

PRESS RELEASE

SMARTRAC reports on first six months 2010: Growth of 37 percent in sales and increase of sales guidance for the full-year 2010

- **Sales H1 2010: EUR 80.8 million, accounted for an increase of 37 percent on the EUR 59.1 million generated in H1 2009**
- **EBITDA H1 2010: Increase of 48 percent to EUR 9.8 million compared to EUR 6.6 million in H1 2009, profitability at 12 percent EBITDA margin**
- **Outlook 2010: Management today increases sales guidance to EUR 165 million (previously: EUR 140-150 million) and expects improvement in profitability in H2 2010**
- **Dr. Christian Fischer, CEO: “We were able to exceed the dynamics of the RFID market in the first six months 2010. Consequently, we increase our sales guidance today. However, we are not satisfied with our profitability and initiated measures to increase profitability in the second half of 2010.”**

Amsterdam, July 29, 2010 – The TecDAX listed company SMARTRAC N.V. today announced financial figures for the six-month period ended June 30, 2010. The RFID industry showed dynamic growth in the first six month of 2010 and SMARTRAC was not only able to benefit from the momentum but even exceeded market dynamics. SMARTRAC reported sales growth of 37 percent from EUR 59.1 million in H1 2009 to EUR 80.8 million in H1 2010. EBITDA increased by 48 percent from EUR 6.6 million to EUR 9.8 million. However, H1 EBITDA margin of 12 percent compared to 11 percent a year ago did not conform to SMARTRAC’s expectations and possibilities. Profit for the period amounted to EUR 5.8 million compared to EUR 1.8 million a year ago.

SMARTRAC financial figures at a glance:

Key data In thousands of EUR	Consolidated 6 months ended June 30, 2010	Consolidated 6 months ended June 30, 2009	Change in %
Consolidated income statement			
Revenues	80,766	59,087	37
EBITDA	9,786	6,608	48
Profit for the period	5,769	1,845	213
Financial position and liquidity			
Net cash flow provided by (used in) operating activities	(1,725)	(1,509)	(14)
Working capital	41,976	31,935	31
Capital expenditure	8,206	3,578	129
Total Assets	220,566	174,283	27
Operating Figures			
Basic earnings per share (EUR)	0.39	0.14	179
Operating cash flow per share (EUR)	(0.12)	(0.11)	(9)
Equity ratio (%)	60	58	5
Headcount (at month’s end)	3,325	2,543	31

Group revenues

The SMARTRAC **Group** generated revenues of EUR 80.8 million in the first six months of 2010. This represents an increase of 37 percent from the previous year figure of EUR 59.1 million. Main growth drivers were the Business Unit eID with recovered underlying demand in the U.S. e-Passport business, the Business Unit Cards reporting favorable growth in the e-Payment business as well as the Business Unit Industry & Logistics in which the recovery of the automotive business and strong growth in the non-automotive product lines contributed to the Group's performance.

Sales in SMARTRAC's **Security segment (Business Units Cards and eID)** amounted to EUR 60.1 million in H1 2010 representing an increase of 34 percent compared to sales of EUR 45.0 million in the same period of 2009. In H1 2010 the Security Segment accounted for 74 percent of total Group sales compared to 76 percent a year ago.

Sales in the **Industry segment (Business Units Industry & Logistics and Tickets & Labels)** accounted for EUR 20.1 million in H1 2010 representing an increase of 47 percent compared to sales of EUR 13.6 million in H1 2009. The 2010 sales represented a 25 percent share in total sales of the Group compared to 23 percent a year ago.

Group EBITDA

The **Group EBITDA** of EUR 9.8 million increased by 48 percent on previous year figure of EUR 6.6 million. This is equivalent to an EBITDA margin of 12 percent compared to 11 percent in 2009. Nevertheless, SMARTRAC's profitability was mainly burdened by increased, customer-driven microchip sourcing, which had a dilution effect, as well as by the ongoing ramp-up of operations in Malaysia. As already anticipated at the beginning of 2010, the identified operational inefficiencies became considerably apparent with the increasingly high utilization level of the core factories in the first six months 2010. Consequently, the company initiated measures and instated a new operations team in the course of the second quarter to improve its operational key performance figures in the course of the third and fourth quarter 2010.

The **Security segment** accounted for an EBITDA of EUR 9.1 million in the first six months of 2010. This represents an increase of 17 percent compared to EBITDA of EUR 7.7 million a year ago. Increased, customer-driven microchip sourcing especially in the Business Unit eID and operational challenges resulted in a sub-proportional development of the segment EBITDA.

The **Industry segment** reported an EBITDA of EUR 1.4 million in H1 2010 compared to an EBITDA of EUR 0.5 million recorded in the same period of 2009. The strong performance of the Business Unit Industry & Logistics supported the EBITDA margin of the Industry segment, but a negative result from the production facility in Malaysia continued to significantly burden the profitability of the segment and the company in total.

Profit for the period

At EUR 5.8 million, profit for the period in 2010 increased by 213 percent on the previous year's EUR 1.8 million. The total comprehensive income for the period including translation effects of foreign exchange rates amounted to EUR 8.4 million in H1 2010 and EUR 1.6 million, respectively.

Financial position

Accounting for EUR 220.6 million, the total assets of the consolidated interim balance sheet as of June 30, 2010 were 6 percent above the year-end figure 2009 of EUR 208.3 million. The balance sheet as of June 30, 2010 showed equity of EUR 133.3 million, representing a 7 percent increase compared to EUR 124.6 million as of December 31, 2009.

SMARTRAC's equity ratio of 60 percent and a net debt position of EUR 21.9 million characterized a solid financial position to cope with the challenges and opportunities of the accelerated growth.

Net cash used in operating activities in the first six months of 2010 amounted to negative EUR 1.7 million compared to negative EUR 1.5 million a year ago. The increased net profit in the first half 2010 was compensated by the increase in working capital.

Net cash used in investing activities amounted to EUR 8.9 million as of June 30, 2010, compared to net cash provided of EUR 1.6 million for the same period of 2009. This development in 2010 was predominantly affected by capital expenditure related to capacity increase in several production sites and the construction work for the enlargement of the site in Reichshof-Wehnrath, Germany.

Business outlook

The business development of the first half of 2010, and especially the progress in the second quarter, provided evidence of the growth dynamics of SMARTRAC's dedicated RFID business model. Due to the current visibility into the second half of the year and backed by the initiated capacity increase, the Management is confident for the further development of 2010.

Consequently, the Management today increases its sales guidance for 2010. Sales for the full year 2010 are expected to be approximately EUR 165 million (previously: EUR 140 – 150 million) projecting 29 percent growth compared to sales of EUR 127.9 million in 2009. The Management is confident to achieve an EBITDA improvement in the course of the second half-year and confirms the guidance to exceed the profitability margin of 2009.

The Management team's top priority for the second half of 2010 is the improvement of operational performance in order to turn the encouraging top-line development into an increasing profitability. The identified weaknesses and potentials, the already implemented measures as well as the new operations team headed by the new Chief Operating Officer are expected to tap further potentials and increase operational excellence in the course of the second half.

"It has always been our intention to turn our leading position into growth above RFID market perspectives," said Dr. Christian Fischer. "In terms of profitability, we intend to be back in shape in the fourth quarter 2010 and we are convinced that the necessary adjustments and large-scale changes currently executed are necessary steps to achieve the next level of maturity."

The SMARTRAC Interim Report for the six month period ended June 30, 2010 has been published today and is available for download on the company's website at www.smartrac-group.com.

About SMARTRAC N.V.

SMARTRAC is a leading developer, manufacturer, and supplier of RFID 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, RFID-based car immobilizers, animal identification, libraries, industry, and logistics.

SMARTRAC is the global market leader in high-quality RFID inlays for electronic passports (e-Passports) and contactless credit cards (e-Payment) as well as for RFID transponders for public transport applications. SMARTRAC was founded in 2000, went public in July 2006, and trades as a stock corporation under Dutch law with its registered headquarters in Amsterdam. Since December 2008, SMARTRAC has been a member of the TecDAX, Germany’s leading share index for companies in the technology sector. The company currently employs some 3,300 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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