

PRESS RELEASE

SMARTRAC Reports First Quarter 2011 Results and Confirms its Targets for 2011

- **Sales Q1-2011: EUR 49.0 million, representing an increase of 33 percent on the EUR 36.8 million generated in Q1-2010**
- **EBITDA Q1-2011: EUR 5.2 million, representing an increase of 4 percent compared to EUR 5.0 million in Q1-2010, profitability at 11 percent EBITDA margin**
- **Outlook 2011: Management confirms target to increase group sales to EUR 200 million in 2011**
- **Dr. Christian Fischer, CEO: “The SMARTRAC Group continued its positive business development in the first quarter of 2011. Besides sales growth of 33 percent, we further progressed in our growth strategy and strengthened the basis for future success.”**

Amsterdam, May 10, 2011 – SMARTRAC N.V., a leading developer, manufacturer and supplier of RFID transponders, announces financial figures for the first quarter of 2011 today. SMARTRAC continued its positive business development and increased its revenues in the first three months of 2011. SMARTRAC reported an increase of 33 percent in total sales from EUR 36.8 million in Q1-2010 to EUR 49.0 million in Q1-2011. Solid revenue expansion in the company’s eID, Cards and Industry & Logistics business units contributed to the sales growth. EBITDA increased by 4 percent from EUR 5.0 million in the first three months of 2010 to EUR 5.2 million in the first three months 2011. Profit for the period amounted to EUR 0.6 million, a decrease of 78 percent compared to EUR 2.6 million a year ago. The decrease in profit is mainly due to the negative development of the financial results in the first quarter of 2011 which is for the most part attributable to conversion effects based on an unfavorable development of the underlying currencies.

SMARTRAC Financial Figures at a Glance:

Key data In thousands of EUR	Consolidated 3 months ended 31 March 2011	Consolidated 3 months ended 31 March 2010	Change in %
Consolidated income statement			
Revenues	48,962	36,781	33.1
EBITDA	5,216	5,024	3.8
Profit for the period	568	2,598	(78.1)
Financial position and liquidity			
Net cash flow used in operating activities	(961)	(742)	29.5
Working capital	48,997	36,539	34.1
Capital expenditure	4,305	3,272	31.6
Total Assets	245,510	212,233	15.7
Operating figures			
Basic earnings per share (euro)	0.03	0.18	(83.3)
Operating cash flow per share (euro)	(0.06)	(0.05)	20
Equity ratio (%)	65.6	60.7	8.1
Headcount (at month’s end)	3,555	3,056	16.3

Group Revenues

The SMARTRAC **Group** generated revenues of EUR 49.0 million in the first quarter of 2011, representing an increase of 33 percent from the previous year's figure of EUR 36.8 million.

Revenue in SMARTRAC's **Security Segment** (Business Units Cards and eID) amounted to EUR 37.3 million, which is equivalent to growth of 39 percent compared to sales of EUR 26.8 million in 2010. The increase resulted from supply of business with existing customers as well as demand resulting from new project wins. In Q1-2011 the Security Segment accounted for 76 percent of total Group revenue compared to 73 percent a year ago.

Revenue in the **Industry Segment** (Business Units Industry & Logistics and Tickets & Labels) increased by 18 percent in the first three months of 2011 to EUR 11.6 million compared to EUR 9.8 million in 2010. The increase was mainly attributable to stable demand in the automotive business and the accelerated growth in the non-automotive business of the Business Unit Industry & Logistics. The Q1-2011 sales of the Industry Segment represented a 24 percent share of the overall sales of the company compared to 27 percent a year ago.

Group EBITDA

The **Group EBITDA** from January to March of EUR 5.2 million represented growth of 4 percent compared to EUR 5.0 million a year ago. The EBITDA margin for the period under review accounted for 11 percent compared to 14 percent a year ago. This decrease is mainly attributable to the ongoing change in the product mix, the continued high level of microchip sourcing, costs related to the ramp-up of operations in Malaysia, as well as to a certain increase in commodity prices.

The **Security Segment** reached an EBITDA of EUR 4.9 million compared to EBITDA of EUR 4.8 million a year ago.

The **Industry segment** reported an EBITDA of EUR 0.6 million in the first quarter of 2011 compared to an EBITDA of EUR 0.7 million in the same period of 2010.

Profit for the period

Profit for the first quarter decreased by 78 percent from EUR 2.6 million in 2010 to EUR 0.6 million in 2011. The decrease in profit is mainly due to the negative development of the financial results in the first quarter of 2011 which is for the most part attributable to conversion effects based on an unfavorable development of the underlying currencies.

Financial Position

Total assets amounted to EUR 245.5 million as of March 31, 2011, compared to EUR 248.5 million at year-end 2010. The decline in total assets was predominantly related to the decrease in cash and cash equivalents. Cash and cash equivalents decreased by 15 percent from EUR 49.6 million to EUR 42.3 million, which is mainly attributable to cash flow used in investing activities.

The Q1-2011 consolidated interim balance sheet showed equity of EUR 161.1 million compared to EUR 161.6 million as of December 31, 2010. The equity ratio increased from 65 percent at year-end to 66 percent as of March 31, 2011.

Cash used in operating activities amounted to EUR 0.3 million in the first three months of 2011, equaling the EUR 0.3 million used in the same period of the previous year. Taking into account



interest payments and receipts as well as payments and repayments for income taxes, the net cash used by operating activities in the first three months of 2011 amounted to EUR 1.0 million compared to net cash used by operating activities of EUR 0.7 million in 2010.

Net cash used in investing activities amounted to EUR 6.0 million as of March 31, 2011, compared to net cash of EUR 3.4 million used in the same period of 2010. This development in 2011 is mostly a result of the ongoing investment program.

Business Outlook

Based on the solid start into 2011 and the inherent growth potential of the RFID industry in general, SMARTRAC confirms its target to increase Group sales to EUR 200 million in 2011.

“Based on the investments in capacity and new technologies we have made in the past months, we are well prepared to satisfy demand from our long-lived customers while at the same time serving new projects,” said Dr. Christian Fischer.

The SMARTRAC Q1-2011 Interim Report has been published today and is available for download on the company’s website at www.smartrac-group.com.

About SMARTRAC:

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. The company currently employs some 3,500 employees and maintains a global research and development, production, and sales network.

If you have any questions, please contact:

Tanja Moehler
Head of Corporate Communications
SMARTRAC N.V.
Phone: +31 20 30 50 157
Email: tanja.moehler@smartrac-group.com
Internet: www.smartrac-group.com

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.