

PRESS RELEASE

**SMARTRAC reports on first nine months 2009: Turnaround in third quarter delivered growth of 16 percent in sales and improved profitability and cash flow**

- **Sales 9M 2009:** Euro 92.2 million, representing an increase of 16 percent on the euro 79.8 million generated in 2008
- **Profitability:** EBITDA margin improved from 10.4 percent in Q2 2009 to 13.0 percent in Q3 2009 – 9M EBITDA at euro 10.9 million compared to euro 16.4 million in 2008
- **Outlook 2009:** Management expects to continue on the path of improvement and forecasts sales of euro 125 million to euro 130 million for the full year 2009
- **Dr. Christian Fischer, CEO:** “SMARTRAC delivered in the third quarter an improved performance of its key financial figures. We achieved a new SMARTRAC record in terms of sales for a single month in September and for the quarter in the period July to September. Even more importantly, we were able to deliver on the turnaround in the company’s profitability level.”

Amsterdam, November 4, 2009 – The TecDAX-listed company SMARTRAC N.V. today announced financial figures for the nine-month period ending 30 September 2009. Stabilization and the modest recovery of the global economy was reflected in several areas of SMARTRAC’s business. SMARTRAC reports sales growth of 16 percent from euro 79.8 million in 9M 2008 to euro 92.2 million in 9M 2009. Improvement in the operating performance and in the results related to the company’s operations in Malaysia delivered a turnaround in EBITDA margin in the course of the third quarter from 10 percent in Q2 to 13 percent in Q3. For the nine-month period, EBITDA decreased by 33 percent from euro 16.4 million to euro 10.9 million, representing an EBITDA margin of 12 percent. Profit for the period amounted to euro 3.1 million compared to euro 12.0 million a year ago.

**SMARTRAC financial figures at a glance:**

Key data In thousands of euro	Consolidated 9 months ending 30 September 2009	Consolidated 9 months ending 30 September 2008	Change in %
<b>Consolidated income statement</b>			
Revenues	92,194	79,844	16
EBITDA	10,916	16,353	(33)
Profit for the period	3,094	11,972	(74)
<b>Financial position and liquidity</b>			
Net cash flow provided by operating activities	4,873	13,869	(65)
Working capital	28,625	23,915	20
Capital expenditure	5,551	11,450	(52)
Total assets	180,048	168,935	7
<b>Operating figures</b>			
Basic earnings per share (euro)	0.23	0.91	(74)
Operating cash flow per share (euro)	0.37	1.05	(65)
Equity ratio (%)	57	57	0
Headcount (at month’s end)	2,670	2,806	(5)

## Group revenues

The SMARTRAC **Group** generated revenues of euro 92.2 million in the first nine months of 2009. This represents an increase of 15 percent from the previous year's figure of euro 79.8 million. The growth is mainly attributable to a favorable performance of the Cards business unit and the Industry & Logistics business unit. In particular, the recovery of the automotive business had a positive impact on the performance.

Revenues in SMARTRAC's **Security segment (Cards and eID business unit)** amounted to euro 69.7 million compared to sales of euro 71.8 million in 2008. A decline of 17 percent in the eID business unit was partly compensated by a 9 percent growth in the Cards business unit. In the first nine months of 2009 the Security segment accounted for 76 percent of total group revenue compared to 90 percent a year ago.

Revenues in the **Industry segment (Industry & Logistics and Tickets & Labels business units)** accounted for euro 21.7 million in 9M 2009, representing an increase of 194 percent compared to sales of euro 7.4 million in 9M 2008. The 2009 sales represent a 23 percent share in the overall sales of the company compared to 9 percent a year ago. Besides organic growth, this increase is a result of the consolidation of Sokymat Automotive GmbH (now SMARTRAC TECHNOLOGY GERMANY GmbH). Completion of product qualification processes in the Tickets & Labels business unit and the start of volume production in the production facility in Malaysia supported the positive development.

## Group EBITDA

The **group EBITDA** of euro 10.9 million (9M of previous year: euro 16.4 million) is equivalent to an EBITDA margin of 12 percent. SMARTRAC had to confront the challenges of a very volatile utilization of its production network and negative effects from the U.S. factory as well as the ramp-up in Malaysia. Nevertheless, SMARTRAC was able to deliver on the turnaround in profitability on a quarter-by-quarter basis, with EBITDA margin improvement from 10 percent (Q2 2009) to 13 percent (Q3 2009)

The **Security segment** achieved an EBITDA of euro 11.7 million. This represents a decrease of 38 percent compared to an EBITDA of euro 18.8 million a year ago. A higher proportion of microchip sourcing and lower sales in the eID business unit are the reasons for the disproportionate development.

The **Industry segment** reported an EBITDA of euro 1.1 million in 9M 2009 compared to an EBITDA of minus euro 0.3 million recorded in the same period of 2008. Recovery in the automotive business and improvement in the results related to the operations in Malaysia affected the positive contribution of the segment.

## Profit for the period

At euro 3.1 million, profit for the period was down 74 percent on the previous year's euro 12.0 million. The total comprehensive income for the period including translation effects of foreign exchange rates amounts to euro 2.6 million in 2009 compared to euro 12.0 million in 2008.

## **Financial position**

Accounting for euro 180.0 million, the total assets of the consolidated interim balance sheet as of 30 September 2009 were two percent above the 2008 year-end figure of euro 177.4 million. The consolidated interim balance sheet shows equity of euro 101.7 million, representing a four percent increase compared to euro 98.2 million at 31 December 2008.

SMARTRAC's equity ratio of 57 percent and a net debt position of euro 22.7 million provide a solid financial basis to develop the business.

Net cash provided by operating activities in the first nine months of 2009 amounted to euro 4.9 million compared to euro 13.9 million a year ago. The decrease of operating cash flow is mainly attributable to a decrease in net profit combined with an increase in working capital mainly due to the shift in sales towards the end of the quarter.

## **Business outlook**

Experts assess that after a deep global recession, the global economy appears to be expanding again, driven by a strong performance of the Asian economies and stabilization or modest recovery elsewhere. SMARTRAC expects to participate in a further recovery of the economy after the company delivered the turnaround in the third quarter and expects to continue the improvement of its key financial figures in the next quarters. The drivers can be seen in the entire business portfolio with a main focus of the business units' management to reduce the volatility in utilization of SMARTRAC's global production network. A less cautionary and more forward-looking order behavior by the customers in the RFID value chain should support the development. The start in the final quarter of the business year 2009 has been improved in terms of sales and visibility compared to the starting month of the first three quarters.

The development in the third quarter and the perspective for the fourth quarter provides evidence of SMARTRAC's guidance for the full fiscal year. The Management today announces expected sales to be in the range of euro 125 million to euro 130 million, providing organic growth in the course of 2009. In addition, the SMARTRAC reaffirms the target to be a profitable and cash-generating company in 2009.

"After we delivered on the third quarter turnaround, we are confident of continuing the improvement of our key financial figures in the next quarters. We are on our way to achieving our targets for 2009 as we have an improved visibility of our sales pipeline," said Dr. Christian Fischer. "Even more importantly, we are convinced that our business model provides evident growth potentials for the year 2010 and beyond."

The SMARTRAC Interim Report for the nine-month period ending 30 September 2009 has been published today and is available for download on the company's website at [www.smartrac-group.com](http://www.smartrac-group.com).

**About SMARTRAC N.V.**

SMARTRAC is a leading manufacturer and supplier of RFID (Radio Frequency Identification) transponders for a broad bandwidth of applications in all current frequencies. The company produces ready-made as well as customized transponders for public transport, access control, automotive, animal identification, industry and logistics. 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 2,700 employees and maintains a global research and development, production and sales network.



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

<p>Andreas Schwarzwälder  SMARTRAC N.V.  Investor Relations  Tel: +31 20 30 50 156  Email:  andreas.schwarzwaelder@smartrac-group.com  Internet: www.smartrac-group.com</p>	<p>Tanja Möhler  SMARTRAC N.V.  Corporate Communications  Tel: +31 20 30 50 157  Email:  tanja.moehler@smartrac-group.com  Internet: www.smartrac-group.com</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Forward-looking statements**

To the extent that this press release contains forward-looking statements, such statements are based on assumptions, planning and forecasts at the time of publication of this press release. Forward-looking statements always involve uncertainties. Business and economic risks and developments, the conduct of competitors, political decisions and other factors may cause the actual results to be materially different from the assumptions, planning and forecasts at the time of publication of this press release. Therefore, SMARTRAC N.V. does not assume any responsibility relating to forward-looking statements contained in this press release. Furthermore, SMARTRAC N.V. does not assume any obligation to update the forward-looking statements contained in this press release.