and costs are converted at the average exchange rate. Exchange differences on participations are added or charged to the statutory reserves via the other comprehensive income.

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

Financial instruments

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

Non-derivative financial instruments

Non-derivative financial instruments are loans receivable, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables, excluding projects in progress. On initial recognition, non-derivative financial instruments are recognised at fair value, with directly attributable transaction costs included on initial recognition. After initial recognition, non-derivative financial instruments (excluding cash and cash equivalents) are recognised at amortised cost less expected credit losses. Profits or losses ensuing from changes in the measurement of these instruments are recognised in the statement of profit or loss under other operating costs.

Intangible fixed assets

Research

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

Development

Any development costs for which future economic benefits can reliably be estimated, that can be reliably measured and that were not incurred for the maintenance of an existing

product or adaptation to suit new market circumstances are capitalised. Such costs are of a project-based nature.

All other development costs are recognised in the statement of profit or loss at the time of occurring. The recognised value of capitalised development costs consists of external and directly attributable internal costs and overheads. Capitalised projects are technically feasible and Nedap intends to implement them. Nedap has access to (or is able to obtain) sufficient technical, financial and other resources to finalise and market the products it has developed. To a great extent, the capitalised projects are for lighting, detection and inventory management systems.

Subsidies

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

Amortisation of intangible fixed assets

Capitalised development costs are amortised on a straight-line basis. Amortisation rates depend on product types and range from 12.5% to 33%.

Other

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

Tangible fixed assets

Tangible fixed assets purchased or manufactured are recognised at historical cost less accumulated depreciation and impairment. The recognised value of assets manufactured in-house consists of external and directly attributable internal costs and overheads. Tangible fixed assets are classified as 'assets held for sale' provided assets are indeed available for immediate sales and are highly likely to be sold. Tangible fixed assets available for sale are recognised at book value or lower fair value, less selling costs. Available-for-sale tangible fixed assets are not depreciated.

Depreciation of tangible fixed assets

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

The annual depreciation rates are: Company

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

Depreciation rates are evaluated annually and adjusted if necessary.

Leases

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

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

Nedap has opted to treat lease and non-lease components as separate items. Non-lease components are mainly service-related services.

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

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

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

If any improvements made to the asset are expected to lead to significant residual value, it is generally reasonably certain that the group will choose to extend the lease. Otherwise, the group takes other factors into account, such as past lease terms and the costs and business

disruptions that would be inevitable when replacing the leased asset.

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

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

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

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

Payments under short-term leases and all leases for low-value assets are recognised in the statement of profit or loss as a cost. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a new-for-old value of under €5,000.

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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets and liabilities and they relate to taxes levied by the tax authorities on the same taxable entity or on various tax entities, but are intended to settle offset current tax liabilities and assets or will realise their tax liabilities and assets simultaneously.

Inventories

Inventories are recognised at either cost or net realisable value, whichever is lower. Cost is determined based on the First-In-First-Out method (FIFO). Net realisable value is the estimated selling price less costs to be incurred. The cost of products in progress and Nedap-manufactured finished goods includes direct

manufacturing costs, plus a mark-up for indirect manufacturing and purchasing costs. Inventories are revalued downward based on expected realisable value, provided this is lower than cost. These downward revaluations are applied based on age, sales projections or expected usage - or a combination of the above.

Cash and cash equivalents

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

Impairment of assets

The book value of assets is reviewed mid-year and at year-end for any indication of impairment. If indications of impairment are found, impairment is recognised based on realisable

value, which is either the direct realisable value or value in use, whichever is the highest. Impairment is recognised in the statement of profit or loss. If information or circumstances arise in a subsequent period that show that the value of the asset has increased, causing the impairment to fully or partially cease to apply, the impairment is revoked. The book value of the asset is raised to the revised realisable value, albeit never beyond the book value that would have been recognised if impairment had not taken place. The increase is incorporated directly into the statement of profit or loss. Assets both in use and not yet in use are involved in determining impairment.

Statutory reserves

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

Share-based remuneration

Nedap operates two plans that give employees the option to invest in Nedap depositary receipts through *Stichting Medewerkerparticipatie Nedap* (subsequently referred to as 'the Stichting'): the *Employee participation plan* (the 'Plan') and the *Nedap Additional Participation Plan* (the 'NAPP'). The value of these plans is recognised as cost in the statement of profit or loss, while the amount charged to the profit/loss is recognised in the shareholders' equity, to the extent that share-based remuneration is settled through equity instruments of the legal entity. The part settled in cash and cash equivalents is recognised under liabilities. The total amount to recognise as cost is the fair value of the depositary receipts awarded without factoring in performance-related conditions. Over the period that such performance is delivered, the total amount to recognise as cost is charged to the profit/loss on a straight-line basis.

Since 2010, the Plan has offered 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 leadership team are

required to invest at least 50% of their variable remuneration in Nedap depositary receipts. As a result, at least 50% of variable remuneration is of a long-term nature. After purchase, depositary receipts will be the unconditional property of the holder and they cannot be sold for a period of four years. The holder of the depositary receipt is immediately entitled to the full dividend per share. Besides the purchase discount, a bonus depositary receipt is awarded for every four depositary receipts after four years, provided certain conditions are met. Bonus depositary receipts entitle the holder to dividend from the moment they are awarded.

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

Defined-contribution pension scheme

Since 1 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets and liabilities and they relate to taxes levied by the tax authorities on the same taxable entity or on various tax entities, but are intended to settle offset current tax liabilities and assets or will realise their tax liabilities and assets simultaneously.

Provisions

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

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

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

Commitments to accept returns of or issue refunds for products and/or services are limited to those products and/or services for which Nedap has issued a warranty and subject to all warranty conditions being met.

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

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

Financing income and costs

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

Taxation

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

and corrections to taxation paid for previous financial years.

Statement of cash flows

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

Credit risk

Credit risk is the risk of financial losses for Nedap due to non-compliance with payment obligations on the part of a customer or counterparty. Credit risks arise in particular on receivables from customers. Nedap reduces this risk by insuring trade receivables against non-payment where possible. The risk of non-payment then lies largely with the credit insurance company. If possible, security is requested from trade debtors who cannot be insured. If necessary, a provision for doubtful debts is formed. The group assesses its receivables without credit risk insurance on an individual basis, while the expected credit loss model has been applied for

those receivables without credit risk insurance that have not been revalued downward.

Liquidity risk

Liquidity risk is the risk that Nedap cannot meet its financial obligations when they become due. Nedap reduces this risk by maintaining sufficient access to capital. In this respect, an ample credit facility running through to April 2026 has been taken out, whereby the total facilities of €44 million (including temporary facilities of €5 million in the period from April to September) are not subject to covenants. 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. Note 24 goes into liquidity risk in greater detail.

Currency risk

Nedap reduces the currency risk by restricting the size of transactions in foreign currencies and, if necessary, hedging these risks. For the most important foreign currency – the US dollar – an internal hedging system is used, which means that payments in US dollars are made using US dollars available elsewhere in the company. In 2020, the US dollar was, after the euro, the currency used for most transactions. Purchases and sales in this currency were balanced (natural

hedge), with different payment dates leading to limited currency gains. At 3% of revenue, the Chinese RMB was the currency with the highest number of net transactions, which represented a net gain. A change of 10% in the Chinese RMB 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 €0.1 million (€0.2 million in 2019).

Market risk

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

Capital management

Nedap strives for a conservative financing structure reflected by a solvency ratio of at least 45% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target figure is possible for strategic reasons. In 2020, these ratios were 62% and -0.4 respectively (61% and -0.2 in 2019).

Segmentation

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

Achieving this objective not only requires know-how of technology and market conditions, but also an increasing degree of knowledge of the customer's business processes and applications that our solution is ultimately used in. The focus of activities on a customer or group of customers (business unit) is a significant condition for creating a genuinely distinctive and sustainable solution for our customers and their users, and thus also having sustainable meaning for our employees and shareholders. The technologies used in such solutions are closely related, so the business units often draw on each other's technological know-how, products, systems, production resources and market and user experience. This applies for all of Nedap's activities and business units. This exchange of know-how and resources, without financial settlement, is an ongoing and informal process and, therefore, a vital part of the entrepreneurial culture.

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

Standards and interpretations implemented for the first time

Certain new standards and interpretations that have been published are not compulsory for the reporting period ending 31 December 2020. The group has not proceeded to the early application of these standards and interpretations. These standards and interpretations are not expected to have a material impact on the entity in the

current or future reporting periods and on foreseeable future transactions.

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

	Capitalised development costs	Software & licences	Total intangible fixed assets
Year-end 2018			
Purchase price	4,835	455	5,290
Amortisation including impairments	-3,210	-130	-3,340
Book value	1,625	325	1,950
Movements in 2019			
Investment	1,256	502	1,758
Disposal (on balance)	-	-	-
Amortisation	-769	-111	-880
Net movements	487	391	878
Year-end 2019			
Purchase price	5,007	955	5,962
Amortisation including impairments	-2,895	-239	-3,134
Book value	2,112	716	2,828
Movements in 2020			
Investment	200	298	498
Disposal (on balance)	-	-	-
Amortisation	-856	-259	-1,115
Impairments	-	-	-
Net movements	-656	39	-617
Year-end 2020			
Purchase price	4,334	1,299	5,633
Amortisation including impairments	-2,878	-544	-3,422
Book value	1,456	755	2,211

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other fixed equipment	In progress and prepayments	Right-of- use leases	Total tangible fixed assets
Year-end 2018						
Purchase price	38,079	20,560	30,960	1,587	-	91,186
Depreciation and amortisation, including impairments	-21,399	-16,703	-18,159	-	-	-56,261
Book value	16,680	3,857	12,801	1,587	-	34,925
Initial recognition as per IFRS 16 Leases	-	-	-	-	1,956	1,956
Book value as at 1/1/2019	16,680	3,857	12,801	1,587	1,956	36,881
Movements in 2019						
Investment	1,468	878	3,720	2,747	1,703	10,516
Completed assets in progress	-	-	1,587	-1,587	-	-
Disposal (on balance)	-775	-62	-284	-	-55	-1,176
Depreciation	-1,345	-861	-4,559	-	-835	-7,600
Impairments	-	-	-	-	-	-
Net movements	-652	-45	464	1,160	813	1,740
Year-end 2019						
Purchase price	37,647	20,476	32,469	2,747	3,548	96,887
Depreciation and amortisation, including impairments	-21,619	-16,664	-19,204	-	-779	-58,266
Book value	16,028	3,812	13,265	2,747	2,769	38,621

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

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other fixed equipment	In progress and prepayments	Right-of- use leases	Total tangible fixed assets
Movements in 2020						
Investment	2,156	1,332	2,702	2,114	836	9,140
Completed assets in progress	-	-	2,747	-2,747	-	-
Disposal (on balance)	-22	-15	-258	-	-259	-554
Assets held for sale	-907	-	-	-	-	-907
Depreciation	-1,398	-808	-4,689	-	-1,127	-8,022
Impairments	-247	-	-	-	-	-247
Net movements	-418	509	502	-633	-550	-590
Year-end 2020						
Purchase price	37,727	20,356	35,701	2,114	3,989	99,887
Depreciation including impairments	-22,117	-16,035	-21,934	-	-1,770	-61,856
Book value	15,610	4,321	13,767	2,114	2,219	38,031

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 €19.0 million (€19.0 million in 2019) has been granted as security for bank debts.

The purchase price from 2019 includes capitalised rights of use following

the application of IFRS 16 (see also note 10 for further details). Non-lease liabilities entered into at the end of the financial year were €0.7 million (€2.4 million in 2019). Impairment is explained under “Impairment of assets”

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

Geographical information on the book value of tangible fixed assets and intangible fixed assets	2020	2019
Netherlands	37,555	36,673
Germany	330	425
Other Europe	566	2,067
China (including Hong Kong)	820	1,146
North America	783	1,027
Other countries	188	111
Total	40,242	41,449

3. Financial fixed assets (€ x 1,000)

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

	2020	2019
Value as at 1 January	-	5,169
Profit after taxation	-	333
Dividend received	-	-996
Other changes	-	-4,506
Value as at 31 December	-	-

Since late 2019, there are no more receivables and payables.

'Profit/loss after taxation' concerns profits posted by Nedap France up to 25 July 2019.

The 'other changes' relate to the sale of Nedap France.

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

	Deferred assets	Deferred liabilities
Tangible fixed assets	-	36
Intangible fixed assets	-	364
Anniversary benefits provision	32	-
Inventories	542	195
Additional clause	13	12
Offsettable losses	990	-
Total before offsetting	1,577	607
Offsetting	-587	-587
Total after offsetting	990	20
Balance as at 31 December 2019 (before offsetting)	1,248	666
Offsetting	-490	-490
Balance as at 31 December 2019 (after offsetting)	758	176
Withdrawals	-	-73
Additions	329	14
Balance as at 31 December 2020 (before offsetting)	1,577	607
Offsetting	-587	-587
Balance as at 31 December 2020 (after offsetting)	990	20

These receivables relate to the losses brought forward and deferred taxation. The increase in deferred tax assets relates to deferred tax assets at two subsidiaries.

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

At 31 December 2020, there were no temporary differences, uncompensated tax losses or unused tax credits for which no deferred tax assets had been recognised.

5. Inventories (€ x 1,000)

	2020	2019
Raw materials and components	1,559	2,811
Products in progress	321	135
Finished goods (procured and manufactured)	21,182	25,555
Total	23,062	28,501

A total amount of €2,601 (€2,721 in 2019) of inventories has been revalued downward to a lower realisable value. Costs of downward revaluation in 2020 totalled €0.7 million (€0.7 million in 2019).

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

	2020	2019
Trade receivables	22,576	23,793
Other receivables and prepayments and accrued income	5,600	6,733
Total	28,176	30,526

Of the trade and other receivables, €0.5 million (€0.5 million in 2019) has a term of over 1 year. Of the trade receivables, 96% is either not yet due or in the first month after the agreed payment date. The remaining 2% are overdue by no more than 90 days and another 2% are more than 90 days overdue. In the case of the latter 2% of trade receivables, the receivables covered by credit insurance have been handed over to Nedap's credit insurer for collection.

Movements in provision for trade receivables that are deemed uncollectable	2020	2019
Balance at 1 January	137	173
Withdrawals	-33	-46
Additions	25	10
Balance at 31 December	129	137

In 2020, the average credit term for trade accounts receivable was: 6.3 weeks (6.7 weeks in 2020). Nedap has insured the credit risk in its trade receivables wherever possible, whereby over 80% is covered with a pay-out rate of 90% (90% in 2019).

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

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

	2020	2019
Cash	1	1
Banks	25,688	18,686
Total	25,689	18,687

140

Cash and cash equivalents are available on demand.

8. Shareholders' equity

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

The average number of outstanding shares in 2020 was 6,465,033 (6,444,622 in 2019).

At year-end 2020, 6,468,343 shares were in issue (6,452,833 in 2019).

At year-end 2020, the company repurchased 224,577 (240,087 in 2019) of its own shares that are due to be transferred to employees under the employee participation plan.

9. Borrowings (€ x 1,000)

Type of borrowing	Nominal interest rate	Maturity date	2020	2019
Standby Roll-Over	Euribor + 1.2%	2026	14,000	14,000
Annuity loan	Euribor + 0.8%	2022	110	196
Balance at 31 December			14,110	14,196
Repayment liabilities < 1 year			80	86
Repayment liabilities > 1 year and < 5 years			30	110
Repayment liabilities > 5 years			14,000	14,000

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

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

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.

10. Lease liabilities (€ x 1,000)

	Company buildings and premises	Other fixed equipment	Total
Lease liabilities as at 31 December 2019			
Current (<= 1 year)	856	131	987
Long-term (> 1 year)	1,654	184	1,838
	2,510	315	2,825
Movements in 2020			
Current (<= 1 year)	-39	61	22
Long-term (> 1 year)	-608	85	-523
	-647	146	-501
Lease liabilities as at 31 December 2020			
Current (<= 1 year)	817	192	1,009
Long-term (> 1 year)	1,046	269	1,315
	1,863	461	2,324

The interest amounts on lease liabilities recognised as a cost in 2020 amounted to 69 (55 in 2019).

Recognised in the financial year

Total lease payments	929	183	1,112
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In some cases, Nedap has the option to extend contracts it has entered into, especially those relating to the leasing of company buildings. Extension is then subject to pre-agreed conditions. There are very few lease liabilities for which, as a result of application of IFRS 16, extension options are measured because it is reasonably certain that Nedap will exercise the option.

11. Employee benefits (€ x 1,000)

Anniversary benefits provision	2020	2019
Balance at 1 January	1,046	902
Withdrawals	-45	-42
Additions	78	186
Balance at 31 December	1,079	1,046
Measurement of the anniversary benefits provision is based on the following factors:		
Future salary increase	2.0%	2.0%
Present value factor	0.6%	0.6%

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

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12. Provisions (€ x 1,000)

Guarantee provision	2020	2019
Balance at 1 January	1,940	2,076
Withdrawals	-1,548	-1,599
Additions	2,197	1,463
Balance at 31 December	2,589	1,940

The part of the provisions with a term of under 1 year €1,515 (€1,236 in 2019) is recognised under short-term liabilities.

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

The guarantee period differs per product category.

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

13. Bank overdrafts

The maximum overdraft under the facility is €25.0 million (€25.0 million in 2019).

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

The nominal interest rate is based on the 1-month average Euribor with a variable individual markup. This facility was not used in 2020.

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

	2020	2019
Trade payables	10,907	11,592
Liabilities on account of investments	510	394
Prepayments received	1,656	2,324
Other liabilities and accruals and deferred income	10,190	9,343
Total	23,263	23,653

An amount of €0.3 million (€0.5 million in 2019) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year. (€0.5 million in 2019).

Other information

Guarantees issued by group companies in relation to building rental were €0.3 million (€0.3 million in 2019) and other €0.1 million (€0.1 million in 2019).

At year-end 2020, Nedap does not have any multi-year financial liabilities that have not been recognised. With the implementation of IFRS 16, all long-term financial liabilities are recognised on the balance sheet.

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

Related parties

Parties related to Nedap are the Stichting Preferente Aandelen Nedap and the members of the Supervisory Board and the Board of Directors. In the financial year, an amount of €150,000 was transferred to Stichting Preferente Aandelen Nedap without expecting any returns. There were no

other transactions with related parties during the financial year except as presented in the financial statements. Transactions are performed on a commercial basis.

15. Revenue (€ x 1,000)

	2020	2019
Products, systems, and installations	139,250	146,990
Software subscriptions (licences) and services	50,666	44,559
Total	189,916	191,549

Software subscriptions (licences) and services consist mainly of subscriptions and maintenance contracts for Healthcare, Retail, Security Management, and Staffing Solutions.

Geographical sales areas	2020	2019
Netherlands	67,859	62,327
Germany	25,887	25,706
Other Europe	50,868	56,382
North America	21,530	22,653
Other countries	23,772	24,481
Total	189,916	191,549

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

16. Personnel costs (€ x 1,000)

	2020	2019
Wages and salaries	50,942	47,622
Social security costs	5,819	5,656
Pension costs	3,568	3,601
Insourced staff	10,399	10,663
Other personnel costs	3,648	5,148
Total	74,376	72,690

The costs of share-based remuneration, recognised in accordance with IFRS 2, amount to €285 (€336 in 2019) and consist of:

- a 10% purchase discount that is charged to the result for the financial year in full.
- costs of bonus depositary receipts that, factoring in the fair value of €26.80 (€39.98 in 2019) are charged to the profit and loss account over a period of 5 years.
- costs of remuneration that must be invested in depositary receipts in full (NAPP). No NAPP costs are recognised in the profit/loss for 2019 and 2020.

Costs for which a purchase discount and bonus depositary receipts are recognised under other personnel costs, while other costs are recognised as wages and salaries. In 2020, all costs involved in share-based remuneration were made up of costs for the purchase discount and bonus depositary receipts.

Of these costs, an amount of €141 is related to the 2020 financial year (€136 in 2019).

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

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

Average number of employees	2020	2019
Netherlands	673	620
Other Europe	41	46
Asia	33	36
North America	28	26
Total	775	728

Board of Directors remuneration (€ x 1,000)

	Basic income	Variable remuneration	Benefits of Employee Participation Plan	Pension costs	Total
2020					
R. M. Wegman	419	267	42	79	807
D. van der Sluijs (from 1 March 2020)	211	132	12	29	384
Total	630	399	54	108	1,191
2019					
R. M. Wegman	413	243	45	78	779
E. Urff (up to 15 October 2019)	269	305	21	90	685
Total	682	548	66	168	1,464

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, the CEO invested 100% of his variable remuneration in the Plan. The current CFO has used 75% of her variable remuneration to buy depositary receipts.

Mr E. Urff's variable remuneration includes an amount of 106 based on an agreement on a one-off payment upon leaving the company. Mr Urff stepped down from his position of director under the articles of association on 4 April 2019, staying on as titular director until he left the company on 15 October 2019.

Depository receipts (items x 1)

	Depository receipts held at year-end	Bonus depository receipts not yet awarded at year-end
2020		
R. M. Wegman	36,941	3,401
D. van der Sluijs	-	-
Total	36,941	3,401
2019		
R. M. Wegman	33,466	3,363
E. Urff	- *	2,760
Total	33,466	6,123

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

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

* The number of depository receipts held by a director after stepping down as director under the articles of association are no longer recognised.

Supervisory Board remuneration (€ x 1,000)

	2020	2019
G. F. Kolff	40	40
J. M. L. van Engelen	30	30
M. Pijnenborg	30	23
M. A. Scheltema	30	30
M. C. Westermann	-	7
Total	130	130

17. Amortisation (€ x 1,000)

	2020	2019
Development costs	856	769
Software & licences	259	111
Total	1,115	880

18. Depreciation (€ x 1,000)

	2020	2019
Company buildings	1,398	1,345
Machinery and installations	808	861
Other fixed equipment	4,689	4,559
Right-of-use leases	1,127	835
Total	8,022	7,600

19. Impairment of assets (€ x 1,000)

	2020	2019
Impairment of assets	247	-

The impairment of assets concerns Nedap Iberia's building in Alpedrete, Spain. As a result of a change in the organisational direction over the past years, which saw service and support operations largely outsourced to partners, the building no longer met the organisation's current and future needs. Nedap Iberia has meanwhile relocated to other, rented, premises in Madrid. For the use of these premises, a 'Right-of-use lease' is recognised

under tangible fixed assets. Nedap Iberia expects to sell the building in Alpedrete within a period of 1 year. The expected net proceeds from that sale are recognised under 'Assets held for sale'. Costs that will be incurred to sell this property have been taken into account.

20. Other operating costs (€ x 1,000)

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

21. Share in profit of associate (€ x 1,000)

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

	2020	2019
Share in the profit	-	333
Book profit upon sale	-	9,924
Total	-	10,257

The share in the profit concerns profits posted by Nedap France up to the sale date of 25 July 2019. No contingent liabilities were agreed as part of the sale. The book profit upon sale is the net profit upon sale, after deduction of costs associated with the sales transaction.

22. Taxation (€ x 1,000)

	2020	2019
Profit before taxation, excluding associate	16,880	17,270
Income tax	3,330	3,041
Deferred income tax	-201	359
Total income tax	3,129	3,400

Reconciliation of effective tax rate based on continued operations

	2020		2019	
Income tax based on Dutch tax rate	4,220	25.0%	4,317	25.0%
Change in domestic tax rate	25	0.1%	-54	-0.3%
Effect of tax rate for non-resident associates	-32	-0.2%	85	0.5%
Non-deductible expenditures	160	1.0%	159	0.9%
Tax incentive schemes	-1,303	-7.7%	-1,184	-6.8%
Prior-year adjustment	59	0.3%	77	0.4%
Total	3,129	18.5%	3,400	19.7%

The change in the domestic tax rate is caused by a tax rate of 16.5% (19% in 2019) on the first €200 of taxable profit and adjustments on account of expiry of a rate change from 2021.

The net tax rate for associates outside the Netherlands is lower than the nominal rate in the Netherlands, which leads to a decrease in the effective tax rate of 0.2%.

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

Besides a small amount for the Energie Investerings Aftrek (EIA, Energy Investment Tax Credit) (€-33) (€-2 in 2019), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime €-1,270 (€1,182 in 2019).

Net income tax payable for 2019 has been paid. The difference between income tax paid of €3,215 in the statement of cash flows and the payable amount of €3,400 is made up of advances paid in 2019 and previous years, as well as advances paid in 2020 on the profit expected for the financial year.

As per the OECD Transfer Pricing guidelines, a new benchmark study conducted in 2019 resulted in full application of the principles used in previous years. In 2020, the extent of payments to or by group companies was again checked against the activities, responsibilities, and risks that can be attributed to these separate group companies,

which did not lead to material adjustments. In 2020, the Dutch tax authorities communicated their opinion that the current transfer pricing method should also have been applied at Nedap Asia Ltd. in 2014 and 2015.

Based on the current tax treaty to avoid double taxation between both member states, and a virtually identical effective corporate income tax rate, the possible net payments are expected to be limited to interest on overdue tax. These costs were not factored into the results for 2020.

23. Financing position (€ x 1,000)

	2020	2019
Cash and cash equivalents	25,689	18,687
Short-term borrowings including bank overdrafts	-80	-86
Long-term borrowings	-14,030	-14,110
Net financing position	11,579	4,491
Cash and cash equivalents	25,689	18,687
Fixed-interest borrowings	-	-
Variable-interest borrowings	-14,110	-14,196
Net financing position	11,579	4,491

	Cash and cash equivalents and current account overdrafts	Short-term borrowings	Long-term borrowings	Total
Balance as at 1 January 2019	-2,285	-86	-14,196	-16,567
Cash flow	20,942	-	86	21,028
Exchange differences	30	-	-	30
Balance as at 31 December 2019	18,687	-86	-14,110	4,491
Cash flow	7,098	6	80	7,184
Exchange differences	-96	-	-	-96
Balance as at 31 December 2020	25,689	-80	-14,030	11,579

24. Liquidity risk (€ x 1,000)

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Contractual term of financial liabilities	<1 year	>= 1 year and < 2 years	>= 2 years and < 5 years	>= 5 years	Total
Year-end 2020					
Non-derivatives					
Trade and other payables	23,263	-	-	-	23,263
Lease liabilities	1,009	623	692	-	2,324
Borrowings	80	30	-	14,000	14,110
total non-derivatives	24,352	653	692	14,000	39,697
Year-end 2019					
Non-derivatives					
Trade and other payables	22,951	543	-	-	23,494
Lease liabilities	987	799	1,039	-	2,825
Borrowings	86	86	24	14,000	14,196
total non-derivatives	24,024	1,428	1,063	14,000	40,515

Other information

Research and development costs (€ x 1,000)	2020	2019
Personnel and other operating costs	35,345	31,803
Amortisation	857	769
Capitalised costs	-200	-1,256
Subsidies	-1,030	-1,292
Total	34,972	30,024

Subsidies relate mainly to tax rebates under the Dutch Research and Development (Promotion) Act (Wbso) on account of R&D activities. Research and development costs mostly relate to maintaining current products and services and keeping them up to date. The remaining costs

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

Stichting Medewerkerparticipatie Nedap shareholding (items x 1)	2020	2019
Balance as at 1 January	169,744	140,142
Purchased during the year	13,439	34,046
Bonus shares received	2,131	3,921
Sold during the year	-4,077	-8,365
Balance as at 31 December	181,237	169,744

Shares purchased over the period from 2017 to 2020 are still locked up. Of the 181,237 shares held, 93,171 are still in the locked-up period. The 93,171 locked-up depositary receipts entitle holders to 16,746 bonus depositary receipts. In 2020, 2,131 bonus depositary receipts were awarded (3,921

in 2019), 27 contingent bonus depositary receipts expired (326 in 2019), resulting in 16,746 potentially awardable bonus depositary receipts at year-end 2020 (15,497 in 2019). Stichting Medewerkerparticipatie holds approx. 2.7% of the total issued share capital.

Profit appropriation (€ x 1,000)	2020	2019
Shareholder profit	13,751	24,127
Addition to (-)/ withdrawal from (+) other reserves	803	4,911
Dividend payable on ordinary shares	14,554	29,038

The initial dividend proposal for 2019 was withdrawn on account of the COVID-19 crisis. No dividend was paid for the 2019 financial year.

6.2 Company financial statements

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

Assets	Note	2020	2019
Fixed assets			
Intangible fixed assets	1	1,942	2,465
Tangible fixed assets	2	35,677	34,232
Financial fixed assets	3	7,696	7,111
		45,315	43,808
Current assets			
Inventories	4	17,317	22,259
Trade and other receivables	5	28,185	31,283
Cash and cash equivalents	6	23,013	16,134
		68,515	69,676
		113,830	113,484

Liabilities	Note	2020	2019
Shareholders equity	7		
Share capital		669	669
Statutory reserves		932	1,971
Other reserves		57,901	46,804
		59,502	49,444
Result for financial year		13,751	24,127
		73,253	73,571
Your obligations			
Provisions	8	3,664	2,979
Non-current liabilities	9	14,344	14,432
Current liabilities	10	22,569	22,502
Total liabilities		40,577	39,913
		113,830	113,484

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

	Note		2020	2019
Revenue	11		171,455	168,117
Cost of materials and outsourced work		-52,992		-51,447
Inventory movements of finished goods and work in progress		-3,690		-5,516
Personnel costs	12	-64,285		-62,387
Amortisation	13	-982		-869
Depreciation	14	-6,822		-6,547
Impairment of assets	15	-		-
Other operating costs	16	-26,867		-24,820
Operating costs			-155,638	-151,586
Operating profit			15,817	16,531
Financing income		48		38
Financing costs		-192		-172
Net financing costs			-144	-134
Result before taxation			15,673	16,397
Taxation	17		-2,870	-3,116
Result for the financial year			12,803	13,281
Profit/loss from participations after taxation			948	10,846
Result attributable to shareholders of Nedap N.V.			13,751	24,127

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 shareholders' equity.

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

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

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

	Capitalised development costs	Software & licences	Total intangible fixed assets
Year-end 2018			
Purchase price	4,835	453	5,288
Amortisation including impairments	-3,210	-129	-3,339
Book value	1,625	324	1,949
Movements in 2019			
Investment	1,256	129	1,385
Amortisation	-	-	-
	-769	-100	-869
Net movements	487	29	516
Year-end 2019			
Purchase price	5,007	581	5,588
Amortisation including impairments	-2,895	-228	-3,123
Book value	2,112	353	2,465
Movements in 2020			
Investment	200	259	459
Disposal (on balance)	-	-	-
Amortisation	-856	-126	-982
Net movements	-656	133	-523
Year-end 2020			
Purchase price	4,334	840	5,174
Amortisation including impairments	-2,878	-354	-3,232
Book value	1,456	486	1,942

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other* fixed assets	In progress and pre- payments	Right-of- use leases	Total tangible fixed assets
Year-end 2018						
Purchase price	35,097	19,847	28,424	1,587	-	84,955
Depreciation including impairments	-20,409	-16,114	-16,457	-	-	-52,980
Book value	14,688	3,733	11,967	1,587	-	31,975
Initial recognition as per IFRS 16 Leases	-	-	-	-	376	376
Book value as at 1/1/2019	14,688	3,733	11,967	1,587	376	32,351
Movements in 2019						
Investment	1,468	878	3,256	2,747	322	8,671
Completed assets in progress	-	-	1,587	-1,587	-	-
Disposal (on balance)	-	-	-243	-	-	-243
Depreciation	-1,283	-817	-4,228	-	-219	-6,547
Impairments	-	-	-	-	-	-
Net movements	185	61	372	1,160	103	1,881
Year-end 2019						
Purchase price	35,842	20,181	29,865	2,747	693	89,328
Depreciation including impairments	-20,969	-16,387	-17,526	-	-214	-55,096
Book value	14,873	3,794	12,339	2,747	479	34,232

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

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other* fixed assets	In progress and pre- payments	Right-of- use leases	Total tangible fixed assets
Movements in 2020						
Investment	2,156	1,332	2,429	2,114	612	8,643
Completed assets in progress	-	-	2,747	-2,747	-	-
Disposal (on balance)	-22	-15	-203	-	-136	-376
Depreciation	-1,397	-790	-4,329	-	-306	-6,822
Impairments	-	-	-	-	-	-
Net movements	737	527	644	-633	170	1,445
Year-end 2020						
Purchase price	37,727	20,356	33,103	2,114	1,089	94,389
Depreciation including impairments	-22,117	-16,035	-20,120	-	-440	-58,712
Book value	15,610	4,321	12,983	2,114	649	35,677

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

A right of mortgage on immovable property amounting to €18.9 million (€18.9 million in 2019) has been granted as security for bank debts.

Liabilities entered into at the end of the financial year were €0.7 million (€2.4 million in 2019).

Impairment is explained under 'Impairment of assets'.

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

3. Financial fixed assets (€ x 1,000)

Participations in group companies	2020	2019
Value as at 1 January	7,111	6,453
Result	948	589
Exchange differences	-382	128
Other changes	19	-59
Value as at 31 December	7,696	7,111
New borrowings issued to participations	-	-
Repayments of borrowings by participations	-	-
Total value at 31 December	7,696	7,111
No borrowings were issued to participations in group companies at year-end 2020 (€- million in 2019).		
Associate	2020	2019
Value as at 1 January	-	5,169
Profit/loss after taxation	-	333
Dividend payment	-	-996
Other changes	-	-4,506
Value as at 31 December	-	-
Total financial fixed assets at 31 December	7,696	7,111

The result from participations in group companies in the financial year, plus the associate's profit, is recognised in the statement of profit or loss as Profit/loss from participations after taxation. The profit/loss after taxation concerns

profits posted by Nedap France up to 25 July 2019. The 'other changes' relate to the sale of Nedap France.

4. Inventories (€ x 1,000)

	2020	2019
Raw materials and components	1,559	2,811
Products in progress	321	136
Finished goods	15,437	19,312
Total	17,317	22,259

An amount of €2,362 (€2,111 in 2019) of inventories has been revalued downward to a lower realisable value.

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

	2020	2019
Trade receivables	17,121	16,585
Receivables from participations	6,266	9,749
Other receivables and prepayments and accrued income	4,798	4,949
Total	28,185	31,283

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

	Deferred receivables	Deferred liabilities
Balance as at 31/12/2020		
Tangible fixed assets	-	36
Intangible fixed assets	-	364
Anniversary benefits provision	32	-
Inventories	542	195
Other	13	12
Total before offsetting	587	607
Offsetting	-587	-587
Total after offsetting	-	20
Balance as at 31 December 2019 (before offsetting)	490	663
Offsetting	-490	-490
Balance as at 31 December 2019 (after offsetting)	-	173
Withdrawals	-	-70
Additions	97	14
Balance as at 31 December 2020 (before offsetting)	587	607
Offsetting	-587	-587
Balance as at 31 December 2020 (after offsetting)	-	20

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

	2020	2019
Cash	1	1
Banks	23,012	16,133
Total	23,013	16,134

Cash and cash equivalents are available on demand.

7. Shareholders' equity

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

8. Provisions (€ x 1,000)

	2020	2019
Employee benefits	1,079	1,046
Guarantee provision	2,585	1,933
Total	3,664	2,979

Employee benefits	2020	2019
Anniversary benefits provision		
Balance at 1 January	1,046	902
Withdrawals	-45	-42
Additions	78	186
Balance at 31 December	1,079	1,046

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

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Guarantee provision	2020	2019
Balance at 1 January	1,933	2,067
Withdrawals	-1,422	-1,386
Additions	2,074	1,252
Balance at 31 December	2,585	1,933

An amount of €1.5 million (€1.2 million in 2019) of the guarantee provision is of a short-term nature.

9. Non-current liabilities (€ x 1,000)

	2020	2019
Borrowings	14,000	14,000
Deferred tax liabilities	20	173
Lease liabilities	324	259
Total	14,344	14,432

Borrowings

The financing agreement with the bank for the Standby roll-over loan will expire on 1 April 2026. Security has been provided in the form of a right of mortgage (€18.9 million, not including 40% for interest and costs) and a

pledge of fixtures and fittings and trade receivables. The agreement does not contain any covenants. The interest rate is Euribor plus 1.2%.

10. Current liabilities (€ x 1,000)

	2020	2019
Bank overdrafts	-	-
Lease liabilities	331	224
Taxation and social security contributions	1,974	2,741
Trade payables and other liabilities and accruals and deferred income	20,264	19,537
Total	22,569	22,502

Bank overdrafts

The maximum overdraft under the facility is €25 million (€25 million in 2019).

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

Trade and other payables	2020	2019
Trade payables	10,221	9,991
Liabilities on account of investments	510	394
Prepayments	1,042	1,492
Other liabilities and accruals and deferred income	8,491	7,660
Total	20,264	19,537

An amount of €0.2 million (€0.5 million in 2019) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year. (€0.3 million in 2019).

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Other information**Off-balance sheet rights and commitments**

For corporate income tax purposes, Nedap N.V. forms a fiscal entity with Nedap Beveiligingstechniek B.V.

All companies are jointly and severally liable for payment of income tax due. The tax positions are settled between the companies through the current account.

A number of subsidiaries depend on Nedap N.V. continuing to make financing available. Nedap N.V. has, therefore, issued Letters of Support for two of these subsidiaries, confirming that repayment of the financing will not be claimed and the supply of financing will continue to be guaranteed.

11. Revenue (€ x 1,000)

	2020	2019
Products, systems, and installations	121,759	124,483
Software subscriptions (licences) and services	49,696	43,634
Total	171,455	168,117

Software subscriptions (licences) and services consist mainly of subscriptions and maintenance contracts for Healthcare, Retail, Security Management, and Staffing Solutions.

Geographical sales areas	2020	2019
Netherlands	66,265	60,690
Germany	24,484	23,859
Other Europe	45,908	47,860
North America	18,348	19,767
Other countries	16,450	15,941
Total	171,455	168,117

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

12. Personnel costs (€ x 1,000)

	2020	2019
Wages and salaries	43,092	40,051
Social security costs	5,134	4,531
Pension costs	3,432	3,448
Recharged to subsidiaries	-406	-262
Insourced staff	9,813	9,903
Other personnel costs	3,220	4,716
Total	64,285	62,387

Average number of employees	2020	2019
Netherlands	666	610
Other Europe	6	6
Total	672	616

13. Amortisation (€ x 1,000)

	2020	2019
Development costs	856	769
Software & licences	126	100
Total	982	869

14. Depreciation (€ x 1,000)

	2020	2019
Company buildings	1,397	1,283
Machinery and installations	790	817
Other fixed equipment	4,329	4,228
Right-of-use leases	306	219
Total	6,822	6,547

15. Impairment of assets (€ x 1,000)

	2020	2019
Impairment of assets	-	-

There are no impairments of assets.

16. Other operating costs (€ x 1,000)

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

17. Taxation (€ x 1,000)

	2020		2019	
Profit before taxation, excluding associate	15,673		16,397	
Income tax	3,023		2,770	
Deferred income tax	-153		346	
Total income tax	2,870		3,116	
Reconciliation of effective tax rate	2020		2019	
Income tax based on Dutch tax rate	3,918	25.0%	4,099	25.0%
Change in domestic tax rate	25	0.1%	-54	-0.3%
Effect of tax rate for foreign branch	11	0.1%	19	0.1%
Non-deductible expenditures	160	1.0%	159	1.0%
Tax incentive schemes	-1,303	-8.3%	-1,184	-7.3%
Prior-year adjustment	59	0.4%	77	0.5%
Total	2,870	18.3%	3,116	19.0%

The change in the domestic tax rate is caused by a tax rate of 16.5% (19% in 2019) on the first €200 of taxable profit and adjustments on account of expiry of a rate change from 2021.

The net tax rate for the branch outside the Netherlands is higher than the nominal rate in the Netherlands, which leads to an increase in the effective tax rate of 0.1%.

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

Besides a small amount for the Energie Investerings Aftrek (EIA, Energy Investment Tax Credit) (€-33) (€-2 in 2019), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime €-1,270 (€1,182 in 2019).

Other information

Research and development costs (€ x 1,000)

	2020	2019
Personnel and other operating costs	35,345	31,803
Amortisation	857	769
Capitalised costs	-200	-1,256
Subsidies	-1,030	-1,292
Total	34,972	30,024

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

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Research and development costs mostly relate to maintaining current products and services and keeping them up to date. The remaining costs are for research and development in relation to new products or services.

Such development costs are only capitalised if the applicable IAS 38 criteria are met.

Stichting Medewerkerparticipatie Nedap shareholding (items x 1)

	2020	2019
Balance as at 1 January	169,744	140,142
Purchased during the year	13,439	34,046
Bonus shares received	2,131	3,921
Sold during the year	-4,077	-8,365
Balance as at 31 December	181,237	169,744

Shares purchased over the period from 2017 to 2020 are still locked up. Of the 181,237 shares held, 93,171 are still in the locked-up period.

The 93,171 locked-up depositary receipts entitle holders to 16,746 bonus depositary receipts. In 2020, 2,131 bonus depositary receipts were awarded (3,921 in 2019), 27 contingent bonus depositary receipts expired (326 in 2019), resulting in 16,746 potentially awardable bonus depositary receipts at year-end 2020 (15,497 in 2019).

Stichting Medewerkerparticipatie holds approx. 2.7% of the total issued share capital.

Profit appropriation (€ x 1,000)

	2020	2019
Shareholder profit	13,751	24,127
Addition to (-)/ withdrawal from (+) other reserves	803	4,911
Dividend payable on ordinary shares	14,554	29,038

The initial dividend proposal for 2019 was withdrawn on account of the COVID-19 crisis. No dividend was paid for the 2019 financial year.

Independent external audit fees (€ x 1,000)

This item relates to the total fee for services provided by PricewaterhouseCoopers Accountants N.V.

	2020	2019
Audit of the financial statements	266	225
Audit of related contracts	-	-
Taxation	-	-
Total	266	225

Groenlo, Netherlands,
18 February 2021

Board of Directors

R. M. Wegman (CEO)
D. van der Sluijs (CFO)

The Supervisory Board

G. F. Kolff, chairman
J. M. L. van Engelen, vice-chairman
M. Pijnenborg
M. A. Scheltema

This is a translation of the original Dutch Annual Report 2020. The independent auditor (PwC) did not establish that this copy is identical to the official version and is not obligated to do so. Therefore, the auditor's report does not cover this copy, but only the official version. In the event of any conflicts or inconsistencies in interpretation, the official Dutch annual report shall prevail. No rights may therefore be derived from this version.

6.3 Audit certificate issued by the independent auditor

To: the General Meeting of Shareholders and the Supervisory Board of Nedap N.V.

Statement on the 2020 financial statements

Our opinion:

In our opinion:

- the consolidated financial statements of Nedap N.V. provide a faithful representation of the size and composition of the group's equity at 31 December 2020 and of the profit and cash flows for 2020, in accordance with the International Financial Reporting Standards as adopted in the European Union (EU-IFRS) and with Title 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Nedap N.V. provide a faithful representation of the size and composition of the capital of the company at 31 December 2020 and of the profit for 2020 in accordance with Title 9 of Book 2 of the Dutch Civil Code.

What we audited

We have audited the 2020 financial statements of Nedap N.V. in Groenlo. The financial statements comprise the consolidated financial statements of Nedap N.V. and its subsidiaries ('the group') and the company financial statements.

The consolidated financial statements are made up of:

- the consolidated balance sheet as at 31 December;
- the following statements for 2020: 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 shareholders' equity; and
- notes with the main accounting principles used for financial reporting and other explanatory notes.

The company financial statements are made up of:

- the balance sheet of Nedap N.V. at 31 December;
- the statement of profit or loss of Nedap N.V.; and
- notes with the accounting principles used for financial reporting and other explanatory notes.

The financial reporting system used in preparing the consolidated financial statements is EU-IFRS and the relevant provisions from Title 9 of Book 2 of the Dutch Civil Code, and the system used in preparing the company financial statements is Title 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We have performed our audit in accordance with Dutch law, including Dutch auditing standards. Our responsibilities under these laws and standards are described in the 'Our financial statements audit responsibilities' section. We are of the opinion that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinion.

Independence

We are independent of Nedap N.V., as required by the European regulation regarding specific requirements for statutory audits of the financial statements of public interest entities, the Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*, Wta), the Regulation regarding the Independence of Accountants in the case of Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten*, ViO) and other independence rules under Dutch law relevant to the engagement. We have furthermore complied with the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants* (VGBA)).

Our audit approach

Summary and context

Nedap N.V. is a company that develops, manufactures, or has third parties manufacture, and markets technologically innovative products and services. Nedap's development activities are primarily based at its headquarters in Groenlo, in what are known as business units. In all, the group has eight international sites that provide sales support for its products and solutions. A significant part of the product manufacturing operations have been outsourced to specialist partners. There is little remaining product

manufacturing at Nedap's proprietary production site in Groenlo.

As the group is made up of several group units, we have carefully considered the scope and approach of the group audit as specified in the section entitled 'The scope of our group audit'. In our audit, we focused specifically on the primary site in Groenlo because it represents individual financial significance. We also conducted an audit of the Hong Kong site (Nedap Asia Ltd.) and performed specific work for the site in the United States (Nedap Inc.).

In designing our audit approach, we set the level of materiality and identified and estimated the risk of the financial statements containing material misstatements. Special attention was paid to those areas where the Board of Directors has made important estimates, such as significant estimates where assumptions are made about future events that are inherently uncertain. In the accounting principles used for the financial statements, the company explains the estimated items and main sources of estimation uncertainty. We have, therefore, designated capitalisation of developments costs as a key point for our audit, as detailed in the 'The key points of our audit' section. This relates primarily to the extent of the research

and development costs incurred by the business units in developing new propositions and the uncertainty with respect to future economic benefits generated by these propositions.

We have furthermore designated the audit of revenue recognition as a key point of our audit. The diversity in terms of revenue streams, combined with the largely informal nature of internal auditing of these streams, has led us to devote particular attention to auditing revenue recognised in the financial statements. This key point is also detailed in the 'The key points of our audit' section.

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. Further focus points in our audit that we did not designate as key points included the assessment of the impact of the COVID-19 pandemic on the collectability of trade receivables and the company's continuity, migrations in the IT environment as part of the Financial Excellence programme, measurement of inventories, the audit of deferred and other tax positions, and the recognition of share-based remuneration.

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

In general terms, our audit approach was as follows:

Materiality

The scope of our audit is influenced by the application of materiality. The concept ‘material’ is explained in the ‘Our financial statements audit responsibilities’ section.

Based on our professional judgement, we determine the quantitative boundaries for materiality, including materiality for the financial statements as a whole, as set forth in the table below. These boundaries, as well as the qualitative considerations in this respect, help us determine the nature, timing and scope of our audit activities for the individual items of and notes to the financial statements and to evaluate the effect of identified misstatements,

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Materiality

- Materiality: €840,000.

Audit scope

- The group audit focused mainly on the units Nedap N.V. (company) and Nedap Asia Ltd.
- We have audited all the financial information of these group companies separately.
- In addition, Nedap Inc. was included in the scope of the group audit with a view to achieving adequate coverage for the audit of individual items of the consolidated financial statements.
- Audit coverage: 91% of consolidated revenue, 83% of the consolidated balance sheet total, and 94% of the result before taxation.

Key points

- Capitalisation of development costs
- Audit of revenue recognition

both individual misstatements and all misstatements jointly, both on the financial statements as a whole and on our opinion.

We also factor in misstatements and/or possible misstatements that we think can be of a material nature for qualitative reasons.

We have agreed with the Supervisory Board to report any misstatements revealed by our audit that involve an amount of over €40,000

reclassifications of over €315,000 to the board, as well as minor misstatement that we consider to be relevant for qualitative reasons.

The scope of our group audit

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

We have determined the scope of our audit to ensure that our audit activities are sufficient

to be able to form an opinion on the financial statements as a whole. In doing so, we considered, among other things, the group's management structure, the nature of the operations of the various business units, the business processes and internal controls, and the industry in which the company operates. Based on these considerations, we determined the nature and scope of the work to perform for the business units by the group team and the respective business units' auditors.

Materiality for the group

€840,000 (€850,000 in 2019).

How materiality has been set

We determine the level of materiality based on our professional judgement. As a basis in arriving at an opinion on materiality, we use approx. 5% of the result before taxation.

Considerations in choosing the benchmark

We used the result before taxation as the primary, generally accepted, benchmark based on our analysis of the common information needs of users of the financial statements. Consequently, we are of the opinion that the result before taxation is a key figure in the company's financial performance.

We also used the result before taxation in the previous year, but there was a one-off book profit on the sale of Nedap France in 2019, which we had not incorporated into our materiality calculation due to the unusual nature.

Materiality for group companies

We allocated a level of materiality to the group entity 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 Nedap Asia Ltd. group entity was €200,000.

The group audit focused mainly on the units Nedap N.V. (company) and Nedap Asia Ltd. We have audited all the financial information of these group companies separately. In addition, Nedap Inc. was included in the scope of the group audit on specific aspects, with a view to achieving adequate coverage for the audit of individual items of the consolidated financial statements.

We directed Nedap Inc.'s local auditor in the United States through instructions to perform specifically agreed audit activities with respect to cash and cash equivalents, accounts receivable, inventories, accruals and deferred income, provisions, revenue, fraud risks, and shareholders' equity to obtain sufficient coverage for the audit of these individual items of Nedap N.V.'s consolidated financial statements. We talked to the local management. We also had various meetings with the local auditor to evaluate the adequacy and execution of their audit approach.

In total, our audit activities achieved the following coverage of the following items in the financial statements:

Revenue	91%
Balance sheet total	83%
Result before taxation	94%

Of the group companies that were not in scope for this audit, none represent more than 3% of the consolidated revenue, the consolidated balance sheet total, or the result before taxation. 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 company was 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 in Hong Kong. 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. As the group auditor, we had regular meetings with Nedap Asia Ltd.'s local auditor to discuss the risks, the audit approach, progress of the audit, and findings and conclusions based on the reports we received. We evaluated the audit activities against the instructions we had sent. To close the year, we discussed the financial results, (key) estimates used, and audit findings with the local board and auditor.

Consolidation of the group, notes to the financial statements, and a number of complex aspects, including the audit of capitalised development costs, deferred and other tax positions, and recognition of share-based remuneration, were audited by the group team.

The aforementioned work at the various (group) companies, combined with supplementary work at group level, gave us sufficient and appropriate audit evidence relating to the group's financial information as a basis for our opinion on the financial statements.

Key points of our audit

In the key points of our audit, we describe matters that, in our professional opinion, were the most important in our audit of the financial statements. We briefed the Supervisory Board on the key points. The key points do not constitute a comprehensive reflection of all risks and points that we identified and discussed during our audit. We have detailed the key points in this section, along with a summary of the work we performed in relation to each key point.

We designed our audit activities in relation to these key points in the context of the financial statements audit as a whole. Our findings and observations on individual key points must be considered in that context, and not as separate opinions on these key points or specific elements of the financial statements.

The ‘Capitalisation of development costs’ and ‘Audit of revenue recognition’ key points are inherent to the nature of the company.

The key points did not change compared to the previous year. The development of the business, the company’s performance, and our audit of the financial statements do not give grounds for additional key points.

Key points

Capitalisation of development costs

Details of the intangible fixed assets are included in note 1 to the financial statements.

Research and development for new propositions is part of Nedap N.V.'s core business. Costs incurred for research are charged directly to the profit/loss. The development costs for propositions that have been confirmed to be technically feasible and that have sufficient market potential are administered for each proposition separately.

Based on the internally defined capitalisation criteria, which comply with IAS 38, a decision is made for each individual proposition whether the development costs can be capitalised as intangible fixed assets. If the costs do not comply with the capitalisation criteria, they are charged directly to the profit/loss.

At year-end 2020, the capitalised development costs totalled €1.5 million (€2.1 million at 31 December 2019). In the statement of profit or loss, an amount of €35.0 million (€30.0 million in 2019) in research and development costs has been charged to the profit/loss. As detailed in the 'Other information' section of the consolidated financial statements, these costs relate mainly to maintenance, upgrades, and further development of existing propositions in Nedap's case, and to a lesser degree to actual new proposition research and development.

The difference between developing a new proposition and further developing and/or performing maintenance on an existing proposition cannot always be established factually. Furthermore, it is uncertain whether propositions will actually deliver economic benefits in the future. Given these aspects, as well as the material amounts involved in research and development, we have designated the capitalisation of development costs as a key point. Our audit is primarily of a data-driven nature.

Our audit activities and observations

We tested the management's estimate of the capitalisation of development costs based on the capitalisation criteria from IAS 38, interviews with the employees and managers involved, meeting minutes, and public sources. We also examined internal research and development cost administration and control processes. Given that the internal controls at transaction level are not always laid down formally and/or visibly, we checked the records at proposition level in a data-driven way and for each business unit separately.

We verified the accuracy of the development costs that were capitalised by checking the current principles for capitalisation, including the assessment of the principles and assumptions regarding the technical feasibility of the propositions and the management's analysis of the future economic benefits.

With respect to the completeness of the capitalised development costs, we selected various propositions based on partial observations and size and established based on interviews, project plans, progress reports, and other documentation (such as a tax rebate under the Dutch Research and Development (Promotion) Act (Wbso)) whether the principles based on which the decision was made not to capitalise these propositions and development costs comply with the criteria of IAS 38.

Based on our critical judgement of the explanatory notes and justifications for each proposition, we can accept the development costs capitalised by the management.

Key points

Audit of revenue recognition

Details of revenue are provided in note 15 to the financial statements.

The revenue of Nedap N.V. is generated through several types of contract with elements of product delivery, service provision (consisting of subscriptions, maintenance contracts and licences) and combinations thereof, all of which have a separate transaction price. The agreed performance obligations have a potential impact on when to recognise the revenue generated, as per the requirements of IFRS 15.

In the organisational culture of Nedap N.V., informal checks and balances, such as the Board of Directors' and the management's close involvement, are key elements of the governance and internal control system. Internal checks at transaction level are not always formally or visibly recorded as such.

The diversity of business units, types of contracts, and informal internal control have led to us focusing a significant part of our efforts on verifying the accuracy and completeness of the revenue recognised in the financial statements. Our audit is primarily of a data-driven nature.

Our audit activities and observations

We checked the accuracy of the revenue streams through our own detailed observations in the form of checks (based on partial observations) of revenues recognised in the general ledger against performance obligations and transaction prices in the underlying sales contracts, delivery documents, sales invoices, and funds received.

As far as the completeness of revenue obtained from the supply of products is concerned, we have checked the expected connections between sales, procurement, production and inventory movements through data analyses and partial observations of underlying procurement and sales transactions. In verifying such connections, we also attended stocktaking.

We audited the completeness of revenue generated through services, depending on the nature, by looking at the various registers, including the maintenance contract registers and registers of licenses generated. The completeness of these registers was checked by comparing them to the databases of actually provided services and contracts signed. In turn, the completeness of these databases was checked by evaluating the segregation of duties between the registering and controlling functions.

We did not find any material misstatements.

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:

- About Nedap
- Developments in 2020
- Business units
- Governance
- Report of the Supervisory Board.

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, and
- 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, Article 2:135b(7) of the Dutch Civil Code and Dutch Accounting Standard 720.

This work is not equally in-depth as our audit work on the financial statements.

It is the Board of Directors' responsibility to compile the other information, including the Directors' Report and other information as specified in Title 9 of Book 2 of the Dutch Civil Code and the remuneration report as specified in Articles 2:135b and 2:145(2) of the Dutch Civil Code.

Statement regarding other legal and regulatory requirements

Our appointment

We were reappointed by the Supervisory Board as the external auditor of Nedap N.V. for a period of three years up to and including the 2021 financial year following a resolution by the General Meeting of Shareholders of 4 April 2019, which will be reconfirmed by the shareholders on an annual basis. We have now been the company's auditor for a period of five consecutive years.

No prohibited services

To the best of our knowledge and in our firm belief, we have not provided prohibited services as defined in Article 5, paragraph 1 of the European regulation regarding specific

requirements for statutory audits of financial statements of public interest entities.

Services provided

We have not provided the company and its subsidiaries with non-auditing services alongside the audit of the financial statements in the period covered by our statutory audit.

Responsibilities relating to the financial statements and audit

Board of Directors and Supervisory Board responsibilities for financial statements

The Board of Directors is responsible for:

- preparing and presenting a faithful representation of the financial statements, in accordance with EU-IFRS and Title 9 of Book 2 of the Dutch Civil Code, as well as for
- ensuring such internal control as it deems necessary in order to allow the preparation of the financial statements without material misstatement resulting from fraud or errors.

In preparing the financial statements, the Board of Directors is required to consider whether the company is able to continue its operations as a going concern. Based on the aforementioned reporting systems, the Board of Directors is required to prepare the financial statements

based on the going-concern assumption, unless the Board of Directors intends to wind up the company or to terminate business operations, or when termination is the only realistic alternative. In the financial statements, the Board of Directors must provide notes to events and circumstances that could lead to serious doubts about whether the company can continue its operations.

The Supervisory Board is responsible for supervising the financial reporting process at the company.

Our financial statements audit responsibilities

Our responsibility consists of planning and executing an audit engagement in such a way that we obtain sufficient and appropriate audit evidence to justify the opinion we are asked to issue.

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole contain material misstatements as a result of fraud or errors and to issue an audit certificate specifying our opinion. Reasonable assurance is a high level of, albeit not absolute, assurance, and we may therefore not have identified all material misstatements in our audit.

Misstatements can arise as a result of fraud or errors and are considered material if they can in all reasonableness be expected to influence, either separately or collectively, economic decisions that users make based on these financial statements. The materiality of misstatements affects the nature, timing and scope of our audit, and the evaluation of the effect of identified misstatements on our opinion.

For a more detailed description of our responsibilities, please refer to the appendix to our audit certificate.

Amsterdam, 18 February 2021
PricewaterhouseCoopers Accountants N.V.

Original signed by
Mr R. P. R. Jagbandhan RA

Appendix to our audit certificate for the 2020 financial statements of Nedap N.V.

We have performed this audit in a professional and critical manner, using our professional judgement, wherever relevant, in line with Dutch auditing standards, ethical principles and independence requirements. Our audit included:

- Identifying and assessing the risk of the financial statements containing material misstatements due to errors or fraud, designing and executing audit activities in response to such risk, and acquiring audit evidence that is sufficient and appropriate as a basis for our opinion. Material misstatements are more likely to go unnoticed in the case of fraud than in the case of errors. Fraud may be a case of collusion, forgery of documents, intentionally omitting to record transactions, intentionally misrepresenting matters, or breaching internal controls.
- Obtaining insight into the internal controls that are relevant for the audit, with a view to selecting audit activities that are consistent with the circumstances. These activities are not intended to produce a judgement on the effectiveness of the company's internal controls.

- Evaluating the appropriateness of accounting policies used for financial reporting, and evaluating the reasonableness of estimations made by the Board of Directors and associated notes in the financial statements.
- Assessing whether or not the going-concern assumption used by the Board of Directors is acceptable. Also, to establish, based on audit evidence obtained, whether there are events and circumstances that could lead to reasonable doubt about whether the company could continue its operations as a going concern. If we were to conclude that there is material uncertainty in this respect, we would be required to draw attention to the relevant related notes to the financial statements in our audit certificate. If such notes were to be found to be inadequate, we would have to adjust our audit certificate. Our conclusions are based on audit evidence obtained up to the date of our audit certificate. Future events or circumstances may, however, lead to a company becoming unable to maintain itself as a going concern.
- Evaluating the presentation, structure and contents of the financial statements and notes thereto, and evaluating whether the financial statements provide a faithful representation of the underlying transactions and events.

Given our ultimate responsibility for the opinion, we are responsible for the management, supervision and execution of the group audit. In this respect, we have determined the nature and scope of the work to perform for the business units, with a view to ensuring our audit activities would be sufficient to be able to form an opinion on the financial statements as a whole. The group's geographical structure, the size and/or risk profile of the various group companies or activities, business processes and internal control measures, and the industry in which the group operates are all decisive factors in designing our audit scope and activities. Based on this assessment, we have selected the group companies where an audit or evaluation of their financial information or specific items was required.

We liaised with the Supervisory Board on things such as the planned scope and timing of the audit, as well as significant findings from our audit, including possible significant shortcomings in internal controls. In this context, we also issue a statement to the Supervisory Board based on Article 11 of the European regulation regarding specific requirements for statutory audits of financial statements of public interest entities. The information provided in this supplementary

statement is consistent with our opinion in this audit certificate.

We confirmed to the Supervisory Board that we have complied with the relevant ethical principles on independence.

We also disclosed to them any relations and other matters that could reasonably be considered to affect our independence, and discussed measures taken in this respect to guarantee our independence.

We selected the key points of our audit of the financial statements from all matters discussed with the Supervisory Board.

These matters are listed in our audit certificate, unless this is prohibited by law or regulations, or not possible in highly rare cases where non-disclosure is in the best interest of society.

6.4 Articles of association provision regarding profit appropriation in accordance with Article 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 Nedap N.V., based in Vilvoorde, Belgium (trading under the name: Nedap België)

6.5 Companies and management

At 18 February 2021

Nedap N.V. | R. M. Wegman Msc (54)
D. van der Sluijs Msc (EMFC) (49)
Parallelweg 2
7141 DC Groenlo
Netherlands

Business units

- *Healthcare* | G. J. W. Droppers (51)
- *Identification Systems* | J. B. F. van der Willik MSc (37)
- *Light Controls* | J. Somsen (56)
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