

PRESS RELEASE

SMARTRAC reports on first nine months 2010: Growth of 42 percent in sales and increase of sales guidance for the full-year 2010

- **Sales 9M 2010: EUR 130.9 million** accounted for an increase of 42 percent on the EUR 92.2 million generated in 9M 2009
- **EBITDA 9M 2010: Increase of 43 percent** to EUR 15.7 million compared to EUR 10.9 million in 9M 2009, profitability at 12 percent EBITDA margin
- **Outlook 2010: Management increased the guidance today and expects full-year sales to exceed EUR 175 million** (previously: EUR 165 million)
- **Dr. Christian Fischer, CEO: “We achieved several milestones in the development of SMARTRAC in the third quarter. For the first time, we were able to report over 50 million EUR sales in a single quarter and we gained One Equity Partners as anchor investor to support our successful path of profitable growth.”**

Amsterdam, November 3, 2010 – The TecDAX listed company SMARTRAC N.V. today announced financial figures for the nine-month period ended September 30, 2010. SMARTRAC continued to show strong development and reported a sales growth of 42 percent from EUR 92.2 million in 9M 2009 to EUR 130.9 million in 9M 2010. After nine month of the financial year 2010, SMARTRAC was already able to exceed the 2009 full-year sales figure of EUR 127.9 million and achieved over EUR 50 million sales in a single quarter (Q3 2010: EUR 50.2 million). EBITDA for the first nine months increased by 43 percent from EUR 10.9 million in 2009 to EUR 15.7 million in 2010. 9M EBITDA margin 2010 was unchanged at 12 percent compared to 2009. Profit for the period amounted to EUR 5.9 million compared to EUR 3.1 million a year ago.

SMARTRAC financial figures at a glance:

Key data In thousands of EUR	Consolidated 9 months ended September 30, 2010	Consolidated 9 months ended September 30, 2009	Change in %
Consolidated income statement			
Revenues	130,928	92,194	42
EBITDA	15,656	10,916	43
Profit for the period	5,926	3,094	92
Financial position and liquidity			
Net cash flow provided by operating activities	2,798	4,873	(43)
Working capital	40,810	28,625	43
Capital expenditure	12,092	5,551	118
Total Assets	222,865	180,048	24
Operating Figures			
Basic earnings per share (EUR)	0.40	0.23	74
Operating cash flow per share (EUR)	0.19	0.37	(49)
Equity ratio (%)	60	57	5
Headcount (at month's end)	3,435	2,670	29

Group revenues

The SMARTRAC **Group** generated revenues of EUR 130.9 million in the first nine months of 2010. This represents an increase of 42 percent from the previous year figure of EUR 92.2 million. Main drivers for the strong development were the Business Unit Industry & Logistics with a powerful performance in the automotive and non-automotive businesses, the Business Unit eID, among other positive effects, with the successful ramp-up of a volume project related to the De La Rue framework agreement, as well as the Business Unit Cards with continued high order receipt in the e-Payment business.

Sales in SMARTRAC's **Security segment (Business Units Cards and eID)** amounted to EUR 98.2 million in 9M 2010 representing an increase of 41 percent compared to sales of EUR 69.7 million in the same period of 2009. In 9M 2010, the Security Segment accounted for 75 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 31.9 million in 9M 2010 representing an increase of 47 percent compared to sales of EUR 21.7 million in 9M 2009. The 2010 sales represented a 24 percent share in total sales of the Group unchanged to the figure a year ago.

Group EBITDA

The **Group EBITDA** of EUR 15.7 million increased by 43 percent on previous year figure of EUR 10.9 million. EBITDA margin was unchanged at 12 percent. According to the company's definition of EBITDA, the Group EBITDA excluded EUR 0.13 million extraordinary legal and financial costs related to the foundation agreement with One Equity Partners. Despite strong sales growth, the profitability development remained behind the company's possibilities. SMARTRAC's profitability was again burdened by the dilution effect of a continued high, customer-driven microchip sourcing, as well as by the ongoing ramp-up of operations in Malaysia. The measures taken by the management team to address the identified operational inefficiencies in SMARTRAC's core production plants in Thailand started to deliver first positive effects. Nevertheless, the implemented measures will require additional time to unfold their full potential.

The **Security segment** accounted for an EBITDA of EUR 13.4 million in the first nine months of 2010. This represents an increase of 14 percent compared to EBITDA of EUR 11.7 million a year ago. Customer-driven, increased microchip sourcing especially in the Business Unit eID resulted in a sub-proportional development of the segment EBITDA.

The **Industry segment** reported an EBITDA of EUR 2.1 million in 9M 2010 compared to an EBITDA of EUR 1.1 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 the 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 5.9 million, profit for the nine-month period in 2010 increased by 92 percent on the previous year's EUR 3.1 million. The total comprehensive income for the period including translation effects of foreign exchange rates amounted to EUR 7.6 million in 9M 2010 and EUR 2.6 million, respectively.

Financial position

Accounting for EUR 222.9 million, the total assets of the consolidated interim balance sheet as of September 30, 2010 were 7 percent above the year-end figure 2009 of EUR 208.3 million. The balance sheet as of September 30, 2010 showed equity of EUR 132.6 million, representing a 6 percent increase compared to EUR 124.6 million as of December 31, 2009. SMARTRAC's equity ratio remained at 60 percent.

As of September 30, 2010, the net debt position amounted to EUR 22.3 million. Subsequent to the reporting period, SMARTRAC successfully executed a capital increase signed by OEP Technologie B.V. on October 15, 2010 to generate gross proceeds of approximately EUR 26.0 million. Taking the capital increase into consideration, the equity ratio would have amounted to 64 percent with a net cash position.

Net cash provided by operating activities in the first nine months of 2010 amounted to EUR 2.8 million compared to EUR 4.9 million a year ago. Despite an increased net profit in the first nine months 2010 compared to 2009, the disproportionately higher increase in Working Capital compared to the sales growth in the nine-month period 2010 resulted in a lower cash flow from operating activities in 2010 compared to 2009.

Net cash used in investing activities amounted to EUR 13.5 million as of September 30, 2010, compared to net cash used of EUR 0.2 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-Wehrath, Germany.

Business outlook

Due to market dynamics and the continued strong business development in the first nine months of 2010, the Management is confident with regard to the final quarter of 2010 and the year 2011. SMARTRAC will benefit from its leading position as developer, manufacturer and supplier of RFID transponders and the investments in additional capacity. Therefore, the Management today increases its sales guidance for 2010 once more. Sales for the full year 2010 are expected to exceed EUR 175 million (previously: EUR 165 million) projecting at least 37 percent growth compared to sales of EUR 127.9 million in 2009.

The Management is convinced to be able to report improvements of the operational performance in the last quarter of 2010. However, it is currently difficult to foresee when the adjustments and adopted measures will positively affect SMARTRAC's overall profitability. Therefore, the Management expects an EBITDA for the fourth quarter 2010 to be reported in the range of the third quarter 2010. According to the company's definition of EBITDA, extraordinary non-recurring legal and financial costs (i.e. related to the public tender offer by OEP Technologie B.V.) will be

excluded. The Management is convinced that the projected improvement in profitability will only be postponed until the operational and organizational measures unfold their full potential and that the strong top-line performance will be turned into profitability in the coming quarters of 2011.

“SMARTRAC is very well positioned to further benefit from the strong demand and to transform the favorable market development into profitable growth,” said Dr. Christian Fischer. “With One Equity Partners as a strong financial partner, we will continue to work intensely on the opportunities provided by the global RFID market as well as on the consolidation of our industry. We have the financial strength, the proven business model and the perfect team to execute our strategy.”

The SMARTRAC Interim Report for the nine month period ended September 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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