

## PRESS RELEASE

### **SMARTRAC N.V. reports on results for the first nine months of 2008 returning strongest quarter ever with sales of over EUR 30 million**

- **Q3 2008 sales increased by 35 percent to EUR 30.2 million (sales Q2 2008: EUR 22.5 million) – strongest quarter in history of the company**
- **9M 2008 sales increase by 18 percent to EUR 79.8 million (Sales 9M 2007: EUR 67.7 million)**
- **SMARTRAC delivers on strategic objectives**
- **Challenging environment in the ePassport business**
- **9M 2008 EBITDA decrease by 7 percent to EUR 16.4 million (EBITDA 9M 2007: EUR 17.5 million) mainly due to change in product mix**

Amsterdam, November 6, 2008 – The Dutch Company SMARTRAC N.V. (stock abbreviation SM7) today announced its results for the first nine months of 2008. The SMARTRAC Q3 2008 Interim Report is available for download from the company's website at [www.smartrac-group.com](http://www.smartrac-group.com).

SMARTRAC reported sales of EUR 79.8 million in the first nine months of 2008, which represents an improvement of some 18 percent compared to sales of EUR 67.7 million in the first nine months of 2007. SMARTRAC made full use of its production capacity and, although SMARTRAC was faced with a very challenging environment in its US ePassport business, the company has achieved its best quarter since inception. From July to September 2008 group sales exceeded EUR 30 million (EUR 30.2 million) for the first time representing 35 percent growth over the previous quarter.

SMARTRAC's ability to compensate the significant decline in the US ePassport business with other projects and product lines is evidence of the strength of its diversified product portfolio. Due to the change in the product mix, ramp-up costs and extraordinary legal expenses, EBITDA from January to September decreased by 7 percent from EUR 17.6 million to EUR 16.4 million, still generating an EBITDA margin of above 20 percent. In the period under review, SMARTRAC is generating cash flow from operating activities of EUR 13.9 million compared to EUR 9.4 million a year ago.

The change in the product mix and the challenges in the ePassport business have led to SMARTRAC reassessing its sales for the fourth quarter. SMARTRAC now assumes its fourth quarter sales to be at least slightly up on the third quarter with a certain growth potential to finish the year close to the original sales target for the full year 2008. Management assumes total sales for the fiscal year 2008 to be in the range of EUR 110 million to EUR 120 million, representing a year-on-year growth in the range of 14 percent to 24 percent. In terms of

profitability SMARTRAC assumes an EBITDA margin of around 20 percent in light of the changing product mix.

“SMARTRAC has returned a record quarter. In light of the economic environment in general and the development in our ePassport business in particular, the result is a strong performance. It shows the strength of our diversified portfolio and provides an indication of what SMARTRAC would have achieved if development in the US passport sector had been normal,” said Dr. Christian Fischer, CEO of SMARTRAC. “With the acquisition of Sokymat Automotive, entry into the Chinese market, the settlement of a licensee dispute, and a co-operation with Sony, we have realized important steps of our business strategy. SMARTRAC has delivered on its strategic objectives and again returned profitable growth from its operating business.”

#### Financials at a glance

EUR million	First nine months 2008 <sup>1</sup>	First nine months 2007 <sup>1</sup>	Change in % <sup>1</sup>
Sales	79.8	67.7	+ 18
EBITDA <sup>2</sup>	16.4	17.5	- 7
Net profit	12.0	14.8	- 19
Cash flow from operating activities	13.9	9.4	+ 47

<sup>1</sup> Figures have been rounded

<sup>2</sup> EBITDA from other operations included

Sales in the first nine months of 2008 in the **High Security segment** reached EUR 45.9 million, representing a decrease of some 3 percent compared to sales of EUR 47.5 million from the same period of the previous year. Due to a higher proportion of chip-sourcing, EBITDA in the nine month period ended September 30, 2008 fell disproportionately by some 6 percent to EUR 14.8 million compared to EUR 15.8 million from January to September 2007.

Sales in the **Standard segment** for the first nine months of 2008 of EUR 34.3 million are 67 percent higher compared to sales of EUR 20.5 million from the comparable period in 2007. With EBITDA of EUR 3.5 million in the first nine months of 2008, the Standard segment returned a slight increase on the EBITDA of EUR 3.2 million recorded in the same period in 2007. EBITDA growth in the first nine months of 2008 was not proportional to sales growth mainly due to a higher proportion of chip sourcing, the ramp-up costs for the new product lines such as eTickets with etched antennas, and RFID components for animal identification and logistics.

#### About SMARTRAC N.V.

SMARTRAC is a leading supplier of RFID (Radio Frequency Identification) components for Standard and High Security product segments. In the Standard segment, the company produces ready-made components for RFID applications in public transport, access control, and logistics. In the High Security segment, SMARTRAC is the global leader in high-quality RFID inlays for passports with integrated, contactless chips (ePassports) and contactless credit cards (ePayment). SMARTRAC was founded in 2000 and since going public in July 2006 has been trading as a stock corporation under Dutch law with its registered headquarters in Amsterdam. The company currently employs some 2.800 employees around the globe.



**If you have any questions, please contact:**

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