

PRESS RELEASE

SMARTRAC reports full year results 2009: Sales growth of 14 percent in a difficult economic environment, profitability at 13 percent EBITDA margin

- **Sales 2009: EUR 127.9 million, representing an increase of 14 percent on the EUR 112.3 million generated in 2008**
- **EBITDA 2009: EUR 15.9 million compared to EUR 21.0 million in 2008, profitability at 13 percent EBITDA margin, improvement in the second half of 2009**
- **Balance sheet 2009: Equity increased by 27 percent to EUR 124.6 million compared to EUR 98.2 million in 2008, equity ratio at 60 percent (2008: 55 percent)**
- **Outlook 2010: Profitable Growth – Sales expected in a range between EUR 140 million to EUR 150 million, EBITDA profitability to exceed margin of 2009**
- **Dr. Christian Fischer, CEO: “We passed the challenges the economic environment assessed in 2009. SMARTRAC delivered growth and we managed to improve profitability in the second half of the year. We secured solid financing and strengthened our equity base. We are looking into 2010 with certain optimism.”**

Amsterdam, March 15, 2010 – The TecDAX listed company SMARTRAC N.V. today announces financial figures for the full year 2009. The extraordinary dimension of the economic crisis produced a relentless assessment on SMARTRAC’s business model, on its strategy and the company’s organization. Reviewing SMARTRAC’s strategic decisions, operational performance and financial soundness at the end of financial year 2009, the Management Board can state that SMARTRAC as a Group has passed this challenge. SMARTRAC delivered on growth and, in the second half of 2009, the management team managed to improve profitability. The company secured solid financing, strengthened its equity base and provided further evidence to the value of SMARTRAC’s dedicated RFID strategy.

In the light of the economic crisis, SMARTRAC considers 2009 to be a successful year for the company: successful in terms of operating and financial performance, but more important in terms of stability and flexibility of the company. Key topics of the 2009 development:

- **Cope with and counteract the deep economic recession**

Across all business units SMARTRAC had to cope with the uncertain economic environment at the start of the financial year 2009. The players in the RFID value chain were taking an observant approach. The order behavior was noticeably less focused on the long-term. The displayed cautious order behavior resulted in significant volatility and fluctuations in the utilization of SMARTRAC’s global production network with an associated significant impact on efficiency and profitability. All four quarters were characterized by a slow start in the first month with a strong performance towards the end of the quarter.

Beside the general effects, SMARTRAC had to cope with the effects of the challenging economic environment in specific industries and applications. The automotive industry and the e-Payment application are most evident examples. SMARTRAC counteracted the significant decline in the automotive business twofold; on the one hand with cost measures like short-time work at its main production site in Germany, and on the other hand with a more focused and



emphasized development of the non-automotive business. In the business related to contactless credit cards (e-Payment) SMARTRAC was able to maintain the business level in 2009 but the next growth spurt was postponed clearly related to the economic crisis.

Nevertheless, SMARTRAC reported sales growth of 14 percent to EUR 127.9 million and delivered on its targets.

- **SMARTRAC's position as high-security company**

In 2009, SMARTRAC strengthened its position as high-security developer and supplier in the global RFID industry. The ability of SMARTRAC to cope with highest security standards, highest quality and confidentiality levels within the entire value chain is a key asset to maintain and expand our leading market position. SMARTRAC obtained EAL5+ security certification for its production in Thailand from the German Federal Office for Information Security (BSI). SMARTRAC is the first inlay manufacturer worldwide to obtain security certification for its production environment, processes for personal electronic identification (eID) products and the initialization environment for eID.

In the light of SMARTRAC's strategy to support its customers with a worldwide network of highly secure inlay production sites, the management team decided in November 2009 to expand SMARTRAC's German production facility in Reichshof-Wehnrath to a European competence center. In addition to the production of RFID transponders for the industry and logistics market segment, SMARTRAC will build a high-security production facility for personal electronic identification (eID) products, especially RFID inlays for e-Passports and contactless national ID cards.

- **Securing financial flexibility and strengthening the balance sheet**

In 2009, SMARTRAC was able to successfully complete transactions on the debt and equity markets. SMARTRAC completed its first transaction in the syndicated loan market in July 2009. In an environment affected by the financial crisis and its impact on the banking system, SMARTRAC was able to sign an agreement on a syndicated multicurrency credit facility for EUR 65 million which matures on June 30, 2012 with standard market terms and conditions. SMARTRAC has successfully transferred the existing one-year bridge financing facility into a mid-term credit facility.

In November 2009, SMARTRAC increased its share capital and successfully placed 1,349,999 bearer shares with qualified investors in Germany and Europe. SMARTRAC increased its share capital from EUR 6,750,000 (13,500,000 bearer shares) to EUR 7,424,999.50 (14,849,999 bearer shares). SMARTRAC took in gross proceeds in the amount of EUR 20.9 million.

With the transactions SMARTRAC significantly strengthened its financial basis, achieved financial flexibility and improved its equity position to support SMARTRAC's strategic development in line with its growth objectives.

Financial year 2009

Key financial figures In thousands of EUR	Consolidated 12 months ended December 2009	Consolidated 12 months ended December 2008	Change in %
Consolidated income statement			
Revenues	127,862	112,301	14
EBITDA	15,933	21,015	(24)
Net profit	5,060	13,628	(63)
Financial position and liquidity			
Cash flow from operating activities	6,063	19,253	(69)
Working capital	31,037	23,839	32
Capital expenditure	9,673	13,584	(29)
Total Assets	208,345	177,387	17
Operating Figures			
Basic earnings per share (EUR)	0.38	1.03	(63)
Operating cash flow per share (EUR)	0.45	1.46	(69)
Equity ratio (%)	60	55	8
Headcount (at month's end)	2,734	2,786	(2)

Group revenues

The SMARTRAC **Group** generated revenues of EUR 127.9 million in 2009. This represents an increase of 14 percent from the previous year figure of EUR 112.3 million. All business units except the Business Unit eID contributed to the growth of the Group. The Business Unit eID was affected by an unfavorable development of the volumes delivered to the U.S. e-Passport project in 2009 which could not be fully offset by new passport projects in the global market for e-Passports and national ID cards. In the first full year of consolidation and significantly affected by the global crisis in the automotive industry, SMARTRAC TECHNOLOGY GERMANY GmbH (former Sokymat Automotive GmbH) accounted for sales of EUR 19.0 million compared to sales of EUR 5.5 million consolidated in the financial statements 2008 when the company was consolidated as of September 26, 2008.

In 2009, sales in the **Security segment** amounted to EUR 95.5 million and were slightly below sales of EUR 96.3 million a year ago. The development is mainly related to the U.S. e-Passport project, whereas other e-Passport and national ID projects and the Business Unit Cards delivered favorable growth.

Sales in the **Industry segment** accounted for EUR 30.7 million in 2009 representing a favorable increase of 107 percent compared to sales of EUR 14.9 million in 2008. The growth is attributable to the full year consolidation of SMARTRAC TECHNOLOGY GERMANY GmbH (former Sokymat Automotive GmbH). Significantly affected by the automotive crisis, SMARTRAC TECHNOLOGY GERMANY effectively managed the crisis by introducing short-time work and successfully developed the non-automotive business. Start of volume production

in Malaysia in the Business Unit Tickets & Labels additionally supported the sales growth of the segment.

Group EBITDA

The **Group** EBITDA of EUR 15.9 million decreased by 24 percent compared to EBITDA of EUR 21.0 million in 2008. All four quarters of 2009 were characterized by a very volatile utilization of our production capacity with significant effects on efficiency and profitability. In total, the impact on the Group EBITDA from the results related to the operations in the United States and Malaysia as well as the nonrecurring restructuring costs amounted to EUR 3.9 million or approximately 3 percent EBITDA margin. The Group EBITDA margin amounted to 13 percent compared to 19 percent a year ago. However, on a quarter by quarter basis, SMARTRAC managed to improve its EBITDA profitability in the third quarter (13 percent) and continued on the path of improvement in the fourth quarter (14 percent).

In financial year 2009, the **Security segment** reported EBITDA of EUR 16.9 million. Compared to EBITDA of EUR 24.1 million reached in 2008, this represents a drop of 30 percent. The EBITDA margin of 18 percent (2008: 25 percent) was burdened by the underutilization of the U.S. production facility and affected by a higher proportion of microchip sourcing in the period under review.

In financial year 2009, the **Industry segment** accounted for EBITDA of EUR 1.0 million and thus more than tripled compared to EBITDA of EUR 0.3 million reported in 2008. The EBITDA margin of 3 percent (2008: 2 percent) is still significantly affected by the ramp-up costs for the production facility in Malaysia and nonrecurring restructuring costs related to the phase out production in Germany and the technology transfer to Malaysia.

Net profit

At EUR 5.1 million, profit for the financial year 2009 attributable to the equity holders of the company was down 63 percent on the previous year's EUR 13.6 million. The decline was mainly attributable to the lower operating result and increased financial expenses related to the syndicated credit facility secured in 2009.

Financial position

As of December 31, 2009, total assets of the consolidated balance sheet amounted to EUR 208.3 million. Total assets increased by 17 percent compared to the previous year figure of EUR 177.4 million. This increase is mainly due to the equity increase executed in 2009 and the increase in working capital.

In 2009, the increase of 27 percent in total equity attributable to equity holders to a total of EUR 124.6 million can be primarily attributed to the capital increase and the net profit of EUR 5.1 million. The equity ratio increased from 55 percent at the end of 2008 to 60 percent at record date 2009, providing a solid financial structure for future growth.

In 2009, net cash provided by operating activities amounted to EUR 6.1 million compared to EUR 19.3 million in the prior year. Group's net profit of EUR 5.1 million (2008: EUR 13.6 million) and increased trade receivables as a result of allocation of sales towards the end of a quarter are the main parameters to this development.



As of December 31, 2009, SMARTRAC employed a total workforce of 2,734 people compared to 2,786 employees in 2008.

Business outlook

The bottom of the global economic recession seems to be passed and a further but slow economic recovery is expected for 2010. Nevertheless, the crisis has changed the environment in which SMARTRAC conducts its business and the current situation still provides a number of challenges. SMARTRAC will continue to tackle all challenges determinedly and in a responsible manner.

For the financial year 2010, the Management Board is confident to deliver growth and improvement of SMARTRAC's profitability despite the fact that the global market environment still provides some uncertainty and that the management team has to address challenges within SMARTRAC, for instance to achieve break even in the Malaysian operations.

SMARTRAC targets a revenue growth of at least 10 percent compared to 2009. Group sales are expected in a range of EUR 140 million to EUR 150 million in comparison to EUR 127.9 million in 2009. In terms of profitability, SMARTRAC intends to deliver a more dynamic improvement of its EBITDA. The Management Board is confident to achieve a Group EBITDA profitability exceeding the margin of 2009.

"We are looking ahead to the financial year 2010 with decisiveness and self-confidence. We formed an excellent base for the future and have a strong and solid financial position," said Dr. Christian Fischer. "Therefore, we have all the requirements for a successful financial year 2010. The selection of SMARTRAC as supplier of eCovers by De La Rue Identity Systems is a first milestone. We are confident to progress on the path of profitable growth."

The SMARTRAC 2009 Annual Report has been published today and is available for download on the company's website at www.smartrac-group.com. The 2009 financial statements will be presented to the Annual General Meeting of Shareholders in Amsterdam on May 12, 2010 for adoption. KPMG ACCOUNTANTS N.V. issued an unqualified auditor's report in relation to the financial statements 2009.

About SMARTRAC N.V.

SMARTRAC is a leading developer, manufacturer and supplier of RFID (Radio Frequency Identification) components for a broad bandwidth of applications in all current frequency standards. The company produces ready-made as well as customized transponders for public transport, access control, animal identification, industry and logistics.

SMARTRAC is the global leader in high-quality RFID inlays for passports with integrated, contactless chips (e-Passports), contactless credit cards (e-Payment) as well as for RFID transponders for public transportation applications and car immobilizers. 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:

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Forward-looking statements

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