INTERIM REPORT Q1.2013

In thousands of EUR		Consolidated three months ended March 2013	Consolidated three months ended March 2012	Change	Change in %
Consolidated income statement					
Revenues		64,663	50,674	13,989	28
EBITDA [1)]		5,366	2,657	2,709	102
Profit for the period [2)]		(345)	951	(1,296)	(136)
Financial position and liquidity					
Net cash (used in) provided by operating activities		(6,685)	5,750	(12,435)	(216)
Working capital [3)]		59,541	38,718	20,823	54
Capital expenditure [4)]		4,375	11,257	(6,882)	(61)
Total assets		329,800	317,584	12,216	4
Operating figures					
Basic earnings per share	EUR	(0.02)	0.05	(0.07)	(140)
Operating cash flow per share	EUR	(0.34)	0.32	(0.66)	(206)
Equity ratio [2)]	%	51.3	51.1	0.2	–
Headcount	at month's end	3,587	4,046	(459)	(11)

1) EBITDA is defined as operating profit for the period before depreciation, amortization, impairment, financial result, share of profits of associates, non-recurring items (exceptional items) and income tax expense. The Group presents EBITDA because management believes it is a useful measure in evaluating the Group's operating performance. EBITDA is not a measure of operating performance or liquidity under IFRS. EBITDA as presented may not be comparable to measures with similar names as presented by other companies.

2) Including profits (loss) of non-controlling interest.

3) Only operating items are considered.

4) Capital expenditure (CAPEX) is defined as expenditure for property, plant and equipment, intangible assets and the change in deposits paid.

CHAIRMEN OF THE MANAGEMENT BOARD: CHRISTIAN UHL (LEFT), NIGEL SEALEY (RIGHT)

DEAR SHAREHOLDERS,
DEAR FRIENDS OF OUR COMPANY,

We started into fiscal year 2013 with a continued positive market demand, the further integration of acquired businesses into the Group, and the continued optimization of structures and processes within our Company.

The positive market development which we experienced in 2012 continued in the first quarter of 2013 and led to a favorable growth in revenues from January to March 2013. The increase in production and sales volumes was, however, accompanied by a further shift in the product mix and a related increase in inventories and stock to satisfy short-term demand in emerging RFID application fields.

The favorable overall market demand was accompanied by a rather cautious order behavior in the retail related label inlay business due to a company which acquires patents without intention to use the technical inventions to manufacture goods but only to enforce patent rights in order to obtain license fees. Uncertainty regarding this company led to project delays and lower than expected purchase quantities in the Business Unit ePI.

Total sales for the three-month period ended March 31, 2013, increased by 28 percent from EUR 50.7 million in 2012 to EUR 64.7 million in 2013. Group EBITDA for the first quarter of 2013 increased from EUR 2.7 million in 2012 to EUR 5.4 million in 2013. The EBITDA margin accounted for 8 percent in the first three months of 2013 as compared with 5 percent a year ago. In the first quarter of 2013, SMARTRAC generated loss of EUR 0.3 million as compared with profit of EUR 1 million in the first quarter of 2012 mainly resulting from a lower other operating income in the first three months of 2013 as compared to the previous year as well as higher administrative expenses.

Higher administrative expenses result from the acquisitions conducted at the end of 2011 and the ongoing integration of the respective companies into the Group. Former UPM RFID was included into the SMARTRAC Group from Q2-2012 onwards. While SMARTRAC reduced its workforce in Thailand and Malaysia by approximately 20 percent in each country in 2012, the restructuring of Dalton ID Group continued in the first quarter of 2013. A reduction of workforce at the company's entity in Finland was started at the beginning of 2013 to further streamline the business activities, structures, and processes in the Business Unit ePI. The total number of employees, including the subcontracted workforce, amounted to 3,587 employees as of March 31, 2013, compared to 3,635 employees as of December 31, 2012.

Although reductions in workforce and organizational changes are by nature stressful to both the employees directly affected and the wider organization, the SMARTRAC Management Board will continue to evaluate measures targeted at streamlining activities, reducing complexity, and increasing efficiency. In parallel to cost savings, SMARTRAC will continue to invest where required to drive innovation and to further develop our business.

SMARTRAC OPERATIONAL DEVELOPMENT

BUSINESS UNITS

SMARTRAC reports results for the business segments along with its business unit structure and in accordance with the accounting regulations of IFRS 8 (Operating Segments).

The 'Security' segment comprises the Business Units eID and CTA. The 'Industry' segment consists of the Business Units ePI, Industry & Logistics, and the Business Unit Dalton & Neology.

SECURITY SEGMENT

The **Business Unit eID** covers products for electronic identification documents issued by governments and state authorities such as e-passports, e-national ID cards, electronic driver's licenses, electronic visa documents, contactless health care cards, electronic social security cards, and electronic permanent resident cards.

SMARTRAC is the global market leader for high-security RFID inlays and e-covers for electronic passports worldwide. In the first three months of 2013, the Business Unit eID launched its new SMART-SL and SMART-HERA® ID card technologies.

Building on SMARTRAC's long-standing wafer back-end processing, antenna manufacturing, antenna-chip interconnection, and assembling experiences, the SMART-SL product family provides card manufacturers and security printers with thin, flat, and at the same time highly durable ID card inlays with a homogenously flat inlay surface.

The SMART-HERA® manufacturing concept consists of a specific dual interface card inlay and a dedicated machine for implanting the dual interface module into the card, resulting in the highest durability and reliability as well as the best performance available on the market.

The SMART-SL product family and the SMART-HERA® manufacturing concept are both aimed at providing card manufacturers and security printers with pioneering and standard-setting new technologies to meet tomorrow's requirements for high-security contactless identity documents.

Overall, the Business Unit eID continued its positive development in the first quarter of 2013. Revenues increased by 4 percent and amounted to EUR 14.8 million in the first three months of 2013 compared to EUR 14.2 million in the same period of 2012.

The **Business Unit CTA** provides card inlays, PRELAM® products, and transponders for automated fare collection in public transport, access control, and contactless payment and caters to card manufacturers as well as multinational system integrators with their own card manufacturing capabilities.

At the beginning of 2013, the Business Unit CTA complemented its range of PVC pre-laminates in the UHF frequency range. The new products have been developed to address the increasing demand for UHF PVC cards with superior performance and reliability to enhance convenience in access control applications, enabling fast and hands-free access to secured areas, gated communities, ski lifts, and many more.

The pre-laminates are produced in a multilayered PVC construction without PET layers utilizing SMARTRAC's proven manufacturing technologies with enhanced in-house lamination process. The resulting products offer several advantages over pre-laminates based on UHF PET inlays sandwiched between PVC layers such as prevention of bubbles on the card surface, avoidance of delamination issues, even after years of use, and superior card surface quality.

Demand for the company's card inlays, PRELAM® products, and RFID transponders showed strong growth in the first quarter of 2013. As a result, the Business Unit CTA increased revenues by 39 percent in the first three months of 2013 and reported sales of EUR 23.3 million in 2013 compared to EUR 16.8 million in the first quarter of 2012.

In total, Security segment revenues amounted to EUR 38.1 million in the first three months of 2013 compared to EUR 30.9 million in the same period of 2012. From January to March 2013, the Security segment accounted for 59 percent of total Group sales compared to 61 percent a year ago.

INDUSTRY SEGMENT

The Industry segment comprises the electronic Product Identification (ePI) and Industry & Logistics business units as well as the business from Dalton and Neology.

The **Business Unit ePI** covers RFID inlays that cater to ticket and label converters and includes fields of application such as libraries and media management, mobile and smart media (NFC), apparel tracking, brand protection, electronic product identification, as well as applications in the pharmaceutical industry, retail, supply chain management, and many more.

At the beginning of 2013, SMARTRAC introduced the new WebLite UHF RFID tag designed for retail EPC programs to the market. The WebLite is a technological advance in both size and performance, and is especially suited for item-level tagging and identification where RFID tag space is limited and performance is of critical importance. The SMARTRAC WebLite UHF RFID tag was very well received in the market and is being used at major retailers in the United States.

In February 2013, SMARTRAC and TADBIK Group announced the successful support of an NFC tag package rollout in Israel. Orange Israel, one of the largest mobile carriers in Israel, introduced an NFC tag package to its country-wide customer base. The Orange NFC stickers package contains three NFC stickers equipped with SMARTRAC NFC inlays. SMARTRAC supplied the project with Circus NTAG 203 NFC inlays while TADBIK Group collaborated with NFC Israel to support the rollout. This was achieved by encoding the inlays and by printing and converting them into stickers, packed in the high-end printed package.

Overall, the Business Unit ePI further increased revenues and reported sales of EUR 15.8 million in the first three months of 2013 compared to EUR 7.9 million in the same period of 2012.

The **Business Unit Industry & Logistics** covers RFID tags for a variety of automotive, animal identification, logistics, industrial, laundry, and medical applications.

While the automotive business continued to show a positive development, business with hard tags and inlays for pet identification and livestock tagging slowed down in the first quarter of 2013 and came in weaker as anticipated due to project delays.

As a result, sales of the Business Unit Industry & Logistics decreased to EUR 7 million in the first quarter of 2013 compared to sales of EUR 8.8 million in the same period of 2012.

Dalton ID is an established provider of animal identification products, serving agricultural and research industries, as well as wildlife and marine research.

Neology Group is a leader in electronic vehicle registration (EVR), electronic toll collection, and public safety markets.

Revenues from Neology and Dalton amounted to EUR 3.6 million in the first three months of 2013 compared to EUR 2.8 million in the first quarter of 2012.

In total, sales of the Industry segment increased from EUR 19.5 million in the first three months of 2012 to EUR 26.4 million in the first quarter of 2013. From January to March 2013, the Industry Segment accounted for 41 percent of total Group sales compared to 38 percent a year ago.

THE SMARTRAC SHARE

The development of the SMARTRAC share in the first quarter of 2013 was characterized by the low free float of about 3 percent as well as the upcoming delisting of the SMARTRAC shares from the Frankfurt Stock Exchange expected to become effective at the end of the day on May 28, 2013.

The SMARTRAC share started the fiscal year 2013 at a price of EUR 10.73 and closed the three-month period at EUR 10.85. In the first quarter of 2013, the SMARTRAC share price ranged between EUR 10.90 (January 14, 2013) and EUR 10.18 (January 25, 2013).

The average number of SMARTRAC shares traded per day on the XETRA trading platform in the period between January and March 2013 was some 900 shares compared to around 800 shares in the first three months of 2012.

As of March 31, 2013, OEP Technologie B.V. held 19.287.868 shares in SMARTRAC N.V. representing 97.2 percent of the shares and voting rights in SMARTRAC N.V.; the free float amounted to 2.8 percent.

Five brokers comment on the financial figures and operational development of SMARTRAC. A constantly updated overview of the banks and their current recommendations is presented in the Investor Relations section of the SMARTRAC website, under 'Research Reports'. Furthermore, SMARTRAC maintains regular and active communication with shareholders, potential investors, financial analysts, the media, and the financial community.

Subsequent to the reporting period and associated with the intended delisting of the SMARTRAC shares from the Frankfurt Stock Exchange as well as the squeeze-out proceedings of OEP Technologie B.V. against all minority shareholders in SMARTRAC N.V., the SMARTRAC Management Board decided to terminate all outstanding vested and unvested options of SMARTRAC's Stock Option Scheme effective April 4, 2013. For further details, please refer to note 16 of this quarterly report.

FINANCIAL PERFORMANCE

SMARTRAC REPORTS 28 PERCENT YEAR-ON-YEAR SALES GROWTH IN THE FIRST THREE MONTHS OF 2013

Group sales of EUR 64.7 million in the first quarter of 2013 represent an increase of 28 percent compared to sales of EUR 50.7 million in the same period of 2012. Group EBITDA increased from EUR 2.7 million in the first quarter of 2012 to EUR 5.4 million for the same period in 2013. SMARTRAC reported loss of EUR 0.3 million compared to profit of EUR 1 million in the first quarter of 2012. This development mainly results from a lower other operating income in the first three months of 2013 as well as higher administrative expenses.

SEGMENT DEVELOPMENT

Revenues in the **Security Segment** (Business Units eID and CTA) amounted to EUR 38.1 million in the first quarter of 2013 as compared with sales of EUR 30.9 million in the same period of 2012. Security Segment EBITDA from January to March increased from EUR 1.6 million in 2012 to EUR 4.2 million in 2013.

Revenues in the **Industry Segment** (Business Units ePI and Industry & Logistics; Dalton and Neology) increased from EUR 19.5 million in the first quarter of 2012 to EUR 26.4 million in the first three months of 2013. The Industry Segment reported EBITDA from January to March of EUR 1.5 million in 2013 compared to an EBITDA of EUR 1.4 million in the same period of 2012.

BALANCE SHEET

As of March 31, 2013, total assets amounted to EUR 329.8 million as compared with EUR 329.4 million as of December 31, 2012. Movements in total assets were predominantly related to investments into property, equipment, and machinery as well as the investments into intangible assets, including capitalized development costs, in the first three months of 2013. As a consequence, cash and cash equivalents decreased from EUR 28 million as of December 31, 2012, to EUR 20 million as of March 31, 2013.

Furthermore, inventories increased from EUR 43 million as of December 31, 2012, to EUR 47 million as of March 31, 2013, mainly due to the increase of stock to serve the demand in the ePI business. Trade and non-trade receivables increased from EUR 49 million at the end of 2012 to EUR 53 million at the end of March 2013. The working capital subsequently increased from EUR 49 million at the end of 2012 to EUR 60 million as of March 31, 2013.

SMARTRAC's Group equity amounted to EUR 169 million as of March 31, 2013, compared to EUR 168 million as of December 31, 2012. The equity ratio was 51 percent as of March 31, 2013 (December 31, 2012: 51 percent).

CASH FLOW STATEMENT

Cash used in operating activities amounted to EUR 5.1 million for the first three months of 2013 compared to cash provided by operating activities of EUR 7.2 million in the same period of the previous year due to the effects from the working capital position and significant insurance inflows in the first quarter of 2012. Taking into account interest paid and received as well as payments for income taxes, net cash used in operating activities amounted to EUR 6.7 million as of March 31, 2013, as compared with net cash provided of EUR 5.8 million for the first three months of 2012.

Net cash used in investing activities amounted to EUR 5.5 million as of March 31, 2013 (2012: EUR 6.5 million), resulting from investments in property, equipment, and machinery as well as investments into intangible assets.

Net cash provided by financing activities amounted to EUR 1.6 million as of March 31, 2013 (2012: EUR 6.5 million) and related to the cash inflow from the proceeds of secured loans.

BUSINESS OUTLOOK

We were very pleased to announce the proposed appointment of Clemens J. Joos as Director A and Member of the Management at the SMARTRAC Annual General Meeting of Shareholders to be held on June 18, 2013. His proposed appointment as CEO and Chairman of the Management Board will complement our top-level management and follows the new management board structure established at the end of 2012.

Clemens Joos has a profound resume in the industry equipment, healthcare, and consumer electronics areas, having served in international executive and senior-level roles in Asia, Europe, and the United States. He holds a diploma in business administration from the University of Applied Science in Offenburg and a master in organizational psychology from the University of Applied Science Erding, Germany.

His appointment further strengthens our target to translate customer requirements into superior products, to further drive the innovative character and competitive advantage of our company and the focus on our customer's needs.

Market-wise, there is evidence that the positive overall trend in the RFID industry will continue over the course of the year. Therefore, SMARTRAC confirms its target to increase Group sales and to achieve full year revenues which come close to the EUR 300 million mark in 2013.

For the Management Board

Christian Uhl Nigel Sealey

Amsterdam, May 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013 (2012)

In thousands of EUR	Note	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Revenue	6	64,663	50,674
Cost of sales		(48,519)	(40,928)
Gross profit	**6**	**16,144**	**9,746**
Administrative expenses		(17,287)	(12,495)
Other operating income (expenses)		2,449	5,658
Total operating expenses		**(14,838)**	**(6,837)**
Operating profit before financial expenses		**1,306**	**2,909**
Financial income		6,170	2,947
Financial expenses		(6,886)	(4,616)
Net financial expenses	**8**	**(716)**	**(1,669)**
Share of (loss) profit of equity-accounted investees		(25)	17
Profit before tax		**565**	**1,257**
Income tax (expenses) benefit	**9**	**(910)**	**(306)**
(Loss) profit for the period attributable to:		**(345)**	**951**
Owners of the company		(194)	948
Non-controlling interests		(151)	3
(Loss) profit for the period		**(345)**	**951**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation		1,698	(626)
Net fair value loss on hedging instruments entered into for cash flow hedges		153	–
Tax on other comprehensive income		(39)	–
Other comprehensive income (loss), net of tax		**1,812**	**(626)**
Total comprehensive income (loss) for the period attributable to:		**1,467**	**325**
Owners of the company		1,439	322
Non-controlling interests		28	3
Total comprehensive income (loss) for the period		**1,467**	**325**
Basic earnings per share (EUR)		(0.02)	0.05
Diluted earnings per share (EUR)		(0.02)	0.05

The accompanying notes (on page 18 to 32) are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2013 (AND DECEMBER 31, 2012)

In thousands of EUR	Note	Consolidated March 2013	Consolidated December 2012*
Assets			
Intangible assets	11	113,516	112,424
Property, plant and equipment	10	78,628	79,072
Equity-accounted investees		1,078	1,070
Deferred tax assets		4,225	4,988
Other non-current assets		2,882	3,644
Total non-current assets		**200,329**	**201,198**
Inventories		47,430	42,773
Trade and non-trade receivables		52,699	48,687
Current income tax		1,505	1,216
Other current assets		8,195	7,534
Cash and cash equivalents		19,642	27,962
Total current assets		**129,471**	**128,172**
Total assets		**329,800**	**329,370**
Equity			
Share capital		9,924	9,924
Share premium		133,918	133,871
Reserves		4,530	2,897
Retained earnings		17,301	17,495
Equity attributable to owners of the company		**165,673**	**164,187**
Non-controlling interests		3,383	3,355
Total equity		**169,056**	**167,542**
Liabilities			
Loans and borrowings	12	73,800	71,703
Employee benefits		1,285	1,267
Deferred tax liabilities		7,216	7,597
Other non-current liabilities		749	1,403
Deferred income from government grants		862	878
Total non-current liabilities		**83,912**	**82,848**
Bank overdraft		2,009	346
Loans and borrowings		14,820	15,215
Trade and non-trade payables		30,979	30,947
Current income tax		1,311	1,484
Provisions	13	1,493	1,619
Other current liabilities		26,220	29,369
Total current liabilities		**76,832**	**78,980**
Total liabilities		**160,744**	**161,828**
Total equity and liabilities		**329,800**	**329,370**

* Restated for the revised IAS 19

The accompanying notes (on page 18 to 32) are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 (2012)

In thousands of EUR	Note	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Cash flows from operating activities			
(Loss) profit for the period		(345)	951
Reconciliation of net profit to net cash provided by (used in) operating activities:			
Income tax expenses (benefit)	9	910	306
Depreciation and amortization	6	5,422	3,596
Reversal of impairment on fixed assets	6	–	(11)
Equity-settled share-based payment transactions		47	48
Interest income	8	(3)	(7)
Interest expense	8	967	1,160
Other non cash items		(1,722)	1,955
Share of loss of equity-accounted investees		25	(17)
Changes in operational assets and liabilities:			
Inventories		(4,210)	(8,661)
Trade and non-trade receivables		(3,122)	(4,096)
Other current assets		(632)	(1,230)
Employee benefits		18	31
Trade and non-trade payables		613	16,317
Other non-current liabilities		(479)	(341)
Other current liabilities and provisions		(2,563)	(2,837)
Cash (used in) provided by operating activities		**(5,074)**	**7,164**
Interest paid		(713)	(876)
Interest received		1	7
Income taxes paid		(899)	(545)
Net cash (used in) provided by operating activities		**(6,685)**	**5,750**
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,959)	(10,984)
Purchases of intangible assets		(1,573)	(1,505)
Proceeds from sale of equipment		52	–
Change in deposits paid for property, plant and equipment		157	1,232
Net cash (outflow) inflow on business combinations		(1,141)	4,521
Cash proceeds from deferred grants		–	229
Net cash used in investing activities		**(5,464)**	**(6,507)**

In thousands of EUR	Note	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Cash flows from financing activities			
Side costs from capital increase		–	(20)
Proceeds from interest-bearing loans and borrowings and secured loan		2,000	7,500
Repayments of interest-bearing loans and borrowings and secured loan		(403)	(948)
Net cash provided by financing activities		**1,597**	**6,532**
Net change in cash and cash equivalents and bank overdrafts		(10,552)	5,775
Cash and cash equivalents and bank overdrafts at January 1		27,616	21,780
Effect of exchange rate fluctuations on cash and cash equivalents and bank overdrafts		569	(221)
Cash and cash equivalents and bank overdrafts at March 31		**17,633**	**27,334**

The accompanying notes (on page 18 to 32) are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2013 (2012)

In thousands of EUR	Note	Issued and paid-up share capital	Share premium	Translation reserve
Balance as at January 1, 2012*		**8,872**	**111,624**	**2,192**
Profit for the period		–	–	–
Other comprehensive income (loss)		–	–	(626)
Total comprehensive income (loss) of the period		**–**	**–**	**(626)**
Share-based payment options		–	48	–
Par value of new shares – credited to share capital		1,052	–	–
Excess of gross proceeds over par share value credited to share premium		–	22,091	–
Transaction costs of the capital increase charged to share premium		–	(20)	–
Balance as at March 31, 2012		**9,924**	**133,743**	**1,566**
Balance as at January 1, 2013*		**9,924**	**133,871**	**3,160**
Loss for the period		–	–	–
Other comprehensive income (loss)		–	–	1,519
Total comprehensive income (loss) of the period		**–**	**–**	**1,519**
Share-based payment options		–	47	–
Balance as at March 31, 2013		**9,924**	**133,918**	**4,679**

* Restated for the revised IAS 19

The accompanying notes (on page 18 to 32) are an integral part of the interim condensed consolidated financial statements.

Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
–	**13,123**	**135,811**	**3,061**	**138,872**
–	948	948	3	951
–	–	(626)	–	(626)
–	**948**	**322**	**3**	**325**
–	–	48	–	48
–	–	1,052	–	1,052
–	–	22,091	–	22,091
–	–	(20)	–	(20)
–	**14,071**	**159,304**	**3,064**	**162,368**
(263)	**17,495**	**164,187**	**3,355**	**167,542**
–	(194)	(194)	(151)	(345)
114	–	1,633	179	1,812
114	**(194)**	**1,439**	**28**	**1,467**
–	–	47	–	47
(149)	**17,301**	**165,673**	**3,383**	**169,056**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2013

1. SIGNIFICANT EVENTS

On September 12, 2012, the Management Board resolved to apply for a delisting of the company´s shares from the Frankfurt Stock Exchange (Prime Standard) and to propose a change of the company´s articles of association subject to the approval of the delisting at the Extraordinary General Meeting on October 29, 2012.

With the approval of the Extraordinary General Meeting the delisting from the Regulated Market and from Xetra was filed with Deutsche Börse AG (German Stock Exchange) on October 30, 2012.

On November 30, 2012, SMARTRAC N.V. was informed about the decision of the Frankfurt Stock Exchange regarding its request for a delisting of the company's shares from the Frankfurt Stock Exchange. On the company's request, the Frankfurt Stock Exchange decided to revoke the listing of the ordinary bearer shares, ISIN NL0000186633, on the regulated market. The Frankfurt Stock Exchange also informed SMARTRAC N.V. that the revocation will become effective at the end of the day on May 28, 2013.

On April 25, 2013, SMARTRAC N.V., announced that Clemens J. Joos shall be appointed Chief Executive Officer (CEO) and Chairman of the Management Board. The Supervisory Board has decided to propose the formal appointment as Director A and Member of the Management Board at the SMARTRAC Annual General Meeting of Shareholders to be held on June 18, 2013.

Clemens Joos has a profound resume in the industry equipment, healthcare, and consumer electronics areas, having served in international executive and senior-level roles in Asia, Europe, and the United States. His wide-ranging experience gives him a well-rounded view in competitive, innovative, and rapidly changing market environments. He holds a diploma in business administration from the University of Applied Science in Offenburg and a master in organizational psychology from the University of Applied Science Erding, Germany.

2. REPORTING ENTITY

SMARTRAC (´the Company`) is a company domiciled in The Netherlands. The interim condensed consolidated financial report of the Company as at and for the three months ended March 31, 2013, comprises the Company and its subsidiaries (together referred to as `the Group`) and the Group´s interests in associates.

There were no changes in the composition of the reporting entity during the period from December 31, 2012 to March 31, 2013.

SMARTRAC Dresden Holding GmbH changed its company name into SMARTRAC TECHNOLOGY Germany GmbH.

EMPLOYEES

As at March 31, 2013, the Group employed 3,587 employees (3,635 as of December 31, 2012; 4,046 as of March 31, 2012; 3,676 as of December 31, 2011).

THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements as at and for the year 2012 are available upon request from the company's registered office at Strawinskylaan 851, 1077 Amsterdam, The Netherlands, or can be downloaded via www.smartrac-group.com.

3. STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 as adopted by the European Union. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2012.

This interim condensed consolidated financial information was authorized for issuance by the Management Board of the Company on May 16, 2013. The interim condensed consolidated financial statements for the period ended March 31, 2013, were not subject to a limited interim review.

4. ACCOUNTING POLICIES AND RESTATEMENTS

The accounting policies and methods of computation applied by the Group in the interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements of the Group as at and for the year ended December 31, 2012, except for the adoption of the revised IAS 19.

With respect to new, revised or amended Standards and Interpretations to be adopted as per the 2012 financial year, reference is made to the notes to the consolidated financial statements for the year ended December 31, 2012. With the exception of the adoption of revised IAS 19 the changes in Standards and Interpretations have no significant effect for the current and comparative period.

The Group applies for the first time revised IAS 19 “Employee Benefits” that require restatement of the previous consolidated financial statements. The comparative figures for 2012 have been restated accordingly. IAS 19R includes a number of amendments to the accounting for defined benefit plan, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from the profit and loss, thus removes the corridor method which we have applied so far. Expected returns on plan assets that are no longer recognized in profit and loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit and loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19R had an impact on the net defined benefits obligations and deferred tax assets due to the removal of the corridor method.

Impact on interim condensed consolidated balance sheet:

In thousands of EUR	**As at 31 March 2013**	**As at 31 December 2012**
Increase in the defined benefit obligation (non-current)	(714)	(662)
Increase in deferred tax assets (non-current)	143	132
Net impact on equity	**(571)**	**(530)**

There was no material impact on the Group’s interim condensed consolidated statement of comprehensive income or cash flows resulting from the application of the net interest approach.

5. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s consolidated financial statements as at and for the year ended December 31, 2012.

6. SEGMENT REPORTING

The Group comprises the following main business segments:

– **Security segment:** the manufacture and sale of RFID transponders carrying microchips with high-security features such as sophisticated data encryption, controlled data access and mutual authentication, for use in applications such as e-passports, e-national ID Cards, electronic driver’s licenses and electronic visa documents, e-health cards, e-social security cards, e-permanent resident cards as well as transponders for public transport, access control, contactless payment, and active card applications.

– **Industry segment:** the manufacture and sale of RFID and NFC transponders with embedded chips for use in a broad range of applications. RFID and NFC transponders for the industry sector are suited for fields of application such as automotive, animal identification, industry, logistics, laundry, waste management, and medical as well as RFID transponders that cater to tickets and label converters and include fields of application such as electronic product identification, library and media management, retail, NFC, ticketing, and airline luggage. The Industry segment also comprises the business activities of Neology Inc., which serves the electronic vehicle identification, automated toll collection, and asset tracking market as well as the business of Dalton manufacturing animal identification solutions.

– **All other:** all other income/expense that cannot be attributed to the Security and Industry segment.

CONSOLIDATED SEGMENT INFORMATION BY BUSINESS SEGMENTS FOR THE THREE MONTHS ENDED MARCH 2013 (2012)

	Security	
In thousands of EUR	Three months ended March 2013	Three months ended March 2012
Segment revenue		
Revenue from external customers	38,123	30,938
Revenue from transactions with other segments	–	–
Total revenue	**38,123**	**30,938**
Segment result		
Gross profit	8,602	5,699
Operating (expenses) income	(4,673)	(1,244)
Operating profit (loss)	3,929	4,455
Net financial expenses		
Share of (loss) profit of jointly controlled entities		
Profit before tax benefit (expenses)		
Income tax expenses		
Profit for the period		
Supplemental information		
Operating profit (loss)	3,929	4,455
Amortization, depreciation and impairment	2,316	1,930
Exceptional items restructuring [2]	–	–
Exceptional items flood Thailand [2]	–	876
Insurance payments flood related [2]	(2,039)	(5,639)
Exceptional items acquisition costs [3]	–	–
Exceptional others	–	–
Segment EBITDA [1]	**4,206**	**1,623**

1) EBITDA is defined as operating profit for the period before depreciation, amortization, impairment, financial result, share of profits of associates, non-recurring items (exceptional items), and income tax expense. The Group presents EBITDA because management believes it is a useful measure in evaluating the Group's operating performance. EBITDA is not a measure of operating performance or liquidity under IFRS. EBITDA as presented may not be comparable to measures with similar names as presented by other companies.

2) Please refer to note 7.

3) Transaction costs arising from the acquisition of the UPM Group in 2012.

	Industry		All other		Eliminations		Consolidated	
	Three months ended March 2013	Three months ended March 2012	Three months ended March 2013	Three months ended March 2012	Three months ended March 2013	Three months ended March 2012	Three months ended March 2013	Three months ended March 2012
	26,401	19,479	139	257	–	–	64,663	50,674
	–	3	292	323	(292)	(326)	–	–
	26,401	**19,482**	**431**	**580**	**(292)**	**(326)**	**64,663**	**50,674**
	8,003	3,766	(229)	249	(232)	32	16,144	9,746
	(9,406)	(4,450)	(476)	(1,158)	(283)	15	(14,838)	(6.837)
	(1,403)	(684)	(705)	(909)	(515)	47	1,306	2,909
							(716)	(1,669)
							(25)	17
							565	**1,257**
							(910)	(306)
							(345)	**951**
	(1,403)	(684)	(705)	(909)	(515)	47	1,306	2,909
	2,483	1,575	208	188	415	(108)	5,422	3,585
	444	448	264	–	–	–	708	448
	–	567	–	(27)	–	–	–	1,416
	(166)	(558)	–	–	–	–	(2,205)	(6,196)
	–	–	–	495	–	–	–	495
	135	–	–	–	–	–	135	–
	1,493	**1,348**	**(233)**	**(253)**	**(100)**	**(61)**	**5,366**	**2,657**

REVENUES BY SUBSEGMENT

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Segment Security		
Business Unit eID	14,806	14,179
Business Unit CTA	23,317	16,819
Intrasegment eliminations	–	(60)
Subtotal	**38,123**	**30,938**
Segment Industry		
Business Unit ePI	15,840	7,864
Business Unit Industry & Logistics	6,984	8,788
Business Unit Neology, Dalton	3,588	2,830
Intrasegment eliminations	(11)	–
Subtotal	**26,401**	**19,482**
Segment All Other	**431**	**580**
Intersegment eliminations	(292)	(326)
Total	**64,663**	**50,674**

GEOGRAPHICAL SEGMENTS

In reporting information on the basis of geographical areas, revenues are based on the geographical location of customers. The Group's principal geographical areas are Asia, Europe, Latin America and North America.

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Revenues		
Asia	14,775	14,042
Europe	24,437	21,508
Latin America	5,165	5,519
North America	19,813	8,928
Others	473	677
Total revenues	**64,663**	**50,674**

RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES AND PROFIT OR LOSS BEFORE INCOME TAX

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Revenues		
Total revenue for reportable segments	64,524	50,420
Other revenue	431	580
Elimination of inter-segment revenue	(292)	(326)
Consolidated revenue	**64,663**	**50,674**
Profit or loss		
Total EBITDA for reportable segments	5,699	2,971
Other EBITDA	(233)	(253)
All EBITDA (before inter-segment elimination)	**5,466**	**2,718**
Elimination of inter-segment profits	(100)	(61)
Unallocated amounts:		
Financial result	(716)	(1,669)
Depreciation, amortization and impairment	(5,422)	(3,585)
Share of (loss) profit of equity-accounted investees	(25)	17
Exceptional items	1,362	3,837
Consolidated profit before income tax	**565**	**1,257**

7. EXCEPTIONAL ITEMS

Restructuring expenses include severance and reorganizational expenses for the Dalton group and the entity in Finland amounting in total to EUR 0.7 million. These costs are shown under “other operating expenses” in the interim condensed consolidated statement of comprehensive income.

During the three months ended March 31, 2013, SMARTRAC received insurance payments totalling an amount of EUR 2.2 million for flood property damages. These are included in “other operating income” in the interim condenses consolidated statement of comprehensive income.

8. NET FINANCIAL EXPENSES (INCOME)

The following table provides a breakdown of the net financial expenses:

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Change in fair value	372	497
Interest income	3	7
Foreign exchange gains	5,795	2,443
Financial income	**6,170**	**2,947**
Change in fair value	(657)	(254)
Interest expenses	(967)	(1,160)
Bank charges	(170)	(148)
Foreign exchange losses	(5,092)	(3,054)
Financial expenses	**(6,886)**	**(4,616)**
Net financial expenses	**(716)**	**(1,669)**

9. CORPORATE INCOME TAX

RECOGNIZED IN THE INCOME STATEMENT

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Current corporate tax expense	(642)	(165)
Deferred tax expense	(268)	(141)
Income tax (expenses) benefit	**(910)**	**(306)**

RECONCILIATION OF EFFECTIVE INCOME TAX CHARGE

In thousands of EUR	Consolidated three months ended March 2013	Consolidated three months ended March 2012
Profit before tax	**565**	**1,257**
Expected tax expense based on rate of 25.0 % (2012: 25.0 %)	(141)	(314)
Tax rate differences in foreign jurisdictions	634	338
Non-deductible expenses	(42)	(182)
Tax-exempt income relating to promotional privileges	778	1,443
Non-recognition of tax benefits on losses incurred	(1,817)	(1,009)
Use of tax loss carry forward previously unrecognized	43	98
Permanent differences	–	(602)
Write-down of deferred tax assets	(133)	–
Current taxes from prior years	(254)	(88)
Others	22	10
Effective income tax (expenses) benefit	**(910)**	**(306)**

10. PROPERTY, PLANT AND EQUIPMENT

ACQUISITIONS WITHOUT BUSINESS COMBINATIONS

During the three months ended March 31, 2013, the Group acquired tangible assets totalling EUR 2.9 million (three months ended March 31, 2012: EUR 10.9 million).

11. INTANGIBLE ASSETS

DEVELOPMENT COSTS

Intangible assets include capitalized development costs (carrying amount) amounting to EUR 5.6 million as at March 31, 2013 (as at March 31, 2012: EUR 5.5 million).

12. LOANS AND BORROWINGS

SMARTRAC has signed on June 13, 2012 a EUR 100 million term and revolving facilities agreement in order to refinance the EUR 65 million terms and multicurrency revolving facilities agreement with maturity on June 30, 2012. The EUR 100 million facilities agreement was concluded with a syndicate of five banks and contains standard market terms and conditions including a leverage, EBITDA and an equity covenant. This facilities agreement has an availability period until December 30, 2016. As at March 31, 2013 a total amount of EUR 22.5 million of the new EUR 100 million facilities agreement was unused.

13. PROVISIONS

There have been no major reversals or additions for any provisions during the interim period.

14. CONTINGENCIES

The company is involved in various lawsuits, claims and proceedings incidental to the normal conduct of its business, including suits in respect of infringement and cancellation of patents and regarding other intellectual property rights. The company has accrued for these loss contingencies when loss is deemed probable and can be estimated. The company regularly evaluates claims and legal proceedings together with their related probable losses to determine whether they should be adjusted based upon the current information available to the company. Legal costs associated with claims are provided for.

15. RELATED PARTIES

IDENTITY OF THE RELATED PARTIES

With respect to the relationship with related parties please refer to the annual report 2012.

The Group shows the following transactions with related parties:

In thousands of EUR	Transaction value three months ended March 2013	Transaction value three months ended March 2012
Sales		
Bibliotheca AG	1,134	630
Omnia Technologies Private Ltd.	47	163
Purchases		
Omnia Technologies Private Ltd.	25	331

The balances of receivables and payables and other positions are shown below:

In thousands of EUR	Consolidated March 31, 2013	Consolidated December 31, 2012
Trade and non trade receivables		
Bibliotheca AG	610	518
Dalton Property Holding UK Ltd.	–	47
Omnia Technologies Private Ltd.	47	–
Total	**657**	**565**
Trade and non-trade payables		
Omnia Technologies Private Ltd.	14	32
Dalton EID Ltd.	–	21
Total	**14**	**53**
Other non-current liabilities		
Dalton Group Ltd.	–	235
Lano Holding APS	119	235
Capital contribution		
OEP Technologie B.V.	23,143	23,143
Interest-bearing borrowings		
OEP Technologie B.V.	12,000	12,000

TRANSACTIONS WITH KEY MANAGEMENT

With respect to the remuneration of the Management Board please refer to the annual report 2012.

TRANSACTIONS WITH SUPERVISORY BOARD

With respect to the remuneration of the Supervisory Board please refer to the annual report 2012.

16. SUBSEQUENT EVENTS

In connection with the intended delisting of the SMARTRAC shares as well as the squeeze out proceedings SMARTRAC has made the decision to terminate all outstanding vested and unvested options of SMARTRAC's Stock Option Schemes being effective on April 4, 2013. The termination clause contained in the Stock Option Scheme rules provides for a compensation payment based on a fixed calculation mechanism amounting to EUR 0.5 million. The termination will result in an additional option expense to be considered in Q2 2013 amounting to EUR 0.1 million.

On April 3, 2013, the local management announced the main features of the plan to stop production in Brazil and to restructure the Brazilian entity into a sales office to those affected. The restructuring is expected to have a financial impact on the consolidated statement of comprehensive income of about EUR 1.4 million. Estimated costs mainly include costs for cancellation of a lease contract, employee termination benefits, and costs associated with the relocation of assets. The implemantation of the plan is expected to be completed by the end of fiscal year 2013.

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