



Annual report

2023



nedap

Table of contents

Message from the CEO

Key facts & figures

1. About Nedap

1.1 Nedap in short	8
1.2 The Nedap Story	9
1.3 Our value creation model	10
1.4 Our strategy	12
1.5 People, culture and leadership	17
1.6 Sustainability	19
1.7 Strategic ambition and financial goals Step Up!	21

2. Activities & achievements in 2023

2.1 Progress on our strategy	23
2.2 Progress on people, culture and leadership	27
2.3 Progress on our sustainable impact	32
2.4 Key markets	43
2.5 Other propositions	55
2.6 Financial affairs	57

3. Risk & Governance: how we safeguard value

3.1 Business integrity	62
3.2 Risk management	69
3.3 Corporate Governance	78

4. Report of the Supervisory Board

4.1 Report of the Supervisory Board	95
4.2 2023 remuneration report	110

5. Financial Statements

5.1 Consolidated financial statements	120
5.2 Company financial statements	157
5.3 Independent auditor's report	172
5.4 Profit appropriation	188
5.5 Companies and management	189

6. Other information

6.1 Five-year summary	192
6.2 Nedap shares	195
6.3 EU Taxonomy	198

Disclaimer

This annual report contains the Board of Directors' forward-looking statements and expectations based on current insights and assumptions, which are subject to known and unknown risks and uncertainties. The actual results or events could differ from these expectations due to changes in the economic climate, developments on specific markets, orders from individual customers and/or other developments.

Nedap cannot be required to update the forward-looking statements contained in this version of the annual report or held responsible for doing so, regardless of whether they are related to new information, future events or suchlike, unless Nedap is required to do so by law.

© 2024 – 2025 Nedap N.V. All rights reserved

This version of the annual report is a non-official copy of our original and official 2023 annual report. The independent auditor (PwC) has not certified this copy as being a true copy of the official version, neither are they under an obligation to do so. Therefore, the independent auditor's report does not relate to this copy, but solely to the official version. In the event of any inconsistencies in the interpretation, the official annual report shall prevail. No rights can be derived from this version. The audited and approved version is available in '2023 Annual report – ESEF-package' on <https://nedap.com/investors/publications/>.

Message from the CEO

In a world where the pace of change has never been faster, 2023 stood out as a year of dynamism for Nedap. From geopolitical shifts and economic fluctuations to the rapid evolution of technology, the landscape in which we operate has been challenging, but offered also new opportunities. The resilience and adaptability of our teams, coupled with the strategic agility embedded in our Step Up! strategy, allowed us to further the development of Nedap in 2023. Revenue grew autonomously by 14%. Our recurring revenue increased by 19% and now accounts for 32% of total revenue. At the same time, substantial progress was made in developing and implementing the Step Up! strategy.

Supply Chain

The year 2023 continued the trend of much volatility in the supply chain. After experiencing disruptions with component suppliers in 2021, the core of these challenges shifted to our production partners in 2022. Thanks to the concerted efforts of all parties involved, we managed to significantly increase our product deliveries at the beginning of 2023, successfully catching up on delivery backlogs. This led to a 20% increase in revenue in the first three quarters of the year.

However, this strong growth in our deliveries led to our partners and customers reaching capacity limits in installing and commissioning projects with our solutions. Moreover, softening of market conditions towards the end of 2023 led to a softened demand for some of our products. As a result, our customers adjusted their order levels downward. Therefore, just as our delivery capacity had significantly expanded, we were required to take measures to slow down the supply chain at the end of the year.

Step Up!

Despite operational challenges, good progress was made with the Step Up! strategy. We benefited from the decision to have our strategy developed and implemented in parallel. This balanced approach enhances our agility and ensures we do not lose sight of our long-term strategic direction within a highly dynamic market.

Over the past year, we further refined and enriched our strategic plans. For each of the four key markets (Healthcare, Livestock Management, Retail and Security Management), strategic plans and objectives have been formulated and shared within the company. Also, in our Identification Systems and Light Controls business units, we are implementing a clear strategic direction with the aim to improve operating margins. We completely phased out activities in the pig sector in the financial year. As regards the Flux proposition at Staffing Solutions, it has been decided to reduce investments in line with the commercial opportunities. The acquisition of MediKIT, a general practitioner information system, opened up a new sector for Nedap in the Dutch healthcare market, introducing new growth opportunities in this key market.

We continued investing in our scale propositions, a strategic choice reflecting our commitment to long-term growth and market leadership. This focused investment in combination with the costs associated with scaling down non strategic activities has put pressure on our EBIT margin in the short term, but are starting to have a greater effect on the speed at which the organisation develops. We are confident that this strategic focus within our proposition portfolio will not only enhance our market position, but also deliver long-term value to our stakeholders.

By deploying more development and commercial capacity for selected propositions and markets, our competitive strength has increased and we managed to further expand our positions in the four key markets in 2023. We are therefore well positioned to make the most of the growth opportunities in these markets in the coming years.

One Nedap

We are increasingly successful in combining the entrepreneurship and market orientation of the business units with the execution power of the entire Nedap organisation. Nedap-wide knowledge, experience, and insights are better utilised in designing and selling propositions. This accelerates development processes and improves the quality and customer value of our solutions.

Important topics like cyber security, new sustainability legislation, SaaS as a platform and people development are now being addressed Nedap-wide. We have made significant progress in ensuring that the Nedap perspective is leading and that these themes are no longer considered only in the context of the individual business units. This approach embraces market focus and entrepreneurial spirit, while leveraging the collective strength of the entire Nedap organisation.

Rise of AI

The introduction of ChatGPT marked a milestone in the development of artificial intelligence. The emergence of this technology will have a major impact on the markets in which we operate, on our supply chain, and certainly on our own Nedap organisation and processes. This paradigm shift will create new market opportunities and at the same time be accompanied by new risks. We therefore decided in March 2023 to make this theme a focus area within Nedap and to set up the AI task force.

The AI task force aims to facilitate the adoption of AI within Nedap and build close ties with leading parties in this field. At the same time, legal and ethical aspects of using this technology are incorporated into Nedap-wide guidelines and supporting agreements. New insights and experiences gained are rapidly shared within the organisation. This is a striking example of how we combine the entrepreneurship of teams with the execution power of the entire Nedap organisation. Meanwhile, many Nedap employees have already gained practical experience of applying AI in their daily activities. Nedap is therefore well positioned to benefit from the opportunities that will arise from this.

Sustainability

In the financial year, further work was done on our sustainability plans. Nedap has always made decisions with a long-term perspective, making sustainability implicit part of our decision making. In 2021, we articulated our view on sustainability in an inspiring policy, fitting with the Nedap culture. Steps have been taken to translate the policy into concrete initiatives, including clear progress indicators and objectives. Throughout the year, attention was regularly paid to sustainability in several ways such as the Sustainability Week in October 2023, a Step Up! day focused on this theme and dedicated posts from management. This ensured that sustainability became more explicitly an integral part of our strategy and daily actions.

Current and upcoming legislation in this area requires significant effort from the organisation. A Nedap team has taken on this challenge and has quickly built up a lot of knowledge of CSRD. By applying our understanding of CSRD, we see an opportunity to embrace the upcoming CSRD and the sustainable reporting standards to make explicit what has always been important to Nedap.

Employees

In 2023, while addressing operational challenges, we designed and implemented extensive organisational changes. Great demands were placed on the expertise and experience of all of us, while at the same time we understood the need to acquire new knowledge and skills. With every success achieved, everyone realised that the bar was raised again. This year proved again that, driven by their sense of responsibility and decisiveness, Nedap employees truly excel in these circumstances.

I would like to thank all my colleagues for their commitment and perseverance over the past year. Together, they form Nedap and I feel privileged to be part of this team. Also, I would also like to express my gratitude to our customers, partners and shareholders for putting their trust in Nedap.

Outlook

With our increased competitive strength, we have further expanded our leading positions in the four key markets and unlocked new growth opportunities. For 2024, unforeseen events notwithstanding, we anticipate further revenue growth for the full year, whereby we expect that this growth will take place in the second half of the year. We reiterate our Step Up! financial ambitions, including an EBIT margin growing towards 15%, albeit with a potential one-year delay due to market volatility affecting revenue development in the short term.

Ruben Wegman, CEO
21 February 2024



Key facts & figures

Key figures¹



Revenue
in millions of €

262.4

+14%

2022: 229.5



Earnings per share
x €1

3.31

2022: 2.87



Number of employees

1.013

2022: 909



Recurring revenue
in millions of €

84.1

2022: 70.6



Dividend per share
x €1

3.20

2022: 3.00



Added value per FTE
x €1,000 per FTE

198

2022: 186



Operating margin

10.4%

2022: 10.3%



Return on invested capital

31%

2022: 30%



R&D expenditure
as % of revenue

18%

2022: 18%

¹ The figures for 2022 have been adjusted as a result of the deconsolidation of Nedap Beveiligingstechniek B.V.

Key facts



Founded in

1929

Listed on Euronext Amsterdam since 1947



1000+
employees



Headquartered in Groenlo, the Netherlands

Offices in Belgium, China, Germany, Hong Kong, Poland, Spain, the United Arab Emirates, the United Kingdom, and the United States.



High-tech company



4 core technologies

Connected devices
Communication technology
Software architecture
User experience



Shared value creation



Leading positions in 4 key markets



A culture of innovation



Highly educated and dedicated employees

1. About Nedap



1.1 Nedap in short

Nedap is an international high-tech company that creates high-quality, innovative solutions. With our in-depth knowledge of four core technologies: connected devices, communication technology, software architecture and user experience, and our people-centred approach, we distinguish ourselves in the market. Our revenue is partly generated from the sales of products and systems (non-recurring) and partly from software subscriptions (licences) and services sold (recurring).



We operate in four key markets: Healthcare, with software services that support healthcare institutions in the Netherlands in planning, registering and administering care; Livestock Management emphasising automation based on individual animal identification globally; Retail with global RFID solutions for optimised inventory management, simplified shop processes and prevention of shrinkage; and Security Management offering access control and global security systems. Our people-centred approach to technology and innovation drives progress and efficiency in these diverse sectors.

1.2 The Nedap Story

We are passionate about technology and how it can help people be happier and more successful in their professional lives. This is what we call *Technology for Life*. This is our goal and what drives us in everything we do.

In order to develop technology that has a tangible impact on people's professional lives, you need a people-driven approach. Our motto is therefore: *first people, then technology*.

Developing and delivering Technology for Life is by no means simple. It takes effort, conviction and perseverance, because it will often be years before getting it right. This calls for a long-term perspective, a perspective that we have branded *Urgent Patience*: working full of energy and focus every day, combined with the required dose of patience and perseverance. A solid financial basis and a robust portfolio of propositions are key preconditions for us to be able to adopt this perspective.



We are committed to a sustainable approach. This means that we create sustainable value for our customers, our environment and for ourselves. The way we see it, our market share reflects our relevance in our customers' professional lives, and so we aim for market leadership in the markets in which we operate. Whenever we are convinced of a proposition's potential, we have the patience and perseverance needed to develop market-leading propositions.

Market leadership translates to high added value per employee, which is a key success indicator for us, as it shows how effective we are when it comes to turning our technological expertise and market insights into sustainable impact.

Thanks in part to this high added value per employee, we are able to keep investing in what sets us apart: our people, our culture and our leadership vision. This is how our people are the engine of our sustainable long-term value creation.

1.3 Our value creation model

Our resources



Human capital



Intellectual capital



Financial capital

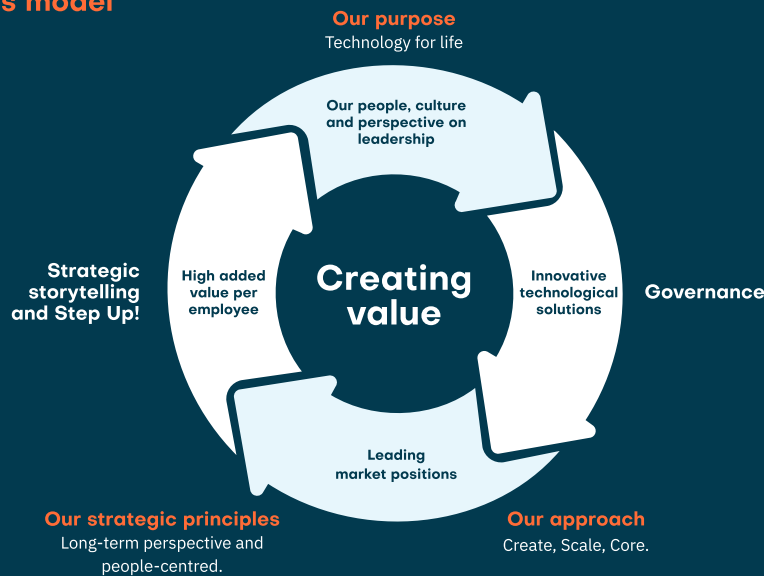


Social and manufactured capital



Natural capital

Our business model



The value we create

- An attractive, inspiring, safe and inclusive work environment.
- Thriving creativity and entrepreneurial skills.
- Continuous talent development.
- Development of high-quality, innovative, safe, and sustainable propositions.
- Technology that enables professionals to work more enjoyably and successfully.
- Well-balanced proposition portfolio to mitigate technological and business risks.
- Solid financial results, financial returns and tax payments.
- Long-term business continuity.
- A reliable and engaged partner for our suppliers and customers.
- Valuable business for our partners.
- Run a more sustainable business and support our customers in doing likewise.

Sustainable impact



Employees

We all take the lead in our work and talent development.



Customers

Our solutions support our customers in running a more sustainable business.



Products

Minimal negative impact along the entire value chain.



Operations

Net-zero in 2030 for scope 1 and 2.

Our contribution to the UN SDGs



Our value creation model shows how we use the available resources to create value for the organisation, our stakeholders and society. We only consider our propositions, which are innovative technological solutions each and every one, to be successful when they invariably create value: value for people, planet and society, and always in combination with healthy financial results. In this respect, we see market leadership as proof of our relevance in people's day-to-day lives and high added value per employee as an indicator of the success of our value creation process.



1.4 Our strategy

As part of the Step Up! strategy, our strategic principles are written down in the Nedap Story. A new key element in our story was making the pursuit of market leadership one of our strategic guiding principles. Analysis of our proposition portfolio confirmed its excellent growth potential. However, it was also clear that structural acceleration of our growth was necessary to become a market leader in the markets we operate in.

Our organisational structure at the time, based on autonomous business units with decision-making freedom in various business aspects, fostered entrepreneurship and market focus, resulting in a diverse and innovative portfolio. However, the fragmentation of knowledge and capabilities within Nedap across the units hindered the full realisation of our propositions' growth potential. This insight led to one of the objectives of Step Up!: to find an improved way of working within Nedap. One that embraces market focus and entrepreneurial spirit, while leveraging the collective strength of the entire Nedap organisation.

Our new way of working with the strategic drivers *radically clear*, *always deliver* and *full Nedap power* as articulated at the start of Step Up!, is proven to be very useful in steering and inspiring initiatives. This gives us confidence that we are developing a method that facilitates both projects or activities requiring execution from a Nedap perspective and those necessitating razor focus to succeed in a market.

Radically clear

The core of the first strategic driver, *radically clear*, is that we have to be clear in our assumptions, decisions, ambitions and goals. If these are explicit and unambiguous, it becomes easier to share them with colleagues, thus ensuring that everyone across the company is aware of the strategic direction of Nedap, the business units and the teams, and of what is expected of everyone. On top of that, clear plans and actions enable us to reflect on the impact of our choices and steepen our learning curve as a company, empowering us to stay ahead of the competition.

Always deliver

The second strategic driver that is part of our new way of working is *always deliver*. We commit to plans and key milestones. In order to be able to carry out plans and reach milestones, we need to be aware of each other's expectations and keep the promises and agreements we make.

Full Nedap power

Full Nedap power is the third strategic driver. The collective knowledge, talent, experience and capacities must be accessible to all. By making the most of our organisation's collective strength, we aim to unlock the full Nedap power.

Create-Scale-Core model

To facilitate better strategic decision-making, we have made various aspects of our strategic approach explicit. This makes it easier to share our perspective on strategy development and implementation more broadly within our company. A key element in this is the Create-Scale-Core model (CSC). This model fosters sharper strategic discussions about the development, choices, and decisions regarding our propositions.

Create

In the *Create* phase, the main objective is to validate a proposition's market potential and assess whether it gives us the required level of competitive differentiation. The main challenge in this phase is for a small team to engage with the right customers to quickly gauge their response to the proposition and not to hesitate to go back to the drawing board when there is insufficient response from the market. This phase will ultimately result in a validated proposition and a scalable business model with the first paying customers, and that is ready to be scaled up.

Scale

The central objective during the *Scale* phase is to gain the largest possible market share with a proposition. This is when the focus shifts from concept development and business development to sales, marketing and building an organisation that is able to support customers in successfully rolling out and using our solution at their organisations. During this phase, processes are designed to be standardised and scalable.

Core

Once propositions have reached the *Core* phase, it is all about optimising their profitability. This involves continued investment in product innovation and commercial activities, albeit only when investments will produce returns within an acceptable term. This phase also includes ongoing efforts to cut costs and optimise processes.

These discussions led to clear choices within our proposition portfolio, for instance in the number of people we deploy in each phase. For instance, in the Create phase propositions, we now intentionally keep team sizes limited. This forces the team to make sharp choices and allows flexibility in responding to market feedback.

Our experience shows that winning or strengthening market leadership depends on our ability to scale up rapidly when necessary. This is why we engage our employees in a much more concentrated way, resulting in greater focus on a limited number of propositions. Consequently, the number of employees working on our three scale propositions has more than doubled in recent years, (Ons® at Healthcare, SmartTags at Livestock Management, and iD Cloud at Retail), enabling us to increase our growth pace and outpace our competitors.

For Core propositions, we focus on optimising financial returns through targeted investments in innovation and commerce. The goal is to generate earnings that can be reinvested in the create-and scale-phase propositions, ensuring future growth opportunities. It is important not only to deploy the right number of employees, but above all those possessing the right qualities and skills.



Youshuo Yan *Market Intelligence Specialist, Nedap*

“When creating our strategic stories, we leverage a broad spectrum of available information, including our market position, the movement of competitors, market trends and technology development.”

“We also consider the business units’ strengths and resources. In my role, I help the organisation understand the market by understanding the competitive landscape, monitoring market trends and identifying market opportunities. This allows us to constantly sharpen our strategic stories and ensure they are adequate and future-proof.”

Key markets

The success of a proposition depends not only on the quality of the proposition itself, but also on the characteristics of the market we target. The market should suit us in terms of size and structure, offer a clear path to market leadership and provide attractive financial results and sufficient growth potential for the future. Our experience has shown us that when this is not the case, the desired results are not achieved, despite all our efforts. As difficult as this may be for customers, business partners and for the employees involved, we opt to scale down our activities in these markets. Stopping activities frees up people and resources that can have an impact on developing and marketing propositions in other markets.

The following four markets meet the aforementioned criteria and are key markets for us:

- [Healthcare](#)
- [Livestock Management](#)
- [Retail](#)
- [Security Management](#)



Capitalising on paradigm shifts

Nedap's strength lies in its vast experience of adopting new technologies, developing different business, delivery and pricing models, and creating and scaling propositions. This ensures that we truly differentiate ourselves in the four key markets and strengthens our competitiveness.

In our experience, gaining market share through sheer force is difficult and costly. More promising is capitalising on opportunities arising from fundamental market changes, known as paradigm shifts. An example is the current transition in the retail market, where RFID technology is rapidly emerging, replacing RF technology in anti-theft systems. Such developments lead to a redistribution of market positions, often favouring companies that can quickly and effectively adapt to these changes.

Nedap, with its experience across various markets, has become adept at identifying and responding to such paradigm shifts. To successfully capitalise on the opportunities created by a paradigm shift in a market, new and complementary skills are required by the team that focuses on this market. In the case of RFID's emergence in the retail market, alongside RFID knowledge, our experience with Software-as-a-Service from the Healthcare market was decisive in enabling us to move from a number three position in the anti-theft system market to a global leader in the market for RFID-based inventory management systems.

One Nedap

In recent years, our expertises and experience were combined in excellence workstreams, with each workstream focusing on process improvements that contribute to further professionalisation. By now, all workstreams are fully embedded in the organisation and have been dissolved.

Business units benefit from a Nedap-wide approach in which supporting processes, such as for example Finance, IT and HR, are commonly organised, while themes such as cloud operations, artificial intelligence and business development also benefit from a more common, central approach.

But these are topics where different dynamics apply in various markets, the experience level of the team differs and the urgency to act varies. An important part of Step Up! is to find an appropriate way to operate decisively in such situations. A method whereby the knowledge, experience and skills that are present Nedap-wide can be more effectively unlocked and utilised. In our opinion, the solution lies in making sure that those who take on Nedap-wide topics are seen as experts in this field and fully grasp the Nedap-wide perspective. This requires an intellectual flexibility where uniformity is sought, without losing sight of the different dynamics and development stages in the four key markets.

In recent years, therefore, we actively encouraged people to get to know the Nedap perspective, in addition to the perspective of their own business unit or department. The Alignment team, formed by the Board of Directors, the business unit leaders, the HR team captain and the General Counsel, plays an important role in this. The Alignment team itself has also gained more knowledge and understanding of the opportunities and challenges of other parts of Nedap over the past year. Several Step Up! days were organised, involving a wider group of colleagues on strategic themes, such as sustainability and leadership.

A significant effect of these initiatives is that employees understand and appreciate that Nedap can be much more than the sum of its individual parts. Although we are only at the beginning of developing new organisational forms to effectively unlock and make use of expertise and insights, we notice that business units and departments are increasingly seeking collaboration, further increasing Nedap's competitiveness in the various markets.

1.5 People, culture and leadership

The combination of the quality of our people, a culture that empowers people while fulfilling their goals and our distinctive perspective on leadership is at the heart of our competitiveness. Moreover, the growth in added value per employee serves as a crucial indicator of the evolution of our competitive advantage.

We consider Nedap employees a valuable source of added value. This principle guides how we interact with our people. This is why we are committed to building long-term relationships between our employees and the company. We believe it is important that Nedap employees are also shareholders of Nedap. There are several ways in which Nedap employees can acquire certificates of shares (also refer to paragraph 'How we value our people' in [section 2.2](#)). Currently, employees hold over 3% of the shares in the company through Stichting Medewerkerparticipatie Nedap.

We have learned that the added value per employee is determined by the combination of the quality of employees, a culture that enables employees to excel, and our perspective on leadership. We work continuously to strengthen the teams at Nedap. Firstly, by significantly investing in the continuous development of Nedap employees through training, education and development programmes. Additionally, by actively enhancing our appeal to talented individuals and a recruitment process that identifies those who are a good fit with Nedap.

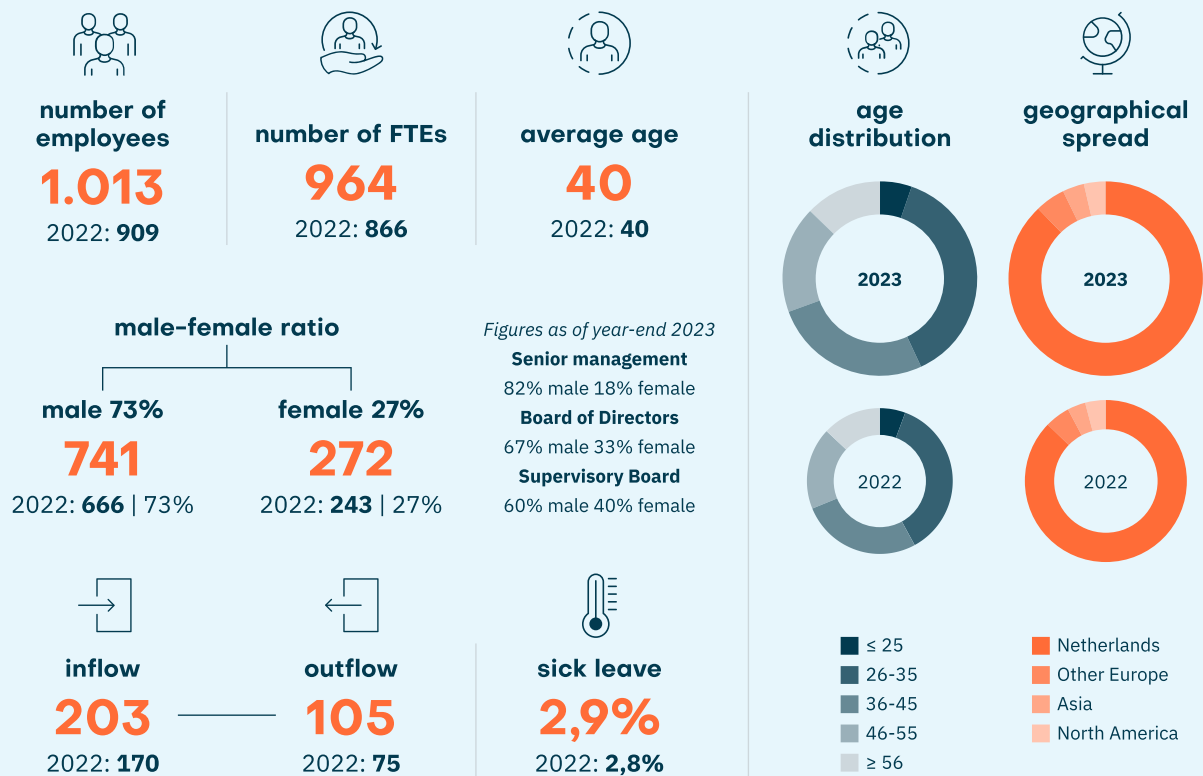


It is crucial that our culture continues to evolve in line with Nedap's long-term direction. Core elements of our culture such as trust, respect, inclusivity and providing space in fulfilling responsibilities remain central. Diversity, Equity and Inclusion is part of our strategic vision, and we seek to make it an integral aspect woven into every facet of our organisation. From our leadership to our employees, from our day-to-day operations to the way we conduct business. As part of Step Up! we are increasing our emphasis on results regarding this subject. This is a delicate process that requires diligence and leadership attention (also, refer to paragraph 'Diversity, Equity and Inclusion' in [section 2.2](#)).

The demands on leadership within Nedap are growing. Nedap leaders are expected to create compelling strategic stories for Nedap and the key markets: inspiring stories that are clear enough to indicate an explicit strategic direction, yet flexible enough to allow people to shape their contributions to achieve realisation. They should also have the skills to translate these strategic stories into concrete plans and ensure these plans are successfully executed.

We have found that leadership is a determining factor in employee performance and personal development. For this reason, leadership and leadership development are strategic priorities within the Step Up! strategy, receiving consistent attention. Several training, education and development programmes are available to support this. These programmes also aim to create leadership throughout the organisation with greater knowledge of Nedap-wide themes and encourage action from this broader perspective.

Employees in 2023



1.6 Sustainability

At Nedap, we have always recognised that [sustainability](#) and a long-term perspective are inextricably linked. Our pursuit of sustainability is not merely a response to external expectations and regulations, it is a core part of our vision and strategy for enduring growth and success. We realise that sustainability extends beyond environmental considerations. It involves the long-term well-being and development of our employees, building and maintaining lasting relationships with our stakeholders in our value chain and continuously improving our products and services to meet their current and future needs.



Shannon Smit *Team lead sustainability, Nedap*

“We are learning fast, through mutual collaboration and shared experiences.”

“The growing number of colleagues joining our cause highlights how much we value this collective effort. Whether it's about making sustainable choices in a restaurant or about the complex requirements of the CSRD, there is much enthusiasm for contributing to progress. It is not the endeavor of a small team but of the entire organisation. That's where our true strength resides.”

While our perspective on sustainability has not changed, we have decided to explicitly articulate and formalise our vision. Our sustainability policy consists of four components: our employees, our operations, our products and our customers. In all four areas, ambitions are being set, targets are being defined, and plans are made to improve the sustainable impact that Nedap makes for its stakeholders.

Current and upcoming legislation in this area requires significant effort from the organisation. Our objective goes beyond merely complying with the general requirements in this field. We have embraced the upcoming CSRD and the sustainable reporting standards to make explicit what has always been important to Nedap. Although the path to compliance with the directives is challenging, we strongly feel that the aim of the CSRD resonates with our culture, long-term perspective and shared ambitions. We find that stakeholders outside our own organisation value this approach as well.

1.7 Strategic ambition and financial goals Step Up!

In summary, our ambition with the Step Up! strategy is to structurally increase the pace at which Nedap develops. We aim to achieve this by combining the market focus and entrepreneurship of our people in the dedicated teams with the overall strength of Nedap. We apply the resulting competitive strength in a strategic way to capture or expand market leadership in the key markets in which we operate.

We take a dynamic approach to our strategy, working simultaneously to adjust and refine it for Nedap and the individual key markets, and ensure it is implemented effectively. This enables us to respond swiftly to new technological and market developments and the opportunities they create. Thanks to our strategic decisions, we are much better positioned to make the most of our propositions' potential.



The aim is to generate solid financial results, enabling us to maintain our long-term perspective and continue to successfully create and market Technology for Life.

The Step Up! strategic plan sets the following financial targets towards 2025:

- 1 Revenue that develops towards annual high-single-digit autonomous growth.
- 2 An operating margin, excluding one-off items, that rises towards 15%.
- 3 Return on invested capital (ROIC) that outgrows profitability.

Safeguarding a long-term perspective and enabling a focus on growth and innovation hinges on a strong financial position, i.e. a financial position that meets the following criteria:

- A solvency rate of at least 50% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target is possible for strategic reasons.
- Profits are paid out to shareholders, after deduction of the amount needed for investments in profitable growth and the intended financial structure.

2. Activities & achievements in 2023



2.1 Progress on our strategy

We benefited greatly from the decision to have our strategy be developed and implemented in parallel. In 2023, we both augmented and sharpened our strategy in several aspects, while also making good progress with its implementation.



In the preceding financial year, we introduced a 'key markets' approach within the organisation as part of the Step Up! strategy. A key market fits Nedap in terms of structure, dynamics and size. Moreover, there should be a clear path to market leadership and the prospect of attractive financial results. The Step Up! strategy is aimed at increasingly concentrating investments in product development and commercial strength in the four key markets. We reconsider activities that do not focus on a key market, adapting our approach based on what is most appropriate and financially beneficial in each case, taking into account the interests of our stakeholders.

A markets and propositions team was set up to support and facilitate the strategic process for our key markets.

Focus on key markets

In 2023, for each of the four key markets Healthcare, Livestock Management, Retail and Security Management, strategic plans and objectives have been formulated and shared within the company. In our key market Healthcare, we've expanded our market presence by acquiring MediKIT, a general practitioner information system, opening up a new sector for Nedap in this market. For the Identification Systems and Light Controls business units, we are implementing a clear strategic direction with the aim to improve operating margins.

These strategic choices within our proposition portfolio result in a significant reduction in the fragmentation and complexity of the proposition portfolio and are starting to have greater impact on the speed at which the organisation develops.

By deploying more development and commercial capacity for selected scale propositions and markets, our competitive strength has increased. We have managed to further expand our leading positions in the four key markets supporting our growth ambition.

Clear choices and focus

After careful research, we decided to scale down our activities in the pig sector. This scale-down is now largely complete, and the Livestock Management business unit can fully focus on the growth opportunities in the dairy sector.

In the previous year we were investigating whether the market we target with the Flux proposition met our requirements for a key market. This year, we concluded that this is not the case. This has led to the decision to reduce our investments in the Flux proposition. We remain in contact with our partners and end customers about how we can best fulfil our obligations.

As of 31 May 2023, we have sold the activities of Nedap Beveiligingstechniek B.V. to Solid Systems Group B.V., a system integrator in the Retail market. Following the sale of Nsecure in 2017 and Nedap France in 2019, this completes the wind-down of our subsidiaries' activities in system integration and maintenance.



These portfolio decisions are based on many considerations. We have learned over the past decades that success is only possible when a team fully commits to the success of a proposition. When things are tough, everyone on the team is expected to show commitment and perseverance. It takes a lot from the team to ask at the right moment whether shifting all the efforts to another market would not produce much greater results. To ensure that this happens, we have fixed moments in the year as part of the Strategic Calendar when such questions are asked.

When the decision is made to reprioritise an activity, we strive to relocate the employees involved within the Nedap organisation. We have seen that these colleagues can add more value to key market propositions with their experience and skills.

AI and Step Up!

2023 was the year when ChatGPT, a new variant of AI, became widely available. The immense speed at which technological breakthroughs are now becoming available and new fields of application are being opened up, underscores the disruptive power of AI. In our key markets, this may lead to fundamental paradigm shifts that are not yet foreseeable. Moreover, it will greatly influence how we organise our administrative, operational, commercial, and development processes. The dynamic approach of the Step Up! strategy now proves to be very useful. We will continuously review and, if necessary, adjust our strategies for each key market and for Nedap as a whole in light of these new developments.



André Foeken *Managing Director Healthcare and Lead AI taskforce, Nedap*

“AI will allow us to keep our teams small. I love working with small teams, focussed on shipping.”

“As a product matures, more and more gets between us and the actual product development. I am hoping AI will strip away those distractions, so we can focus on the important stuff and keep building products that help people be better at the work they do. Naturally, we want to also pay this forward, by integrating AI into our own products, we will do the same for our customers. This is especially needed in the Healthcare sector, where the time of the people who provide care is so preciously limited.”

It is therefore essential that we closely follow developments in this field and promote the adoption of this new technology within Nedap. To this end, the Nedap AI task force was established at the beginning of 2023. The first decision of this task force was to provide all Nedap employees with access to ChatGPT. At the same time, there is a strong focus on creating awareness of the risks in the areas of information security and privacy. We have already established relationships with leading parties in this field (OpenAI, Silo.AI) and concluded agreements aimed at protecting information and defining responsibilities in collaboration. Through the Nedap AI event in June 2023 and other channels, experiences gained within Nedap are quickly shared. The task force is an example of how we use collective knowledge to accelerate activities in the different parts of Nedap.

The emergence of AI applications will create growth opportunities for Nedap. These are the circumstances in which we as Nedap can excel. This is due to the quality and drive of our people combined with a culture where curiosity and entrepreneurship are combined with a great sense of personal responsibility. With leadership that realises that eliminating all risks also eliminates all opportunities. We are therefore convinced that we are well positioned to take advantage of the new opportunities and possibilities that arise and contribute to Nedap's growth.

Progress on financial targets

The Step Up! strategic plan sets the following financial targets towards 2025:

- 1 Revenue that develops towards annual high-single-digit autonomous growth. *In 2023, revenue was up 14% on 2022. All key markets and other propositions contributed to this growth.*
- 2 An operating margin, excluding one-off items, that rises towards 15%. *In 2023, the operating margin came in at 10.4%, compared to 10.3% in 2022. We continued investing in our scale propositions, a strategic choice reflecting our commitment to long-term growth and market leadership. This focused investment in combination with the costs associated with scaling down non strategic activities has put pressure on our EBIT margin in the short term.*
- 3 Return on invested capital (ROIC) that outgrows profitability. *ROIC was 31% in 2023, which is higher than in 2022 (30%). This is a result of an increase in operating profit which was partly levelled off by the acquisition of MediKIT and an increase in working capital.*

2.2 Progress on people, culture and leadership

Recruitment

In recent years, much attention has been paid to professionalising and strengthening the recruitment team. Continual investment has also been made in growing our appeal to potential employees. This has ensured that despite challenging labour market conditions, we have been successful in recruiting talented new employees.

During the year the number of employees exceeded 1,000, and by the end of the financial year 1,013 people (964 FTEs) were working at Nedap. Throughout the year, 203 people joined Nedap, and 105 employees left the company. The average age was 40 years. Of the current employees, 576 (57%) have joined Nedap in the past five years. Currently, the male/female ratio within the company is 73%/27%.

Talent development

In 2023, unabated investment was made in the development of our people. New employees go through the introduction programme, and the 'Nedap Survival Skills' programme is offered to help new employees quickly acclimatise within the organisation and make a valuable contribution. The 'Personal Leadership' programme enables employees to accelerate their personal development.

This year, significant progress has also been made in further developing technical knowledge. With the introduction of the Tech Academy, we aim to boost the development of our people's technical knowledge by bundling all initiatives in this area. This makes it much easier for our employees to understand what is already possible in the field of developing and deepening technological knowledge. A notable highlight was the [TechKnow Day](#). Over 300 participants learned about the development opportunities within Nedap on that day. The substantive part of the day's programme in particular, where colleagues organised introductory and in-depth sessions on a variety of topics, was highly appreciated.

The training and development of employees is an element of our sustainability policy. The target for all employees is to spend at least 40 hours per year on their own development. In 2023, this target was achieved by 52% of our employees (for further information, also refer to paragraph 'Our impact: Employees' in [section 2.3](#)).



Liza Bollen *Learning & Development Specialist, Nedap*

“Achieving our objectives necessitates both personal development and team progression.”

“To sustain our ambition, it's essential to foster team synergy. There's a saying that encapsulates this ethos: ‘If you want to go fast, go alone, if you want to go far, go together’. The same principle holds for career growth.”

Nedap culture

Our company culture stands as a cornerstone for our business, and is one of the reasons why talented people want to work at Nedap. It actively fosters an environment where entrepreneurship and personal development are encouraged. It is important for this culture to be cultivated within the company. At the same time, it is equally important for this culture to remain vibrant and evolve with Nedap's development. Over the past year, many discussions have been held within the company to make Nedap's culture more explicit and identify those elements where a shift would be appropriate to achieve the ambitions of Step Up!.

This has led us to determine that a focus on results should play a more prominent role in our culture. At the same time, everyone realises that changing a company culture is a delicate process that must be done carefully. A major strength of Nedap's culture is that when it becomes clear what needs to be done, it gets done. As a result, clear progress has been made throughout the organisation over the past year on explicitly stating expectations in terms of concrete goals. The importance of achieving goals to build and expand leading market positions is now widely supported.

Leadership

The theme of leadership and leadership development has received more attention in recent years. For example, the Step Up! day in June 2023 was entirely dedicated to the theme of leadership. On this day, the Nedap Leadership Framework was introduced. This model aims to provide a common perspective and vocabulary to facilitate and structure conversations about leadership and leadership development within the company. Based on this framework, various leadership development programmes have been developed to structurally improve the quality of leadership at all levels. Timely identification of people with leadership potential and accelerating their development is now one of the core responsibilities of team leaders.

Diversity, Equity and Inclusion

We devoted much time and attention to Diversity, Equity and Inclusion over the past year, with the aim to developing, documenting and sharing our approach in this area within Nedap. After organising structured discussions on this topic, we translated our insights into a first version of our DEI policy and an action plan. We realised that especially with an important but complex topic like DEI, it is good to gradually gain more insight and policy in this area. With this as a starting point, we established our [Diversity, Equity and Inclusion policy \(DEI\)](#).

Our vision

We recognise that our greatest strength lies in the diverse talents of our team. Our commitment to DEI is fundamental to our strategic vision and has a clear focus on harnessing the full spectrum of diverse perspectives, experience, and available talents. We cultivate an environment where everyone can authentically express themselves and contribute ideas freely, fostering a culture of innovation and continuous improvement. This commitment translates into equitable opportunities for our employees worldwide, and the development of innovative products and services that resonate with our clients worldwide, underscoring our dedication to both diversity and excellence.

We realise that this subject can be viewed from various perspectives. For example, gender is a dimension that has received a lot of attention over the past year. Based on interviews with a broad group of female employees, it was assessed how more understanding could be developed for the differences that may exist between male and female colleagues. The aim is to encourage the advancement of female colleagues into leadership roles and align the male/female ratio more closely with that of the Nedap population.

However, there are more aspects that need attention, such as the development and cultivation of an international perspective and a global mindset. In addition, we are also committed to equity for all our colleagues, with an emphasis on equitable opportunities for women, remote workers and neuro-diverse colleagues within our global teams.

Human Resources

Given the importance of our people, much attention has been paid to strengthening the HR function within Nedap in recent years. In 2023, significant progress was made in better informing Nedap employees about HR matters. A key structural step forward in this regard is that all key markets are now supported by a dedicated person from HR. In addition to professionalising the HR-related processes in the various teams, this has also had the important effect of increasing consistency in the implementation of our Nedap way of working.



How we value our people

Working at Nedap is all about rising to challenges and seizing growth opportunities in a stimulating environment. The high demands we place on our employees in this respect call for a remuneration policy to match.

Employee participation plan

Nedap N.V. offers a generous share scheme, which started in 2010 following the establishment of the Employee Participation Foundation (Stichting Medewerkerparticipatie Nedap). Nedap employees can acquire depositary receipts for shares in the company (“certificates”). Each year, Nedap N.V. makes 6.5% of the profit before tax available to its employees, who can individually decide to use all or part of this profit distribution to buy certificates. The scheme is aimed at aligning the interests of employees and shareholders and promoting a shared interest in Nedap's development as a business.

The opportunity to become a depositary receipt holder fits in with the spirit of entrepreneurship we expect of employees. In 2023, 74% of employees opted in for the plan. The Foundation currently holds 3.3% of Nedap's share capital.

Nedap Additional Participation Plan (NAPP)

In addition to the share scheme, Nedap has an Additional Participation Plan (NAPP), which is running since January 2013 and whereby all employees receive certificates when profits exceed a set minimum. The NAPP is aimed at increasing employees' sense of engagement with Nedap and rewarding them for demonstrated entrepreneurship. It is based on the principle of 'fair sharing of profits' on the financial and intellectual capital deployed. As such, it is a good example of the sustainability principles that are an intrinsic part of Nedap's culture. The NAPP is triggered when the EBIT excluding one-off items outgrows a predefined benchmark by over 5% a year. The threshold value is calculated at the start of the year, based on 5% growth compared to the average EBIT excluding one-off items from the previous three years, with a compound annual growth rate of 5%. 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 certificates.

These certificates are subject to a four-year lock-up period. The threshold for 2024 amounts to an EBIT of €29.1 million (2023: €24.6 million). The NAPP allowed employees a share in the additional profit for 2023 amounting to €1.9 million (2022: €1.4 million).

Collective Labour Agreement

In the financial year, Nedap concluded a one-year collective labour agreement, which took effect on 1 April 2023. A structural salary increase of 6% plus a fixed amount of €25 per month was agreed upon. In addition, it was agreed that employees would receive an additional amount of €900 in 2023.

Employee participation

The works council plays an important role at Nedap. Representing Nedap employees, works council members actively liaise with colleagues. They address and discuss topics such as culture and DEI with the Board of Directors and Supervisory Board. Organisational changes or strategic decisions are always run by the works council at an early stage, and depending on the case at hand, they are also asked for advice or approval. The Board of Directors and the Supervisory Board owe them a great debt of gratitude for their constructive and valuable contribution.

2.3 Progress on our sustainable impact

Sustainability is in our DNA and an integral part of our mission to create Technology for Life. Since its foundation in 1929, Nedap has taken a long-term approach to creating value for people and society, through technological innovation and products built to last. With our focus on creating solutions that make our customers' business models more sustainable, our innovations are increasing the efficiency of sectors, such as the dairy industry, healthcare, inventory management for retailers and security. We strongly believe our quest for commercial success is reinforced by our intrinsic motivation to create technological solutions that make people's work and lives easier.

Our explicit sustainability journey began in 2020, when we set up a dedicated sustainability excellence team. In 2021 we designed a framework in which we identified four focus areas where we want to create sustainable impact: our employees, our operations, our products, and our customers. In 2022, an analysis of the life cycle of our products showed that energy consumption during the use phase of our products has the biggest impact. This insight has already led to new product and software adjustments to cut energy consumption. In 2023, we made further progress in our ambitions for the four focus areas, we kicked off an internal campaign themed 'Do the right thing', and we conducted a double materiality analysis to further align with our stakeholders.

Focus areas

The sustainable impact we want to create in our four focus areas:

1. Our employees

At Nedap, developing and making the most of talent come first. We facilitate a safe and inspiring working environment where development and deployment are encouraged.

2. Our operations

Our own operations are where we can exert the greatest influence. We aim to minimise our operations' negative environmental impact.

3. Our products

Given the fact that what happens beyond our own operations has a greater sustainability impact, we work to reduce carbon emissions across the entire value chain.

4. Our customers

The greatest but also most indirect impact comes from the use of our propositions. We strive to help make our customers' business models sustainable through our propositions.

EcoVadis silver rating

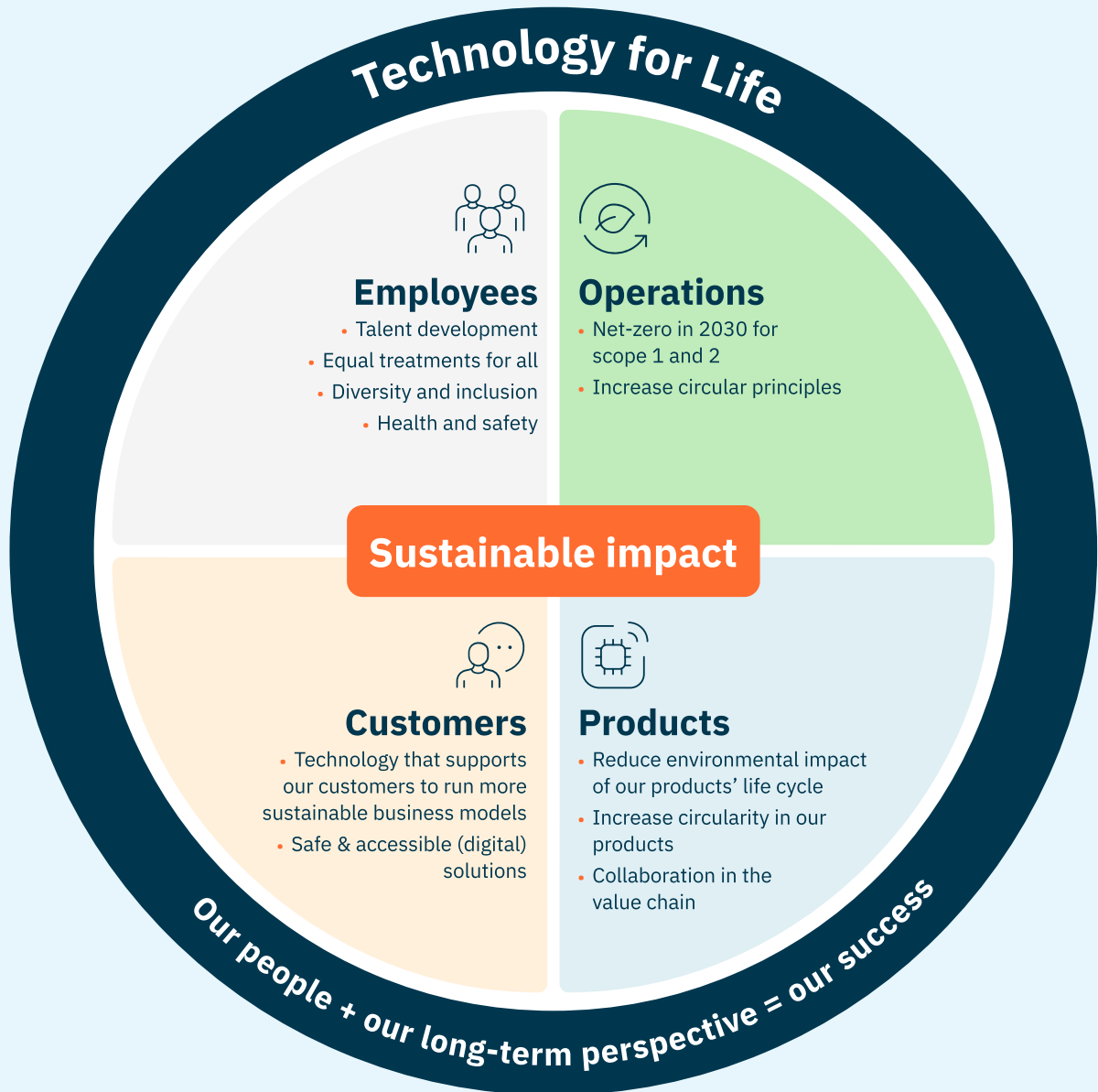
EcoVadis is a globally recognised provider of business sustainability ratings. Our dedication to sustainability has earned us a silver rating, placing us in the top 15% of companies globally. This score reflects our commitment to environmental, social and ethical standards and our dedication to sustainable responsibility.



Double materiality

In anticipation of the introduction of the EU Corporate Sustainability Reporting Directive (CSRD) in the 2024 financial year, we conducted a double materiality assessment in 2023 with the help of a reputable external consulting agency. The objective was to identify Nedap's broader impact, both positive and negative, on people and the environment, and throughout our value chain, in accordance with the directive. This assessment also considered the 'outside-in' perspective, examining how external ESG factors could potentially impact Nedap's operations and long-term viability, thereby ensuring a holistic understanding of our sustainability position. The outcomes were discussed with the Board of Directors and Supervisory Board. We are currently fine-tuning our policies and finalising our data collection requirements for the 2024 financial year. Based on the outcomes, a few minor adaptations were made in our sustainability framework, in which we have categorised the four focus areas where Nedap has the greatest impact.

Sustainability framework



Our impact: employees

Target: 40 hours of development per employee per year.

SDG 8, Decent work and economic growth.

Employees are the cornerstone of our organisation. This mindset comes with the responsibility to provide an environment in which everyone feels comfortable, valued and can flourish. We want our people to continue developing their talents by gaining skills and experience that are relevant throughout their careers, regardless of whether they continue their careers at Nedap or elsewhere. To flesh out this ambition, we have set a target for all employees to spend at least 40 working hours a year on their personal development. In 2023, this target was achieved by 52% of 571 respondents (47% of 386 respondents in 2022).

Diversity, Equity and Inclusion

SDG 5, Gender equality.

When it comes to the composition of our workforce, we aim for a Nedap-relevant composition that reflects the society around us. We also want to ensure that everyone feels safe and heard. One of our initiatives in this respect is an open, employee-founded platform to discuss matters related to Diversity, Equity and Inclusion. Nedap supports this platform with all the necessary resources. In 2023, we defined [our DEI policy](#) based on extensive interviews and discussions with a diverse group of employees.

This policy was adopted at the end of 2023.

Gender diversity

To enhance gender diversity, Nedap has set targets for the male/female ratio on the Board of Directors and the Supervisory Board. Our Supervisory Board composition of two female and three male members adheres to the statutory diversity quota, ensuring a representation of at least one-third female and one-third male. Our Board of Directors, comprising one female and two male members, meets the gender balance target with at least 30% representation from each gender.

We are working towards a target of female representation in our senior management by 2025 in line with the current gender ratio for Nedap as a whole (2023: male 73% and female 27%). Senior management includes, but is not limited to, members of the Nedap Alignment team and other senior managers as determined from time to time by the Board of Directors. The ratio of senior management in 2023 is: male 82% and female 18%.

Nedap supports the advancement of more female staff with leadership qualities and ambitions to management roles. To that end, in 2023, we held in-depth interviews to assess how Nedap can facilitate and support the development of female leadership. By the end of 2024 we will have gathered extensive insights on how best to achieve this.

Please, also refer to the paragraph on 'Diversity, Equity and Inclusion' in the sections [2.2 'Progress on people, culture and leadership'](#) and [3.3 'Corporate Governance'](#).

Health and safety

At Nedap, the health and safety of our people is a top priority. To ensure their safety, we have set up preventive safety and emergency response teams made up of voluntary professionals at our company. Courses were held in 2023 (104 attendees in total) and the team of volunteers was expanded. Nedap also has three confidential counsellors and offers employees the opportunity to talk to an occupational psychologist.

Also refer to [section 2.2](#) for more information.

Our impact: operations

Target: Scope 1 and 2 carbon emissions to net zero by 2030.

SDG 13, Climate change.

Nedap aims to minimise and, where possible, eliminate the negative environmental impact of its operations. We want to reduce the carbon emissions of our business operations (scope 1 and scope 2) and reach net zero by 2030. To that end, we have a roadmap with several key targets, including maximum use of renewable energy, sustainable building management and a fleet of sustainable vehicles.

	2019	2020	2021	2022	2023
Average number of FTEs per year	702	741	775	829	916
CO ₂ per year per FTE, in kilogrammes	2,037	1,296	1,439	1,307	988

For the 2023 financial year, the scope 1 and 2 emissions include all Nedap operations worldwide.

Tons of CO ₂ emission	2019	2020	2021	2022	2023
Scope 1 stationary and mobile combustion	1,242	844	969	825	877
Scope 2 purchased electricity	181	109	146	258	27
Total	1,423	953	1,115	1,083	904

Renewable energy

By 2025, we want to have halved our gas consumption compared to 2019 levels. By 2030, we intend to have stopped using gas altogether. Having procured only green power since 2014, we now want to take this to the next level by being completely self-sufficient where possible in our electricity needs by 2030. We intend to achieve this by using technologies such as heat pumps combined with solar panels.

In 2023, we also carried out a study into the possibility of installing technological solutions that could help reduce the use of natural gas to zero by 2030. The inability of regional and national grid operators to upgrade our power connection to the level needed to achieve this, creates additional challenges in realising our scope 1 emission reduction target.

Sustainable building management

When redeveloping and renovating our buildings, we strive to make these more sustainable by minimising their environmental impact. During the design phase, we look at material choices and assess which existing parts can be retained. When parts cannot be retained, we try to recycle as much of the waste as possible. To save energy, we take measures such as improving the insulation of our buildings, installing heat pumps, air treatment units with thermal wheels, solar panels and LED lighting.

Sustainable outdoor spaces are just as important to us as our offices, so we aim to create environments that contribute as much to biodiversity and water management as to creating a pleasant work environment. In 2023, we transformed the entrance to our head office in Groenlo into a greener and more biodiverse environment, using recycled materials wherever possible. The garden is intended for our employees to relax in, but is also open to the public.

We also focus on waste reduction and separation in our building management and monitor the results of our initiatives in this area. In 2022, the total weight of paper and cardboard waste stood out. This has now been reduced by using recycled cardboard as a filler in our product packaging.

Sustainable fleet

Target: Nedap aims to have phased out fossil fuel-powered company vehicles by 2030.

To achieve this goal, we will stop buying or leasing cars with a fossil fuel combustion engine from 2025, and we are already actively encouraging people to go electric when choosing a new car.

As of the end of 2023, 53% of our fleet is electric or hybrid (2022: 37%). In anticipation of the transition to a completely fossil-free fleet in 2030, we will stop purchasing fossil-fuelled cars from 2025. In concrete terms, this means that 2024 will be the last year in which fossil-fuelled cars can be purchased.

Business travel and commuting

In addition to all of the above initiatives targeting scope 1 and 2 emissions, we are also committed to further reducing carbon emissions from business travel and commuting, i.e. scope 3 emissions.

Environmental awareness of the impact of business travel has increased, and the contribution of employees' commute has been reduced. Working from home is the largest contributor to this reduction.

Despite the potential for carpooling, electric vehicle use and public transportation to reduce our negative environmental impact, a survey among all employees has shown that these options are not always available, to or embraced by, everyone.

This leads us to focus more on other initiatives to reduce commuting such as facilitating working from home and expanding our network of hubs in the Netherlands.

Carbon offsetting

In 2023, Nedap partnered with Justdiggitt to offset unavoidable emissions.

Justdiggitt is a grassroots foundation dedicated to restoring degraded ecosystems in Africa. Its mission is to lead and launch comprehensive landscape restoration initiatives. Nedap is investing in the foundation’s rainwater harvesting projects in Kenya and as of 2023, Nedap will be a Gold partner of Justdiggitt.



Our impact: products

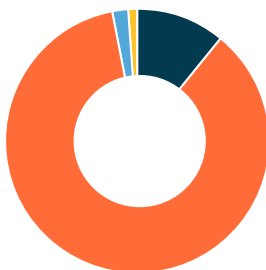
Ambition: Nedap aims to lower negative carbon impact of its products and solutions.

Through various life cycle analyses (LCAs), we've identified the distribution of impact across production, transportation, disposal, and notably, the use phase of our products. A key finding is that reducing the power consumption of our products will have a major impact, not just on newly sold products, but also on our existing installed base. Given the long lifetime of our products, reducing their power consumption is an important driver for lowering the carbon impact.

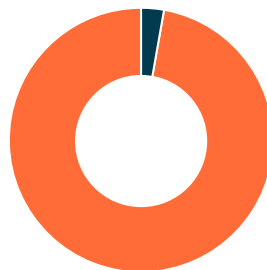
As these are not all activities that we can directly control, achieving our sustainability goals will require cooperation with business partners, suppliers and customers. We must work together to reduce the carbon emissions of our own products and throughout the value chain. The next steps are to analyse the impact of our entire hardware product portfolio in detail, create a plan and set specific carbon reduction targets. These are now being worked on within the key markets and in 2024, a concrete target will be set for the company as a whole.

We present three graphs, each illustrating the environmental impact of a selected product. The graphs offer a visual representation of how each product contributes to global warming potential across different lifecycle stages, from production to end-of-life. By showcasing the environmental impact at each stage, these graphs provide clear insights into where the most significant emissions occur.

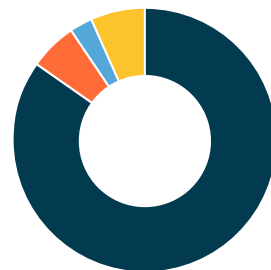
Security Management
(AEOS Blue door controller)



Retail
(iL45 Hybride antenna)



Livestock Management
(SmartTag)



● Production ● Use ● End-of-life ● Other

Based on the findings of the LCA (CO₂) dashboard, product emissions per life cycle phase have been made transparent. This highlights priorities and directions for reassessing the design of existing products and guides us as we develop new sustainable product designs.

Reducing negative environmental impact will become an important part of portfolio management.

LCA methodology

Nedap adopted a pragmatic approach to conduct a portfolio life cycle assessment (LCA), embodying the company's commitment to sustainability. The method employed is a streamlined LCA process that considers all stages in a product's life cycle: raw material extraction, production, distribution, use and end-of-life. Given the extensive nature of our portfolio and the detailed requirements of a traditional LCA, two strategic simplifications were introduced:

- 1 **Portfolio Consolidation:** recognising the inherent similarities among many products in our portfolio, we opted for a consolidated approach. By collaborating closely with our business units, we identified representative products that encapsulate the characteristics of broader product groups, thus acting as a reference.
- 2 **Efficient Data Collection:** for each representative product, data was collected across the five life stages.

This approach provides a holistic view of our product portfolio's environmental footprint while ensuring the process remains both efficient and data-driven.

The results of our streamlined LCA methodology were used to create a pioneering CO₂ dashboard, an internal application where business units can view their product-related insights.

Examples of our contribution

- Retail's Connected Devices addressed the need to help retailers become more sustainable by developing a sleep mode for iSense. iSense sleep mode temporarily disables the transmitters on our devices, resulting in lower energy consumption. We aim to enable sleep mode on all these systems, estimating that an annual electricity saving of approximately 600MWh could be achieved. This equates to about 30% savings during sleep mode. Realising this potential will require a coordinated effort with business partners and customers.
- The new locker management solution, introduced by Security Management in 2022, was enhanced. At night, or when not in use, these locks can be put into power-saving mode and consume 75% less energy while maintaining the required level of security.
- Our proven UV lamp driver technology has brought significant sustainable benefits. In 2023 we expanded the data inputs used to measure the carbon footprint in our product life cycles and we focused on new solutions.

Next steps in 2024

- At present, efforts are being made to develop a second iteration of the dashboard, integrating key improvements and features that align with our long-term sustainability goals. Key focus areas for this development include a refined simplification method as well as an enhanced product data architecture. Furthermore, we are working to create more efficient and streamlined data handling and analysis processes.
- Alignment with CSRD reporting and reduction plans: these enhancements are strategically designed to align the company's operations with the Corporate Sustainability Reporting Directive (CSRD) requirements. By proactively incorporating these features, we are laying the groundwork for more concrete and actionable impact reduction plans.

Sustainable procurement

Responsible procurement is another important pillar of our efforts to reduce the carbon footprint of our products. It is anchored in our code of conduct. We perform audits to check key suppliers' sustainability standards.

Software impact

Target: Nedap's policy is to use data centres with sustainable standards.

Nedap develops and supplies cloud-based software solutions. For these solutions, Nedap uses data centres for data processing and hosting. We aim to use data centres that run on green power, comply with the European code of conduct for Energy Efficiency in Data Centres, and do not seriously harm other EU Taxonomy objectives, such as circularity.

A substantial part of Nedap's software revenue already flows through data centres that meet these standards.

Our impact: customers

Ambition: to embed sustainability in our propositions so that they help to make our customers' business models more sustainable.

We aim to integrate sustainability into the strategic ambitions of our propositions and to enhance the sustainability of our customers' business models through them. When developing new propositions, their contribution to sustainability is therefore an important consideration.



Examples of our contribution

- Our market leadership in healthcare gives us the knowledge, experience and authority to act as a thought leader and architect. Our mission is to use our knowledge to make the sector more efficient. We developed Caren to assist in staying informed about the well-being of loved ones in a care facility and to offer clients the opportunity to stay in touch with formal and informal carers. And we created Nuts, a high-security trust layer for the industry-wide exchange of medical data between healthcare providers, as a non-profit solution.
- Retail's iD Cloud proposition helps prevent waste in the fashion industry.
- Livestock Management's proposition helps reduce carbon emissions per litre of milk produced.
- One of our original equipment manufacturers (OEM) customers developed sustainable technology to extend the shelf life of liquids such as milk and fruit juice through treatment with UV light sources using Nedap's driver technology. Depending on the transparency of the liquid, the new application saves 60%-90% of the energy and 60%-80% of the water used during a pasteurisation process.

Other sustainable initiatives 2023

In 2023, we intensified our sustainability approach and the involvement and knowledge of our organisation in this area grew considerably. Our preparations for the Corporate Sustainability Reporting Directive (CSRD) were instrumental in advancing our objectives and plans and making them concrete.

One of the most notable developments was the growing engagement of Nedap employees when it comes to sustainability. Multiple events were organised to inform, inspire and motivate our colleagues. One example was the Step Up! Day in March, a strategy event that challenged employees to translate sustainability into their own disciplines and markets.

Furthermore, Retail's Connected Devices hardware development team has been actively involved in the Dutch Research Council's (NWO) Circular Circuits project. As part of the project, we are starting a collaboration with Delft University of Technology (TU) called 'Design for Recycling.' The knowledge gained from this project will benefit all other Nedap business units that develop hardware devices.

The Do the right thing theme of our internal campaign emphasises making thoughtful and wise decisions, especially in terms of sustainability. In 2023, an internal website was launched to engage and inform employees around our four focus areas. Other activities were the launch of an internal podcast series and the first edition of the [Do the right thing Festival](#) took place.

2.4 Key markets

Healthcare

Nedap develops and provides software services that support healthcare institutions in the Netherlands in planning, registering and administering. With our Ons® platform we enable care professionals to spend more time providing care, as they can work more efficiently and spend less time on administrative tasks. We are active in elderly care (nursing homes, care homes and home care organisations), disability care and mental healthcare sectors. With the acquisition of MediKIT, Nedap is also entering the general practitioner market. Ongoing investments in the reliability, ease of use and functionality of the software increase the competitive strength of the software solution year by year. With more than 1,700 healthcare organisations using our software services daily, we are the market leader in the Dutch healthcare market.

Developments in 2023

The number of healthcare professionals using our software services daily increased again in 2023. In all sectors in which we operate, we further expanded our position as market leader. We also see excellent growth opportunities in the general practitioner market.

Streamlining the organisation

To accommodate the growth of our position in the healthcare market, the number of employees in the business unit has increased significantly. This requires a different way of organising and managing. In recent years, hard work has been done to implement a new organisational model. The numerous development teams that were previously separate have now been consolidated into larger, care process-oriented teams, such as dossier, logistics, integration and administration. The new structure reduces the fragmentation of development resources and facilitates a focus on optimising integral care processes rather than individual applications in our Ons® platform.

Market driven development

The experience gained over the past year with this new way of working has shown that more valuable development capacity becomes available. This capacity is used to develop and roll out relevant new functionalities faster than before, based on insights from healthcare practice. For each healthcare sector in which we currently operate, a sector manager has been appointed. Their task is to collect, bundle and translate these sector-specific insights into specifications for concrete new functionalities in our software services. This approach not only promotes efficiency but also contributes to continuous customer-focused innovation within our organisation.

In addition, a new process has been started to create one development roadmap for our platform. The goal is to better visualise interdependencies and increase the predictability of delivering new functionalities. This way of working ensures that the functionalities that have the greatest market impact also get the highest priority, and that our customers can count on these functionalities becoming available according to agreement, allowing them to make timely preparations to use the functionality in practice. In this way, we want to help our customers find an answer to the increasing demand for care, staff shortages and the need to reduce healthcare costs.

Network care

Due to this increasing pressure on healthcare organisations, the call to organise care in the Netherlands differently is growing. In this approach, care processes are no longer optimised in each individual organisation, but the entire care in a region is restructured. Working across organisations means the available care capacity can be used more effectively.

We want to play an active role in enabling network care, for example, in regions. An important condition for this is that organisations can easily exchange data about clients. To this end, Nedap launched the Nuts initiative. The goal was to design and build an architecture based on open standards, the design of which is made available free of charge. Nuts finally makes it possible for software suppliers to exchange this data safely and in a controlled manner. Many software suppliers have already embraced the Nuts initiative, making it much easier to connect systems.

A recent example of this network care is the joint provision of care capacity in the evening, at night and at weekends in a region. We are now developing a new functionality that provides healthcare professionals with insight into client dossiers of fellow institutions in the region. This makes it possible to organise care in a region much more efficiently than before.

General practitioner market

General practitioners are often in charge of organising the formal and informal care for their patients, so access to general practitioners and the systems they use is an important condition in developing software that supports network care. We already had plans to enter the general practitioner market. However, this would require a lot of development capacity at the expense of new functionalities on our platform for existing customers. This has prevented us from taking this step so far.

With the acquisition of MediKIT in 2023, we entered a for Nedap new sector in the Dutch healthcare market that offers us excellent growth opportunities. MediKIT is a modern general practitioner information system, that is very user-friendly and fully based on open standards. Moreover, this acquisition significantly improves our strategic position to play a leading role in network care. The integration of the MediKIT proposition has now been successfully completed. The first general practitioners have already chosen Nedap.



Pieter van Tiel *Co-founder, MediKIT*

“We can now use Nedap's knowledge and experience to further develop MediKIT and allow more GP's to benefit from our general practitioner information system.”

Results and outlook

The number of healthcare professionals and facilities using our solutions daily continued to increase in the 2023 financial year, leading to an increase in our revenue as well. We anticipate that, due to the ongoing pressure on the Dutch healthcare market, the demand for smart solutions to save time will only continue to grow. Continual investments in the reliability and functionality of our software services bolster our distinctive capability. We are therefore excellently positioned to further increase our market share and revenue in the coming years. For the 2024 financial year, we also expect further growth in revenue.

Livestock Management

Nedap Livestock Management develops and markets technological solutions for individual animal monitoring and management for the dairy farming industry worldwide.

Developments in 2023

Livestock Management had a dynamic year. As a result of the component scarcity in 2022, the business unit was unable to meet the rising demand for its products in that year. At the beginning of 2023, we managed to increase the volume of product deliveries and quickly caught up on delivery backlogs. This led to our business partners reaching the limits of their capacity for installing and commissioning our systems. In addition, investment appetite reduced due to falling milk prices, rising feed costs and interest rates trending upwards. Both resulted in a decline in the number of orders over the course of the year. After initially facing the challenge of delivering more quickly, we had to reduce our production capacity quickly in the second half of the financial year.

Organisation

In the first half of 2023, the business unit took a major step in sharpening its strategy. Market data supports our estimate that in the coming years, the adoption of technology for automated identification and monitoring of individual animals on increasingly larger farms will accelerate. It is therefore crucial to ensure that the organisation is ready to capitalise on this growth.

In 2023, we continued to intensify our investments in our commercial and support organisation globally. This resulted in us having our own employees on all continents who can support our partners with professional marketing and support materials. Our business partners have seen that our increased activity levels in local markets result in concrete revenue growth for them. This strengthens mutual trust and results in more and more regions inviting us to train and support employees of business partners, positively impacting regional market operations.

We invested in the development team, and a new way of working was implemented for the development processes. The goal is to increase market orientation and to ensure better coordination between teams, thereby avoiding unnecessary delays. But above all to ensure that the available development capacity is deployed for fewer topics so that the right functionality can be brought to the market much faster.

Innovation

We made good progress with our development agenda in 2023. A focal point here is the Nedap Now cloud platform. Nedap Now combines the accuracy and reliability offered by Nedap products installed at the farm with the processing power and scalability of cloud computing. It unlocks new possibilities in cow and herd management, such as detailed data analysis, extended historical data storage and the ability to consolidate data from multi-site dairy farms.

Another major advantage is that it is much easier to disseminate these insights through data integrations so that all relevant parties (farmer, staff, feed supplier and veterinarian) always have access to this data. The Nedap Now cloud platform also enables new functionalities to be deployed much faster than before, accelerating our innovation processes.

Nedap Now also enables other business models. In the financial year, we started offering SmartTag as a service. Within this model, the farmer pays a limited start-up fee and is billed monthly by the business partner through Nedap Now. This gives farmers the opportunity to switch to advanced Nedap technology, where the monthly costs of the Nedap solution can typically be funded from the higher yield per cow that results from the use of Nedap technology. We expect that both pricing models (project investments and SmartTag as a Service) will continue to coexist. Being able to offer both pricing models to meet different needs in the market ensures that sales opportunities increase.



Megan Schrupp *Co-owner, NexGen Dairy LLC*

“Nedap Now enables the use of data to make informed decisions, use preventative strategies and be more proactive with our management.”

“Where previously we would have to be reactive to an event, like a group of cows with lower milk production, we can now get in front of a situation.”

In 2023, we also conducted the first field tests of our solution for detecting lameness in cows based on camera images. When hoof problems in cows are detected earlier, intervention can occur at an early stage. This leads to significant health gains, which directly leads to higher production. The automatic processing and interpretation of camera images based on artificial intelligence offers entirely new possibilities for developing valuable solutions to practical problems and with that, a valuable addition to our existing health insights. The crucial aspects here are not only technically mastering this technology, but also the ability to translate technical possibilities into practical applications that allow a farmer to demonstrably cut costs or increase revenues.

The new milk meter is being applied at more and more farms. The benefits of the milk meter, such as improved udder health and easy installation due to wireless technology, have also proven to exist in practice. However, fully integrating our milk meter into the existing milk installations of our business partners sometimes slows down the speed at which we can bring our solution to the market.

Results and outlook

Livestock Management's revenue grew again in 2023. However, there were two sides to the year. By expanding of our delivery capacity, we quickly caught up on delivery backlogs, giving an impulse to revenue growth in the first half of the year. Due to this growth in delivery, our business partners reached the limits of their installation capacity in the second half of the year. This, combined with the reduced investment appetite in the market, slowed down the level of orders in the last few months of the year, which will have an impact on the revenue in the first half of 2024.

We have invested to capitalise on excellent growth opportunities in this industry in the coming years. However, we expect this market to continue to experience volatility, affecting demand for our products in the short term. For the full year 2024, we expect revenue growth for the business unit, with the largest revenue contribution in the second half of the year.

Retail

Nedap Retail develops and markets RFID solutions that help retailers worldwide in making inventory visible, optimising store processes, and preventing shrinkage. This enables retailers to sell more at lower costs and lower inventories. With iD Cloud, Nedap is a market leader in the rapidly growing market of RFID applications for retailers. Besides the iD Cloud platform, the business unit provides RF-based, conventional anti-theft systems for stores.

Developments in 2023

The retail market was particularly volatile in 2023. Developments varied greatly by region, sector, and individual retailer. After an excellent start to the financial year, economic conditions in the retail market led to delays in purchasing processes.

iD Cloud

Nedap has further expanded its leading role in the market of RFID solutions for retailers. Our strategic decision to develop a single platform solution and not carry out customer-specific projects is beginning to pay off. The basic design of iD Cloud was already to handle large-scale simultaneous use at thousands of stores. This ensures that our solution is very robust and scalable in practice. Even during peak loads in stores, such as Black Friday, retailers can continue to sell without any problems.



Furthermore, we have continuously worked on developing a standardised project approach with all the necessary supporting resources to successfully implement iD Cloud at stores. The goal is to make the threshold for retailers to start using RFID as low as possible. Thanks to this proven approach, we have repeatedly succeeded in rolling out our solution on a large scale. For example, in 2023, a large number of Levi's stores in North America were equipped with iD Cloud in a short time. The 100% success rate of our projects sets us apart from competitors and is an important reason for potential new customers to consider Nedap as their RFID supplier.

In recent years, work has also been done on iD Cloud Supply Chain, expanding our market from stores to distribution centres. The challenge here was the significant difference in the design and working methods of individual distribution centres. For this, we have developed an entirely new dedicated architecture, called Harmony, which offers all the standard functionality of RFID in logistics, but also allows system integrators to add project-specific functionality themselves. With Harmony, we can also respond to opportunities for RFID in other markets. However, we are currently focusing on distribution and logistics within the retail sector, whereby the Harmony technology stack is fully integrated in the iD Cloud platform. This broadening of our iD Cloud platform has increased our relevance among more retailers.

We have further invested in the growth of our team in North America. With a local Nedap team that now possesses all competencies, we have become a serious option for American retailers. This was evident from the enormous interest in our iD Cloud platform during the annual retail fair NRF in New York in early 2024.

Niek Philipson *Director Innovation, Foot Locker*

“The iD Cloud App tells our store teams exactly which items should be displayed and when. This way, we ensure true brand experience and a great moment of shopping at Foot Locker for our customers.”

The great wish of retailers is to use RFID not only for inventory management but also to detect shoplifting. However, in practice, conventional RF technology has performed much better than RFID in terms of detection and reliability. This has long hindered the acceptance of RFID in the retail market. In 2023, Retail launched iD Gate Pro, a groundbreaking RFID detection technology that blends the best aspects of RF technology's reliability with RFID's advanced features. This patented antenna-design allows us to unlock a new part of the market: retailers who have chosen a different software solution but are looking for high-performing RFID hardware. iD Gate Pro therefore offers not only short-term revenue opportunities, but also an excellent starting position to convince these parties of the software part of our RFID platform when they have experienced the capabilities of our technology.

RF systems

The business unit continues to engage in the rapidly growing RFID solutions market. Additionally, we maintain a strong presence in the substantial conventional anti-theft systems market with our RF-based systems. A dedicated team of our own people for development and commerce ensures that opportunities for sales in this part of the retail market are quickly seized. In the long term, this market will decrease in size. But still, through smart and targeted improvements in functionality, cost price and distinctive capability, valuable orders can be secured. By optimising the associated operational activities, these orders can have a positive contribution towards Nedap's financial result in the retail market.

Organisation

To further increase the organisation's impact, it has been decided to split the retail business unit into an iD Cloud team and a connected devices team. This division gives each team its own development and commercial team for RF systems. We are convinced that this is currently the best way to create more focus and increase the organisation's clock speed.

Results and outlook

Nedap Retail achieved revenue growth in 2023. However, economic developments leading to uncertainties in the retail market led to delays in purchasing processes. This had a dampening effect on revenue development, particularly in the second half of 2023. Despite the market's inherent volatility, we foresee that our increased commercial and development capacity will unlock excellent growth opportunities for the coming years. For 2024, we expect revenue to increase, with the second half of the year contributing the most.

Security Management

Nedap Security Management develops access control and security systems for companies and institutions worldwide. The business unit's customer base ranges from organisations in critical infrastructure to office and production environments of multinationals. More than a quarter of all major brands with headquarters in Europe use Nedap's access control system.

Developments in 2023

Throughout the year, the business unit worked hard with our supply partners to catch up on delivery backlogs. This led to a significant increase in the number of hardware devices delivered during the financial year. Consequently, our business partners reached their installation capacity limits over the course of 2023.

Strengthening the proposition portfolio

Over the past few decades, Nedap has built an excellent reputation in the security market in Europe and the Middle East as the leading provider of solutions for managing physical access to premises. The strategy involves investing in continual product innovation, creating more value for the variety of customer groups. This led to the launch of two new propositions in the past year, with which we expect to further expand our footprint and strengthen our leading position in the market for physical access control.



With Access AtWork, the business unit added a Software-as-a-Service solution to its offering. This proposition responds to the growing acceptance of and need for scalable and secure access control in the form of a service. Access AtWork distinguishes itself by drawing upon Nedap's 40 years of experience in access control for the business unit, coupled with 25 years of expertise in developing and delivering secure and reliable SaaS solutions across various markets at Nedap. Access AtWork is designed not only to provide the required security but also to offer convenience for both the security team and the building's users. The proposition has already been implemented at the first organisations.

The current generation of physical access control systems makes it possible to provide automated access to doors quickly and securely based on individual access rights. However, research has shown that managing all access rights in large organisations is becoming an increasingly pressing problem. Besides the efforts associated with this management, it is particularly difficult to maintain an overview and ensure that everyone has the correct current access rights. For this problem, Nedap has developed Pace, a unique solution, introducing it to the European market in 2023.

Pace is a Physical Identity and Access Management (PIAM) system that helps organisations with high authorisation dynamics to manage identities and access smoothly. Its unique authorisation model and intuitive visualisation tools make the task of managing the authorisations of very large numbers of cardholders quicker and easier. Pace works as an overarching system for all access control systems at multiple sites.

Rigo van Eyken *Head of IT, Nextensa*

“Office building Tour & Taxis is used by 40 tenants. It hosts over 1.500 employees and gets over 400 visitors per day.”

“Whereas visitors used to have to sign in at a reception desk, AEOS allows us to shift visitor registration and reception directly to the tenant. Using QR codes, they have everything in their own control. The software ensures our colleagues can work much more efficiently. This is not only much more efficient, but also GDPR compliant. Besides, our old system had no integration capabilities with new technologies. AEOS offers the possibility to secure private parts of a building as well. The huge range of software and integration possibilities offers a lot of potential for our future projects.”

In addition to Access AtWork and Pace, AEOS will remain an important pillar in the proposition portfolio aimed at the security market. Especially at locations with complex security issues and the highest security requirements, AEOS has built a unique position. In the coming years, we will invest in the reliability, security and functionality of AEOS.

At the business partner event in June last year, the two new propositions as well as Nedap Mobile Access were presented. The positive reactions from business partners and the concrete customer projects that are now being worked on jointly confirm the strategy of leveraging continuous product innovation to further expand our competitive advantage. Also, it allows us to offer a wider range of services to our customer base.

Organisation

Now, with a portfolio of three inspiring propositions aimed at the same market of physical security, the business unit is entering the next stage in its organisational development. The organisation that has grown considerably in the last few years has to align its efforts, adopt an agile mindset and focus on servicing our customers in the best possible way. In the financial year, a project was started to design and implement this desired organisational structure and new way of working within the business unit. This project makes intensive use of experience with such transformation processes gained in key markets such as Livestock Management and Healthcare, without losing sight of the specific dynamics within its own key market. The new organisational set-up will be implemented over the course of 2024.

Results and outlook

In 2023, the Security Management business unit achieved substantial increase in revenue, partly due to catching up on delivery backlogs. We therefore expect a dampening effect going forward. With the introduction of the new propositions, the result of ongoing investments in product innovation, Nedap's market position in the security market has been further strengthened. We are therefore positive about the growth opportunities for the coming years. For 2024, however, revenues are expected to be at a similar level to 2023.

2.5 Other propositions

Identification Systems

Nedap Identification Systems develops solutions for the identification of vehicles and individuals. With a wide range of readers, particularly focused on long-distance identification, we have established a strong market position, especially in the security market.

Developments in 2023

The revenue from our reader portfolio developed well in 2023. We focused our efforts on improving operational efficiency as well as commercial optimisation. We made considerable progress in enhancing product availability throughout a growing number of channels, and product innovations have been realised that make it easier for more parties to use our readers.

In the financial year, we decided to bring the investments in the MOOV proposition (access provision to city centers and recreational areas) into line with the commercial opportunities we see. In the short term, it is expected that this change of course will require time and attention from the team while creating more focus on the reader proposition in the long run.

Results and outlook

Implementing the improvements identified in recent years has given a positive impulse to the sales of our reader portfolio, resulting in revenue growth. We see good opportunities for improvement to better align the reader portfolio with market needs, further optimise our supply and support processes and intensify our market operations. Now that the team can fully focus on the reader portfolio, we expect to accelerate our plans in this area and expect further revenue growth in 2024.



Light Controls

Nedap Light Controls is the global leader in smart UV driver technology. UV light is used to instantly cure substances like ink, coatings and resins, and offers an eco-friendly and efficient method for disinfection purposes. Applications for disinfection include drinking water purification, waste and process water treatment.

Developments in 2023

The demand for our UV drivers has grown further in 2023, building on the positive market developments for this proposition. Now that our supply capacity has grown, we can better meet the increased demand and catch up on backup deliveries.

Throughout the year, we had discussions with potential customers, introducing them to the benefits of our UV power supplies at an early stage. It is often difficult to switch to a competitor. We distinguish ourselves from the competition in terms of the reliability, energy efficiency and compactness of our power supply designs. Our sharpened marketing materials better convey the core message of a high-quality product from a high-quality supplier. The effectiveness of our market approach increased in 2023, resulting in more leads.

In 2023, we focused on making our supply chain more robust, leading to better control over the availability of components and reducing operational problems. Our commitment is focused on increasing the reliability of our deliveries and facilitating further revenue growth.

Results and outlook

Thanks to the increased demand for UV drivers in both the disinfection and curing markets, Nedap Light Controls experienced positive revenue development in 2023. We caught up on delivery backlogs and succeeded in attracting new customers for our UV drivers. For 2024, we expect a continuation of this growth trend.

Staffing Solutions

Nedap Staffing Solutions caters to demand for solutions to schedule permanent and flexible workers in a single system and register their working hours efficiently. Our single product, Flux, is a user-friendly solution for companies where flexible staffing is crucial. It can be integrated with payroll systems, allowing for efficient staff scheduling and administration.

Developments in 2023

The revenue of Staffing Solutions remained stable in 2023. Despite the immense dedication and determination of the Staffing Solutions team, it was not feasible to achieve a leading market position for the long term.

Results and outlook

In light of the more competitive market landscape, we have decided to reduce investments in this proposition and bring it into line with market opportunities. In 2024, working with a smaller team, Staffing Solutions will continue to serve Nedap's existing customers effectively.

2.6 Financial affairs

Key Figures

In millions of euros or expressed as a percentage	2023	2022 ¹	Growth
Revenue	262.4	229.5	14%
Recurring revenue	84.1	70.6	19%
Added value as % of revenue	69%	67%	
Operating profit	27.3	23.5	16%
Operating margin ²	10.4%	10.3%	
Profit for the financial year	21.6	18.7	16%
Earnings per share (x €1)	3.31	2.87	15%
Dividend per share (x €1)	3.20	3.00	
	31/12/2023	31/12/2022	
Net debt/EBITDA	0.1	-0.1	
Solvency	61%	60%	
ROIC ³	31%	30%	

¹ The figures for 2022 have been adjusted as a result of the deconsolidation of Nedap Beveiligingstechniek B.V.

² Defined as operating profit expressed as a percentage of revenue.

³ ROIC represents operating profit divided by the invested capital (fixed assets + net working capital).

Revenue

Revenue for 2023 amounted to €262.4 million, which was 14% higher than in 2022 (€229.5 million). Recurring revenue rose by 19% to €84.1 million (€70.6 million in 2022), comprising 32% of revenue (31% in 2022). All key markets and other propositions contributed to this growth. In the Livestock Management, Retail and Security Management key markets, as well as the Light Controls proposition, supply capacity was increased during the year in cooperation with partners. As a result, delivery backlogs accumulated in the previous year were cleared. This led to a catch-up effect in the first three quarters of the year.

Added value was up from €153.6 million in 2022 to €181.0 million in 2023. As a percentage of revenue, added value increased to 69% (2022: 67%). Alongside a positive effect on added value due to the increase in recurring revenue, the margin on product deliveries increased. In 2023, sales prices were more in line with the higher cost prices, which arose due to supply chain disruptions. Furthermore, there was a positive mix effect as a result of scaling down propositions with a lower added value. Positive effects on added value were partly offset by non-recurring costs for the write-down of inventories for propositions being scaled down. These amounted to €0.8 million in 2023. Our added value per FTE rose from €186,000 in 2022 to €198,000 in 2023.

Costs

Employee costs rose by 23% from €91.5 million in 2022 to €112.1 million in 2023. This increase was caused by several factors. Firstly, it was largely driven by the increase in the number of employees. In line with the long-term strategy, targeted efforts have gone into enhancing the strength of scale propositions in our key markets. The number of FTEs increased from 866 at the end of 2022 to 964 at the end of 2023. Secondly, overall salaries per FTE have gone up mainly driven by an agreed indexation of 6% with the effect from 1st of April. Thirdly, temporary staff costs have increased, mainly due to the temporary deployment of additional capacity for catching up on delivery backlogs. Fourthly, the costs arising from employee participation plans increased due to an increase in the operating result. Finally, an amount of €0.8 million has been recognised as non-recurring costs related to propositions being scaled down.



Other operating costs rose from €28.9 million in 2022 to €31.5 million in 2023. General and administrative expenses have gone up, largely in line with the increase in the number of FTEs. Marketing and sales costs decreased from the relatively high level in 2022 that was influenced by non-recurring costs due to the volatile supply chain, among other factors. The 2023 cost level was largely at the same level as in the pre-COVID years. The impact of foreign exchange differences amounted to €0.6 million in 2023, up from 2022 (€0.3 million).

Investments in research and development totalled €46.9 million, representing 18% of revenue, whereby €1.6 million was capitalised (€40.4 million in 2022, i.e. 18% of revenue, with €1.5 million capitalised). These costs mostly relate to maintaining and further developing current products and services. The remaining costs are for research and development in relation to new products or services.

Amortisation and depreciation

Depreciation increased from €8.8 million in 2022 to €9.7 million in 2023 due to investments in our campus at the head office in Groenlo. Amortisation amounted to €0.4 million, down on 2022 (€0.8 million). In 2023, Nedap acquired the GP information system MediKIT. The purchase price will be amortised from the time the asset is ready for its intended use. No costs were yet recognised under amortisation in 2023.

Operating profit

Operating profit (EBIT) for 2023 came in at €27.3 million, compared with €23.5 million in 2022. The operating margin, i.e. the operating profit as a percentage of revenue, amounted to 10.4% in 2023 (10.3% in 2022). This increase is a result of increased revenue and added value, which is partly flattened by an increase in operating expenses. Operating profit in 2023 was affected by non-recurring items due to the scaling down of propositions and occurred mainly in the second half-year.

Financing costs

Net financing costs increased to €0.7 million in 2023 (€0.3 million in 2022) due to increased market interest rates. These are mainly the financing costs on the standby roll-over loan.

Taxation

Taxation over 2023 totalled €5.0 million (€4.7 million in 2022), while the effective tax rate came in at 19.0% for 2023 (20.3% in 2022). The lower effective tax rate is mainly driven by greater benefits ensuing from application of the Innovation Box tax regime combined with a relatively lower share in the profit of subsidiaries in countries with a higher nominal tax rate.

Profit for the financial year

The profit posted for the 2023 financial year came in at €21.6 million, compared to the €18.7 million posted in 2022.

Earnings per share and dividend

Earnings per share increased from €2.87 in 2022 to €3.31 in 2023. The average number of outstanding shares in 2023 was 6,546,636 (6,512,369 in 2022). This increase is the result of the delivery of shares held by the company itself to cover employee participation plans.

A dividend of €3.20 will be paid for 2023 (€3.00 in 2022).

Financial position

The balance sheet total increased from €134.7 million as at 31 December 2022 to €139.9 million as at 31 December 2023. Trade and other receivables decreased from the relatively high level in 2022, in combination with a reduction in the effective credit term for debtors. In addition, returned prepayments from strategic suppliers had a positive impact on working capital. Inventories increased from €28.3 million in 2022 to €38.9 million in 2023. Our partners' capacity constraints in commissioning projects, combined with softening market conditions, resulted in decreased demand for some products. Consequently, as our delivery capacity expanded, we had to slow down the supply chain towards the year's end, resulting in increased inventory levels. Taxes and social security contributions showed an increase, following a relatively low amount of VAT payable in 2022. The slowdown of the supply chain resulted in a decrease in trade and other payables.

The net debt position amounted to €3.8 million as at 31 December 2023, compared with a surplus of €3.4 million as at 31 December 2022. Cash and cash equivalents decreased from €17.5 million as at 31 December 2022 to €10.2 million as at 31 December 2023, largely driven by the dividend payment, increased inventories and the acquisition of MediKIT during the financial year. Net debt/EBITDA stood at 0.1 on 31 December 2023 (-0.1 on 31 December 2022). Solvency stood at 61% on 31 December 2023 (60% in 2022).

An amount of €14.0 million has been drawn on the credit facilities totalling €39.0 million available on 31 December 2023.

Cash flow

2023 saw the net working capital increase to €35.0 million (€32.0 million in 2022). This increase is largely due to increased inventories and is partly offset by a decrease in trade and other receivables. Operating cash flow amounted to €29.8 million in 2023, an increase compared to the operating cash flow in 2022 (€17.7 million).

Return on invested capital

The return on invested capital (ROIC) rose to 31% in 2023 (2022: 30%) as a result of the increase in operating profit, which was partly levelled off by the acquisition of MediKIT and the increase in working capital.

3. Risk & Governance: how we safeguard value



3.1 Business integrity

Nedap is committed to upholding a culture of ethical behaviour and integrity, whereby we respect laws and regulations. We are committed to honesty and respect for each other, our customers, partners, suppliers and all other stakeholders. This requires all our employees to take ownership, act transparently and professionally and speak up in a joint effort to safeguard the integrity of Nedap.



The Board of Directors emphasises the importance of a corporate culture and business conduct that is in line with the standards and values of Nedap as described in the code of conduct and further elaborated in several policies. The supervision by the Supervisory Board also specifically focuses on ensuring that these standards and values are upheld by the organisation.

Code of conduct

Our code of conduct sets out the standards, values and behaviours that Nedap expects its employees and everyone working with us to live by. These include avoiding conflicts of interest, not accepting practices such as bribery, corruption and fraud, respecting human rights, compliance with laws, not engaging in insider trading, and treating confidential and price-sensitive information with due care. Furthermore, Nedap's code of conduct demands respect and equal treatment of people, working responsibly and committing to the health and well-being of people, the environment and society. Please, refer to [our website](#) for the full code of conduct.

To strengthen and embed governance throughout the Nedap organisation worldwide, governance visits are made periodically to Nedap's subsidiaries. The purpose is to align Nedap's global governance topics with the local situation, as well as to share experiences, learn from each other and ensure that available knowledge is used to the full.

Anti-corruption and anti-bribery

Subjects covered by the code of conduct are detailed in policies, such as our anti-bribery & corruption policy. Doing business all over the world exposes Nedap to potential bribery and corruption risks, which can lead to reputational damage and substantial penalties.

The Nedap anti-bribery & corruption policy sets out the guiding principles and do's and don'ts in this field.

In addition:

- We provide anti-bribery & corruption training routinely for relevant groups of employees.
- We address and discuss anti-corruption and anti-bribery during the monthly compliance meeting, as these are themes within the Nedap Compliance Framework.
- We have due diligence and supplier screening procedures in place.
- We have implemented a speak up! policy and procedure to report suspected irregularities.
- We maintain a strong informal system of checks and balances that provides for mitigation of fraud and/or corruption risks.

Furthermore, on a regular basis we assess risks in the markets and countries where we do business. We are cautious with respect to high-risk countries and markets and provide additional guidelines for doing business in these countries, which include guidance on sanctions and export controls. We focus continuously on improving awareness measures against corruption, bribery, and fraud.

Nedap compliance training

To ensure that all our employees know what the code of conduct means for their daily work and how to apply it, they must undergo training. We have several e-learning courses in place in our e-learning portal. The code of conduct course is mandatory for all Nedap employees and interns. Our target is a 100% pass rate. Of the employees who were invited to the Nedap code of conduct e-learning course in 2023 97.2% completed it.

In addition to the virtual training, new employees are expected to participate in person in courses on personal data protection and information security. Extra training sessions on business integrity subjects will be provided and adapted to the needs of the business and the applicable circumstances.

Speak up!

The principles contained in our code of conduct and our business integrity standards must be applied in the right way. Employees, suppliers, customers and other stakeholders must know what we stand for and can expect from each other in terms of behaviour and business integrity. We therefore strive to create a safe working environment that encourages an open dialogue within the entire organisation and with third parties. To uphold our business integrity standards, all stakeholders play a role in monitoring compliance with the code of conduct and reporting any inappropriate behaviour or undesirable situation.

Nedap's culture is based on transparency and personal responsibility. We encourage our employees to speak up whenever they observe or suspect a violation, and we have incident reporting procedures in place. In our culture, we encourage confronting each other to prevent or swiftly address potential challenges. This approach has been instrumental in effectively mitigating and resolving issues.

If confrontation is awkward or not possible for any reason, the employee can turn to one of the three confidential counsellors appointed by Nedap. This may be in situations when, for example, they are confronted with undesirable behaviour such as discrimination, sexual harassment, bullying, aggression or violence. The confidential counsellors give employees advice and may refer them to external professionals. They also meet on a regular basis to evaluate, reflect and share knowledge. All three of them have taken specific training for this role.

In addition, Nedap has a whistle-blower policy that facilitates the reporting of suspicions of wrongdoing or irregularities. In the year under review, we updated our whistle-blower policy to reflect the new Dutch Whistle-blowers' Protection Act (*Wet bescherming klokkenluiders*), which came into force. When a situation cannot be resolved through the informal procedure, employees and external parties can report suspected wrongdoings or irregularities through two formal internal channels. Reports can be made to the Compliance Officer or using the [IntegrityLog reporting system](#). If desired, reports can also be made anonymously using the system. The IntegrityLog reporting system can be used to report wrongdoings or irregularities as set out in the Whistle-blowers' Protection Act, but also for any misconduct, suspicions of bribery, corruption or fraud.

Relevant speak up! notifications will be investigated and promptly followed up on. Where appropriate, necessary action will be taken. Relevant cases will be reported to the Board of Directors and any material violations will be immediately reported to the chairman of the Supervisory Board.

To encourage our employees even more to express any concerns they may have regarding possible violations of our code of conduct or the law, we discuss 'speak up!' in our governance visits and training.

In the year under review, no material violations of the code of conduct were either reported through the speak up! procedure or detected in internal audits. However, a limited-scale and financially insignificant fraud incident at one of our subsidiaries was identified and adequately addressed by management. Following this event, we refined our internal control systems, further strengthening our operational integrity.

Health & safety

In creating Technology for Life, we put people first. Their health, well-being and safety are paramount. Nedap aims to provide an optimum working environment for all who work for the organisation. Employees should be able to work safely, but also feel comfortable and enjoy their work.

We take responsibility for our people by letting them grow and keeping them safe. We aim to ensure a healthy work environment with good physical and psychosocial conditions, where people are treated equally and feel included. A working environment that encourages people to speak to each other, not about each other. We work responsibly and focus on preventing incidents that may be harmful to our own people but are also committed to the safety of our contractors and the environment.

Nedap's health and safety policy emphasises that Nedap, along with its employees, shares collective responsibility for the well-being, safety and welfare of employees. It also states that the success of this effort relies on the effectiveness of this partnership. Needless to say, obligations arising from relevant laws and regulations must be adhered to. Ensuring optimum health and safety is an integral part of our Human Resources policy. In fulfilling its duty to protect the health and safety of employees, the Board of Directors is supported by internal health and safety officers, a company emergency response team, confidential counsellors, the Human Resources department and other competent employees where needed. For subsidiary companies, local laws and regulations apply.

Specific safety policies are in place at our Smart production facility, which complies with ISO 9001 and ISO 14001 standards. Emergency response courses are held several times a year and are attended by employees across all company units.

Supply chain management

In our efforts to continuously improve or maintain integrity and sustainability throughout the entire value chain, we prioritise forming partnerships with suppliers who align with the fundamental principles outlined in our code of conduct.

In the process of selecting our suppliers, we place a strong emphasis on sustainability criteria. These criteria include factors such as product quality, adherence to health and safety standards and environmental performance. We also conduct audits of our key suppliers to ensure their continued compliance with these standards and information security demands. Many of these key suppliers are Electronic Manufacturing Services parties. They are all ISO 9001 and ISO 14001 certified and audited as such.

Product safety and quality

Nedap is committed to delivering high-quality products and services, with a strong focus on continuous improvement. Throughout our product development, design and manufacturing, we prioritise safety and quality.

Our production facilities adhere to robust quality management systems in line with ISO 9001 and ISO 14001 standards. We also proactively manage risks associated with chemicals and hazardous substances, ensuring compliance with REACH and RoHS standards.

Nedap is dedicated to responsible material sourcing, aiming to ensure our products are free from conflict minerals like tin, tantalum, tungsten and gold from conflict-prone or high-risk areas. We identify products and services that may contain these minerals and conduct due diligence processes. We expect our suppliers working with 3TG materials to comply with relevant regulations for responsible mineral sourcing.

We support our clients by providing our products with the appropriate certifications with respect to EMC, radio and electrical safety as required for unrestricted sales. Substances of Concern in Products (SCIP) notifications have our attention as well.

Human rights and other fundamental rights

We are committed to preventing human rights violations and conduct our business operations with a strong emphasis on fairness, honesty, and integrity, as outlined in our code of conduct. We expect the same from all of those we work with.

Nedap's dedication to upholding human rights, as defined by the United Nations in its Universal Declaration of Human Rights, is formalised in a human rights policy. We support the principles set out in the OECD Guidelines for Multinational Enterprises and those in the ILO Declaration on Fundamental Principles and Rights at Work.

In our pursuit of building enduring, sustainable relationships with our employees, we ensure that fair wages and benefits are provided. The right to freedom of association and collective bargaining is a fundamental and non-negotiable principle that we fully respect. The principle of free choice of employment is upheld for every employee across all the countries in which we operate.

In 2023, we received no reports or evidence of human rights violations or abuses. Human rights form part of supplier assessments and audit procedures.

Taxation

Nedap considers a responsible and conservative tax policy an integral part of our sustainability and business strategy. We regard paying taxes as making an important contribution to society and 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 long-term value for all stakeholders.
- 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 its 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 both the Nedap Risk Management Framework and the value creation model.

The tax policy and ensuing principles have been approved by both the Board of Directors and the Supervisory Board. The Board of Directors ensures that Nedap's tax policy is aligned with and integrated into Nedap's strategy. Potential material tax risks are discussed with the Supervisory Board at least once a year. Tax policy is also a recurring topic in talks with both internal and external stakeholders. Internally, awareness of tax topics is raised by organising trainings sessions, workshops and regular meetings for all controllers, whereby the focus is specifically on tax, finance and legal risks.

Nedap's risk tolerance when it comes to taxation and compliance with legislation and regulations is zero. We respect not only the letter of the law, but also the spirit of the law. Nedap neither engages in aggressive tax planning nor uses 'tax havens' as defined by the OECD. Nedap does not have any third-party arrangements aimed at evading or avoiding taxes. Grants or government incentives are only applied for when aligned with our business operations and Nedap does not actively participate in public policy lobbying or advocacy. Where necessary, external experts are engaged for more in-depth knowledge or to ensure compliance.

Nedap applies transparency towards tax authorities in the countries in which we operate and proactively shares information. In the Netherlands, Nedap has agreed on a horizontal supervision regime with the tax authorities. Under this arrangement, we provide timely and full insight into all relevant current and future developments influencing the Group's results. This gives us insight into the tax authorities' expectations, which adds to our ability to measure or mitigate potential tax and other risks.

Information security and personal data protection

We have implemented technical and organisational safeguards to mitigate the risk of the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access, to data, including personal and other data relating to Nedap, its customers, and their end users. In recent years, we have strengthened our policies, procedures, and contractual agreements to enhance the protection of (personal) data. The onboarding programme for new employees gives due attention to this aspect.

We use an information security e-learning programme to ensure that all our employees receive training in this regard. Our commitment to strengthening internal control measures for our IT infrastructure and systems remains unwavering, with a primary objective of safeguarding personal data, intellectual property and other sensitive information.



We maintain control measures to safeguard Nedap's security baseline, along with additional measures in certain specific domains, supply chains or jurisdictions. These controls concentrate on critical areas such as security awareness, secure software development, user access management, email and endpoint protection, as well as incident management. They are set up to guarantee swift and appropriate responses when necessary.

Within the Security Management, Identification Systems and Healthcare business units, we hold ISO 27001 certification. Healthcare also holds additional certifications, such as NEN7510, ISO27701, and ISO27018. The Retail business unit holds SOC 1 certification and is actively pursuing SOC 2 certification. The Livestock Management business unit is in the process of obtaining the ISO 27001 certification. An external audit is scheduled for the first half of 2024.

3.2 Risk management

Risk management is an essential part of our business strategy. The overriding risk management objective is to identify and mitigate risks that have a potentially major impact on our ability to achieve our strategic and financial goals, and therefore on the overall value of our business.

The Board of Directors has the overall responsibility for achieving our strategy, objectives and establishment of adequate internal risk management and internal control systems. The implementation of our Step Up! strategy, aimed at building strong key market positions, is compatible with effective risk management, in which risks are identified in a timely way and mitigating measures are taken.

The business units are responsible for maintaining an effective risk and control environment as part of day-to-day operations. Our employees, both in the business units as in the corporate teams, provide the first line of defense. Our corporate culture, whereby employees' personal responsibility and autonomy are balanced with risk awareness, creates a sound basis for fulfilment of this management responsibility and for the organisation of risk management. This is reinforced by our code of conduct.

We firmly believe that a sense of ownership leads to optimum risk management. The Board of Directors, senior management and Supervisory Board members all play a key role in this respect. They safeguard our culture in which everyone feels empowered and free to handle risks responsibly. Through this sense of ownership and personal responsibility, risk management is integrated into the strategic planning process and day-to-day operations. Our long-term perspective, oriented towards sustainable value creation, ensures that long-term effects are also considered in the decision-making process.

In our open, informal culture, finding the right balance between rules and entrepreneurship is a continuous dialogue, particularly given increasing regulatory pressure. While the main responsibility for managing risks lies within the business units, more and more supporting processes are jointly organised or aligned, allowing people within the business units to continue focusing on their core activities.

Sustainability plays an increasingly prominent role in our value creation model, bringing potential risks and opportunities for Nedap. The importance of sustainability and the associated laws and regulations that have been introduced in the last few years have prompted us to fully integrate sustainability with strategic planning and risk management.

Risk appetite

Nedap strives to strike the right balance between acceptable entrepreneurial risk and sustainable long-term value creation while remaining in control. Our risk appetite ranges from moderate to high in terms of proposition development, commercial initiatives and operations. When it comes to compliance with legislation and regulations, our risk appetite is low, whereby we respect the spirit of the law.

Risk management and control systems

Nedap 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. This Framework identifies relations between enterprise risk and the internal control system. It contextualises the COSO principles for Nedap and links them to business processes and procedures.

The Nedap culture of entrepreneurship leads to widespread interaction within and between teams, business units and the Board of Directors. This creates a solid system with strong informal checks and balances, supplemented by formal procedures and controls wherever these are compulsory or deemed useful. The framework has been organised around its business processes. Risks that, based on size, nature and impact, could potentially cause substantial losses or serious consequences for a business unit or damage the company as a whole, are reported to the Board of Directors. The Board of Directors decides on follow-up actions in these situations.

As part of the risk management process, we organise annual risk sessions with business units and corporate teams to raise awareness, share knowledge and identify Nedap-wide trends and developments to consider during the strategic process. Relevant risks for each business unit are identified and discussed. Specific attention is paid to detecting and preventing fraud. The risk sessions operate as an extra control mechanism as they reinforce the risk management principles of the business units and the Nedap Risk Management Framework. They also enable management to identify and share best practices within and across business units. During 2023 specific attention was paid to identifying and prioritising sustainability risks and opportunities from a double materiality perspective.

Risks that based on size, nature and impact potentially have a major impact for Nedap, are included in the risk table at the end of this section. These risks have been classified based on the risk categories strategic, operational, and compliance (including reporting). The risk table includes a description of the associated impact and probability trend, as well as the key measures to mitigate the risk. Climate risks were specifically addressed in risk assessments and not found to be material to Nedap. Specific financial risks are addressed separately in the financial statements. These risks are not considered vital risks for Nedap and have also largely been mitigated.

Strategic and financial management system

Nedap has an adequate and effective strategic and financial management system. Key components are the Strategic Calendar, which includes the multi-year plan and the budget, as well as the financial reporting system, which tracks both progress and actual outcomes of the company's operating activities. The financial management system is designed to:

- Set and align the right priorities and targets at board and business unit level.
- Test actual progress and performance against the objectives.
- Enable management to retain control over responsibilities delegated to others.
- Manage cash and cash-equivalent flows within the organisation.
- Identify and restrict risks.
- Prevent fraud.

The Board of Directors and business unit leaders also hold consultations on significant market-related matters, major investments, the progress of R&D projects and staff appointments that go beyond the budget. Their final decisions are made in the interest of Nedap as a whole.

The Group Controlling department in Groenlo plays a leading role in terms of finance and risk management. The department's role is to verify the data used in financial reporting and ensure that the tasks of administration and data processing are performed correctly. The department also ensures the correct, complete and timely delivery of these reports and oversees other departments that deliver data with a focus on preventing fraud. This department holds operational responsibility for financing, cash management, currency management and taxes and is responsible for the risk management process globally. The department's responsibilities require it to have regular and timely consultations with the Board of Directors and to work closely with employees in the Netherlands and abroad.

Strategic Calendar

The Strategic Calendar serves as a basis for making strategic and financial plans for the medium and short term. Every spring, the business units draw up a three-year financial plan and a strategic update. The latter reviews and updates the strategic direction and associated goals. The financial plan quantifies the ambition and sets out the resources needed to carry out the plans. This year, as part of the focus on the four key markets, we re-assessed the strategic plans for the business units against the long-term financial plan. Potential risks that could affect the execution of this strategy are included in this assessment, together with mitigating activities. The three-year plans of the business units are also used as input for the Nedap-wide strategy.

In the autumn, the managers of the various business units make a budget based on their insights, whereby the multi-year plan serves as the starting point. These budgets are integrated into the consolidated Nedap financial budget. The Board of Directors presents both the multi-year plan and the annual budget to the Supervisory Board every year, covering the strategic plans, their financing, together with the risks and opportunities.

Nedap Compliance Framework

The Nedap Compliance Framework describes the formal objectives, mission, responsibilities and scope of Nedap's management of compliance. It applies to all business units and subsidiaries worldwide. The framework includes compliance-related communications, compliance monitoring and enforcement and its embedding in the organisation. Subjects covered by the compliance framework include supplier liability, information security, privacy, insider trading, anti-bribery and corruption, competition, products and entities subject to sanctions under external legislation and regulations, and product compliance, such as certifications.

Nedap applies a three-lines model that fits with the nature of the company.

- The first line consists of employees working at Nedap business units and entities in the role of 'compliance theme champion'. They are the eyes and ears on the ground in Nedap's day-to-day operations and take action whenever they detect a situation that may pose a compliance risk for the company.
- The second line consists of employees in the roles of 'compliance theme owner' and 'compliance officer'. Based on their knowledge, experience and overview of the organisation, compliance theme owners connect the dots across business unit and entity boundaries and give feedback to those involved. The compliance officer does the same but for the organisation as a whole, and reports findings. Compliance theme owners draw up an action plan to address and mitigate the risks attached to the compliance theme. They closely liaise with the compliance theme champions and monitor progress on the action plan. The compliance officer is responsible for developing, updating and evaluating the Nedap Compliance Framework, based on feedback received from compliance theme owners.
- The third line is formed by the internal auditor. It is the internal auditor's responsibility to audit Nedap's internal processes and procedures and make sure these meet regulatory and legal requirements. The internal auditor also performs audits to assess whether the organisation complies with the applicable rules, regulations, and aligned procedures.

Monthly meetings between the compliance theme owners, the compliance officer and the CFO are held in the presence of the internal auditor to discuss relevant developments. These meetings are also intended as knowledge sharing opportunities and to discuss progress on the various compliance themes. As and when unusual developments occur, they are immediately raised with the Board of Directors. Compliance theme owners get together for meetings when they represent added value. The group privacy officers convene for regular meetings about privacy-related matters around ten times a year. Group information security officers come together with the same frequency to discuss information security. The Nedap Compliance Framework is reviewed annually and updated as necessary.

Tax Control Framework

Nedap is exposed to tax risks that could potentially result in double taxation, penalties and interest payments. These risks include, but are not limited to, transfer pricing risks on cross-border, inter-company transactions and tax risks related to potential changes in tax laws that could result in higher tax expenses and payments.

Nedap's tax policy ties in with its global governance model. Our Dutch operations consist mainly of strategy design, product development, marketing, sales, supply chain management, legal affairs, compliance and controlling. Activities at subsidiaries consist almost exclusively of local sales (support). A large part of the Group's economic value is therefore generated in the Netherlands. Group Controlling oversees and implements the global tax policy, formulates and implements the transfer pricing policy and actively monitors compliance. Transactions between related entities are subject to the 'arm's length' principle and the relevant OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD guidelines) are applied. The transfer pricing aims for all Nedap companies to post profits that are in line with the scale and risks of the activities in their respective countries. Such profits are subject to all applicable local taxes. All Nedap subsidiaries issue periodical reports on their tax position, including taxes charged and paid. In line with the OECD guidelines, a new benchmark study is conducted at least every three years. While most of the countries where Nedap operates have endorsed the OECD guidelines, these are not binding, and local tax authorities still have to sign off on a company's transfer pricing system. Although the chances of it happening are slim, local tax authorities may withhold approval of this. Nedap does not foresee any financial, compliance or reputation risks as a result of that.

Nedap has implemented a tax control framework that is continuously monitored and updated. It documents and formalises material tax risks, tax control, the monitoring of taxes for corporate income tax, VAT and income tax. The risks and efforts to mitigate them are the subject of regular meetings across the organisation. The Tax Control Framework forms the basis for the reconfirmed horizontal supervision regime with the Dutch tax authorities in 2023.

Nedap has one ruling with tax authorities. This ruling concerns an agreement with the Dutch tax authorities to apply the Innovation Box tax regime. The current agreement runs until 2026. When Nedap deems it helpful to gain prior certainty on the application of tax laws and regulations, the company tries to secure a ruling with the tax authorities.

A specific measure was taken to control tax risks and other risks. The directors under the articles of association of most subsidiaries are controllers who spend a considerable part of their time working at Group Controlling in Groenlo. They are responsible for local compliance, including tax legislation and regulations. The managers of our subsidiaries are evaluated based on the operating results of their respective business entity. Taxes are not a factor in such evaluations.

Risk table

The risk table on the next pages provides a summary of the main risks identified and the associated impact and likelihood trend, the developments in 2023 that relate to these risks, as well as the main measures taken to mitigate them. Since specific financial risks, such as the credit risk, liquidity risk and currency risk, are addressed separately in the financial statements, they have not been included in the risk table. These risks are not considered vital risks for Nedap, and have also largely been mitigated, meaning that material consequences are covered.

Other than stated in the Directors' Report (the full annual report without chapter 5 'Financial Statements'), there have not, to the best of the Board of Directors' knowledge, been any exceptional events that do not have to be taken into consideration in the financial statements.

Risk type	Risk description	Developments in 2023	Mitigation
Strategic	Speed of technological developments <i>Decreased relevance of Nedap's core technologies of Nedap leading to worsened competitive position</i> Risk appetite	The rise of generative AI is a development that can impact the markets that Nedap operates in and the solutions that we are offering to our customers. Nedap recognises the dual nature of generative AI as both an opportunity and a risk, actively exploring its potential to both safeguard and enhance our market positions and solutions. Besides AI, Nedap continues to monitor the trends in current and upcoming technologies. Also, dedicated exploration teams in each key market assess and invest in potential new propositions.	* Nedap has a strong track record in developing successful high-tech solutions and strong customer and partner relationships * Every year, new developers are hired with up-to-date knowledge of current and upcoming technologies. Nedap events are organised to share technological knowledge and the latest developments * Nedap explores potential new technologies that can threaten existing market positions
	Impact trend		
	Likelihood trend		
Strategic	Unsuccessful proposition and product development <i>Excessive strain on resources over a prolonged period without an instant prospect of returns, resulting in dependence on a limited number of growth factors and limited long-term growth perspective</i> Risk appetite	This year, we advanced in developing our portfolio through the implementation of a key markets strategy and by establishing clear strategies for these positions. The progress of these strategies is tracked using the Strategic Calendar, and they are integral to the Create-Scale-Core process. We carefully monitor investments in explorations, ensuring they align with our key market strategy. This alignment allows us to make more informed decisions about scaling up or down as necessary. For instance, we have continued to reduce our focus on Livestock Pigs, transitioning personnel to Livestock Cows instead. In a similar vein, our investments in Staffing Solutions have been adjusted to better match market potential, and key personnel are now engaged in other Nedap initiatives.	* R&D draws on various business units' experience and knowledge, built up over many years * Nedap conducts periodic proposition portfolio reviews and has a clear process and key performance indicator for propositions in various phases * The strategy to focus on four key markets, in which we already have a strong position, creates leverage to extend our footprint in these markets through innovations and new solutions * Nedap closely monitors the development and potential of propositions and products in the exploration and create phase and is able to scale up or down quickly if required
	Impact trend		
	Likelihood trend		
Strategic	Attracting, developing and retaining talent <i>Shortage of talented employees leading to a delay in the implementation of the strategy</i> Risk appetite	Nedap consistently invests in its workforce, recognising them as a lasting competitive edge. In 2023, we enhanced our internal recruitment team to attract the right talent, particularly for key markets. This effort was bolstered by significant progress in cultivating our employer brand. To retain our skilled employees, Nedap offers a variety of training programmes focused on both personal and professional growth. We organised events across different business units, covering topics such as business development, AI, and technology. Additionally, we improved transparency regarding career opportunities within Nedap. A family day event was also held, aimed at familiarizing our employees' families with Nedap and encouraging them to become enthusiastic advocates of our brand.	* Nedap targets young talent through initiatives including the Nedap Masterclass and Nedap University * Nedap's in-house recruitment team takes a dedicated approach in serving each business unit's needs * The company offers a culture of entrepreneurship and competitive employment terms, including an employee depositary receipt scheme * We develop leadership talent through a Leadership Development programme and an organisational structure that fosters leadership talent development * Our Diversity, Equity and Inclusion programme aims to ensure equal opportunities and treatment for all * There is a continuous focus on Health and Safety through training sessions, policies and resources, for example for working from homes
	Impact trend		
	Likelihood trend		
Strategic	Cybersecurity and IT <i>A successful cyberattack could inflict great damage on our company; financial and legal damage as well as damage to our reputation (customer confidence).</i> Risk appetite	Significant emphasis has once again been placed on preventing cyberattacks. The overall risk has increased and is further intensified by the use of Artificial Intelligence (AI) in orchestrating these attacks. In the upcoming year, the NIS2 directive will be implemented. Substantial groundwork for this initiative was already laid in 2023. A specialist tool, which proved effective in a pilot programme last year, will be deployed across the entire organisation to enhance endpoint security. Furthermore, Nedap's IT unit has been expanded, as have the roles related to security. Initial steps have also been undertaken in auditing Nedap EMS partners in the area of Information Security.	* Audits and further roll-out of certifications (including SOC2, ISAE 3402, ISO 9001, ISO 14001 and ISO 27001/NEN 7510) * Increasing awareness in the organisation through knowledge sharing, e-learning modules * Roll-out of endpoint security protection * Quality IT organisation, with up-to-date knowledge * Awareness in recruitment process for new employees including mandatory certificate of conduct for integrity-sensitive roles * To mitigate the risk of data breaches in Nedap propositions, penetration tests are done, red teams are set up and business units share knowledge
	Impact trend		
	Likelihood trend		

Strategic	<p>Geopolitical conflicts in relevant areas <i>Potential supply chain disruptions or loss of sales channels</i></p>	<p>From a supply chain point of view, the circumstances in Asia and Eastern Europe, especially, continue to be challenging. Nedap relies heavily on Taiwan for semi-conductors, and many of our Electronics Manufacturing Services (EMS) providers are historically located in Hungary. In 2023, significant efforts were made, in close cooperation with our strategic suppliers, to identify alternative sources in different regions, such as in Spain.</p>	<p>* Geographically spread, dual-sourcing strategy * Sanction control systems * Scenario management to think through implications of risks materialising * Portfolio spread out over different markets and geographies</p>
	Risk appetite	MEDIUM	
	Impact trend	↓	
	Likelihood trend	↓	<p>Our heightened focus on key markets, all of which, except for Healthcare have global reach, helps to mitigate sales risks.</p>
Strategic	<p>Imbalance in the supply chain <i>Delayed or even aborted delivery of products to our customers and/or pressure to cut costs</i></p>	<p>The availability of components is showing improvement, with lead times returning to normal for many business units. However, imbalances between demand and supply have resulted in relatively high inventory levels within the supply chain. We are collaborating more closely with our customers and suppliers to achieve optimal stock levels, while simultaneously striving to create a more flexible and agile supply chain. Going forward, we consider this risk to be more an operational risk.</p>	<p>* Our revamped supply chain has made component and product delivery more flexible and reliable * An effective forecasting process for all business units across Nedap ensures early warning and time to act * We ensure design flexibility to allow the use of alternative components in case of shortages * We have a clear price adjustment process for end customers in case disruptions occur that have an inflationary impact</p>
	Risk appetite	MEDIUM	
	Impact trend	—	
	Likelihood trend	↓	
Strategic	<p>Inability to achieve sustainability goals <i>More material impact of the environment on our business and greater Nedap impact on the environment</i></p>	<p>The assessment of double materiality helps to elucidate our exposure, from both risk and opportunity standpoints. We have advanced in setting ambitions across all domains and are converting them into clear, tangible and measurable objectives. This foundation enables us to actively pursue the achievement of our goals. The next step involves incorporating these sustainability objectives into the strategic plans of all key markets. The preparations for implementing the Corporate Sustainability Reporting Directive (CSRD) strengthen us in this process.</p>	<p>* Strong financial position and balance sheet * We are setting clear reduction targets and have the right plans to achieve these * Do the Right thing strategy aimed at mobilising the organisation and raising awareness of sustainability * Implementing non-financial reporting structure that provides all relevant data needed to take right decisions * Integrating sustainability goals with business level strategies of all business units</p>
	Risk appetite	LOW	
	Impact trend	—	
	Likelihood trend	—	
Operational	<p>Supply chain dependence <i>Insufficient or late product availability</i></p>	<p>In 2023, the component shortage issue was largely addressed, leaving numerous business units with excess inventory relative to short-term demand. Distributors are facing challenges in servicing end customers. At Nedap, we are proactively managing relationships with key suppliers to mitigate risk and guarantee the delivery of quality products at the right price and time.</p>	<p>* Nedap takes great care in selecting its production and logistics partners and sets the highest standards * Measures taken to improve the robustness of the supply chain include maintenance of buffer inventories, production partner audits, multiple suppliers for critical products and improved testing & measuring systems * In 2023, second sources were set up for many components and strategic relationships with suppliers were expanded</p>
	Risk appetite	MEDIUM	
	Impact trend	—	
	Likelihood trend	↓	
Operational	<p>Internationalisation <i>Insufficient access to or insufficient implementation capacity at customers</i></p>	<p>This area is a primary focus for all our market positions. Our international business partner network is growing stronger as we expand our global footprint and coverage.</p>	<p>* Nedap has built a solid ecosystem with its business, implementation and technology partners * This makes the implementation and installation process as smooth and easy as possible * We provide online trainings and support to business partner personnel</p>
	Risk appetite	MEDIUM	
	Impact trend	—	
	Likelihood trend	↑	<p>Increased investments in key market propositions are offering our partners more opportunities. However, supply chain disruptions and reduced product availability put a strain on our partners' operations. The scarcity of components experienced in 2022 was largely resolved in 2023, enabling Nedap to significantly increase product availability. Unfortunately, this led to a downside: our partners struggled to find enough personnel to implement and install everything, which put pressure on short-term growth and working capital.</p>

Compliance	Legislation and regulations <i>Fines, sanctions and/or damage to reputation</i>	LOW	In 2023, further steps were taken to integrate the Nedap Compliance Framework within the organisation for various identified compliance themes, including Anti-Bribery and Corruption, Privacy, Customs, Health and Safety, Competition Law, Insider Trading and Information Security.	<ul style="list-style-type: none"> * The Nedap Compliance Framework is monitored by the Nedap-wide compliance committee of theme owners, which meets on a monthly basis. This committee discusses, among other topics, relevant developments and the actions required to implement compliance * The framework is evaluated annually to ensure it remains effective and to identify areas for improvement * Nedap has expanded its Legal & Compliance team * Various training and knowledge sharing sessions are held to improve awareness in the organisation * Nedap's culture and powerful soft controls support compliance
	Risk appetite	—	To enhance compliance-related knowledge within the business units, awareness programmes were established.	
	Impact trend	—	Additionally, Legal business partners have been appointed for the four key markets.	
	Likelihood trend	—		
Compliance	Fraud and corruption <i>Fines, sanctions and/or damage to reputation</i>	LOW	Fraud and corruption remain high on the agenda. In the annual risk sessions with all business units, fraud was discussed and there were no cases identified, except for a known limited scale and financially not insignificant case at one of the subsidiaries. As "Anti-bribery and corruption" is an identified compliance theme, it is also regularly discussed in the compliance committee.	<ul style="list-style-type: none"> * Zero tolerance on fraud and corruption * Strong informal system of checks & balances * Several formal rules and policies, including a whistle-blower policy and a code of conduct * Centralised management from Groenlo * Monitoring control: controllers from Groenlo are appointed to management positions at international sites * Various e-learning programmes and workshops are provided on fraud * The company has an anti-bribery and corruption policy
	Risk appetite	—		
	Impact trend	—		
	Likelihood trend	—		
Compliance	Product compliance <i>Not complying with legislation from a product perspective could damage reputation and result in fines</i>	LOW	Compliance standards for the products that Nedap develops and sells continue to increase. The greater focus on circularity and sustainability has resulted in more comprehensive product legislation and regulations. Nedap actively monitors these developments and integrates them into the design and development work within the business units. The upcoming law on producer circularity could also influence the way Nedap designs products, which could lead to additional costs and resources.	<ul style="list-style-type: none"> * 3rd party evaluation and certification of products, reference to suitable products in manuals * Pre-sales checks on having the right certificates for each region * ATON product master data up to date * New legislation, especially on sustainability, is monitored constantly to ensure that new designs meet relevant requirements.
	Risk appetite	—		
	Impact trend	↑		
	Likelihood trend	↑		
Compliance	Reporting <i>Inaccurate or incomplete information provided to shareholders and other stakeholders</i>	LOW	Nedap is experiencing increasing regulatory pressure when it comes to reporting (among other things). Examples are the revised Dutch Corporate Governance Code, the implemented and updated EU Taxonomy and the upcoming CSRD.	<ul style="list-style-type: none"> * 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. 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, on time and in full, while also assessing the administrative organisations with a focus on preventing possible fraud. * Implementation of best practices and principles of the Dutch Corporate Governance Code in our governance model. * Dedicated team, supported by an external professional adviser, to assess and implement upcoming CSRD legislation.
	Risk appetite	—		
	Impact trend	—		
	Likelihood trend	↑		

3.3 Corporate Governance

Organisation

An agile organisation is crucial for effectively implementing our strategy and achieving our goals. The Nedap organisational structure aims to strike the right balance between market entrepreneurship and leveraging the knowledge and experience available within Nedap as a whole.

Board of Directors

Composition

The Board of Directors consists of three members: the CEO, the CFO and the CCO.

Details of the members of the Board of Directors



Mr R. M. Wegman

CEO
(1966)

Nationality:

Dutch

Working for Nedap since:

1 July 1997

First appointment to the Board of Directors:

21 May 2003*

Relevant additional positions:

None

Supervisory Board memberships:

Koninklijke Barenbrug B.V. (member)

* Titular director from 1 January 2002. Director under the articles of association since 21 May 2003.



Ms D. van der Sluijs

CFO
(1972)

Nationality:

Dutch

Working for Nedap since:

1 March 2020

First appointment to the Board of Directors:

25 June 2020*

Relevant additional positions:

None

Supervisory Board memberships:

Witteveen+Bos (member)

* Titular director from 1 March 2020 to 25 June 2020. Director under the articles of association since 25 June 2020.



Mr R. Schuurman

CCO
(1969)

Nationality:

Dutch

Working for Nedap since:

1 March 2004

First appointment to the Board of Directors:

12 April 2022*

Relevant additional positions:

None

Supervisory Board memberships:

None

* Titular director from 1 January 2022 to 12 April 2022. Director under the articles of association since 12 April 2022.

Responsibilities

The Board of Directors is responsible for governing the company and ensuring Nedap's continuity. The Board of Directors has therefore developed a vision and strategy for long-term sustainable value creation that takes into account an acceptable risk profile, the impact the actions of the Nedap organisation have on people and the environment, and the interests of relevant stakeholders.



The Board of Directors is responsible for implementing this strategy and its results. In formulating the long-term sustainable value creation strategy, the Board of Directors liaises with the Supervisory Board, while also being accountable to shareholders. The Board of Directors is also responsible for compliance with applicable legislation and regulations and managing the risks involved in the company's business activities by adequately structuring 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 18 of the articles of association specifies what decisions are subject to Supervisory Board approval. To take discussions on Nedap-wide topics and decision-making preparations to a higher level and bolster support across the organisation for decisions by the Board of Directors, we set up an Alignment team in 2022. The Alignment team consists of the Board of Directors, the business unit leaders, the HR team captain and the General Counsel. It meets on a regular basis and acts as a sounding board for the Board of Directors.

Appointment

Directors are appointed by the Supervisory Board. The Supervisory Board notifies the general meeting of the proposed appointment. The Supervisory Board will not dismiss a director until the annual general meeting has been able to decide on the proposed dismissal.

Remuneration and employment/management terms

Each individual director's remuneration and employment terms are set by the Supervisory Board in compliance with the company's remuneration policy as adopted by the general meeting. The aim of this remuneration policy is to have a compensation package for the Board of Directors that is adequate for attracting and retaining qualified and expert directors, while also ensuring and advancing the medium and long-term interests of the company. More information about the remuneration policy is available at our [Corporate Governance webpage](#). For more details on the implementation of the remuneration policy in the 2023 financial year, please refer to [section 4.2](#) '2023 remuneration report'.

Supervisory Board

Composition

The Supervisory Board comprises five members. During the annual general meeting on 13 April 2023, Ms Pijnenborg was reappointed to the Supervisory Board for a four-year term. Mr Van Engelen was also reappointed to the Supervisory Board, but his term was set at two years. To ensure the ongoing continuity of the Supervisory Board, the Board decided to propose the appointment of a fifth member in anticipation of Mr Van Engelen's departure in two years' time. Mr Santema was subsequently appointed to the Supervisory Board for a four-year term. For more information about the members of the Supervisory Board and a skills matrix, we refer to [section 4.1](#) 'Report of the Supervisory Board'.

Given Nedap's relatively low organisational complexity, no committees were established. In accordance with best practice provision 2.3.2 of the 2022 Dutch Corporate Governance Code, the full Supervisory Board has been appointed as the body authorised to perform the duties of the audit and other committees.

However, the Board is experiencing increasing regulatory pressure in various areas, which takes up much of the full Board's time. The Board therefore decided in December 2023 to establish two committees, the Audit & Risk Committee, and the Remuneration Committee, as of 1 January 2024, to keep the execution of tasks, decision-making and meetings of the Board efficient and effective, with the right focus.

Responsibilities

The Supervisory Board reviews the governance of the Board of Directors and supervises general operations within Nedap N.V. and affiliated companies. The Supervisory Board also supports the Board of Directors in an advisory capacity. In fulfilling their duties, the members of the Supervisory Board are always guided by the interests of Nedap N.V. and the affiliated companies. The Supervisory Board also assesses 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 can be found at the [company website](#). Membership of the Nedap Supervisory Board conforms to the profile described and its 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.

Appointment

Supervisory Board members are appointed by the annual general meeting following a proposal by the Supervisory Board, as specified in the articles of association, generally for a period of four years. This proposal is made on the basis of a profile drawn up by the Supervisory Board. The annual general meeting and the works council may recommend candidates. The works council has an enhanced right of recommendation for a third of the Supervisory Board membership, as laid down in article 23.5 of the articles of association.

Remuneration

Remuneration of the individual members of the Supervisory Board is set by the annual general meeting in compliance with the company's Supervisory Board remuneration policy as adopted by the annual general meeting.



Annual general meeting

The annual general meeting is held on an annual basis within six months of the end of the financial year. Items on the agenda for the annual general meeting include the annual report, adoption of the financial statements, the remuneration report, dividend payout, discharging the members of the Board of Directors and the Supervisory Board, any notices of proposed appointments of Board of Directors members and any appointments of Supervisory Board members. Key governance decisions that, by law and under the articles of association must be submitted to the annual general meeting, are also addressed, as are any other proposals submitted by the Supervisory Board or the Board of Directors. 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 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 annual 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. Their request must include a detailed breakdown of the items they want to address. The convocation procedure for an extraordinary shareholders' meeting is specified in article 31 of the articles of association.

Convocation of an annual general meeting

Annual general meetings 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 46 of the articles of association.

Admission to annual and extraordinary general meetings and meeting rights

Nedap has only issued registered shares. Holders of one or multiple registered shares are authorised to attend the annual and extraordinary general meetings and to 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 (the record 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 annual or an extraordinary general meeting are required to notify Nedap of their intention before a date set by Nedap's Board of Directors through their bank or broker where their shares are held in trust, and by including proof of receipt, which serves as their entrance ticket to the meeting. This date cannot be earlier than seven days ahead of the meeting date.

Voting rights

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

Independent external auditor

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

Internal auditor

The Board of Directors both appoints and dismisses the internal auditor, after approval by the Supervisory Board. The performance of the internal auditor is evaluated by the Board of Directors on an annual basis, after consultation with the Supervisory Board. An independent third party will assess the performance of the internal auditor at least every five years.

Diversity, Equity and Inclusion

Our employees are the key to our long-term success. Nedap is fully aware that every employee is unique and that there are differences between individual employees. These can be differences in terms of gender, age and ethnic background, but there can also be differences in sexual orientation or religion. Nedap aims for an effective and transparent diversity policy. Diversity ensures that we are stronger together, get the best out of each other, and take different perspectives on problems and possibilities. Diversity contributes to innovation and balanced decision-making, enabling us to attract and retain talented people. Additionally, Nedap is committed to making sure that every single employee feels safe and heard. Nedap is home to an employee-initiated Diversity, Equity, Inclusion & Belonging Community that works to promote a positive and healthy work environment for all Nedap employees. Nedap adopted a DEI policy in 2023. The Board of Directors, the Supervisory Board and works council have discussed the DEI policy.

Our policy can be read [on the website](#). Further information is also provided in [section 2.3](#) 'Progress on our sustainable impact'.

Gender diversity

The composition of the Board of Directors, Supervisory Board and senior management is subject to laws on gender diversity. Nedap has set targets for gender diversity in its two boards and senior management, which are detailed below.

Board of Directors and Supervisory Board

The Nedap Board of Directors is currently made up of three directors, two men and one woman. For the gender representation in the Board of Directors, we have set a target of 30% male and 30% female.

The Supervisory Board presently consists of five members, three men and two women. With this gender ratio, the Supervisory Board meets the legal requirement of one-third female and one-third male representation.

Given the current composition of the Board of Directors and the Supervisory Board, an ingrowth quota is not relevant.

Action plan

Whenever a vacancy arises on the Board of Directors or the Supervisory Board, Nedap aims to maintain a balanced composition, partly by compiling a longlist of candidates of whom 50% is male and 50% female. In case of a vacancy on the Board of Directors, Nedap does not set a specific requirement for the gender of the 3rd person on the board, aiming solely to preserve the 30% male and 30% female target. A candidate's suitability for the position in question will be the decisive factor.

Policy implementation

As a result of the appointment of Mr Santema, reappointment of Ms Pijnenborg, and reappointment of Mr Van Engelen at the annual general meeting of 13 April 2023, the Supervisory Board will have five members. Given the composition of the five-member Supervisory Board, the ambition is to maintain the current balance of at least two men and two women. If the Supervisory Board and/or the Board of Directors is expanded at some point, the gender ratio target may be amended depending on the new size of the board.

Senior management

The Board of Directors has identified the positions at Nedap that are part of the company's senior management. The holders of these positions are currently 82% male and 18% female.

Target/ingrowth quota

At the end of the financial year, 27% of the total workforce was female. Our target for Nedap's senior management is to bring the gender ratio into line with that of the entire Nedap workforce as at year-end 2023. This means at least 27% of senior management should be female by 2025.

Action plan

Upward mobility among women must also be promoted. In 2023, we conducted an analysis to identify barriers for inclusion of female talent and explored ways to improve the hiring, promotion, and development of female talent within the organisation. When recruiting staff externally, our longlists will be at least 50% female. In our ultimate selection from the shortlist, we will actively favour a female candidate over a male candidate in case of equal suitability for the job in question.

Policy implementation

In mid-2022, we classified certain positions in the senior management echelon. Diversity was not a factor in this respect. In making changes to senior management, we will aim to adhere to the above target/ingrowth quota. During 2023, the classification of positions in senior management was modified due to our plans to reduce our Livestock Management Pigs and Staffing Solutions activities.

The Dutch Corporate Governance Code

The Supervisory Board and the Board of Directors are responsible for Nedap's Corporate Governance, as well as for compliance with the 2022 Dutch Corporate Governance Code (Code). Please refer to <https://www.mccg.nl/english>.

Deviations from the Dutch Corporate Governance Code

Principles and best practice provisions

Nedap largely endorses the Code's basic and broadly supported principles. Several of the Code's provisions require further explanation because Nedap applies them in a different way, for which we provide solid reasoning. In this report, we are rendering account on our compliance with this Code, which is based on the principle of 'apply or explain'.

2.2.1 Terms of appointment and reappointment for directors

Given the nature of Nedap's business, whereby the effects of strategic decisions generally take a long time to materialise, the Supervisory Board is of the opinion that a four-year mandate is too short. A decision was made therefore to appoint directors for an indefinite term. Nedap's 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 partly by their length of service and partly in light of 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, which is 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 list on the company's website after the contract has been signed, and in all cases no later than the notice convening the annual (or extraordinary) general meeting during which the appointment of the director will be proposed. When it comes to the provision for directors under the articles of association appointed after 1 January 2015, Nedap complies in the sense that members of the Board of Directors are appointed by the Supervisory Board after announcing the proposed decision to the annual general meeting.

4.1.3 Putting the dividend proposal on the agenda

Dividend payment is part of company strategy and long-term policy. Dividend proposals will therefore not be addressed as an agenda item, unless this payment is made partly or fully by drawing on the reserves. The dividend payment will, however, be explicitly included on the agenda as an item for discussion.

4.2.3 Meetings and presentations

Given the company's scale and the limited international spread of Nedap's shareholders, the availability of webcasting, smartphone and other facilities for live viewing of meetings and presentations is restricted. Presentations are posted on the company's website immediately prior to the meeting at which they are given, so that all shareholders can read them.

4.3 Casting votes

Shareholders can vote by proxy or directly by following voting instructions. Given the limited scale of the company and relatively limited spread of outstanding Nedap shares, facilities for communication between shareholders are 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 from 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 consideration for its business interests and those of all stakeholders.

Stichting Preferente Aandelen Nedap (the Foundation) was founded for this purpose in 1983. It looks after the interests of Nedap N.V., its business and all stakeholders, providing defence wherever possible against influences which could threaten continuity and conflict with its interests. Nedap has granted the Foundation the right to acquire preference shares, through a call option, under which, on request, the Foundation 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 Foundation 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 Foundation. If preference shares are issued, the Foundation has to pay at least 25% of their nominal value in cash.

The board of the Foundation is made up of the following people:

- Mr N. W. Hoek, chairman
- Ms J. P. Bahlmann
- Mr A. C. Metzelaar
- Ms A. P. M. van der Veer-Vergeer
- Mr R. P. Voogd
- Mr G. van de Weerdhof

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 Foundation and those of Nedap, the Foundation is independent from Nedap, as specified in Article 5:71(1)(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.

Other

Material transactions

To the best of Nedap'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 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 its 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 in 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, however, is 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.

Issue of shares in the company

As per the articles of association, the Board of Directors is only authorised to issue shares if the annual general meeting designates it as the body authorised to issue shares. The annual general meeting of 13 April 2023 designated the Board of Directors as the body authorised to issue ordinary shares in the capital of Nedap and to grant rights to subscribe to shares in Nedap's capital. The Board of Directors' authority to issue shares is limited to a maximum of 10% of the total issued share capital at the time of issue. This requested designation has been granted for a period of 18 months. A resolution by the annual general meeting to issue shares or to designate the Board of Directors as the body authorised to issue shares, or the withdrawal of a resolution to designate, can only be passed on a proposal of the Board of Directors with the prior approval of the Supervisory Board. A resolution to issue shares by the Board of Directors, provided that the Board of Directors has been designated as the body authorised to issue shares, is always subject to Supervisory Board approval in each specific case. Preferential rights can be limited or excluded by the body appointed to decide on share issues. The shareholders' decision to adopt the proposal to designate the Board of Directors has been published on [our website](#).

Share buybacks

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 purchase 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 annual general meeting has appropriately authorised the Board of Directors. This authorisation is not required to acquire the company's own shares or depository receipts in order to transfer them to employees under an applicable plan.

In accordance with article 13 of the company's articles of association and without prejudice to the provisions of Article 2:98 of the Dutch Civil Code, the annual general meeting of 13 April 2023 authorised the Board of Directors to acquire ordinary shares up to a maximum of 10% of the total issued share capital of Nedap N.V. 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.

The requested authorisation will be valid for a period of 18 months from 13 April 2023. The decision by the shareholders has been published [on our webpage](#).

Amendment of the articles of association

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

Corporate Governance statement

The Corporate Governance Statement specified in the 'Decree on the content of the Directors' Report' is part of this Directors' Report: The information required can be found in chapter 3 'Risk & Governance: how we safeguard value'. Additionally, more information regarding Diversity, Equity and Inclusion can be found in [section 3.3](#) 'Corporate Governance' and [section 2.2](#). 'People, culture and leadership'. The Directors' Report also includes information required under the Decree ratifying article 10 of the Takeover Directive to the extent that it applies to Nedap N.V.

Consolidated non-financial statement

In compliance with Article 2 in conjunction with Article 3 of the Decree on Disclosure of Non-Financial Information, the following information is provided and explained as part of the report of the Board of Directors.

Nedap produces high-quality, innovative solutions that are intended to create sustainable value for customers, the planet and Nedap itself. For more information about our business model, reference is made to our value creation model ([section 1.3](#)).

We firmly believe in the importance of adopting a responsible approach to risks in the areas of the environment, social and staff affairs, human rights, and anti-bribery and corruption.

For a detailed explanation of our approach to risks in these areas, please refer to the Risk table in [section 3.2](#) 'Risk management'.

Area	Policy/goals	Main risks ¹	Activities/mitigating measures	Reference
Environment	<p>Our own operations are where we can exert the greatest influence. We aim to minimise, and where possible, eliminate our operations' negative environmental impact.</p> <p>Ambition: Scope 1 and 2 carbon emissions to net zero by 2030.</p>	<p>Inability to achieve environmental sustainability goals.</p>	<p>The assessment of double materiality helps to clarify our exposure, from both a risk and an opportunity perspective.</p> <p>Nedap has a roadmap with several key targets, including maximum use of renewable energy, sustainable building management and a fleet of sustainable vehicles.</p>	<p>2.3 Progress on our sustainable impact</p> <p>2.3 Our impact: operations</p>
	<p>Given the fact that what happens beyond our own operations has a greater sustainability impact, we work to reduce carbon emissions across the entire supply chain.</p> <p>Ambition: Nedap aims to lower the carbon impact of its products and solutions</p>	<p>Inability to achieve environmental sustainability goals. Non-compliance could lead to reputational damage.</p>	<p>Through various life cycle analyses (LCAs), the impact across production, transportation, disposal, and the use phase of our products has been identified. Key finding: reducing the power consumption of our products will have a major impact.</p> <p>Achieving our sustainability goals will require cooperation with business partners, suppliers and customers. Next steps: to analyse the impact of our entire hardware product portfolio in detail, create a plan and set specific carbon reduction targets. These are now being worked on within the key markets. In 2024 a concrete target will be set for the company as a whole. See 2.2.3 for more steps.</p> <p>Production facilities are ISO 9001 and ISO 14001 certified. In selecting our suppliers, we place a strong emphasis on sustainability criteria. Only suppliers that meet our requirements will qualify as supplier. Audits are being held. Proactively managing risks associated with chemicals and hazardous substances, ensuring compliance with REACH and RoHS standards. Responsible material sourcing, ensuring our products are free from conflict minerals. Identifying products and services that may contain these minerals and conducting due diligence processes.</p>	<p>2.3 Our impact: products</p> <p>3.1 Business integrity</p>
	<p>The greatest but also most indirect impact comes from the use of our propositions. We strive to help make our customers' business models sustainable through our propositions.</p> <p>Target: to embed sustainability in our propositions so that they help to make our customers' business models more sustainable.</p>		<p>To integrate sustainability into the strategic ambitions of our propositions. When developing new propositions, their contribution to sustainability is an important consideration.</p>	<p>2.3 Our impact: customers</p>
Social and staff affairs	<p>Given the importance of our employees, they have been designated one of the four focus areas where our sustainability ambitions can make an impact. At Nedap, developing and making the most of talent comes first. We facilitate a safe and inspiring working environment where development and deployment are encouraged.</p> <p>Target: 40 hours of development per employee per year.</p> <p>We aim for a Nedap-relevant composition that reflects the society around us. We also want to ensure that everyone feels safe and heard.</p> <p>Nedap wants to support the promotion of more female staff with leadership qualities and ambitions to management roles.</p> <p>Target: 27% female representation in our senior management by 2025.</p> <p>At Nedap, the health and safety of our people is a top priority.</p>	<p>Shortage of talented employees leading to a delay in the implementation of the strategy.</p> <p>Undesirable departure of (dissatisfied) employees.</p>	<p>We have set a target for all employees to spend at least 40 working hours a year on their personal development. In 2023, this target was achieved by 52% of 571 respondents (47% of 386 respondents in 2022).</p> <p>Nedap has an open, employee-founded platform to discuss issues related to Diversity, Equity and Inclusion. In 2023, we defined our Diversity, Equity and Inclusion policy based on extensive interviews and discussions with a diverse group of employees. In 2023, we held in-depth interviews to assess how Nedap can facilitate and support the development of female leadership.</p> <p>To ensure employees' health and safety: * preventive safety and emergency response teams made up of voluntary professionals at our company. * confidential counsellors (3). * the opportunity to talk to an occupational psychologist.</p> <p>Our activities' current and foreseen impact on our employees' health and safety are, where relevant and applicable, incorporated into a risk inventory and evaluation.</p>	<p>2.3 Our impact: employees</p> <p>2.3 Our impact: employees</p> <p>2.3 Our impact: employees; 3.1 Business integrity; 2.2 People, culture and leadership</p>

In our pursuit of building enduring, sustainable relationships with our employees, we ensure that their fundamental rights are respected.

We have learned that the added value per employee is determined by the combination of the quality of employees, a culture that enables employees to excel, and our own perspective on leadership. Growth in added value per employee serves as a crucial indicator of the evaluation of our competitive advantage.

Shortage of talented employees leading to a delay in the implementation of the strategy.

We ensure that fair wages and benefits are provided. The right to freedom of association and collective bargaining is a fundamental and non-negotiable principle that we fully respect. The principle of free choice of employment is upheld for every employee across all the countries in which we operate.

We actively enhance our appeal to talented individuals and have a recruitment process that identifies those who are a good fit with Nedap. We significantly invest in the ongoing development of current Nedap employees through training, education, and development programmes. We give continuous attention to leadership and leadership development, a strategic priority within the Step Up! strategy. Various training and development programmes are available.

3.1 Business integrity; 2.2 Progress on people, culture and leadership, Code of conduct

1.5 People, culture and leadership

Human rights

We are committed to preventing human rights violations and conduct our business operations with a strong emphasis on fairness, honesty and integrity, as outlined in our code of conduct. We expect the same from all of those we work with. Nedap's dedication to upholding human rights, as defined by the United Nations in its Universal Declaration of Human Rights, is formalised in a human rights policy. We support the principles set out in the OECD Guidelines for Multinational Enterprises and those in the ILO Declaration on Fundamental Principles and Rights at Work.

Given our risk profile, we do not have any generic indicators in this area.

Violation of human rights can lead to harm to individuals and to reputational damage.

Human rights form part of supplier assessments and audit procedures. Any investigations, based on the OECD guidelines, are 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. It is important to us that organisations in our supply chain hold our core values and principles in high regard and operate accordingly. In 2023, we received no reports or evidence of human rights violations or abuses. Human rights form part of supplier assessments and audit procedures.

3.1 Business integrity

Anti-bribery and corruption

We maintain a zero-tolerance policy regarding bribery and corruption. We recognise that every material transaction requires the involvement of multiple individuals. Whenever there is a suspicion of bribery or corruption, we take action, guided by individual observations and a thorough investigation.

Bribery and corruption can lead to reputational damage and substantial penalties.

Nedap has an anti-bribery & corruption policy in place that sets out the guiding principles and do's and don'ts in this field. In addition:

- * anti-bribery & corruption training for relevant groups of employees.
- * addressing and discussing anti-corruption and anti-bribery during the monthly compliance meeting (themes within the Nedap Compliance Framework).
- * due diligence and supplier screening procedures in place.
- * a speak up! policy and procedure to report suspected irregularities.
- * a strong informal system of checks and balances that provides for mitigation of fraud and/or corruption risks.

3.1 Business integrity; 3.2 Risk management

The information included in [section 6.3](#) 'EU Taxonomy' is part of this statement. This reference is intended as a way to comply with the reporting obligation under article 8 of the Taxonomy Regulation. One of the consequences of the aforementioned section is that activity 8.1 (Data processing, hosting, and related activities) at Nedap is a Taxonomy-eligible revenue-generating economic activity. This activity can be designated as aligned (environmentally sustainable) in the sense of article 8 of the Taxonomy Regulation. The same goes for a number of individually eligible (CapEx) activities, such as a recent renovation of (part of) our premises. For these activities, we comply with the criteria and minimum safeguards for alignment set by the Taxonomy Regulation, including acting in compliance with OECD guidelines for multinational enterprises and the United Nations' guiding principles on business and human rights. This also goes for the principles and rights laid down in the conventions referenced in the International Labour Organization's declaration on fundamental principles and rights at work and in the International Bill of Rights.



The current financial year introduced a notable expansion in the Taxonomy's scope, encompassing the remaining four environmental objectives mentioned in [section 6.3](#). Environmental objectives are currently targeted at activities relating to water leakage control, waste treatment, pharmaceutical products, nature conservation & restoration and sustainable manufacturing (and related services). Only the last category encompasses economic activities that Nedap performs. Of these activities the manufacture of electrical and electronic equipment qualifies as most relevant.

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 (the complete annual report without chapter 5 'Financial statements') 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 the report reflects the status of Nedap's current operations and the fact that financial reporting has been prepared on a going concern basis; and
- 4 the Directors' Report contains material risks and uncertainties that are relevant in the formulation of expectations as to Nedap's continuity.

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. They have been developed to obtain reasonable assurance as to the effectiveness of controls implemented to mitigate the financial and operational risks related 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 of the company and consolidated businesses at 31 December 2023 and of Nedap's development and performance during the 2023 financial year and describes the significant risks the company is facing.

Groenlo, the Netherlands, 21 February 2024

Board of Directors

Mr R. M. Wegman, CEO

Ms D. van der Sluijs, CFO

Mr R. Schuurman, CCO

4. Report of the Supervisory Board



4.1 Report of the Supervisory Board

In this report, the Supervisory Board (the Board) provides a summary of its supervisory work performed in the 2023 financial year.

Message from the Chairman

The year 2023 presented a series of challenges. Geopolitical tensions and uncertainties and volatile economic conditions had an impact on the global business environment, affecting sectors in which Nedap operates.

This situation, coupled with continuing disruptions in the value chain, prompted Nedap to show the agility to maintain its competitive edge and meet customer needs effectively. Additionally, Nedap not only continued to pursue innovation and strategic growth, but also sharpened its focus and made clear choices, such as acquiring MediKIT, its first small acquisition in many years, and scaling back on activities that did not align with its overall strategy.

In 2023, Nedap advanced its sustainability journey with a double materiality assessment and engaging employees through initiatives like the Step Up! Sustainability day, the company-wide Sustainability Week and an internal podcast series, thereby deepening organisation-wide sustainability awareness and practices.

At the 2023 annual general meeting, Jo van Engelen was reappointed to the Board for a final two-year term, while Marijn Pijnenborg was reappointed for four years. With the appointment of Sicco Santema at that same meeting, we have successfully completed the search for a new Board member. Sicco brings extensive management experience and strategic development expertise, particularly in B2B supply and the marketing of complex products and services. Additionally, Sicco's experience at the intersection of education, innovation and business, coupled with his vast network in knowledge institutions, positions him to effectively bridge the gap between these institutions and the business sector, continuing the work of Jo after his departure in 2025.

The Board congratulates the Board of Directors and the employees of Nedap on the results in the 2023 financial year and is grateful for their relentless efforts and ability to deliver a strong performance in a year of geopolitical unrest, ongoing supply chain challenges and inflation. Its gratitude also goes to the shareholders and customers for placing their trust in the company. The Board is confident that this commitment and loyalty will help Nedap seize the opportunities of the future. I would also like to express my gratitude to my colleagues on the Board for their valuable and collaborative efforts in the meetings and conversations.

Peter van Bommel

Details of the members of the Supervisory Board



Mr P. A. M. van Bommel

Chair of the Supervisory Board
Member of the Remuneration
Committee
(1957)

Nationality:

Dutch

Profession/most recent primary position:

CFO of ASM International (until May 2021)

First appointment:

24 June 2021

Current term:

2021-2025

Relevant additional positions

- Non-executive director at SES S.A. (listed on Euronext Paris and Luxembourg)
- Member of the Board of Stichting Bernhoven
- Chair of the advisory board of the Executive Master of Finance & Control programme at Amsterdam Business School (University of Amsterdam)
- Member of the Supervisory Board of Stichting Glorieux
- Member of the advisory board of the University of Amsterdam's Faculty of Economics and Business

Supervisory Board memberships

- Chair of the Supervisory Board of Aalberts N.V.



Mr J. M. L. van Engelen

**Vice-chair of the Supervisory Board
Chair of the Remuneration Committee
(1959)**

Nationality:

Dutch

Profession/most recent primary position:

Professor of Integrated Sustainable Solutions, Faculty of Industrial Design Engineering, Delft University of Technology

First appointment:

16 April 2013

Current term:

2023-2025

Relevant additional positions

- Emeritus professor of Business Development, Faculty of Economics and Business, University of Groningen

Supervisory Board memberships

- Supervisory Board member at Espria
- Supervisory Board member at Pensioenfonds Zorg & Welzijn
- Board member at Stichting Triade (UMCG)



Ms M. Pijnenborg

Member of the Supervisory Board
Member of the Remuneration
Committee
Member of the Audit & Risk
Committee
(1970)

Relevant additional positions

- Founder and director of Winc Academy
- Founder of and investor in Boralis B.V.
- Member of the board of Tanka Foundation
- Member of the advisory board of the University of Amsterdam's Faculty of Economics and Business

Supervisory Board memberships

None

Nationality:

Dutch

Profession/most recent primary position:

Board member and entrepreneur

First appointment:

4 April 2019

Current term:

2023-2027



Ms M. A. Scheltema

**Member of the Supervisory Board
Chair of the Audit & Risk Committee
(1954)**

Relevant additional positions

- Member (deputy) of Netherlands Enterprise Court at the Amsterdam Court of Appeal
- Partner at Scheltema Tammenoms
- Chair of the Netherlands Eye Association

Supervisory Board memberships

- Vice-chair of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank) (until September 2023)
- Member of the Supervisory Board of Stichting Open Nederland
- Vice-chair of the Supervisory Board of the Netherlands Bach Society
- Vice-chair of the Supervisory Board of the Nederlands Fotomuseum

Nationality:

Dutch

Profession/most recent primary position:

Professional Supervisory Board member

First appointment:

5 April 2018

Current term:

2022-2026



Mr S. C. Santema

**Member of the Supervisory Board
Member of the Audit & Risk
Committee
(1960)**

Nationality:

Dutch

Profession/most recent primary position:

Founder and director Scenter B.V., professor of Business to Business Marketing and Supply Management, Faculty of Industrial Design Engineering, Delft University of Technology

First appointment:

13 April 2023

Current term:

2023-2027

Relevant additional positions

- Board member of Stichting Aethos, promoting the 'reuse' and 'remanufacture' of aircraft materials

Supervisory Board memberships

None

Supervisory Board composition and skills matrix

The Board supervises, evaluates progress and performance, maintains a healthy and transparent system of checks and balances, and assists the Board of Directors with advice where necessary. The focus is on long-term sustainable value creation in the interest of all of the company's stakeholders. The composition of the Board is in keeping with the profile published on Nedap's website. The composition is as such that the members of the Board are able to operate independently of and critically towards each other, the Board of Directors, and any kind of particular interest. During the annual general meeting of 13 April 2023, Mr Van Engelen was reappointed as member of the Supervisory Board for a final term of two years. For the reasons for reappointment, please refer to the [2023 AGM agenda](#). In addition, Ms Pijnenborg was reappointed as Supervisory Board member for a four-year term. The annual general meeting also appointed Mr Santema as member of the Supervisory Board for a four-year term. For more information about the rotation schedule, please refer to [our Corporate Governance webpage](#).



Supervisory Board composition and skills matrix

	Mr P. A. M. van Bommel	Mr J. M. L. van Engelen	Ms M. Pijnenborg	Ms M. A. Scheltema	Mr S. C. Santema
Composition					
Age group					
45-54			x		
55-64		x			x
65-74	x			x	
Gender	Male	Male	Female	Female	Male
Nationality	Dutch	Dutch	Dutch	Dutch	Dutch
Competences					
Executive leadership	++	++	++	++	+
Strategy	++	++	++	++	++
International business	++	+	+	++	+
Technology & Innovation	+	++	++	+	++
Value Chain Management	+	+	+	+	++
People and culture	+	+	++	++	+
Sustainability	+	++	++	+	+
Finance, Governance and Risk	++	+	+	++	++
IT and Cybersecurity	++	++	+	+	+

+ = possesses a sufficient level of expertise, skills and experience in the area and can make a balanced impartial judgment

++ = in addition, acknowledged as an expert in the respective areas (max. 5 per person)

Explanatory notes:

The purpose of this matrix is to provide an overview of the experience and competencies that Nedap deems most relevant to its stakeholders.

The matrix represents the extent to which the company's Supervisory Board members have such experience and competencies.

For the purpose of creating this overview, each of the members of the Supervisory Board may have a maximum of five specific areas of expertise, and they are considered experts within the respective domain.

The composition of the Supervisory Board meets current gender diversity requirements. The Board believes that the current composition constitutes a good balance between the various required skills, relevant knowledge, and experience, enabling the Board to adequately fulfil its statutory duty of supervising and advising the Board of Directors. In the Board's view, the Board meets the requirements of independence, as specified in best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code.

Financial statements

PricewaterhouseCoopers Accountants N.V. (PwC) audited the financial statements and issued a comprehensive unqualified auditor's report, which is included in the report in [section 5.3](#) 'Audit certificate issued by the independent auditor'. The auditor also had the usual final evaluation with the Board of Directors and Group Controlling department this year, which was attended by the Audit & Risk Committee. The full Board subsequently discussed the auditor's report and the 2023

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.

The Board is briefed on the company's operations on a regular basis through financial reports with explanatory notes from the Board of Directors.



In addition, the Board receives detailed quarterly reports on the financial results achieved over the previous three months and progress made on the annual plans. The Board had regular meetings with managers and other employees from the various business units again this year to get a good idea of developments in the market and at each business unit. Based on the reports and these meetings, the Board is confident that the 2023 annual report provides a solid foundation for the Board's accountability vis-à-vis its supervision of the Board of Directors' management of the company.

The Board therefore advises the annual general meeting to adopt the 2023 financial statements.

Dividend

The Board of Directors and the Board consider it prudent to pay a dividend of €3.20 per share. Nedap maintains the required reserves to be able to guarantee its continuity amidst difficult market conditions and stay on the strategic course that the company has set.

As required under article 43.3 of Nedap's articles of association, any profit not added to the reserves as per article 43.1 of Nedap's articles of association is paid out to holders of ordinary shares in Nedap. As a result, the total amount available for payment will be €21.0 million, which means a payment of €3.20 per ordinary share (€3.00 in 2022).

Strategy

In 2023, the Supervisory Board closely monitored and contributed to Nedap's strategic development, particularly with regard to the Step Up! strategy and its impact on driving growth across various company propositions. This strategy is rooted in collaboration, leveraging the full potential within the organisation.

Throughout the year, the Board supported and advised the Board of Directors in refining and executing this strategy. Regular discussions on sustainable long-term value creation and strategic focus and impact were held during board meetings. The Board's involvement extended to various strategy sessions with the Board of Directors, business unit leaders, and the Markets & Propositions team. These sessions were an integral part in the development and implementation of strategies for the four key market positions identified - Healthcare, Livestock Management, Retail and Security Management. The Board assessed these strategies, ensuring alignment with Nedap's growth objectives and market realities.

In the company's Strategic Calendar, the July Board session serves as the annual meeting where progress in the Step Up! plan is reviewed in detail. This year discussions centred around the portfolio of propositions for each key market position, scrutinising their current phase (Create, Scale or Core), goals, success indicators, management considerations, market adoption, competitive positioning and strategic risks. The Board is content with the implementation of the strategy, as well as the progress in executing the strategic roadmaps of business units and the Markets & Propositions team. The Board recognised the importance of Nedap making clear choices and decisions as part of implementing the strategic plan, exemplified by the acquisition of MediKIT, aligning with Nedap's Healthcare strategy, the sale of Nedap Beveiligingstechniek B.V., whose operations no longer coincided with Nedap's core activities and the scale-down of the Flux and Pigs propositions.

Leadership development was another focal point, aligning with the importance of leadership within the Nedap culture, a key factor in successful strategic execution.

In conclusion, the Board is satisfied with Nedap's progress, particularly with the emergent strategy development approach that has been adopted. The Board welcomes the increased focus on internal control measures, preserving the organisation's flexibility and robust soft controls while also integrating hard controls. The discussions with business unit leaders and the Markets & Propositions team underlined the importance of horizontal learning and the recognition of Nedap as more than the sum of its parts. This holistic approach, balancing professionalisation with Nedap's unique culture, positions the company well for future growth and success. Going forward, the Board has every confidence in Nedap's strategic direction and the capabilities of the company to successfully implement the strategy.

Sustainability as part of the long-term strategy

The Board believes that contributing to a sustainable economy is an integral responsibility for Nedap. This belief underscores the importance of recognising that actions taken in the present are crucial for securing a sustainable future globally. For the Board, advancing Nedap's business strategies towards enhanced sustainability is a key priority, seamlessly integrated into the fabric of its business model. By adopting relevant and inspiring performance indicators, Nedap is positioned to make a significant impact on sustainability, in line with its long-term perspective.

Over the past year, sustainability policy plans and initiatives were regularly discussed with the Board. For more information, see sections [1.6 'Sustainability'](#) and [2.3 'Progress on our sustainable impact'](#) and the paragraph on Consolidated non-financial statement in [section 3.3](#).

In 2024, in anticipation of the Corporate Sustainability Reporting Directive, the Board will continue to keep close track of the further integration of sustainability into the company's long-term strategy. In line with the Board's duty to supervise the integrity and quality of sustainability reporting by Nedap, the Board will be looking specifically at responsibilities and obligations with respect to sustainability and transparency. Additionally, the Board will continue to engage with the company on transparently achieving the sustainability targets.

Diversity, Equity and Inclusion (DEI)

The Board acknowledges and commends the significant progress made by Nedap in developing a comprehensive DEI story, a narrative that resonates across every level, from the Board of Directors and the Board itself to every employee within the organisation. The Board appreciates the thoughtful and effective approach reflected in this DEI policy, as established by the Board of Directors in collaboration with senior management and the DEI taskforce. This policy has received the Board's approval and has been formally adopted. The progress in DEI initiatives represents an important step in Nedap's journey towards greater inclusivity, equity and representation at all organisational levels.

Collaboration and responsibilities

In the financial year, the Board continued its practice of engaging in discussions with both managers and employees across the various business units. These dialogues continued to foster new insights and further enhanced the dimensions of communication and collaboration between the business units, the Board of Directors and the Board. Similar to previous years, ongoing conversations with the works council were instrumental in providing the Board with a more comprehensive understanding of developments throughout the company.

In 2023, the Board again participated in Nedap Life online sessions with Nedap employees globally. These sessions remained a vital platform for gaining insights into the company's distinctive culture and for experiencing first-hand the energy and positivity of Nedap's workforce. The Board appreciates the efforts and contributions of employees that make these sessions both meaningful and successful. Additionally, in 2023, the Board valued the Technology Day organised by Nedap's technical experts. The Board found the Technology Day to be an enriching experience, offering valuable insights into the technological advancements driving the industry and furthering the Board's understanding of the company's technical expertise and innovation capabilities.

Risk management

In 2023, the Board maintained its active oversight of risk management at Nedap, with a particular focus on the evolving landscape of technological advancements and business unit dynamics. Regular reviews of the principal risks and trends were conducted, consistent with the Board's commitment to thorough supervisory duties. Nedap made significant progress in enhancing its risk management approach, notably through the formation of an internal risk taskforce and by taking substantial steps to further integrate risk management into its strategic planning process. This initiative involved comprehensive engagement with business units and departments.

The year saw a shift in risk priorities, with a reduction in supply chain risks and advancements in talent management. However, the pace of technological change has introduced increased risks. The Board also took note of emerging compliance risks due to evolving and increasing regulations. Nedap has maintained its focus on IT business continuity and cybersecurity risks. The organisation has undertaken various steps, including external tests, to strengthen its IT business continuity. Furthermore, to enhance employees' awareness of cybersecurity risks, Nedap has continued to implement measures such as security awareness training through e-learning programmes, along with the execution of a cyber crisis management exercise. In addition, the company has expanded its cybersecurity strategy by further deploying an advanced enterprise-level security solution, aimed at detecting and mitigating cyber threats.

Notably, the introduction of the double materiality analysis process represented a key step in integrating risk and opportunity assessments and considering both financial and non-financial impacts. This approach aimed to yield new insights and strengthen the overall risk management framework. The Board recognised the importance of making these analyses actionable and relevant at various organisational levels.

In summary, the Board acknowledged the structured and proactive approach adopted by the organisation in risk management and endorsed the updated Risk Control Framework, as detailed in chapter 3 'Risk & Governance', reaffirming its commitment to comprehensive and effective risk management at Nedap.

Committees

The Board is experiencing increasing regulatory pressure in various areas, which takes up much of the full Board's time. In December 2023, the Board decided to establish two committees, the Audit & Risk Committee and the Remuneration Committee, as of 1 January 2024. The aim of the committees is to keep the execution of tasks, decision-making, and meetings of the Board efficient and effective, with the right focus.

Internal auditor

The internal audit function is intended to provide independent assurance on the effectiveness of governance, risk management and control processes, including compliance with and effectiveness of internal controls, thus adhering to best practice principle 1.3 of the Corporate Governance Code.

The internal audit function was set up bearing in mind the Institute of Internal Auditors' (IIA) Three Lines Model, which is used to manage governance and the risk management structure within an organisation and is aligned with the COSO framework for internal control. In this Three Lines Model, the internal auditor is the third line.

The internal audit function reports to Nedap's CEO. The Board oversees the internal audit function and has regular contact with the internal auditor. Nedap's Board of Directors assesses the internal auditor's performance on an annual basis, for which they also seek the Board's opinion.

In early 2023, the Board reviewed and approved the work plan for the year 2023 in collaboration with the internal auditor. This plan was developed with input from the external auditor. Throughout the year, the Board was regularly updated on the progress of the various audit activities undertaken by the internal auditor. Additionally, the internal auditor kept the external auditor informed about the ongoing progress. The outcomes of the 2023 work plan are scheduled for evaluation in early 2024. The internal control activities in 2023 primarily focused on SaaS subscription management and integrity investigations, and also included follow-up actions from previous audits and analyses.

Meetings and attendance

Throughout the year, the Board had six ordinary meetings with the Board of Directors. Three brief meetings were held to discuss the quarterly updates and the half-yearly report. As mentioned above, the Board was also involved in the strategy event held in July 2023 to discuss progress made on the Step Up! plan. All the above meetings were attended by all the members of the Board. Several of the ordinary meetings were preceded by internal deliberations by the Board. The brief meetings were conducted online, while the ordinary meetings primarily took place in person,

with some being hybrid. Away from the meetings, the Board regularly liaised with the Board of Directors by email, telephone or video call to discuss various topics. Where relevant, Supervisory Board members paid working visits to the organisation to keep up to date with the latest state of affairs at the company and with market developments. The intensive and open communications enabled timely and prudent decision-making.

Education

In 2023, the Board identified key areas where both the Board of Directors and the Board require further education, particularly in ESG governance and technological developments. In line with this, a workshop centred on double materiality assessment in the context of ESG governance was held in September 2023, facilitated by a renowned global professional services firm. Additionally, a technology day, with a primary focus on RFID technology, to enhance our understanding of current technological trends was organised by Nedap experts. These educational activities align with the best practice provisions from the corporate governance code, reflecting our dedication to maintaining expertise in sustainability and digitalisation, which is crucial for effective corporate governance.



Evaluation and appraisal

One of the principles of the Dutch Corporate Governance Code says that the Board is collectively responsible for its own performance. In this context, the Dutch Corporate Governance Code considers self-evaluation a best practice. In 2023, the Supervisory Board's self-evaluation of its performance was organised by an external adviser. The external adviser initiated the self-evaluation with interviews with Nedap's senior management and a visit to the headquarters in Groenlo. The adviser then conducted interviews with members of both the Board of Directors and the Board, supplemented by a review of the company's articles of association and regulations. Upon analysing the findings, a final presentation was prepared and discussed with the Board. The Board in turn shared the key findings with the Board of Directors.

The main takeaways are the following:

- Nedap's governance is well-developed, with a balanced approach between soft controls and hard controls, essential for managing growth.
- The Board is appropriately composed, ensuring efficient performance with mutual respect and recognition from the Board of Directors.
- Roles within the Board are adequately filled, emphasising a strong understanding of key business risks and a proactive risk management approach.
- Board meetings are thoroughly prepared and conducted in an organised manner, ensuring comprehensive discussions and effective follow-up.
- As Nedap enters a new phase of growth, the Board has played a significant role in refining and overseeing the strategic process.
- The anticipated growth of Nedap requires careful attention to the development and continuity of senior management.
- The process of professionalisation and change is ongoing, with the Board of Directors playing a key role. This area continues to receive the Supervisory Board's attentive guidance and support.

Without the Board of Directors present, the Board evaluated and assessed the performance of the Board of Directors and the individual members. In the Board's view, the Board of Directors demonstrated a robust and effective performance in 2023. The evaluation of the Board and its individual members took place by way of individual meetings with the Board of Directors as a whole and with the individual members, a delegation of the Nedap Alignment team and the works council. Topics such as communication with the Supervisory Board, individual targets, cooperation within the Board, the Nedap Alignment team and the business units and staffing departments, as well as potential company risks and culture and behaviour were discussed.

Other

Finally, further topics covered by the Board over the past year include PwC's audit plan for 2023, the implementation of the updated 2022 Dutch Corporate Governance Code, business continuity management, and operational and legal affairs. The Board has signed off on the tax policy, as set out in the annual report chapter 3 'Risk & Governance', the amended insider trading policy and the amended whistle-blower policy.

Groenlo, the Netherlands, 21 February 2024

The Supervisory Board

Mr P. A. M. van Bommel, chairman

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

Ms M. Pijnenborg

Mr S. C. Santema

Ms M. A. Scheltema

4.2 2023 remuneration report

The Board hereby presents the remuneration report for the members of the Board of Directors under the articles of association and the Supervisory Board for the 2023 financial year.

The remuneration report complies with the provisions of Article 2:135(b) of the Dutch Civil Code and the Corporate Governance Code. The remuneration report provides information about [the remuneration policy](#) pursued during the 2023 financial year to ensure transparency for all stakeholders. On 8 April 2021, the annual general meeting adopted the current remuneration policy for the Board of Directors.

The purpose of the remuneration policy for the Board of Directors (Board of Directors remuneration policy) is – by analogy with the policy for employees – to be able to attract, motivate and retain qualified and experienced people for our Board of Directors under the articles of association.

The Board of Directors remuneration policy resonates fully with Nedap's vision and strategy. It focuses on the company's continuity and is geared towards sustainable long-term value creation, offering remuneration that is intended to foment ongoing development of employees and the organisation, so as to ensure the continued success of Nedap's products and technologies in the various markets in which Nedap operates. Scenario analyses were considered in drawing up the remuneration policy and before calculating individual directors' remuneration.

Accountability for remuneration policy implementation in 2023

At the annual general meeting of 13 April 2023, the 2022 remuneration report was approved by a majority of votes cast (99.95%). Upon review and consideration of this meeting's proceedings on this subject, no amendments to the 2023 remuneration report were deemed necessary. Consequently, the report has been drawn up in the same way.

This 2023 remuneration report will be submitted to an advisory vote at the 2024 annual general meeting, thus rendering account on the implementation of the remuneration policy in the 2023 financial year. The Board will take the result of this advisory vote into account and cite it in the remuneration report for 2024.

Remuneration summary

The table below provides a summary of the costs for current board members under the articles of association as recognised in the financial statements.

Amounts x €1,000	Basic income	Variable remuneration	Employee participation plan benefits	Pension costs	Total
2023					
R. M. Wegman	466	300	48	102	916
D. van der Sluijs	333	211	27	56	627
R. Schuurman	294	186	22	53	555
Total	1,093	697	97	211	2,098
2022					
R. M. Wegman	441	282	48	96	867
D. van der Sluijs	314	200	20	52	586
R. Schuurman	278	175	18	49	520
Total	1,033	657	86	197	1,973

The table below provides a summary of the remuneration awarded to current 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 depository receipts ²	4a. Purchase discount for depository receipts ³	4b. 4:1 Matching depository receipts ⁴			
R. M. Wegman, CEO	2023	455	102	-	300	18	55	930	40%
	2022	431	96	-	282	18	56	883	40%
D. van der Sluijs, CFO	2023	321	56	-	211	13	-	601	37%
	2022	304	52	-	200	9	-	565	37%
R. Schuurman, CCO	2023	282	53	-	186	11	9	541	38%
	2022	267	49	-	175	5	7	503	37%

Note: Former CFO E. Urff received matching depository receipts with a value of 45 in 2023 (46 in 2022).

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

² 'Depository receipts' means 'certificates'.

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

⁴ This is the value of the depository receipts awarded.

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.

Variable annual income

Based on the remuneration policy and on previously set targets, the Board has determined the variable component of the annual income for 2023 payable to the Board of Directors under the articles of association. The remuneration policy states that 50% of the variable component is determined by financial targets, 25% by employee engagement targets, and 25% by sustainable organisational and revenue model targets.

Financial targets

The financial targets have been split up into four sub-targets. The table below shows each sub-target, along with the extent to which it was achieved in the 2023 financial year and how much of the variable remuneration it represents.

In millions of euros or as a percentage	Target	Performance	Share of variable remuneration
Revenue	259.0	262.4	8%
Operating margin	12.0%	10.4%	4%
Recurring revenue	80.5	84.1	11%
Operational cash flow per quarter	7.2	7.5	9%
Total			32%

Based on the above table, the Board of Directors is awarded a financial targets-related variable component of their annual income that represents 32% of their fixed annual income.

Employee engagement targets

Employee engagement levels at Nedap are measured on an annual basis. Based on an evaluation of the outcome of the measurements by the Remuneration Committee, Nedap is positioned in the highest quartile of employee engagement in 2023.

In 2023, the Nedap Life program, designed to enhance the quality and intensity of internal communication in relation to the Step Up! strategy, was successfully conducted. This initiative fostered more interactive communication across the organisation, featuring global updates, strategic insights, and practical stories to align team efforts with company goals. Additionally, regular updates and sessions with leadership further improved transparency and engagement. The [Nedap Family Day](#) further strengthened the Nedap community, deepening employee involvement in the company.

In 2023, Nedap emphasised leadership development, aligning it with strategic objectives to enhance performance and adaptability. Senior management participated in development discussions according to the Nedap Leadership Model, resulting in actionable plans. The ongoing Nedap Leading Business program focuses on enhancing leadership skills, underscoring Nedap's commitment to nurturing talent and increasing organisational capacity, which is pivotal for fostering innovation and addressing future challenges.

Concluding that the Board of Directors made good progress in this area, the Board has allocated the Board of Directors 15% variable pay for their achievements on Employee engagement targets.

Sustainable organisational and revenue model targets

In 2023, Nedap focused on refining strategies for the 4 Key Markets, leveraging detailed market analyses to make these strategies more explicit and actionable. This resulted in sharpened, well-communicated strategies within the key markets, aligned with specific goals and development roadmaps. Important strides were also made in portfolio management, including acquisitions and strategic divestments. A major initiative was the development and implementation of a Diversity, Equity & Inclusion policy. This led to a widely supported DEI policy formally adopted by the Supervisory Board, along with in-depth discussions on promoting female leadership. Additionally,

Nedap made significant advancements in sustainability, introducing a CO₂ impact dashboard for product life cycles and integrating sustainability targets into the budget process. This aligns with the Science Based Targets Initiative methodology, and a comprehensive materiality analysis was conducted to prepare for the CSRD standards in 2024, making sustainability a key part of annual business unit reviews.

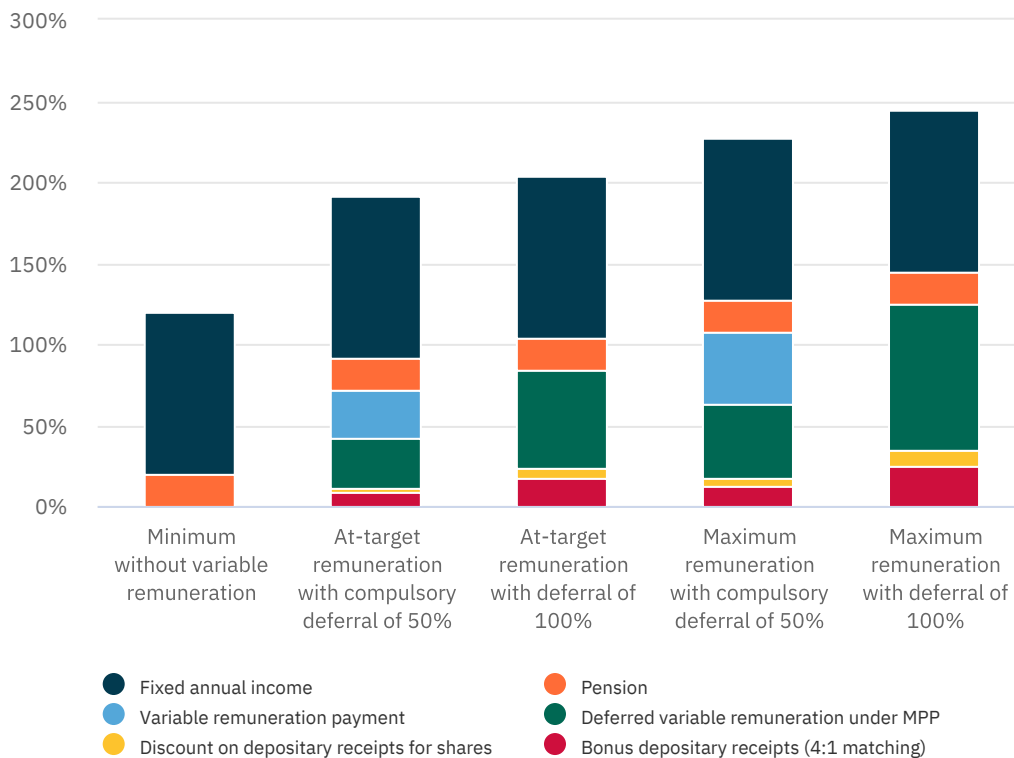
Good progress was made in various areas, which is reason for the Board to allocate the Board of Directors a variable remuneration component of 18% of their fixed annual income.

To recap, the Supervisory Board is of the view that the performance of the Nedap organisation and the Board of Directors was strong. Based on the above supporting information and in line with the remuneration policy, the Supervisory Board awards the Board of Directors under the articles of association a variable annual income totaling 65% of the fixed annual income. In calculating the variable annual income, account was taken of scenario analyses.

Directors pay mix

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

Board member remuneration scenarios (as % of basic salary)



Deferred remuneration/MPP

Under the remuneration policy, directors under the articles of association have to use at least 50% of their variable annual income for 2023 to buy depository receipts for Nedap shares, which are subsequently locked up for a period of five years. After four years, one bonus depository receipt is awarded for every four depository receipts held. If the targets have been met, the variable annual income will be 60% of the fixed annual income. Total remuneration will then be 62.5% fixed annual income and 37.5% variable annual income. The CEO, CFO and CCO have opted to use the full amount of their variable pay to purchase depository receipts.

Share-based remuneration

(Items x 1)		Depository receipts or shares held on 1/1*	Depository receipts purchased	Bonus depository receipts awarded	Depository receipts or shares sold	Depository receipts or shares held on 31/12*	Contingent bonus depository receipts as at 1/1	Contingent bonus depository receipts awarded	Bonus depository receipts awarded	Contingent bonus depository receipts as at 31/12
R. M. Wegman, CEO	2023	44,436	2,883	958	-	48,277	3,100	721	-958	2,863
	2022	40,753	2,817	866	-	44,436	3,262	704	-866	3,100
D. van der Sluijs, CFO	2023	2,579	2,035	-	-	4,614	645	509	-	1,154
	2022	1,088	1,491	-	-	2,579	272	373	-	645
R. Schuurman, CCO	2023	4,864	1,788	154	-	6,806	636	447	-154	929
	2022	3,954	804	106	-	4,864	557	185	-106	636
E. Urff	2023	-	-	786	-	- *	786	-	-786	-
	2022	-	-	711	-	- *	1,497	-	-711	786

On the date of delivery in 2023, the bonus depository receipts represented a value of €56.90 (€64.90 in 2022).

* The number of shares and depository receipts for shares 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. R. M. Wegman holds both shares and depository receipts. D. van der Sluijs and R. Schuurman hold depository receipts.

Change in remuneration (Amounts x € 1.000)	2023	2022	2021	2020	2019	2023-2019
Change in director's remuneration vs last year						
R. M. Wegman, CEO	5% (930)	0% (883)	11% (885)	4% (800)	-4% (772)	20%
D. van der Sluijs, CFO	6% (601)	0% (565)	29% (564)	- (437)	-	-
R. Schuurman, CCO	8% (541)	- (503)	-	-	-	-
E. Urff	-	-	-	-	8% (678)	-
Supervisory Board members						
P. A. M. van Bommel	0% (50)	25% (50)	- (40)	-	-	-
J. M. L. van Engelen	0% (40)	0% (40)	33% (40)	0% (30)	0% (30)	33%
G. F. Kolff	-	0% (50)	25% (50)	0% (40)	0% (40)	-
M. Pijnenborg	0% (40)	0% (40)	33% (40)	0% (30)	- (30)	33%
S. C. Santema	- (40)	-	-	-	-	-
M. A. Scheltema	0% (40)	0% (40)	33% (40)	0% (30)	0% (30)	33%
M. C. Westermann	-	-	-	-	0% (30)	-
Change in performance Nedap	22%	-7%	27%	10%	23%	86%
<i>Change in median employee remuneration</i>	9% (99)	3% (91)	49% (88)	2% (59)	3% (58)	
<i>CEO-pay ratio</i>	9.2	9.6	9.9	6.9	6.9	

If a director or Supervisory Board member was a member of the Board of Directors or Supervisory Board for only part of a year, their remuneration is presented on a pro rata basis for comparison purposes. The change in remuneration for the members of the Board of Directors and Supervisory Board 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 or Supervisory Board member is not 1 January, the change is recognised on a pro rata basis in the financial year following the year of joining.

The 2023-2019 column shows the relative change as at year-end 2023 compared to the beginning of 2019.

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.

The definition of the CEO pay ratio and the change in median employee pay was changed in the 2021 financial year. Nedap follows the recommendation by the Corporate Governance Code Monitoring Committee as of the 2021 financial year.

Based on this definition, the CEO pay ratio would have been 9.7 in 2020. Please refer to the pay ratio paragraph in this section for the definition of the pay ratio.

Use of penalty and recovery scheme

This scheme was not used.

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

Up to 2020, Nedap calculated the pay ratio as 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 of the financial year ('median salary'). The annual salaries of the directors under the articles of association are not included in the calculation of the median salary. As of 2021, Nedap follows the recommendation made by the Corporate Governance Monitoring Committee in late December 2020. In its recommendation, the committee defines pay ratio as follows: the ratio of (i) total annual CEO pay to (ii) the median annual pay of the employees of the company and group companies consolidated in the company's financial statements, whereby:

- Total annual CEO pay includes all pay components (such as fixed pay, variable pay in cash (bonus), share-based pay, social security contributions, pension, expense allowance, etc.), as recognised in the (consolidated) financial statements prepared based on IFRS standards;
- employees' median annual pay is calculated by dividing total wage and salary costs in the financial year (as recognised in the (consolidated) financial statements prepared based on IFRS standards) by the average number of FTEs at the company during the financial year. The pay of insourced external workers is factored in on a pro rata basis, on the condition that they worked for the company for at least three months during the financial year; and
- the value of the share-based part of the pay is calculated on the date that it is awarded, as per the applicable IFRS requirements.
- The pay ratio for 2023 is 9.2. In 2022, the pay ratio was 9.6.

Supervisory Board member remuneration

On 8 April 2021, the annual general meeting adopted the current remuneration policy for the Supervisory Board. The amounts paid are in line with the remuneration policy for Supervisory Board members. The table below lists the remuneration that (former) Supervisory Board members received for the 2023 and 2022 financial years.

Supervisory Board members (€ x 1,000)	2023	2022
P. A. M. van Bommel	50	47
J. M. L. van Engelen	40	40
G. F. Kolff	-	14
M. Pijnenborg	40	40
S. C. Santema (from 13 April 2023)	29	-
M. A. Scheltema	40	40

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

5. Financial Statements



5.1 Consolidated financial statements

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

Assets	Note	2023	2022
<i>Fixed assets</i>			
Intangible fixed assets	1	10,156	2,847
Tangible fixed assets	2	42,636	41,121
Deferred tax assets	3	1,373	1,161
		54,165	45,129
<i>Current assets</i>			
Inventories	4	38,904	28,343
Income tax receivable		75	129
Trade and other receivables	5	36,566	43,593
Cash and cash equivalents	6	10,156	17,483
		85,701	89,548
		139,866	134,677
Liabilities			
<i>Group equity</i>			
Shareholders' equity attributable to shareholders	7	85,331	81,194
<i>Non-current liabilities</i>			
Borrowings	8	14,000	14,000
Lease liabilities	9	837	1,162
Employee benefits	10	1,001	911
Provisions	11	682	875
		16,520	16,948
<i>Current liabilities</i>			
Lease liabilities	9	957	946
Employee benefits	10	85	93
Provisions	11	1,010	928
Bank overdrafts	12	-	-
Income tax payable		600	379
Taxation and social security contributions		4,047	2,070
Trade and other payables	13	31,316	32,119
		38,015	36,535
Total liabilities		54,535	53,483
		139,866	134,677

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

	Note	2023	2022
Revenue	14	262,426	229,479
Cost of materials and outsourced work		-89,717	-78,455
Inventory movements of finished goods and work in progress		8,270	2,544
		-81,447	-75,911
Added value		180,979	153,568
Personnel costs	15	-112,059	-91,499
Amortisation	16	-389	-813
Depreciation	17	-9,718	-8,778
Other operating costs	18	-31,490	-28,933
Operating costs		-153,656	-130,023
Operating result		27,323	23,545
Financing income		39	3
Financing costs		-770	-329
Net financing costs		-731	-326
Result before taxation from continued operations		26,592	23,219
Taxation	19	-5,032	-4,694
Result for the financial year from continued operations		21,560	18,525
Result for the financial year from discontinued operations		81	179
Result for the financial year		21,641	18,704
Result attributable to shareholders of Nedap N.V.		21,641	18,704
Average number of outstanding shares	7	6,546,636	6,512,369
Earnings per ordinary share from continued operations (in €)		3.29	2.84
Diluted earnings per ordinary share from continued operations (in €)		3.29	2.84
Earnings per ordinary share (in €)		3.31	2.87
Diluted earnings per ordinary share (in €)		3.31	2.87

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

	2023	2022
Result for the financial year from continued operations	21,560	18,525
Result for the financial year from discontinued operations	81	179
Result for the financial year	21,641	18,704
Unrealised result		
Items that will (or may) be reclassified to profit or loss after initial recognition:		
Currency translation differences	-315	140
Unrealised result for the financial year, after taxation	-315	140
Total realised and unrealised result for the financial year	21,326	18,844
Total realised and unrealised result for the financial year attributable to:		
Nedap N.V. shareholders	21,326	18,844

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

	Note	2023	2022
Cash flow from operating activities			
Result for the financial year from continued operations		21,560	18,525
Adjustments for:			
Depreciation and amortisation including impairment	16,17	10,107	9,591
Book result on sale of tangible fixed assets		-204	-188
Exchange differences		-164	115
Net financing costs		731	326
Share-based remuneration		575	-550
Income taxes	19	5,032	4,694
		16,077	13,988
Movements in trade and other receivables	5	6,840	-8,075
Movements in inventories	4	-11,158	-4,280
Movements in taxation and social security contributions		1,996	-13
Movements in trade and other payables		-826	2,809
Movements in employee benefits	10	82	-118
Movements in provisions	11	-111	-416
		-3,177	-10,093
Interest paid		-675	-302
Interest received		39	3
Income tax paid		-4,969	-3,921
		-5,605	-4,220
Cash flow from operating activities from continued operations		28,855	18,200
Cash flow from operating activities from discontinued operations		978	-541
Cash flow from operating activities		29,833	17,659
Cash flow from investing activities			
Investments in tangible fixed assets		-10,689	-9,727
Investments in intangible fixed assets		-7,698	-1,853
Proceeds from sale of tangible fixed assets		313	295
Proceeds from sale of Nedap Beveiligingstechniek B.V.		23	-
Cash flow from investing activities from continued operations		-18,051	-11,285
Cash flow from investing activities from discontinued operations		-1,104	-8
Cash flow from investing activities		-19,155	-11,293

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

	Note	2023	2022
Cash flow from financing activities			
Repayments on long-term borrowings and derivatives	20,21	-	-
Lease payments		-1,069	-1,050
Dividend paid to shareholders of Nedap N.V.		-19,662	-19,560
Dividend received from Nedap Beveiligingstechniek B.V.		982	-
Sale of own shares		1,898	2,154
Cash flow from financing activities from continued operations		-17,851	-18,456
Cash flow from financing activities from discontinued operations		-3	-67
Cash flow from financing activities		-17,854	-18,523
Movements in cash and cash equivalents and bank overdrafts			
Cash and cash equivalents and bank overdrafts at 1 January		17,483	29,615
Exchange differences for cash and cash equivalents and bank overdrafts		-151	25
Cash and cash equivalents and bank overdrafts at 31 December		10,156	17,483
Cash and cash equivalents		10,156	17,483
Bank overdrafts		-	-
		10,156	17,483

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 1/1/2022	669	1,316	60,037	18,284	80,306
Realised result for financial year	-	-	-	18,704	18,704
Unrealised result for financial year	-	-25	165	-	140
Result for financial year	-	-25	165	18,704	18,844
Dividend	-	-	-19,560	-	-19,560
Appropriation of result for previous financial year	-	448	17,836	-18,284	-
Movement in share-based remuneration	-	-	-550	-	-550
Movement in own shares	-	-	2,154	-	2,154
Balance as at 31/12/2022	669	1,739	60,082	18,704	81,194
Realised result for financial year	-	-	-	21,641	21,641
Unrealised result for financial year	-	-315	-	-	-315
Result for financial year	-	-315	-	21,641	21,326
Dividend	-	-	-19,662	-	-19,662
Appropriation of result for previous financial year	-	669	18,035	-18,704	-
Movement in share-based remuneration	-	-	575	-	575
Movement in own shares	-	-	1,898	-	1,898
Balance as at 31/12/2023	669	2,093	60,928	21,641	85,331

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)

Share-based remuneration reserve	2023	2022
Bonus depositary receipts	503	512
10% purchase discount	155	131
NAPP reserve	1,914	1,354
Total	2,572	1,997
Statutory reserves	2023	2022
Capitalised development costs	2,350	1,680
Exchange differences	-269	47
Result from participations not freely distributable	12	12
Total	2,093	1,739

Dividend per share for the 2023 financial year has been set at €3.20 (€3.00 in 2022).

Accounting policies

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

Intangible fixed assets, including capitalised development costs and assets in progress and prepayments, are recognised at historical cost less accumulated amortisation and impairment losses.

Investigation

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.

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.

Government grants

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

Amortisation of intangible fixed assets

Capitalised development costs are amortised on a straight-line basis. The amortisation rate is 20%.

Other

Software & licences 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.

Costs of tangible fixed assets are capitalised as ‘in progress’ under tangible fixed assets when they are not yet ready to be commissioned. As soon as the asset has been completed, it will be included in the asset category that corresponds to the asset. 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. Available-for-sale tangible fixed assets 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%
Machinery	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 right-of-use asset is available to Nedap.

The lease terms differ per lease. They range from 1-5 years and reflect a term that is shorter than or equal to the useful life of the underlying asset it relates to.

Contracts can contain both lease and non-lease components. Nedap 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 Nedap will choose to extend the lease. Otherwise, Nedap 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 at Nedap, 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.

Nedap 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 Nedap 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.

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. The liability method has been used for calculating deferred tax assets and liabilities. 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 Nedap N.V. employees the option to use part or all of their annual share in the profits to purchase Nedap depositary receipts. Besides the option to invest the amount of their share in the profits in the Stichting in exchange for depositary receipts, Nedap's Board of Directors and business unit leaders 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 plan

Since 1 January 2015, Nedap has had a defined-contribution pension plan 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 payable.

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. The liability method has been used for calculating deferred tax assets and liabilities. 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

Provisions for legal claims, service guarantees and obligations to repair are recognised when Nedap has incurred a legal or constructive obligation as a result of events in the past, it is likely that a disbursement of resources will be required to settle the obligation, and the amount can be estimated reliably. Provisions will not be made for future operating losses. Provisions are measured at the present value of the management's best estimate of the expenditure needed to settle the current obligation at the end of the reporting period, using a discount rate that is in line with current market rates.

Guarantee provision

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.

Restructuring provision

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 12.5-year, 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.

Nedap 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 customers 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.

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.

Notes

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 2023 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 21 February 2024, 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 annual general meeting for adoption on 11 April 2024. 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.

Nedap Beveiligingstechniek B.V., Groenekan, Netherlands	100%	(sold 31-05-2023)
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 Polska Sp. z o.o., Warsaw, Poland	100%	participation
Nedap Asia Ltd., Hong Kong, China	100%	participation
Nedap China Ltd., Shanghai, China	100%	participation of Nedap Asia Ltd.
Nedap FZE, Dubai, United Arab Emirates	100%	participation
Nedap Inc., Burlington, United States of America	100%	participation

Going concern

The accounting policies 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. The company was able to post a profit for 2023. 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 policies 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.

Changes to the presentation of comparative figures

From the date on which Nedap loses control, discontinued operations are deconsolidated on the balance sheet to assets and debts of discontinued operations. Deconsolidation is also applied in the statement of profit or loss and the statement of cash flows on the date on which all IFRS 5 criteria are met.

On 31 May 2023, Nedap Beveiligingstechniek B.V (NBT), was sold to Solid Systems Group B.V. This transaction was executed without the realisation of a financial gain on the sale of the shares that Nedap held in NBT.

The result after taxation up to 31 May 2023 amounted to €81 (2022 up to 31 December: €179).

Comparison to last year

Where necessary, comparative figures have been adjusted for comparison purposes.

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. 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.

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 remeasured downward.

When it comes to banks and financial institutions, cash and cash equivalents are held only with parties with at least an 'A' rating awarded by an independent ratings agency.

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.

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 2023, the US dollar was, after the euro, the currency used for most transactions. The US dollar was also the currency with the highest net transaction value in 2023 (2% of revenue), whereby most US dollar transactions were purchases. A hypothetical change of 10% in the US dollar exchange rate would have pushed the profit for the financial year up or down by €0.6 million.

Interest rate risk

A change of 100 basis points in interest rate on the loans specified in Note 8 would affect the profit for the financial year by €0.1 million (€0.1 million in 2022).

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 50% and net debt/EBITDA of a maximum of 1.5. Temporary deviation from this target figure is possible for strategic reasons. In 2023, these ratios were 61% and 0.1 respectively (60% and -0.1 in 2022).

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 2023. 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	In progress and prepayments	Total intangible fixed assets
Year-end 2021				
Purchase price	4,497	1,300	349	6,146
Amortisation including impairments	-3,614	-726	-	-4,340
Book value	883	574	349	1,806
Movements in 2022				
Investment	83	98	1,673	1,854
Disposal (on balance)	-	-	-	-
Amortisation	-550	-263	-	-813
Net movements	-467	-165	1,673	1,041
Year-end 2022				
Purchase price	3,904	1,396	2,022	7,322
Amortisation including impairments	-3,488	-987	-	-4,475
Book value	416	409	2,022	2,847
Movements in 2023				
Investment	1,280	528	5,890	7,698
Disposal (on balance)	-	-	-	-
Amortisation	-182	-207	-	-389
Net movements	1,098	321	5,890	7,309
Year-end 2023				
Purchase price	5,185	1,926	7,912	15,023
Amortisation including impairments	-3,671	-1,196	-	-4,867
Book value	1,514	730	7,912	10,156

The majority of the 2023 investment in intangible fixed assets in progress relates to the acquisition of the Medikit software in Q4 2023. Intangible fixed assets in progress and prepayments include a €1,971 (2022: €915) investment relating to intangible fixed assets developed in-house.

To a great extent, the capitalised development costs are for detection and inventory management systems.

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other fixed equipment*	In progress and prepayments	Right-of-use assets	Total tangible fixed assets
Year-end 2021						
Purchase price	40,104	20,246	38,158	2,333	4,240	105,081
Depreciation including impairments	-22,842	-16,408	-24,228	-254	-1,956	-65,688
Book value	17,262	3,838	13,930	2,079	2,284	39,393
Movements in 2022						
Investment	2,509	2,247	3,953	1,159	977	10,845
Completed assets in progress	-	-	2,079	-2,079	-	-
Disposal (on balance)	-11	-4	-74	-	-173	-262
Depreciation	-1,759	-774	-5,211	-	-1,111	-8,855
Impairments	-	-	-	-	-	-
Net movements	739	1,469	747	-920	-307	1,728
Year-end 2022						
Purchase price	41,871	18,958	41,945	1,159	4,658	108,591
Depreciation including impairments	-23,870	-13,651	-27,268	-	-2,681	-67,470
Book value	18,001	5,307	14,677	1,159	1,977	41,121
Movements in 2023						
Investment	1,203	670	6,512	2,199	977	11,561
Completed assets in progress	-	-	1,159	-1,159	-	-
Disposal (on balance)	-	-	-109	-	-219	-328
Depreciation	-2,067	-989	-5,626	-	-1,036	-9,718
Impairments	-	-	-	-	-	-
Net movements	-864	-319	1,936	1,040	-278	1,515
Disposals (Purchase price)	-	-	-1,208	-	-853	-2,061
Disposals (Depreciation)	-	-	-1,100	-	-634	-1,734
Year-end 2023						
Purchase price	43,074	19,628	48,408	2,199	4,782	118,091
Depreciation including impairments	-25,937	-14,640	-31,795	-	-3,083	-75,455
Book value	17,137	4,988	16,613	2,199	1,699	42,636

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

At year-end 2023, €1,276 of the book value of ‘Right-of-use assets’ related to premises and €423 to other fixed equipment. Depreciation totalled €789 and €247 respectively in 2023. 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 €18.9 million (€18.9 million in 2022) has been granted as security for bank debts. The useful life of assets measured as ‘Right-of-use assets’ is in all cases at least equal to the period of the remaining lease payments.

For further explanation of leases, see also note 9. Liabilities entered into stood at €4.8 million (€1.9 million in 2022) at year-end. Impairment is explained under ‘Impairment of assets’.

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

	2023	2022
The Netherlands	50,936	41,984
Germany	153	242
Other Europe	808	887
China (including Hong Kong)	426	128
North America	396	547
Other countries	73	180
Total	52,792	43,968

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

Balance as at 31/12/2023	Deferred assets	Deferred liabilities
Tangible fixed assets	-	3
Intangible fixed assets	-	429
Anniversary benefits provision	4	-
Inventories	778	-
Other	98	96
Offsettable profit/loss	1,021	-
Total before offsetting	1,901	528
Offsetting	-528	-528
Total after offsetting	1,373	-
Balance as at 31 December 2022 (before offsetting)	1,773	612
Offsetting	-612	-612
Balance as at 31 December 2022 (after offsetting)	1,161	-
Withdrawals	-41	-207
Additions	169	123
Balance as at 31 December 2023 (before offsetting)	1,901	-
Offsetting	-528	-
Balance as at 31 December 2023 (after offsetting)	1,373	-

These receivables relate to the losses brought forward and deferred taxation. The offsettable profit/loss relates to deferred tax assets at two subsidiaries.

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

At 31 December 2023, there were no temporary differences, uncompensated tax losses or unused tax credits for which no deferred tax assets had been recognised.

4. Inventories (€ x 1,000)

	2023	2022
Raw materials and components	6,354	4,063
Products in progress	171	220
Finished goods (procured and manufactured)	32,379	24,060
Total	38,904	28,343

A total amount of €3.3 million (€3.2 million in 2022) of inventories has been written down to a lower realisable value.

Costs of write-down of inventory, which are recognised in materials and outsourced work, amounted to €1.6 million in 2023 (€1.1 million in 2022).

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

	2023	2022
Trade receivables	28,883	33,335
Other receivables and prepayments and accrued income	7,683	10,258
Total	36,566	43,593

Of the trade and other receivables, €0.4 million (€0.4 million in 2022) has a term of over 1 year.

Of the trade receivables, 92% (94% in 2022) are either not yet due or in the first month after the agreed payment date.

Of the remaining 8% (6% in 2022), 5% (4% in 2022) are a maximum of 90 days overdue and 3% (2% in 2022) are over 90 days overdue.

In the case of the latter 3% 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	2023	2022
Balance at 1 January	232	119
Withdrawals	-140	-11
Additions	66	124
Balance at 31 December	158	232

In 2023, the average credit term for trade accounts receivable was: 6.5 weeks (6.7 weeks in 2022). Nedap has insured the credit risk in its trade receivables wherever possible. The companies that cover the insurance risk are rated by global rating agencies with an A-rating, or better. A total of 91% of the trade receivable balance is covered (89% in 2022), with a pay-out of 90% (90% in 2022). The total amount of uncovered credit risk is €2,667 (2022: €3,791).

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

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

	2023	2022
Cash	-	-
Banks	10,156	17,483
Total	10,156	17,483

Cash and cash equivalents are available on demand.

7. Shareholders' equity attributable to shareholders (€ x 1,000)

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 2023 was 6,546,636 (6,512,369 in 2022).

At year-end 2023, 6,554,003 shares were outstanding (6,519,965 in 2022).

At year-end 2023, the company held 138,917 (172,955 in 2022) of its own shares that are expected to be transferred to employees under the employee participation plans.

8. Borrowings (€ x 1,000)

Type of borrowing	Nominal interest rate	Maturity date	2023	2022
Standby Roll-Over	3 months Euribor + 1,2%	2026	14,000	14,000
Balance at 31 December			14,000	14,000
Repayment liabilities < 1 year			-	-
Repayment liabilities > 1 year and < 5 years			14,000	14,000
Repayment liabilities > 5 years			-	-

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 all fixtures and fittings, inventories and trade receivables (€92 million as of 31 December 2023). The pledge includes security for bank overdrafts (see note 12). The General Terms and Conditions and the General Provisions for Credit Provision (for business clients) of ABN AMRO Bank N.V. apply to the agreement.

The agreement does not contain any covenants.

9. Lease liabilities (€ x 1,000)

	Company buildings and premises	Other fixed equipment	Total
Lease liabilities as at 31 December 2022			
Current (<= 1 year)	721	225	946
Long-term (> 1 year)	889	273	1,162
	1,610	498	2,108
Movements in 2023			
Current (<= 1 year)	19	-8	11
Long-term (> 1 year)	-260	-65	-325
	-241	-73	-314
Lease liabilities as at 31 December 2023			
Current (<= 1 year)	740	217	957
Long-term (> 1 year)	629	208	837
	1,369	425	1,794
The interest amounts on lease liabilities recognised as a cost in 2023 amounted to €74 (€61 in 2022).			
Recognised in the financial year			
Short-term lease costs	2	78	80
Low-value lease costs	5	2	7
Total lease payments	865	263	1,128

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.

10. Employee benefits (€ x 1,000)

Anniversary benefits provision	2023	2022
Balance at 1 January	1,004	1,122
Withdrawals	-104	-167
Additions	186	49
Balance at 31 December	1,086	1,004
Measurement of the anniversary benefits provision is based on the following factors:		
Future salary increase	3.50%	3.50%
Present value factor	3.25%	3.50%

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

Of the long-term part of the provision (€1,001), €304 relates to the period from 2025 to 2028 (>1 year <= 5 years).

11. Provisions (€ x 1,000)

Guarantee provision	2023	2022
Balance at 1 January	1,803	2,219
Withdrawals	-1,208	-991
Additions	1,097	575
Balance at 31 December	1,692	1,803

The part of the provisions with a term of under 1 year €1,010 (€928 in 2022) is recognised under short-term liabilities. Of the long-term part of the provision, €15 relates to the period after 2029 (> 5 years).

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 discounted.

12. Bank overdrafts (€ x 1,000)

The maximum overdraft under the facility is €25.0 million (€25.0 million in 2022).

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.

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

	2023	2022
Trade payables	13,665	14,973
Liabilities on account of investments	663	748
Prepayments received	1,148	1,597
Other liabilities and accruals and deferred income	15,840	14,801
Total	31,316	32,119

An amount of €0.3 million (€0.3 million in 2022) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year. Prepayments received at year-end 2022 were recognised as revenue in 2023.

14. Revenue (€ x 1,000)

	2023	2022
Products, systems and installations	178,299	158,723
Software subscriptions (licences) and services	84,127	70,756
Total	262,426	229,479

Software subscriptions (licences) and services consist mainly of subscriptions and maintenance contracts provided by the Healthcare, Retail, Security Management and Staffing Solutions business units.

Geographical sales areas	2023	2022
The Netherlands	94,696	81,202
Germany	34,051	26,933
Other Europe	64,233	57,478
North America	40,622	34,514
Other countries	28,824	29,352
Total	262,426	229,479

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

15. Personnel costs (€ x 1,000)

	2023	2022
Wages and salaries	74,926	62,524
Social security costs	9,788	7,787
Pension costs	4,863	2,662
Insourced staff	15,775	13,732
Other personnel costs	6,707	4,794
Total	112,059	91,499

Social security costs include a government grant of €-861 (€-959 in 2022).

In 2022 pension costs include a refund of pension premiums paid amounting to €-1,464. This concerns Nedap's share in the profit from premiums paid for life and disability insurance that has meanwhile expired, less claims made on these policies.

The costs of share-based remuneration, recognised in accordance with IFRS 2 consist of:

- A 10% purchase discount that is charged to the result for the financial year in full. Costs of bonus depository receipts are charged to the profit and loss account over a period of 5 years. Combined, these costs amount to €412 in the financial year (€402 in 2022).
- Costs of remuneration that must be invested in depository receipts in full (€1,914 NAPP; €1,354 in 2022).

The fair value (in euros) of bonus and NAPP depository receipts awarded in the financial year is €46.78 (€53.54 in 2022).

Costs for which a purchase discount and bonus depository receipts are recognised under other personnel costs, while other costs are recognised as wages and salaries. Of these costs, an amount of €219 is related to the 2023 financial year (€185 in 2022).

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 has been decided to not deliver this remuneration in the form of depository 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	2023	2022
The Netherlands	843	754
Other Europe	47	42
Asia	36	35
North America	36	37
Total	962	868

Remuneration Board of Directors

	Basic income	Variable remuneration	Benefits of Employee participation plan	Pension costs	Total
2023					
R. M. Wegman	466	300	48	102	916
D. van der Sluijs	333	211	27	56	627
R. Schuurman	294	186	22	53	555
Total	1,093	697	97	211	2,098
2022					
R. M. Wegman	441	282	48	96	867
D. van der Sluijs	314	200	20	52	586
R. Schuurman	278	175	18	49	520
Total	1,033	657	86	197	1,973

Basic income and Variable remuneration are considered short-term benefits, benefits of Employee participation plan qualify as share-based payments and pension costs are post-employment benefits.

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 five 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).

The members of the Board of Directors have used their variable remuneration for the financial year as follows for the purchase of depositary receipts:

	2023	2022
R. M. Wegman	100%	100%
D. van der Sluijs	100%	100%
R. Schuurman	100%	100%

Shares and depositary receipts

	Shares and depositary receipts held at year-end	Bonus depositary receipts not yet awarded at year-end
2023		
R. M. Wegman	48,277	2,863
D. van der Sluijs	4,614	1,154
R. Schuurman	6,806	929
Total	59,697	4,946
2022		
R. M. Wegman	44,436	3,100
D. van der Sluijs	2,579	645
R. Schuurman	4,864	636
Total	51,879	4,381

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

The company has not granted the Board of Directors or Supervisory Board members any loans or guarantees. Further details of the remuneration policy are provided in the Risk & Governance chapter of this report.

Supervisory Board remuneration

	2023	2022
P. A. M. van Bommel	50	47
J. M. L. van Engelen	40	40
G. F. Kolff	-	14
M. Pijnenborg	40	40
S. C. Santema (from 13 April 2023)	29	-
M. A. Scheltema	40	40
Total	199	181

The total remuneration for the Board of Directors and the Supervisory Board members (key management personnel) for the year amounts to €2,244 (2022: €2,154)

16. Amortisation (€ x 1,000)

	2023	2022
Developments costs	182	550
Software & licences	207	263
Total	389	813

17. Depreciation (€ x 1,000)

	2023	2022
Company buildings	2,067	1,759
Machinery and installations	989	774
Other fixed equipment	5,626	5,205
Right-of-use leases	1,036	1,040
Total	9,718	8,778

18. Other operating costs (€ x 1,000)

The costs of foreign exchange differences recognised in profit or loss amount to €625 (2022: €284).

Other operating costs includes general, housing, indirect manufacturing and selling costs.

19. Taxation (€ x 1,000)

	2023	2022
Profit before taxation	26,673	23,398
Profit from discontinued operations	81	179
Profit from continued operations	26,592	23,219
Income tax	5,168	4,497
Deferred income tax	-136	197
Total income tax	5,032	4,694

Reconciliation of effective tax rate:	2023		2022	
Income tax based on Dutch tax rate	6,861	25.8%	5,991	25.8%
Change in domestic tax rate	-14	-0.1%	-43	-0.2%
Effect of tax rate for non-resident associates	-188	-0.7%	-20	-0.1%
Non-deductible expenditures	425	1.6%	352	1.5%
Tax incentive schemes	-2,021	-7.6%	-1,611	-6.8%
Rate change for deferred taxation	59	0.2%	87	0.4%
Prior-year adjustment	-90	-0.3%	-62	-0.3%
Total	5,032	18.9%	4,694	20.3%

The change in the domestic tax rate is caused by a tax rate of 19.0% on the first €200 of taxable profit (15.0% on the first €395 of taxable profit in 2022).

The net tax rate for associates outside the Netherlands is lower than the nominal rate in the Netherlands, which leads to a 0.7% decrease in the effective tax rate.

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

Besides a small amount for the Energie/Milieu Investerings Aftrek (EIA/MIA, Energy/Environmental Investment Tax Credit) (€-1 (€-7 in 2022)), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime (€-2,020 (€-1,604 in 2022)).

From 2022, deferred tax assets and liabilities are measured at the weighted average rate, factoring in any arrangements under the Innovation Box tax regime. This is based on the fiscal EBIT, where it used to be based on the commercial EBIT, which has resulted in a downward remeasurement in 2022 of deferred taxation.

Net income tax payable for 2022 has been paid. The difference between income tax paid of €4,969 in the statement of cash flows and the payable amount of €5,032 is made up of advances paid in 2022 and previous years, as well as advances paid in 2023 on the profit expected for the financial year.

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. According to the Dutch tax authorities, profits generated in Hong Kong should have largely been taxed in the Netherlands, prompting them to issue revised tax assessments for 2014 and 2015.

Nedap has contested these tax assessments by filing an objection. Over recent years, Nedap engaged in multiple discussions with the tax authorities to address this issue, providing further supporting documentation throughout the process. Despite these efforts and the additional information provided, the tax authorities maintain their position that the revised tax assessments were correctly issued. Consequently, in 2022, Nedap initiated a formal request to commence a Mutual Agreement Procedure (MAP) between the Netherlands and Hong Kong tax authorities to determine the jurisdiction of tax obligations.

Nedap is currently awaiting an assessment of this request and a response to it from the tax authorities. Nedap anticipates that the most likely result will be the absence of a cash outflow from the organisation.

Any possible net payments are expected to be limited to interest on overdue tax, as there is a current tax treaty to avoid double taxation between both states and based on the fact that the effective corporate income tax rate in the Netherlands is virtually identical to that used in Hong Kong. These costs, which will amount to between €0.2 million and €0.3 million if the tax authorities turn out to be right, have not been taken into consideration in the results for 2023.

20. Financing liabilities (€ x 1,000)

	2023	2022
Cash and cash equivalents	10,156	17,483
Short-term borrowings including bank overdrafts	-	-
Long-term borrowings	-14,000	-14,000
Lease liabilities	-1,794	-2,108
Net financing position	-5,638	1,375
Cash and cash equivalents	10,156	17,483
Fixed-interest borrowings	-	-
Variable-interest borrowings	-14,000	-14,000
Lease liabilities	-1,794	-2,108
Net financing position	-5,638	1,375

The long-term loan has a variable rate of interest.

21. Liquidity risk (€ x 1,000)

Contractual term of financial liabilities	>= 1 year and				Total
	< 1 year	< 2 years	< 5 years	>= 5 years	
Year-end 2022:					
Non-derivatives					
Trade and other payables	32,119	-	-	-	32,119
Lease liabilities	946	725	437	-	2,108
Borrowings	-	-	14,000	-	14,000
Total non-derivatives	33,065	725	14,437	-	48,227
Year-end 2023:					
Non-derivatives					
Trade and other payables	30,984	332	-	-	31,316
Lease liabilities	957	452	385	-	1,794
Borrowings	-	-	14,000	-	14,000
Total non-derivatives	31,941	784	14,385	-	47,110

Other information

Commitments and contingent liabilities

Guarantees issued by group companies in relation to building rental were €0.3 million (€0.4 million in 2022) and other €0.1 million (€0.1 million in 2022).

At year-end 2023, 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, no payment was transferred to Stichting Preferente Aandelen Nedap. 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.

Research and development costs

	2023	2022
Personnel and other operating costs	49,098	42,348
Amortisation	182	550
Capitalised costs	-1,595	-1,520
Government grants	-809	-959
Total	46,876	40,419

Government grants 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 and further developing current products and services. 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

Stichting Medewerkerparticipatie Nedap shareholding (items x 1)	2023	2022
Balance as at 1 January	193,565	191,919
Additions during the year	29,194	28,486
Bonus shares received	4,844	4,978
Withdrawn during the year	-9,881	-31,818
Balance as at 31 December	217,722	193,565

Shares purchased over the period from 2020 to 2023 are still locked up. Of the 217,722 shares held, 86,062 are still in the locked-up period.

The 86,062 locked-up depositary receipts entitle holders to 15,196 bonus depositary receipts (15,597 in 2022).

In 2023, 4,844 bonus depositary receipts were awarded (4,978 in 2022), 215 contingent bonus depositary receipts expired (398 in 2022) and 4,658 contingent bonus depositary receipts were awarded (3,905 in 2022), resulting in 15,196 potentially awardable bonus depositary receipts at year-end 2023 (15,597 in 2022). Stichting Medewerkerparticipatie Nedap holds 3.3% of the total issued share capital.

Profit appropriation

	2023	2022
Shareholder profit	21,641	18,704
Addition to (-)/ withdrawal from (+) other reserves	-668	856
Dividend payable on ordinary shares	20,973	19,560

5.2 Company financial statements

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

¹ Before result appropriation

Assets	note		2023	2022
Fixed assets				
Intangible fixed assets	1	10,154		2,839
Tangible fixed assets	2	41,089		39,264
Financial fixed assets	3	10,673		10,687
			61,916	52,790
Current assets				
Inventories	4	32,284		21,727
Trade and other receivables	5	33,473		41,281
Cash and cash equivalents	6	7,148		12,887
			72,905	75,895
			134,821	128,685
Liabilities				
Shareholders' equity				
Share capital	7	669		669
Statutory reserves		2,093		1,739
Other reserves		60,928		60,082
			63,690	62,490
Profit for financial year		21,641		18,704
			85,331	81,194
Liabilities				
Provisions	8	2,778		2,807
Non-current liabilities	9	14,252		14,320
Current liabilities	10	32,460		30,364
Total liabilities			49,490	47,491
			134,821	128,685

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

	<i>note</i>	2023	2022
Revenue	<i>11</i>	248,240	212,682
Inventory movements of finished goods and work in progress	8,266		2,805
		8,266	2,805
Total operating income		256,506	215,487
Cost of materials and outsourced work	-85,269		-71,235
Personnel costs	<i>12</i>	-98,698	-79,173
Amortisation	<i>13</i>	-383	-686
Depreciation	<i>14</i>	-8,828	-7,778
Other operating costs	<i>15</i>	-38,775	-35,667
Operating costs		-231,953	-194,539
Operating result		24,553	20,948
Financing income	172		-
Financing costs	-719		-278
Net financing costs		-547	-278
Result before taxation		24,006	20,670
Taxation	<i>16</i>	-4,570	-4,074
Result for the financial year		19,436	16,596
Result from participations after taxation		2,205	2,108
Result attributable to shareholders of Nedap N.V.		21,641	18,704

Accounting policies

Pursuant to Article 362(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	In progress and prepayments*	Total intangible fixed assets
Year-end 2021				
Purchase price	4,497	839	349	5,685
Amortisation including impairments	-3,614	-399	-	-4,013
Book value	883	440	349	1,672
Movements in 2022				
Investment	83	97	1,673	1,853
Disposal (on balance)	-	-	-	-
Amortisation	-550	-136	-	-686
Net movements	-467	-39	1,673	1,167
Year-end 2022				
Purchase price	3,904	933	2,022	6,859
Amortisation including impairments	-3,488	-532	-	-4,020
Book value	416	401	2,022	2,839
Movements in 2023				
Investment	1,280	528	5,890	7,698
Disposal (on balance)	-	-	-	-
Amortisation	-182	-201	-	-383
Net movements	1,098	327	5,890	7,315
Year-end 2023				
Purchase price	5,185	1,460	7,912	14,557
Amortisation including impairments	-3,671	-732	-	-4,403
Book value	1,514	728	7,912	10,154

The majority of the 2023 investment in intangible fixed assets in progress relates to the acquisition of the Medikit software in Q4 2023. Intangible fixed assets in progress and prepayments include a €1,971 (2022: €915) investment relating to intangible fixed assets developed in-house.

To a great extent, the capitalised development costs are for detection and inventory management systems.

2. Tangible fixed assets (€ x 1,000)

	Company buildings and premises	Machinery and installations	Other* fixed equipment	In progress and prepayments	Right-of-use assets	Total tangible fixed assets
Year-end 2021						
Purchase price	40,104	20,246	35,933	2,333	1,055	99,671
Depreciation including impairments	-22,842	-16,408	-22,710	-254	-605	-62,819
Book value	17,262	3,838	13,223	2,079	450	36,852
Movements in 2022						
Investment	2,509	2,247	3,919	1,159	432	10,266
Completed assets in progress	-	-	2,079	-2,079	-	-
Disposal (on balance)	-11	-5	-52	-	-8	-76
Depreciation	-1,759	-774	-4,944	-	-301	-7,778
Impairments	-	-	-	-	-	-
Net movements	739	1,468	1,002	-920	123	2,412
Year-end 2022						
Purchase price	41,871	18,958	39,960	1,159	1,390	103,338
Depreciation including impairments	-23,870	-13,652	-25,735	-	-817	-64,074
Book value	18,001	5,306	14,225	1,159	573	39,264

*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 2023						
Investment	1,203	670	6,360	2,199	315	10,747
Completed assets in progress	-	-	1,159	-1,159	-	-
Disposal (on balance)	-	-	-64	-	-29	-93
Depreciation	-2,067	-989	-5,442	-	-330	-8,828
Impairments	-	-	-	-	-	-
Net movements	-864	-319	2,013	1,040	-44	1,826
Disposals (Purchase price)	-	-	-766	-	-302	-1,068
Disposals (Depreciation)	-	-	-702	-	-272	-974
Year-end 2023						
Purchase price	43,074	19,628	46,713	2,199	1,403	113,017
Depreciation including impairments	-25,937	-14,641	-30,475	-	-875	-71,928
Book value	17,137	4,987	16,238	2,199	528	41,089

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

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

A right of mortgage on immovable property amounting to €18.9 million (€18.9 million in 2022) has been granted as security for bank debts. Liabilities entered into at the end of the financial year were €4.8 million (€1.8 million in 2022). Impairment is explained under 'Impairment of assets'.

3. Financial fixed assets (€ x 1,000)

	2023	2022
Participations in group companies		
Value as at 1 January	10,687	8,398
Profit from continued operations	2,124	1,929
Profit from discontinued operations	81	179
Dividend payment	-1,882	-
Movement in current account relationships for participations	-	-
Exchange differences	-	140
Sale of participation	-23	-
Investment	-	-
Other changes	-314	41
Value as at 31 December	10,673	10,687
New borrowings issued to participations	-	-
Repayments of borrowings by participations	-	-
Total value at 31 December	10,673	10,687

On 31 May 2023, Nedap Beveiligingstechniek B.V (NBT), was sold to Solid Systems Group B.V.. This transaction was executed without the realisation of a financial gain on the sale of the shares that Nedap held in NBT.

The result after taxation from N.B.T. up to 31 May 2023 amounted to €81 (2022 up to 31 December: €179).

Dividend payments concern payments from Nedap Iberia S.A.U. (€900) and Nedap Beveiligingstechniek B.V. (€982) to Nedap N.V.

No borrowings were issued to participations in group companies at year-end 2023 (€- in 2022).

4. Inventories (€ x 1,000)

	2023	2022
Raw materials and components	6,354	4,063
Products in progress	171	220
Finished goods (procured and manufactured)	25,759	17,444
Total	32,284	21,727

An amount of €2.7 million (€2.5 million in 2022) of inventories has been written down to a lower realisable value. Costs of write-down of inventory, which are recognised in materials and outsourced work, amounted to €1.4 million in 2023 (€0.8 million in 2022).

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

	2023	2022
Trade receivables	24,081	27,752
Receivables from participations	2,670	4,115
Deferred tax assets	352	211
Other receivables and prepayments and accrued income	6,370	9,203
Total	33,473	41,281

Deferred tax assets and liabilities

Balance as at 31 December 2023	Deferred receivables	Deferred liabilities
Tangible fixed assets	-	3
Intangible fixed assets	-	429
Anniversary benefits provision	4	-
Inventories	778	-
Other	98	96
Total before offsetting	880	528
Offsetting	-528	-528
Total after offsetting	352	-

	Deferred receivables	Deferred liabilities
Balance as at 31 December 2022 (before offsetting)	823	612
Offsetting	-612	-612
Balance as at 31 December 2022 (after offsetting)	211	-
Withdrawals	-41	-207
Additions	98	123
Balance as at 31 December 2023 (before offsetting)	880	528
Offsetting	-528	-528
Balance as at 31 December 2023 (after offsetting)	352	-

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

	2023	2022
Cash	-	-
Banks	7,148	12,887
Total	7,148	12,887

Cash and cash equivalents are available on demand.

7. Shareholders' equity (€ x 1,000)

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

Statutory reserves	2023	2022
Balance at 1 January	1,739	1,316
Movement in capitalised development costs	669	448
Movement in exchange differences	-315	-25
Balance at 31 December	2,093	1,739

8. Provisions (€ x 1,000)

	2023	2022
Employee benefits	1,086	1,004
Guarantee provision	1,692	1,803
Total	2,778	2,807

Employee benefits	2023	2022
Anniversary benefits provision		
Balance at 1 January	1,004	1,122
Withdrawals	-104	-167
Additions	186	49
Balance at 31 December	1,086	1,004

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

Guarantee provision	2023	2022
Balance at 1 January	1,803	2,217
Withdrawals	-1,075	-869
Additions	964	455
Balance at 31 December	1,692	1,803

An amount of €1.0 million (€0.9 million in 2022) of the guarantee provision is of a short-term nature.

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

	2023	2022
Borrowings	14,000	14,000
Deferred tax liabilities	-	-
Lease liabilities	252	320
Total	14,252	14,320

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)

	2023	2022
Bank overdrafts	-	-
Lease liabilities	289	260
Taxation and social security contributions	3,882	1,852
Trade payables and other liabilities and accruals and deferred income	28,289	28,252
Total	32,460	30,364

Bank overdrafts

The maximum overdraft under the facility is €25 million (€25 million in 2022).

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

Trade and other payables	2023	2022
Trade payables	13,034	14,145
Liabilities on account of investments	663	748
Prepayments	684	1,150
Other liabilities and accruals and deferred income	13,908	12,209
Total	28,289	28,252

An amount of €0.1 million (€0.1 million in 2022) of other liabilities and accruals and deferred income relates to payables with a term of over 1 year.

Other information

Off-balance sheet rights and commitments

For corporate income tax purposes, Nedap N.V. formed a fiscal entity with Nedap Beveiligingstechniek B.V. up to 31 May 2023 at which time this subsidiary was sold.

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 Nedap Asia Ltd. and Nedap Great Britain Ltd., confirming that repayment of the financing will not be claimed within 12 months from the date of signing the financial statements for the year ended 31 December 2023. Furthermore these letters state, amongst others, Nedap N.V.'s intention to provide sufficient funds to ensure that these subsidiaries are able to meet normal trading liabilities as they fall due and and confirms that current transfer pricing agreements will not be terminated within the aforementioned periode of 12 months.

11. Revenue (€ x 1,000)

	2023	2022
Products, systems and installations	167,197	143,292
Software subscriptions (licences) and services	81,043	69,390
Total	248,240	212,682

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

Geographical sales areas	2023	2022
The Netherlands	93,595	80,209
Germany	33,715	26,565
Other Europe	62,051	54,536
North America	34,134	30,017
Other countries	24,745	21,355
Total	248,240	212,682

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

12. Personnel costs (€ x 1,000)

	2023	2022
Wages and salaries	65,126	53,461
Social security costs	8,229	6,434
Pension costs	4,677	2,500
Recharged to subsidiaries	-263	-462
Insourced staff	14,704	12,822
Other personnel costs	6,225	4,418
Total	98,698	79,173

In 2022 pension costs include a refund of pension premiums paid amounting to €-1,464. This concerns Nedap's share in the profit from premiums paid for life and disability insurance that has meanwhile expired, less claims made on these policies.

The directors' remuneration details are disclosed in Note 15 of the consolidated financial statements.

Average number of employees	2023	2022
The Netherlands	843	748
Other Europe	8	7
Total	851	755

13. Amortisation (€ x 1,000)

	2023	2022
Development costs	182	550
Software & licences	201	136
Total	383	686

14. Depreciation (€ x 1,000)

	2023	2022
Company buildings	2,067	1,759
Machinery and installations	989	774
Other fixed equipment	5,442	4,944
Right-of-use leases	330	301
Total	8,828	7,778

15. Other operating costs (€ x 1,000)

The costs of foreign exchange differences recognised in profit or loss amount to €260 (2022: €-11).

Other operating costs includes general, housing, indirect manufacturing and selling costs.

16. Taxation (€ x 1,000)

	2023	2022
Profit before taxation	24,006	20,670
Income tax	4,711	3,969
Deferred income tax	-141	105
Total income tax	4,570	4,074

Reconciliation of effective tax rate	2023		2022	
Income tax based on Dutch tax rate	6,194	25.8%	5,333	25.8%
Change in domestic tax rate	-14	-0.1%	-43	-0.2%
Effect of tax rate for foreign branch	17	0.1%	18	0.1%
Non-deductible expenditures	425	1.8%	352	1.7%
Tax incentive schemes	-2,021	-8.4%	-1,611	-7.8%
Rate change for deferred taxation	59	0.2%	87	0.4%
Prior-year adjustment	-90	-0.4%	-62	-0.3%
Total	4,570	19.0%	4,074	19.7%

The change in the domestic tax rate is caused by a tax rate of 19.0% on the first €200 of taxable profit (15.0% on the first €395 of taxable profit in 2022). 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/Milieu Investerings Aftrek (EIA/MIA, Energy/ Environmental Investment Tax Credit) (€-1 (€-7 in 2022)), tax incentive schemes consist of benefits ensuing from application of the Innovation Box tax regime (€-2,020 (€-1,604 in 2022)).

Other information

Research and development costs

	2023	2022
Personnel and other operating costs	49,098	42,348
Amortisation	182	550
Capitalised costs	-1,595	-1,520
Government grants	-809	-959
Total	46,876	40,419

Government grants 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 and further developing current products and services. 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

	2023	2022
Balance as at 1 January	193,565	191,919
Additions during the year	29,194	28,486
Bonus shares received	4,844	4,978
Withdrawn during the year	-9,881	-31,818
Balance as at 31 December	217,722	193,565

Shares purchased over the period from 2020 to 2023 are still locked up. Of the 217,722 shares held, 86,062 are still in the locked-up period.

The 86,062 locked-up depositary receipts entitle holders to 15,196 bonus depositary receipts (15,597 in 2022). In 2023, 4,844 bonus depositary receipts were awarded (4,978 in 2022), 215 contingent bonus depositary receipts expired (398 in 2022), and 4,658 contingent bonus depositary receipts were awarded (3,905 in 2022), resulting in 15,196 potentially awardable bonus depositary receipts at year-end 2023 (15,597 in 2022). Stichting Medewerkerparticipatie Nedap holds 3.3% of the total issued share capital.

Profit appropriation

	2023	2022
Shareholder profit	21,641	18,704
Addition to (-)/ withdrawal from (+) other reserves	-668	856
Dividend payable on ordinary shares	20,973	19,560

Independent external audit fees

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

	2023	2022
Audit of financial statements	322	271
Audit of related contracts	-	-
Taxation	-	-
Other non-auditing services	-	-
Total	322	271

Financial statements signature

Groenlo, the Netherlands, 21 February 2024

Board of Directors

Mr R. M. Wegman, CEO

Ms D. van der Sluijs, CFO

Mr R. Schuurman, CCO

The Supervisory Board

Mr P. A. M. van Bommel, chairman

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

Ms M. Pijnenborg

Mr S. C. Santema

Ms M. A. Scheltema

5.3 Independent auditor's report

To: the general meeting and the supervisory board of Nedap N.V.

Report on the audit of the financial statements 2023

Our opinion

In our opinion:

- the consolidated financial statements of Nedap together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Nedap ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 of Nedap, Groenlo. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2023;
- the following statements for 2023: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:

- the balance sheet of Nedap N.V. as at 31 December 2023;
- the statement of profit or loss of Nedap N.V. for 2023; and
- the notes to the company financial statements, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Nedap in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Overview and context

Nedap N.V. is a company that develops, produces, or has third parties manufacture, and markets technologically innovative products and services. The development activities mainly take place at the head office in Groenlo, in what are known as business units. The group has nine foreign sites that support the sales of its products and solutions. Product manufacturing is largely outsourced to specialized partners. There is limited product manufacturing at Nedap's own production facility in Groenlo.

As the group consists of various group companies, we have considered the scope and approach of the group audit as set out in the section 'The scope of our group audit'. In our audit, we paid particular attention to the head office in Groenlo because it is individually financially significant. We also performed specific work for the site in the United States (Nedap Inc.).

As part of designing our audit approach, we determined materiality and identified and assessed the risk of material misstatement in the financial statements. We pay particular attention to those areas where management has made significant estimates, for example significant estimates involving assumptions about future events that are inherently uncertain. We have paid attention, among other things, to the assumptions associated with the physical and transition risks resulting from climate change.

In the accounting policies used for the financial statements, the company has set out the accounting estimates and the most important underlying assumptions. We have identified the capitalization of development costs as a key audit matter, as further explained in the section 'Key audit matters'. This is mainly related to the extent of the research and development costs incurred by the business units in developing new propositions, and the uncertainty associated with the future economic benefits of these propositions.

In addition, we have designated the audit of revenue recognition as a key audit matter given the variety in revenue streams, combined with the often informal nature of the internal controls. This key audit matter is also set out in the section 'Key audit matters'.

In all our audits we pay attention to the risk of material misstatement due to fraud resulting from management breaching internal control measures, including evaluating estimates for possible tendencies. Other areas of focus in our audit, which were not designated as key audit matters, included the valuation of inventories, changes in the IT environment, the sale of Nedap Beveiligingstechniek B.V., the effects of scaling down investments in some propositions and the acquisition of Medikit.

Nedap has assessed the potential impact of climate change on its financial position. In section 3.2 'Risk management' of the annual report, the entity has further explained the impact of climate change. We have discussed the assessment of the climate-related risks with management and the supervisory board, and evaluated the potential impact on the financial position, including the underlying assumptions and estimates. The potential impact of climate change does not lead to a key audit matter.

We ensured that the audit teams, both at group level and at component level, had sufficient specialist knowledge and expertise to be able to audit a company that generates revenue through the development and sale of technologically innovative products and services. We also included in our team specialists and experts in the areas of IT audit and share-based compensation remuneration.



The outline of our audit approach was as follows:

Materiality

- Overall materiality: €1,500,000.

Audit scope

- The group audit mainly focused on Nedap N.V. (company financial statements). An audit of the complete financial information has been carried out for this group company.
- Additionally, Nedap Inc. was included in the scope of the group audit to obtain sufficient coverage for the audit of individual items of the consolidated financial statements.
- Coverage of audit activities: 95% of the consolidated revenue, 89% of the consolidated balance sheet total and 96% of the result before taxation.

Key audit matters

- Capitalization of development costs
- Audit of revenue recognition

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality

€1,500,000 (2022: €1,300,000).

Basis for determining materiality

We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the expected result before taxation. The ultimately applied materiality amounts to 5.6% of the reported result before taxation. We consider the initially estimated materiality of €1,500,000 to be suitable as a basis for our audit.

Rationale for benchmark applied

We use 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. Based on this, we believe that the result before taxation is an important indicator of the company's financial performance.

Component materiality

Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. Within our group audit, we only identified Nedap N.V. (company financial statements) as individually financially significant. The other group components have been individually assessed as not significant and as such no separate materiality has been assigned to them. The materiality that we allocated to Nedap N.V. (company financial statements) was €1,280,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €78,000 (2022: €65,000) and reclassifications above €150,000 (2022: €150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Nedap is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Nedap.

We tailored the scope of our audit to ensure that we, in aggregate, performed sufficient work on the financial statements to enable us to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its business units, the accounting processes and controls, and the markets in which the business units of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by the component auditor.

The group audit mainly focused on the significant company Nedap N.V. (company financial statements). An audit of the complete financial information has been carried out for this group company because this group company individually has a significant financial size. Additionally, Nedap Inc. was included in the scope of the group audit to obtain sufficient coverage for the audit of individual items of the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	95%
Total assets	89%
Result before taxation	96%

None of the remaining components represented more than 5% of total group revenue or total group assets. For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for component Nedap N.V. For the component Nedap Inc. we used a component auditor to perform specified audit procedures.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component auditor of Nedap Inc. in the United States of America to perform specified audit procedures 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. The instructions included amongst others our risk analysis, materiality and the scope of the work. We explained to the component auditor the structure of the Group, the main developments that were relevant for the component auditor, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with the component auditor both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditor, their report, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

The group engagement team performed the audit work on the consolidation of the group, financial statement disclosures and a number of more complex items at the head office such as capitalization of development costs, deferred taxes and share-based payments.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of Nedap and its environment and the components of the internal control system. This included managements’ risk assessment process, management’s process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to section ‘3.2 Risk Management’ of the annual report for management’s informal risk assessment procedures and the Nedap Risk Management Framework and section ‘Risk management’ of the supervisory board report in which the supervisory board reflects on the fraud risks. We note that management has not formalised its fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment as part of the Nedap Risk Management framework, as well as the code of conduct and whistleblower procedures. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of management, as well as the internal audit department, legal affairs and the supervisory board whether they are aware of any actual or suspected fraud. This resulted in the identification of a fraud case at a non significant component of the group. After additional investigation, management has determined that the detected fraud was financially insignificant, adequately followed up by management and did not lead to a material misstatement for the annual report. Management has explained this fraud in paragraph 3.1 Business Integrity within the section ‘speak up!’ of the director’s report.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	Our audit work and observations
<p>Management override of controls</p> <p>In all our audits we pay attention to the risk of management breaching internal control measures, including risks of possible material misstatements as a result of fraud in estimates based on an analysis of possible interests of management.</p> <p>Management receives bonuses, the size of which partly depends on the achievement of financial targets set by the Supervisory Board, as disclosed in the remuneration report. In addition, management has the opportunity to influence estimates due to the unique position in which it finds itself. In that context, we have paid special attention to the capitalized development costs, given the estimation element in this item.</p>	<p>To the extent relevant to our audit, we have evaluated the design of internal control measures to mitigate the risk of override of internal control in the processes for generating and processing journal entries and making estimates. We have also paid specific attention to the access rights in the IT system and the possibility that this can lead to a breach in the segregation of duties.</p> <p>We have selected journal entries based on risk criteria and performed specific audit procedures, whereby we also paid attention to identifying significant transactions outside the normal course of business.</p> <p>We also performed specific audit procedures with regard to important estimates made by management, including the capitalization of development costs. For this we refer to the key audit matter section. We have paid particular attention to the inherent risk of management bias in the estimates.</p> <p>Our work has not revealed any material misstatements in the information provided by management in the financial statements and the directors report.</p> <p>Our work has not led to specific indications of fraud or suspicions of fraud with regard to the risk of management override of controls.</p>

Fraud in revenue recognition

This risk relates to the existence of revenue. Management has been given targets for growth in revenue and results, as explained in chapter 4.2 'Remuneration report 2023' of the annual report. This could put pressure on management to overstate revenue by recognizing fictitious revenue.

Our audit work and observations

To the extent relevant to our audit, we have evaluated the design of internal controls surrounding revenue recognition and the processes for generating and processing journal entries regarding revenue.

We have carried out specific work on the existence of revenues.

We have sample tested the settled revenue transactions against the underlying sales invoices and cash receipts.

The unsettled revenue transactions have been sample tested by sending out accounts receivable confirmations at interim date and performing roll forward testing to the year-end balance by tracking, based on sample testing, the movements in the accounts receivable to subsequent receipts and/or sales agreements and delivery documents.

We carried out substantive procedures on the credit notes during the year and after the end of the financial year.

Using data analysis, we identified specific manual revenue entries in the financial year and carried out substantive procedures to determine that these entries are based on actual deliveries in the relevant financial year.

Our work has not revealed any material misstatements in the information provided by management in the financial statements and the directors report.

Our work has not led to specific indications of fraud or suspicions of fraud with regard to the existence of revenue recognition.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach going concern

As disclosed in section 'Corporate Governance Statement' within paragraph 3.3. 'Corporate Governance' in the annual report management performed their assessment of the entity's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks).

Our procedures to evaluate managements' going concern assessment included, amongst others:

- considering whether management identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
- considering whether managements' going concern assessment included all relevant information, including the results from phasing out propositions, of which we were aware as a result of our audit and inquiring with management regarding managements' most important assumptions underlying its going concern assessment.
- evaluating managements' current budget including cash flows for at least 12 months from the date of preparation of the financial statements taken into account current developments in the industry and all relevant information of which we were aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations;

- performing inquiries of management as to its knowledge of going concern risks beyond the period of managements' assessment.

Our procedures did not result in outcomes contrary to managements' assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We have determined our audit procedures with regard to these key audit matters in the context of the financial statements audit as a whole. Our findings and observations with regard to individual key audit matters must be viewed in that context and not as separate judgments on these key audit matters or on specific elements of the financial statements.

The key audit matters 'Capitalization of development costs' and 'Audit of revenue recognition' are inherent to the nature of the company. There are no changes in the key audit matters compared to the previous year. The development of the business, the company's results and our audit did not give rise to any additional key audit matters.

Key audit matter	Our audit work and observations
Capitalizations of research and development costs	
<p><i>The disclosure of intangible fixed assets is included in disclosure note 1 in the financial statements.</i></p>	
<p>Research and development for new propositions is part of the core activities of Nedap N.V. Costs incurred for research are charged directly to the result before taxation. The development costs for propositions that have been determined to be technically feasible and that have sufficient market potential are administered for separately per proposition.</p>	<p>We tested the assessment made by management regarding the capitalization of development costs based on the capitalization criteria from IAS 38, interviews with employees and management involved, reading minutes and consulting public sources. We also took note of the internal processes surrounding the administration and management of research and development costs. Since the internal controls at transaction level are not always formally and/or visibly recorded, we have carried out a substantive audit of the administration at proposition level per business unit.</p>
<p>Based on the internally defined capitalization criteria, which comply with IAS38, a decision is made for each individual proposition whether the development costs can be capitalized as intangible fixed assets. If the costs do not meet the capitalization criteria, they are charged directly to the result before taxation.</p>	<p>We have tested the accuracy of the capitalized development costs by testing the applicable principles for capitalization, including the assessment of the principles and assumptions regarding the technical feasibility of the propositions as well as management's analysis of the future economic benefits.</p> <p>With regard to the completeness of the capitalized development costs, we sample tested various propositions based on size. Based on interviews, project plans, progress reports and other documentation, we determined that the principles used for not capitalizing these propositions and development costs are appropriate based on the criteria of IAS 38.</p>
<p>At year-end 2023, the capitalized development costs amount to €1,6 million (December 31, 2022: €1,7 million).</p>	<p>Based on professional judgment and the explanations and substantiations per proposition, we agree with the development costs capitalized by management.</p>
<p>In the statement of profit and loss, €47 million (2022: €40 million) in research and development costs has been charged to the result before taxation. As explained in the 'Other information' section of the consolidated financial statements, these costs largely relate to the maintenance, upgrades and further development of existing propositions and to a lesser degree to the actual research and development for new propositions.</p>	
<p>The distinction between the development of a new proposition and the further development and/or maintenance of an existing proposition cannot always be determined factually. In addition, there is uncertainty as to whether propositions will ultimately lead to future economic benefits. As a result of these aspects, as well as the material amounts involved in research and development, we have identified the capitalization of development costs as a key audit matter. Our audit is primarily substantive in nature.</p>	

Audit of revenue recognition	Our audit work and observations
<p><i>The disclosure of revenues is included in disclosure note 14 in the financial statements.</i></p>	<p>We have tested the accuracy of the revenues through our own detailed observations by sample testing the revenue recognized in the general ledger against the performance obligations and transaction prices in the underlying sales agreements, sales invoices and cash receipts.</p>
<p>The revenue of Nedap N.V. consists of various contract forms with elements of the delivery of products, services (consisting of subscriptions, maintenance contracts and licenses) and combinations thereof, all of which have a separate transaction price. The agreed performance obligations may have an impact on the moment at which revenues may be recognized, in accordance with the requirements of IFRS 15.</p>	<p>Based on sample testing, we have reconciled the settled revenue transactions against the underlying sales invoices and cash receipts.</p> <p>The unsettled revenue transactions have been sample tested by sending out accounts receivable confirmations at interim date and performing roll forward testing to the year-end balance by tracking, based on sample testing, the movements in the accounts receivable to subsequent receipts and/or sales agreements and delivery documents.</p>
<p>In the organisational culture of Nedap N.V., informal checks and balances, such as management's close involvement, are key elements of the governance and internal control environment. Internal controls at transaction level are not always formally or visibly recorded as such.</p>	<p>We carried out substantive procedures on the credit notes during the year and after the end of the financial year.</p> <p>Regarding the completeness of revenue from the delivery of products, we have tested the expected relationships between sales, purchases, production and stock movements by means of analytical procedures and detailed testing of underlying purchase and sales transactions. We also attended the stock count as part of this audit.</p>
<p>The diversity of business units, types of contracts, and relatively informal internal control have led to us focus a significant part of our efforts on verifying the accuracy and completeness of the revenue recognised in the financial statements. Our audit is primarily substantive in nature.</p>	<p>For revenue from healthcare services, we determined the completeness by testing the control with regards to the monthly comparison between the subledger and the license database.</p> <p>Furthermore, we substantively tested the revenue from services for other business units by reconciling the sales transactions to the underlying license databases.</p>
	<p>We have verified the cut-off by sample testing, the revenue recognized in the general ledger against the sales invoices and delivery notes for both the period before and after year end.</p>
	<p>For the revenue from services we performed analytical procedures to identify discrepancies in the revenue that is recognized on a monthly basis.</p>
	<p>We did not identify any misstatements based on the procedures performed.</p>

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. Management and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

On 12 April 2022, 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 2024 financial year as per a resolution by the annual general meeting. We have now been the company's auditor for a period of 8 consecutive years.

European Single Electronic Format (ESEF)

Nedap has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the marked-up consolidated financial statements, as included in the reporting package by Nedap, complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report, including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
 - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
 - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

We have not provided any non-audit services, in addition to the audit of the financial statements, to the company and its subsidiaries in the period covered by our statutory audit.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. Management should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, and is not a

guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Zwolle, 21 February 2024
PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Appendix to our auditor's report on the financial statements 2023 of Nedap

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of managements' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

5.4 Profit appropriation

In accordance with article 43 of association

Paragraph 1

Every year, the Board of Directors decides, with the Supervisory Board's prior approval, 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 article 43.1, 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 annual general meeting can, however, following a proposal to that effect by the Board of Directors, with prior permission from the Supervisory Board, decide to offset such a loss against the distributable part of the shareholders' equity.

5.5 Companies and management

At 21 February 2024

Head office

Nedap N.V.

Mr R. M. Wegman (1966)

Ms D. van der Sluijs (1972)

Mr R. Schuurman (1969)

Parallelweg 2

7141 DC Groenlo

Netherlands

Business units

Healthcare | Mr P. A. van Soolingen (1981)

Identification Systems | Mr J. B. F. van der Willik (1983)

Light Controls | Mr J. Somsen (1964)

Livestock Management | Mr M. H. J. Idink (1982)

Retail | Mr O. F. J. van den Broek (1984)

Security Management | Ms S. P. Adriaanse (1984)

Staffing Solutions | Mr R. Schuurman (1969) acting

Asia

Nedap Asia Ltd. | Mr G. H. M. Derksen (1990)

Austin Plaza 15F, Units 3-5

No. 83, Austin Road

Kowloon

Hong Kong

Nedap China Ltd. | Mr G. H. M. Derksen (1990)

Room 2306, Raffles City

Office Tower 2

No. 1189, Changning Road

200051 Shanghai

China

Europe

Nedap België | Mr K. J. van de Groep (1982)

Maria-Theresialaan 2.0.1

1800 Vilvoorde

Belgium

Nedap Deutschland GmbH | Mr I. A. C. van Balveren (1967)
Mies van der Rohe Business Park, Girmesgath 5,
Gebäude B1, 3.OG 47803 Krefeld
Germany

Nedap Great Britain Ltd. | Mr E. Groeskamp (1961)
1230 Arlington Business Park
Theale, Reading
United Kingdom

Nedap Iberia S.A.U. | Mr T. Elferink (1983)
Paseo de la Castellana 43
28046 Madrid
Spain

Nedap Polska Sp. z o.o. | Mr M. J. Bomers (1982)
Aleja Niepodległości 18
02-653 Warszawa
Poland

Middle East

Nedap FZE | Mr M. van Cauwenberghe (1979)
Dubai Digital Park, Office 402,
Building A4
P.O. Box 341213 Dubai
Silicon Oasis
United Arab Emirates

North America

Nedap Inc. | Mr G. B. P. Gozdek (1979)
25 Corporate Drive
Suite 101
Burlington, MA 01803 USA

Branches

Public limited company Nedap N.V.,
based in Vilvoorde, Belgium
(trading under the name: Nedap België)

Nedap N.V. is a public limited company, domiciled in the Netherlands, that develops and manufactures electronic equipment and software. The company's registered office is located at Parallelweg 2, 7141 DC Groenlo, the Netherlands. Groenlo, the Netherlands is its principal place of business as well. There has been no change in name of the reporting entity.

6. Other information



6.1 Five-year summary

Operations (€ x 1,000)	2023	Excluding NBT 2022	Including NBT 2022	2021	2020	2019
Revenue	262,426	229,479	230,559	207,012	189,916	191,549
Revenue growth	14%	-	11%	9%	-1%	0%
Recurring revenue¹	84,127	70,756	70,983	58,535	50,666	44,559
Growth in recurring revenue	19%	-	21%	16%	14%	20%
Recurring revenue as % of total revenue	32%	31%	31%	28%	27%	23%
Added value²	180,979	153,568	154,544	139,325	125,098	121,106
- as % of revenue	69%	67%	67%	67%	66%	63%
- per FTE	198	186	186	180	169	173
Research and development costs³	46,876	40,419	40,419	36,732	34,972	30,024
- as % of revenue	18%	18%	18%	18%	18%	16%
EBITDA excluding one-off items *	37,430	33,136	33,458	33,214	26,503	25,968
Operating profit	27,323	23,545	23,790	23,072	17,119	17,488
- as % of revenue	10%	10%	10%	11%	9%	9%
Operating profit excluding one-off items *	27,323	23,545	23,790	23,072	17,119	17,488
- as % of revenue	10%	10%	10%	11%	9%	9%
Operating profit growth	16%	-	3%	35%	-2%	-10%
Profit for the financial year⁴	21,641	18,704	18,704	18,284	13,751	24,127
- as % of revenue	8%	8%	8%	9%	7%	13%

* 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 and further developing current products and services. 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.

⁴ Profit for the 2019 financial year includes a book profit of €9.9 million on the sale of Nedap France.

Per share of € 0.10 ¹ (in €)	2023	Excluding	Including	2021	2020	2019
		NBT	NBT			
Operating cash flow	4.56	-	2.71	4.36	4.69	4.58
Profit for the financial year	3.31	-	2.87	2.82	2.13	3.74
Profit excluding one-off items	3.31	-	2.87	2.82	2.13	3.74
Dividend *	3.20	-	3.00	3.00	4.50	-
Pay-out ratio	97%	-	105%	106%	211%	0%
Outstanding shares						
Year-end ²	6,554,003	6,519,965	6,519,965	6,486,501	6,468,343	6,452,833
Yearly average ²	6,546,636	6,512,369	6,512,369	6,482,444	6,465,033	6,444,622
Number of employees						
Year-end	1,013	909	915	820	805	752
Yearly average	962	863	868	812	775	728
Number of FTEs						
Year-end	964	866	872	786	766	724
Yearly average	916	824	829	775	741	702

* The dividend for 2020 includes a one-off interim dividend payment, following a previous decision to withdraw the dividend proposal for 2019 on account of the COVID-19 pandemic.

¹ Based on the average number of outstanding shares; dividend is based on the number of outstanding shares at the end of the financial year.

² Explained in note 7 to the consolidated financial statements.

Financing (€ x 1,000)	2023	Excluding	Including	2021	2020	2019
		NBT	NBT			
Net debt	3,844	-3,354	-3,483	-15,615	-11,579	-4,492
Net debt/EBITDA excluding one-off items	0.1	-0.1	-0.1	-0.5	-0.4	-0.2
Shareholders equity¹	85,331	81,194	81,194	80,306	73,253	73,571
Balance sheet total	139,866	134,488	134,677	131,511	119,076	120,546
Solvency²	61%	60%	60%	61%	62%	61%

¹ Shareholders' equity includes undistributed profit.

² Solvency is the shareholders' equity 1) divided by the balance sheet total

Utilisation of capital (€ x 1,000)	2023	Excluding	Including	2021	2020	2019
		NBT	NBT			
Inventories	38,904	27,746	28,343	23,466	23,062	28,501
- as % of revenue	15%	12%	12%	11%	12%	15%
Net working capital¹	35,010	31,987	32,582	22,127	19,535	26,873
- as % of revenue	13%	14%	14%	11%	10%	14%
ROIC²	31%	30%	31%	36%	28%	25%

¹ 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.

² Return On Invested Capital (ROIC) represents operating profit divided by the invested capital (fixed assets + net working capital - associate).

6.2 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 AScX index. All Nedap outstanding shares are ordinary shares with a nominal value of €0.10. As at 31 December 2023, a total of 6,554,003 ordinary shares were outstanding.

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 2024.

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%
Add Value Fund N.V.	3.36%
Stichting Medewerkerparticipatie Nedap	3.35%

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.

Liquidity provider

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

Financial calendar

Trading update - Q1	9 April 2024
Annual General Meeting	11 April 2024
Ex-dividend date	15 April 2024
Record date	16 April 2024
Dividend payable date	22 April 2024
Publication of half-yearly figures	18 July 2024
Trading update - Q3	17 October 2024

Nedap shares

Dividend per share



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. During the Capital Markets Day in March 2021, we presented our 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 Insider Trading Policy that lays down our policy with respect to preventing the misuse of inside information. This policy governs all employees, directors, Supervisory Board members and any external staff where relevant. The Insider Trading Policy is available on <https://nedap.com/nl/investeerders/corporate-governance/>.

The inside information compliance officer oversees compliance with laws and regulations on the misuse of inside information.

6.3 EU Taxonomy

Over the past years, the European Parliament and the European Commission have worked on regulations for non-financial reporting (EU regulation 2020/852, also known as the Taxonomy Regulation (the 'Taxonomy')).

This regulation establishes a framework to facilitate sustainable investment. The Taxonomy is essentially a classification of economic activities based on their contribution to achieving specific climate and environmental objectives. The aim of the Taxonomy is to enhance transparency and comparability. Tying in with the climate targets from the Paris Climate Agreement, the Taxonomy establishes the following environmental objectives:

- 1 Climate change mitigation;
- 2 Climate change adaptation;
- 3 The sustainable use and protection of water and marine resources;
- 4 The transition to a circular economy;
- 5 Pollution prevention and control;
- 6 The protection and restoration of biodiversity and ecosystems.

For objectives 1. and 2. both the eligibility and alignment with the Taxonomy's criteria were assessed for Nedap's activities in 2022 and 2023. This assessment encompassed validating all relevant 'Do No Significant Harm (DNSH) requirements against the said activities. The current financial year introduced a notable expansion in the Taxonomy's scope, encompassing the remaining four environmental objectives 3. through 6. as well as expansion of 1. and 2. For these newly incorporated objectives, the reporting requirement is currently focused on determining their eligibility. This development reflects the EU's ongoing commitment to broadening the ambit of its sustainability framework, ensuring a more holistic approach to environmental governance.

Climate change objectives

An economic activity is classed as an economic activity that substantially contributes to climate change mitigation if, in line with the long-term temperature target from the Paris Agreement, it substantially contributes to the stabilisation of concentrations of greenhouse gases in the atmosphere at a level where hazardous anthropogenic disruption of the climate system is prevented, by preventing or reducing greenhouse gas emissions or increasing greenhouse gas removal, including through process or product innovation. Making a building climate-neutral is an example of such an activity.

An economic activity is classed as an economic activity that substantially contributes to climate change adaptation if it involves solutions that substantially reduce the (risk of) adverse effects of the current climate and the expected future climate on that economic activity. Or if that activity directly facilitates other activities that contribute substantially towards achieving one or several of the objectives. Earthquake-proofing or flood-proofing a building is an example of such an activity.

Besides contributing to countering or dealing with climate change, the activity must not do significant harm to the other defined environmental objectives. Certain minimum safeguards must also be in place to guarantee compliance with the OECD guidelines for multinational enterprises and the UN's guiding principles on business and human rights, including the principles and rights described in the eight fundamental conventions in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and in the International Bill of Rights.

Environmental objectives

The 4 new objectives collectively aim to establish sustainable ecosystems by integrating responsible water management, waste minimisation, pollution reduction and biodiversity conservation, ensuring a holistic approach to environmental sustainability and ecosystem resilience. Contribution to one or more environmental objectives must not do significant harm to any of the other environmental or climate change objectives.

Scope of the Taxonomy

The rationale behind the selection of activities currently identified in the EU Taxonomy is primarily based on their potential to contribute significantly to the European Union's climate and environmental objectives, particularly in the context of the European Green Deal and the bloc's commitments to the Paris Agreement. These activities are identified for key sectors where substantial sustainable impact can be made. The focus is on sectors that either have high potential to reduce greenhouse gas emissions, are crucial for adaptation to climate change, or are vital for protecting water and marine resources, transitioning to a circular economy, preventing pollution and preserving biodiversity and ecosystems.

The activities that the European Commission has identified mainly concern industries other than the sectors in which Nedap operates, i.e. industries with a greater emission reduction and environmental contribution potential. This is the reason for having a relatively low eligibility percentage, compared to companies that fall within the defined sectors.

Relevance to Nedap in 2023

Climate change

The focus areas that the EU has designated for reporting on environmentally sustainable economic activities were initially found mainly, albeit not exclusively, in sectors in which Nedap does not operate, such as forestry, construction, heavy industry, energy generation, water supply, waste processing and transport. In 2023 activities in various sectors were added, notably in the automotive and aviation industry. The information and communications sector remained the most relevant Taxonomy domain for Nedap. This sector can substantially contribute to preventing climate change by developing data-driven solutions that are used primarily to provide data and analyses that enable reduction of greenhouse gas emissions. Hosted solutions in energy-efficient data centres can also contribute if the operations of a data centre meet the defined energy-efficiency standards.

The following activities are considered the most relevant for Nedap from a Taxonomy point of view:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles.
- 7.X Renovation of existing buildings, installation, maintenance and repair of energy-efficiency equipment, installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).
- 8.1 Data processing, hosting and related activities.

Activities related to numbers 6 and 7 involve buying goods or services that meet environmental standards. They also include actions that make the main activities more environmentally friendly or reduce the company's own greenhouse gas emissions. Activity 8 focuses on offering environmentally friendly products and services to customers.

While the regulation highlights specific manufacturing activities that can contribute to climate change mitigation, such as 3.5 'Manufacture of energy-efficient equipment for buildings' and 3.6 'Manufacture of other low carbon technologies', Nedap's involvement in these areas is not in manufacturing itself. Instead, the company focuses on researching, designing, developing, marketing and selling products within these categories. The actual production process of these products is entrusted to specialised Electronic Manufacturing Service companies, which makes Nedap not eligible under said manufacturing activities of the Taxonomy. This approach allows Nedap to concentrate on its core competencies while leveraging the expertise of our manufacturing partners.

Environment

Environmental objectives are currently targeted at activities relating to water leakage control, waste treatment, pharmaceutical products, nature conservation & restoration and sustainable manufacturing (and related services). Only the last category, defined in detail in Annex II 'Transition to a circular economy' of the Technical Screening Criteria, encompasses economic activities that Nedap performs.

In the context of the Taxonomy, Nedap is positioned to potentially contribute to a circular economy through the following identified activities:

- 1.2 Manufacture of electrical and electronic equipment
- 5.1 Repair, refurbishment and remanufacturing
- 5.5 Product-as-a-service and other circular use and result-oriented service models

Revenue of activity 5.5 is realised through datacentres (Climate Change Mitigation activity 8.1). To avoid double counting it is not being reported on as a circular activity

Revenue

Climate change

Activity 8.1 is a climate change mitigation ('CCM') economic activity, the other 3 environmental activities contribute to a circular economy ('CE'). The Taxonomy classes CCM8.1 as a transition activity that contributes to climate change mitigation if it is performed through data centres ('The storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centres, including edge computing (decentralised data processing)'). These data centres' greenhouse gas emissions must be aligned with best practices in the sector or industry.

The revenue that Nedap generates from software subscriptions (licences) and services (€84,127k in 2023, note 14 of the consolidated financial statements) which is largely (€77,855k) made up of economic activities performed through data centres, is an important activity for the company since most of its recurring revenue is generated through these data centres. The data centres that Nedap uses the most, all meet the European code of conduct for energy efficiency in data centres, demonstrating part of the alignment criteria. Alignment cannot be established for a small number of data centres, specifically the hosting by Amazon Web Services (AWS) and Microsoft (Azure), as these providers' facilities are not always individually identifiable to Nedap. This makes it difficult to establish how well the limited services provided to Nedap adhere to environmental standards. Both AWS and Azure have, however, committed to transitioning to 100% renewable energy by 2025

When it comes to the part of the activity that is aligned with the technical screening criteria (€74,326k) set in the Taxonomy, it was established that this activity does not significantly harm climate change adaptation, sustainable use and protection of water and marine resources, pollution, biodiversity and the transition to a circular economy.

This was assessed by validating all technical screening criteria against compliance with the substantial contribution and do no significant harm criteria:

- The activity has implemented all relevant practices listed as ‘expected practices’ in the most recent version of the European Code of Conduct on data Centre Energy Efficiency, which has been confirmed by an independent third-party. ISO 14001 and ISO 50001 certificates are provided.
- No significant harm is done to climate change adaptation, which was the outcome of an assessment of climate related hazards.
- The sustainable use and protection of water and marine resources was assessed against the criteria relevant to this objective, and confirmation was received from those centres that align with this criterium.
- Regarding the transition to a circular economy no significant harm was established by validating the certification requirements as stated in Directive 2009/125/EC, the absence of restricted substances as per Directive 2011/65/EU and the waste management plan that is in place that ensures maximal recycling at end of life electrical and electronic equipment.

Nedap has also established compliance with the minimum safeguards as required by the EU. Compliance involves establishing adequate human rights due diligence processes, implementing anti-corruption measures, ensuring tax governance and compliance, and promoting awareness of competition laws among employees. Details of the aforementioned can be found in section 3. ‘Risk & Governance: how we safeguard value’. This adherence is in line with the criteria outlined for EU companies, ensuring we do not fall into non-compliance by violating labor laws, engaging in corrupt practices, mismanaging tax responsibilities, or breaching competition laws.

The remainder of the revenue (€178,299k, as detailed in note 14 Products, Systems and Installations in the consolidated financial statements) stems from activities that have not been classified by the European Parliament as directly contributing to climate mitigation or adaptation. Many manufactured products are considered eligible for climate objectives only if their primary aim is to reduce greenhouse gas (GHG) emissions. While Nedap’s range of energy-efficient products does support the reduction of GHG emissions in many customers’ operations, this is not their primary intended purpose.

Nedap continuously conducts life cycle assessments for all of its hardware products, refining the assessment for its major product groups in 2023 (see [section 2.3](#), paragraph ‘Our impact: Products’). The activities performed using Nedap products are intended to, among other things, reduce waste streams at retailers, boost food efficiency at agricultural companies and prevent the use of chemicals in water purification. In Nedap’s view, they contribute to facilitating its customers in transitioning to a more sustainable organisation and society. Information on how our customers use these products, which would be needed to be able to establish a demonstrable contribution towards one or several of the EU-defined environmental objectives, is currently not reliably available. Nedap’s contribution towards customers’ sustainability objectives is, therefore, captured in qualitative terms. Revenue from products, systems and installations has, therefore, not been designated as a Taxonomy-eligible activity contributing to climate change mitigation or adaptation.

Environment

Upon evaluating the three new activities identified for potential contribution by Nedap, it was concluded that activity 1.2, 'Manufacture of Electrical and Electronic Equipment', has the most relevance to Nedap under environmental objectives as repair activities (activity 5.1) are of limited size and product-as-a-service offerings (activity 5.5) are included in climate change mitigation activities due to the fact that these activities are predominantly related to software-based solutions. The hardware component plays a minimal role within these activities.

Activity 1.2 'Manufacture of Electrical and Electronic Equipment' encompasses the manufacturing of Nedap's products that have not been outsourced to third parties. These products are not related to low carbon technologies or energy-efficient equipment and therefore do not qualify under climate change mitigation criteria. The manufacturing of said products is, however, an activity that could potentially contribute to circular objectives and is thus included here.

Although activity 5.1 'Repair, refurbishment and remanufacturing' is insignificant in terms of revenue generation it does contribute to circular objectives. Nedap's products are built to last, with a robust design and extensive durability testing prior to delivery. Only very limited number of products return to Nedap for repair. If they do, Nedap's excellent warranty policies entitle customers in most cases to a repair, refurbishment or replacement at no cost.

Capital and operating expenditure

All the listed Taxonomy categories that are relevant to Nedap involved capital expenditure in 2023. This expenditure and the associated operating expenditure is shown in the tables at the end of this section.

The following table, detailing percentages of total revenue, investments and CapEx-related operating costs, is confined solely to activities where alignment with the Taxonomy is being reported on. It therefore does not encompass activities that, as of 2023, are subject to only eligibility reporting:

amounts x € 1 million

2023	Total	Taxonomy-eligible	Taxonomy-aligned	Aligned/eligible
Turnover	262	29%	28%	95%
Investments in tangible and intangible fixed assets	19	48%	45%	93%
Specific operating costs in scope for the Taxonomy	2	78%	10%	12%
2022	Total	Taxonomy-eligible	Taxonomy-aligned	Aligned/eligible
Turnover	231	28%	28%	97%
Investments in tangible and intangible fixed assets	13	51%	48%	95%
Specific operating costs in scope for the Taxonomy	2	19%	13%	71%

Capital expenditure

Eligible investments in fixed assets are related primarily to hosting activities. This includes investments that are part of a CapEx plan to allow Taxonomy-eligible economic activities to become Taxonomy-aligned. This plan sees to the migration of activities hosted in data centres that are not aligned with the Taxonomy to those that are. Further investments related to this CapEx plan, that ends within 18 months of the end of financial year, are limited.

Contrasting with the significant renovations conducted in 2022 on some of Nedap's oldest buildings, our ongoing efforts to decarbonize the buildings at our Groenlo Campus have encountered an unanticipated setback. The inability of regional and national grid operators to upgrade our power connection creates additional challenges in achieving our net-zero ambition. Increased green electricity is vital for our continued investments in vehicle charging facilities and the scaling down of fossil energy consumption at our facilities. Pending an expanded electricity capacity the planned initiatives to reduce our scope 1 emissions had to be temporarily postponed.

Individual capital expenditure, not related to taxonomy-aligned turnover, but contributing to a reduction in greenhouse gas emissions relates to investments in our buildings and installations and the electrification of our fleet of vehicles, including the installation of charging facilities on Nedap premises and at employees' homes. Nedap offers a home charging point for every employee with a PHEV or fully electric car.

Ineligible investments include investments in the modernisation of facilities and workplaces at our sites, most right-of-use leases, moulds/dies and capitalised development costs for activities that are not part of activities eligible under the Taxonomy.

The introduction of eligibility reporting on environmental objectives results in an additional disclosure of the related capital expenditures as well. Potential contributions to a more circular economy make the investments in activities that manufacture electrical or electronical equipment eligible for Taxonomy reporting. The eligible CapEx for these activities includes investments in buildings, machines and measuring and testing equipment at our own manufacturing facilities.

Operating expenditure

The operating costs to be assessed under the Taxonomy are direct non-capitalised costs relating to research and development, building renovations, short-term rentals, maintenance and repairs, and all other direct expenditures relating to the day-to-day maintenance of tangible fixed assets and equipment by the company or a third party engaged for these purposes, which are needed to guarantee the continuous and effective functioning of such assets. Given that Nedap has been investing in greening its buildings and other assets for years, these assets are relatively new and involve limited operational costs. These are mainly operating costs for hosting activities, maintenance of Nedap's fleet of vehicles, and costs relating to the correct (continued) functioning of installations in the various buildings on Nedap's Campus. Buildings of subsidiaries are all leased assets and the correct and effective functioning of these does not come with additional operating expenditure for Nedap.

Based on the accounting policies cited in the consolidated financial statements, the percentages listed have been calculated as the revenue (detailed in note 14 of the consolidated financial statements), investments in fixed assets (detailed in notes 1 and 2 of the consolidated financial statements), and operating costs that qualify under the Taxonomy, as part of the total revenue, investments in fixed assets, and the total aforementioned direct non-capitalised operating costs.

Nedap has made an effort to include all eligible activities in its disclosures. Only when an activity is deemed of limited size and importance to Nedap it is not being reported on.

Conclusion

Given that the EU primarily focuses on sectors other than the ones in which Nedap operates, i.e. sectors with greater contribution potential, the share of Taxonomy-eligible activities could stay limited. We are committed to enhancing our positive contribution and reducing any negative impacts across all markets we serve. This commitment often extends beyond the range of activities identified by EU legislation, which might not align with the core of our business. We are focused on delivering sustainable and advantageous solutions, even in areas not expressly emphasised by current governmental policies. Our dedication encompasses a broad spectrum of sustainable goals, including those that might fall outside the activities specified by the EU.

Taxonomy disclosures

Proportion of turnover/Total turnover

	<i>Taxonomy-aligned per objective</i>	<i>Taxonomy-eligible per objective</i>
CCM	28%	29%
CCA	0%	0%
WTR	0%	0%
CE	0%	32%
PPC	0%	0%
BIO	0%	0%

Proportion of CapEx/Total CapEx

	<i>Taxonomy-aligned per objective</i>	<i>Taxonomy-eligible per objective</i>
CCM	45%	48%
CCA	0%	0%
WTR	0%	0%
CE	0%	13%
PPC	0%	0%
BIO	0%	0%

Proportion of OpEx/Total OpEx

	<i>Taxonomy-aligned per objective</i>	<i>Taxonomy-eligible per objective</i>
CCM	10%	78%
CCA	0%	0%
WTR	0%	0%
CE	0%	22%
PPC	0%	0%
BIO	0%	0%



nedap