SMARTRAC

INTERIM REPORT
Q2.2012

In thousands of EUR		Consolidated six months ended June 2012	Consolidated six months ended June 2011	Change	Change in %
Consolidated income statement					
Revenues		118,436	93,914	24,522	26
EBITDA [1)]		9,094	9,526	(432)	(5)
Profit for the period [2)]		9,125	847	8,278	977
Financial position and liquidity					
Net cash provided by / (used in) operating activities		2,841	3,824	(983)	(26)
Working capital		49,829	47,283	2,546	5
Capital expenditure [3)]		18,882	8,842	10,040	114
Total assets		336,331	254,982	81,349	32
Operating figures					
Basic earnings per share	EUR	0.49	0.05	0.44	880
Operating cash flow per share	EUR	0.15	0.23	(0.08)	(35)
Equity ratio [2)]	%	51.7	63.1	(11.4)	(18)
Headcount	at month's end	3,942	3,435	507	15

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 non-controlling interest.

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

DEAR SHAREHOLDERS, DEAR FRIENDS OF OUR COMPANY,

The positive momentum of the first three months of the year persisted in the second quarter of 2012. We continued integration of the acquired businesses into the SMARTRAC Group and the related adaption of structures and processes to generate synergies.

Ramp-up of production capacity at the sites in Thailand and Malaysia was completed successfully. We are proud to state that production capacity of the SMARTRAC Group as of June 2012 was fully re-established. The completion of the ramp-up was a significant milestone for our company and the last cornerstone in our successful ambition to move on from the flood disaster in Thailand and to return to the path of profitable growth.

The strength which our company has proven over the past months not only gained recognition from customers and business partners but also from industry analysts. In May 2012, SMARTRAC was granted the 2012 Frost & Sullivan European RFID Market Competitive Strategy Leadership Award. Frost & Sullivan Best Practices awards recognise companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research to identify best practices in the industry. At the award ceremony in London, UK, the company's high level of strategic focus, technology competence, customer focus, reliability, and innovation were lauded.

The positive development and strength of the company also proved beneficial with regard to our financing activities. In the second quarter of 2012, we were very pleased to sign a EUR 100 million term and revolving facilities agreement replacing the syndicated EUR 65 million term and multicurrency revolving facilities agreement concluded in 2009. The new EUR 100 million term and revolving facilities agreement concluded with a syndicate of five banks matures on December 30, 2016. The increased amount, longer duration and further diversification of the bank syndicate is not only a sign of huge trust placed in our company and business strategy, but also provides the financial flexibility for future growth opportunities for SMARTRAC.

Market-wise, the favorable development of the Company's tickets and labels business continued over the first six months of the year. Order entry in the Company's eID and Cards business also continued to develop positively. As a result, total sales for the six-month period ended June 30, 2012, increased by 26 percent from EUR 94 million in 2011 to EUR 118 million in 2012.

EBITDA for the first six months of 2012, as per definition, excludes extraordinary costs for restructuring, non-recurring costs related to the flood in Thailand, as well as extraordinary acquisition costs. In total, Group EBITDA from January to June 2012 decreased by 4.5 percent from EUR 9.5 million in 2011 to EUR 9.1 million in 2012. The EBITDA margin accounted for 8 percent in the first half of 2012 as compared with 10 percent a year ago. This decrease results from the burden of the flood in Thailand on the Group's profitability in the first three months of 2012.

Despite of the fact that the EBITDA margin for the first six months of 2012 still remained behind Management's expectations and the company's potential, profitability continued to develop positively in the second quarter of 2012 compared to the first quarter of the year. EBITDA in the second quarter increased from EUR 4.3 million in the second quarter of 2011 to EUR 6.4 million in the second quarter of 2012. Furthermore, the SMARTRAC Management is confident that the initiated measures under the new operations team will have a favorable impact on the Group's profitability in the coming quarters.

Profit for the first six-months increased from EUR 0.8 million in 2011 to EUR 9 million in 2012 including insurance payments related to the flood in Thailand at an amount of EUR 15 million.

SMARTRAC OPERATIONAL DEVELOPMENT

BUSINESS UNITS

SECURITY SEGMENT

The Security Segment consists of the Business Units eID and Cards.

The **eID Business Unit** covers high-security products for government identification documents such as e-passports, national e-ID cards, electronic driver's licenses and electronic visa documents, contactless health 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.

While the Business Unit eID was particularly affected by the adverse effects from the flood disaster in Thailand in the first three months of the year, business developed robustly in the second quarter of 2012. Furthermore, the business unit was able to enter into new strategic partnerships which will have a positive impact on the future development of the business. In total, sales in the Business Unit eID amounted to EUR 31 million in the first six months of 2012 compared to EUR 36 million in the first half-year of 2011.

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

Market development in the cards business continued showing a mixed picture. While demand for non-EMV card inlays continued to shrink due to the anticipated migration to the EMV standard, business with dual interface card inlays experienced strong growth. Demand for card inlays and transponders for automated fare collection and access control systems developed well in the first six months of 2012. As a result, the Business Unit Cards increased sales by 15 percent from EUR 32 million in the first half-year of 2011 to EUR 37 million in the first six months of 2012.

In total, sales of the Security Segment amounted to EUR 67 million in the first six months of 2012 compared to EUR 68 million in the same period of 2011. From January to June 2012, the Security segment accounted for 57 percent of total Group sales compared to 72 percent a year ago.

INDUSTRY SEGMENT

The Industry segment consists of the Business Units Industry & Logistics and Tickets & Labels as well as revenues from Neology.

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

Business with the established car immobilizer products and RFID transponders for the automotive industry developed positively in the first six months of 2012. Revenues in the non-automotive business came in weaker as anticipated due to project delays. From January to June 2012, the business unit entered into new framework contracts and launched several new products which are expected to contribute to the future growth of the business unit.

Sales of the Business Unit Industry & Logistics amounted to EUR 18 million in the first half-year of 2012 compared to sales of EUR 20 million in the same period of 2011.

The **Business Unit Tickets & Labels** 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, apparel tracking, brand protection, electronic product identification, as well as applications in the pharmaceutical industry, retail, supply chain management, vehicle identification, and many more.

The Business Unit Tickets & Labels was able to continue its very positive business development. Demand for RFID inlays for apparel tracking and retail applications in particular showed strong growth in the first six months of 2012. Furthermore, the Business Unit Tickets & Labels includes the business activities of former UPM RFID. In total, sales in the business unit increased from EUR 5 million in the first six months of 2011 to EUR 27 million in the same period of 2012.

The business unit also launched new products in the first six months of 2012. The new Midas™ near field communication (NFC) tag has been very well received by the market. Due to its small footprint, the tag can be easily attached to electronics and various accessories allowing for a unique identification of the object while at the same time granting access to a broad range of services and options residing in the cloud. The Midas™ NFC tag is also well suited for applications where inlays are embedded with limited space available for housing such as electronics pairing, NFC-Bluetooth pairing, brand authentication, toy figures, and key fobs.

Revenues from Neology amounted to EUR 6 million in the first six months of 2012 (2011: EUR 0).

In total, sales of the Industry Segment increased from EUR 26 million in the first half-year of 2011 to EUR 51 million in the first six months of 2012. From January to June 2012, the Industry Segment accounted for 43 percent of total Group sales compared to 27 percent a year ago.

THE SMARTRAC SHARE

In the second quarter of 2012, the SMARTRAC share price ranged between EUR 11.35 (April 3, 2012) and EUR 9.10 (June 8, 2012). The SMARTRAC share started the year 2012 at a price of EUR 10.73 and reported its high for the six-month period on January 13, 2012, at EUR 11.70. The SMARTRAC share reported its low for the six-month period on June 8, 2012, at EUR 9.10 and closed the six-month period at a price of EUR 10.96.

In total, the SMARTRAC share price increased by 2 percent from January to June 2012 compared to a 6 percent increase of the German DAX and a 6 percent increase of the German TecDAX in the first six months of the year.

Trading volumes in SMARTRAC shares from January to June 2012 further decreased compared to the same period of 2011. The number of shares traded per day on the XETRA trading platform in the period January to June 2012 averaged 650 shares compared to an average of around 1,500 shares in the first six months of 2011.

Six brokers comment on the financial figures and operational development of SMARTRAC. The analysts' valuation models and recommendations were partly adjusted in April 2012 subsequent to the publication of the full-year figures 2011. 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.

On June 19, 2012, SMARTRAC held its Annual General Meeting of Shareholders in Amsterdam, the Netherlands. The shareholders present or represented at the meeting held 17,377,880 shares and represented 88 percent of the issued share capital of 19,847,974 ordinary shares. All items on the agenda were approved by 100 percent of the votes cast. The votes and documents related to the SMARTRAC Annual General Meeting of Shareholders 2012 can be found in the Investor Relations section of the SMARTRAC website.

SHAREHOLDER STRUCTURE

On June 6, 2012, Manfred Rietzler, Vice Chairman of the Supervisory Board of SMARTRAC N.V., informed the capital market authorities and SMARTRAC N.V. that he had entered into an agreement with OEP Technologie B.V. by which he exchanged his directly and indirectly held shares in SMARTRAC N.V. against shares in OEP Technologie B.V. As of June 6, 2012, Manfred Rietzler and his holding company ICM Netherlands held no more shares and voting rights in SMARTRAC N.V.

Subsequent to the reporting period, OEP Technologie B.V. decided to initiate squeeze-out proceedings against all minority shareholders in SMARTRAC N.V. to have their shares in SMARTRAC N.V. transferred to OEP Technologie B.V. pursuant to article 2:92a of the Dutch Civil Code.

On July 20, 2012, the Management Board of SMARTRAC N.V. was furthermore informed that OEP Technologie B.V. intends to request the Enterprise Chamber of the Amsterdam Court of Appeal to order the minority shareholders to transfer their shares and to set the price of the shares to be transferred at EUR 11.00 per share.

The Managing Directors of OEP Technologie B.V. also informed SMARTRAC N.V. that an excerpt from the bailiff's notification (exploot) in relation to the squeeze-out will be published in the national daily newspaper Het Financieele Dagblad as soon as possible.

On July 20, 2012, 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.

FINANCIAL PERFORMANCE

SMARTRAC REPORTS 26 PERCENT YEAR-ON-YEAR SALES GROWTH IN THE FIRST HALF-YEAR OF 2012

Group sales of EUR 118 million in the first half-year of 2012 represent an increase of 26 percent compared to sales of EUR 94 million in the same period of 2011. Group EBITDA decreased from EUR 9.5 million in the first six months of 2011 to EUR 9.1 million for the same period in 2012. EBITDA in the second quarter increased from EUR 4.3 million in the second quarter of 2011 to EUR 6.4 million in the second quarter of 2012.

SMARTRAC reported a negative net financial result of EUR 3.8 million in the first half-year of 2012 compared to a negative net financial result of EUR 2.9 million a year ago. The negative net effect in 2012 mainly resulted from ongoing conversion effects based on an unfavorable development of the underlying currencies.

Profit for the period from January to June increased from EUR 0.8 million in 2011 to EUR 9 million in 2012 mainly due to insurance payments related to the flood in Thailand amounting to EUR 15 million.

SEGMENT DEVELOPMENT

Revenues in the Security Segment (Business Units Cards and eID) amounted to EUR 67.4 million in the first half-year of 2012 as compared with sales of EUR 67.9 million in the first six months of 2011, representing a decrease of 1 percent. Security Segment EBITDA from January to June decreased from EUR 8 million in 2011 to EUR 6 million in 2012.

Revenues in the Industry Segment (Business Units Industry & Logistics and Tickets & Labels) increased to EUR 51 million in the first half-year of 2012 as compared with sales of EUR 26 million in the first six months of 2011. The Industry Segment reported EBITDA of EUR 4 million from January to June 2012 compared to an EBITDA of EUR 2 million in the same period of 2011.

BALANCE SHEET

As of June 30, 2012, total assets amounted to EUR 336 million as compared with EUR 264 million as of December 31, 2011. The increase in total assets was predominantly related to the inclusion of UPM RFID as well as investments into property, plant and equipment and inventory in the first six months of 2012 mainly to rebuild Thailand.

Also in the working capital, the ramp-up in Thailand and the strong sales growth have had a significant impact in the first half-year of 2012 besides the inclusion of UPM RFID. Inventories increased from EUR 30 million as of December 31, 2011, to EUR 46 million as of June 30, 2012, due to the inclusion of stock from UPM RFID as well as the increase of stock to serve the vast demand in the tickets and labels business. Trade and non-trade receivables increased from EUR 35 million at the end of 2011 to EUR 56 million at the end of June 2012. This development mainly results from the inclusion of UPM RFID receivables as well as from the increased business volume of SMARTRAC. Cash and cash equivalents increased by 28 percent from EUR 22 million as of December 31, 2011, to EUR 28 million as of June 30, 2012, which is mainly attributable to cash flow provided by financing activities.

From January to June 2012, working capital increased by 80 percent to EUR 50 million compared to EUR 28 million as of December 31, 2011, as a result of the inclusion of UPM RFID as well as from the increased business volume of SMARTRAC.

SMARTRAC's Group equity amounted to EUR 174 million as of June 30, 2012, compared to EUR 139 million as of December 31, 2011. The increase in group equity mainly results from the proceeds from the capital increase conducted on March 31, 2012 in order to finance the UPM RFID business. The equity ratio decreased from 53 percent as of December 31, 2011, to 52 percent as of June 30, 2012.

CASH FLOW STATEMENT

Cash provided by operating activities amounted to EUR 5.4 million for the first half-year of 2012 compared to EUR 5.2 million cash provided in the same period of the previous year. Net cash provided by operating activities amounted to EUR 2.8 million as of June 30, 2012, as compared with net cash provided of EUR 3.8 million for the first six months of 2011.

Net cash used in investing activities amounted to EUR 19 million as of June 30, 2012, as compared with net cash used of EUR 33 million for the same period of 2011. Higher investments in property, plant and equipment resulted from the reconstruction in Thailand.

Net cash provided by financing activities amounted to EUR 21 million as of June 30, 2012, compared to net cash provided of EUR 7 million in the first six months of 2011 and related to the cash inflow from the proceeds of secured loans. In the second quarter of 2012, SMARTRAC has signed a EUR 100 million term and revolving facilities agreement replacing the syndicated EUR 65 million term and multicurrency revolving facilities agreement concluded in 2009.

BUSINESS OUTLOOK

The positive development of the first six months of 2012 paves the way for another successfully year in our company history. In the second half, we will continue to work on creating synergies from the acquired companies and combined business activities. We will also pursue our target to optimize structures and processes in order to further improve overall efficiency and profitability of the Group. First results of this endeavor have already become visible in the second quarter of 2012 which showed significant improvement as compared with the second quarter of 2011.

Market-wise, we expect that the positive trend will continue over the course of the year and that SMARTRAC and the RFID industry will both grow in 2012. Therefore, SMARTRAC confirms its target to increase Group sales to some EUR 250 million in 2012.

For the Management Board

Dr. Christian Fischer
Amsterdam, July 2012

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (2011)

In thousands of EUR	Note	Consolidated three months ended June 2012	Consolidated three months ended June 2011	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Revenue	6	67,762	44,952	118,436	93,914
Cost of sales		(50,822)	(32,602)	(91,750)	(68,986)
Gross profit	**6**	**16,940**	**12,350**	**26,686**	**24,928**
Administrative expenses		(16,626)	(10,787)	(29,121)	(21,097)
Other operating income (expenses)		9,826	(352)	15,484	(261)
Total operating expenses		**(6,800)**	**(11,139)**	**(13,637)**	**(21,358)**
Operating profit before financial expenses		**10,140**	**1,211**	**13,049**	**3,570**
Financial income		3,485	1,474	6,432	2,643
Financial expenses		(5,607)	(2,440)	(10,223)	(5,513)
Net financial expenses	**8**	**(2,122)**	**(966)**	**(3,791)**	**(2,870)**
Share of profit of equity-accounted investees		–	(21)	16	(21)
Profit before tax		**8,018**	**224**	**9,274**	**679**
Income tax benefit / (expenses)	**9**	**157**	**55**	**(149)**	**168**
Profit for the period attributable to:		**8,175**	**279**	**9,125**	**847**
Owners of the company		8,216	279	9,163	847
Non-controlling interests		(41)	–	(38)	–
Profit for the period		**8,175**	**279**	**9,125**	**847**
Foreign exchange translation		3,368	(667)	2,742	(1,742)
Other comprehensive income/(loss), net of tax		**3,368**	**(667)**	**2,742**	**(1,742)**
Total comprehensive income/(loss) for the period attributable to:		**11,543**	**(388)**	**11,867**	**(895)**
Owners of the company		11,584	(388)	11,905	(895)
Non-controlling interests		(41)	–	(38)	–
Total comprehensive income/(loss) for the period		**11,543**	**(388)**	**11,867**	**(895)**
Basic earnings per share (EUR)		0.41	0.02	0.49	0.05
Diluted earnings per share (EUR)		0.41	0.02	0.49	0.05

The accompanying notes (on page 18 to 35) are an integral part of the condensed consolidated interim financial statements.

CONSOLIDATED INTERIM BALANCE SHEET

AS AT JUNE 30, 2012 (AND DECEMBER 31, 2011)

In thousands of EUR	Note	Consolidated June 30, 2012	Consolidated December 31, 2011
Assets			
Intangible assets	11	112,128	107,030
Property, plant and equipment	10	79,801	56,371
Equity-accounted investees	1	1,129	1,115
Deferred tax assets		4,751	4,354
Other non-current assets		1,576	4,417
Total non-current assets		**199,385**	**173,287**
Inventories		46,047	29,500
Trade and non-trade receivables		55,811	35,178
Current income tax		799	685
Other current assets		5,952	3,330
Cash and cash equivalents		28,337	22,100
Total current assets		**136,946**	**90,793**
Total assets		**336,331**	**264,080**
Equity			
Share capital	12	9,924	8,872
Share premium	12	133,811	111,624
Translation reserve		4,934	2,192
Retained earnings		22,233	13,070
Equity attributable to owners of the company		**170,902**	**135,758**
Non-controlling interests		3,023	3,061
Total equity		**173,925**	**138,819**
Liabilities			
Secured loans	13	67,637	1,161
Employee benefits		725	663
Deferred tax liabilities		7,954	6,124
Other non-current liabilities		5,987	6,315
Deferred income from government grants		909	670
Total non-current liabilities		**83,212**	**14,933**
Bank overdraft		1,391	320
Current portion of secured loans		546	58,524
Non-secured loans		12,477	459
Trade and non-trade payables		34,192	20,050
Current income tax		1,360	1,286
Provisions	14	5,460	5,322
Other current liabilities		23,768	24,367
Total current liabilities		**79,194**	**110,328**
Total liabilities		**162,406**	**125,261**
Total equity and liabilities		**336,331**	**264,080**

The accompanying notes (on page 18 to 35) are an integral part of the condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (2011)

In thousands of EUR	Note	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Cash flows from operating activities			
Profit for the period		9,125	847
Reconciliation of net profit to net cash provided by / (used in) operating activities:			
Income tax benefit / (expenses)	9	149	(168)
Depreciation and amortization	6	8,427	5,974
Reversal of impairment on fixed assets	6	(11)	(18)
Equity-settled share-based payment transactions		116	119
Gain (loss) on disposal of assets		(85)	–
Interest income	8	(47)	(145)
Interest expense	8	2,268	1,715
Other non cash items		316	1,263
Provision for losses on accounts receivables		272	108
Provision for losses on inventory		231	393
Share of profit of equity-accounted investees		(16)	21
Changes in operational assets and liabilities:			
Other non-current assets		–	(294)
Inventories		(9,943)	(9,307)
Trade and non-trade receivables		(11,864)	2,202
Other current assets		(1,805)	144
Employee benefits		62	58
Trade and non-trade payables		11,269	727
Other non-current liabilities		(328)	–
Other current liabilities and provisions		(2,738)	1,597
Cash provided by / (used in) operating activities		**5,398**	**5,236**
Interest paid		(1,799)	(1,460)
Interest received		47	120
Income taxes paid / (received)		(805)	(72)
Net cash provided by / (used in) operating activities		**2,841**	**3,824**
Cash flows from investing activities			
Purchases of property, plant and equipment		(18,739)	(7,434)
Purchases of intangible assets		(2,925)	(1,408)
Proceeds from sale of equipment		85	15
Change in deposits paid for property, plant and equipment		2,782	–
Net cash inflow / (outflow) on business combinations	1	–	(875)
Loans made to other parties		–	(2,000)
Other investments		–	(20,000)
Investments in jointly controlled entities		–	(1,253)
Cash proceeds from deferred grants		231	–
Net cash used in investing activities		**(18,566)**	**(32,955)**

In thousands of EUR	Note	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Cash flows from financing activities			
Transaction costs related to the capital increase		(20)	–
Proceeds from interest-bearing loans and borrowings and secured loans		86,902	6,943
Repayments of interest-bearing loans and borrowings and secured loans		(66,348)	(53)
Net cash provided by / (used in) financing activities		**20,534**	**6,890**
Net change in cash and cash equivalents and bank overdrafts		4,808	(22,241)
Cash and cash equivalents and bank overdrafts at January 1		21,780	49,401
Effect of exchange rate fluctuations on cash and cash equivalents and bank overdrafts		358	(449)
Cash and cash equivalents and bank overdrafts at June 30		**26,946**	**26,711**

The accompanying notes (on page 18 to 35) are an integral part of the condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (2011)

In thousands of EUR	Note	Issued and paid-up share capital	Share premium	Translation reserve
Balance as at January 1, 2011		**8,167**	**96,743**	**2,051**
Profit for the period		–	–	–
Other comprehensive income / (loss)		–	–	(1,742)
Total comprehensive income / (loss) of the period		**–**	**–**	**(1,742)**
Share-based payment options		–	119	–
Balance as at June 30, 2011		**8,167**	**96,862**	**309**
Balance as at January 1, 2012		**8,872**	**111,624**	**2,192**
Profit for the period		–	–	–
Other comprehensive income / (loss)		–	–	2,742
Total comprehensive income / (loss) of the period		**–**	**–**	**2,742**
Share-based payment options		–	116	–
Par value of new shares – credited to share capital	12	1,052	–	–
Excess of gross proceeds over par share value – credited to share premium	12	–	22,091	–
Transaction costs related to the capital increase – charged to share premium	12	–	(20)	–
Balance as at June 30, 2012		**9,924**	**133,811**	**4,934**

The accompanying notes (on page 18 to 35) are an integral part of the condensed consolidated interim financial statements.

Retained earnings	Treasury stock	Total	Non-controlling interests	Total equity
54,620	**–**	**161,581**	**–**	**161,581**
847	–	847	–	847
–	–	(1,742)	–	(1,742)
847	**–**	**(895)**	**–**	**(895)**
–	–	119	–	119
55,467	**–**	**160,805**	**–**	**160,805**
13,070	**–**	**135,758**	**3,061**	**138,819**
9,163	–	9,163	(38)	9,125
–	–	2,742	–	2,742
9,163	**–**	**11,905**	**(38)**	**11,867**
–	–	116	–	116
–	–	1,052	–	1,052
–	–	22,091	–	22,091
–	–	(20)	–	(20)
22,233	**–**	**170,902**	**3,023**	**173,925**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2012

1. REPORTING ENTITY

SMARTRAC N.V. as the holding company for the SMARTRAC TECHNOLOGY Group (the Group) comprises the following consolidated entities:

Company	Country of incorporation	Date of incorporation/ inclusion	Business type	Ownership and voting interest
Direct Holdings				
SMARTRAC TECHNOLOGY Ltd.	Thailand	January 1, 2000	Manufacturing	100 %
SMARTRAC TECHNOLOGY GmbH	Germany	November 17, 2003	Manufacturing/ Service Center	100 %
SMARTRAC TECHNOLOGY Pte. Ltd.	Singapore	October 7, 2005	Sales Service	100 %
SMARTRAC TECHNOLOGY Brazil B.V.	The Netherlands	February 27, 2007	Holding	100 %
SMARTRAC TECHNOLOGY US Inc.	USA	August 31, 2007	Manufacturing	100 %
SMARTRAC IP B.V.	The Netherlands	January 18, 2007	IP Management	100 %
SMARTRAC TECHNOLOGY Malaysia Holding B.V.**	The Netherlands	September 3, 2007	Holding	100 %
SMARTRAC AUTOMATION Sdn. Bhd.	Malaysia	January 21, 2008	Manufacturing	100 %
SMARTRAC German Holding GmbH	Germany	Januar 26, 2007	Holding	100 %
SMARTRAC TECHNOLOGY HONG KONG Ltd.	China	December 10, 2009	Holding	100 %
SMARTRAC Investment B.V.	The Netherlands	May 25, 2011	Holding	100 %
Dalton ID Ltd.	UK	November 11, 2011	Manufacturing	100 %
SMARTRAC Dresden Holding GmbH*	Germany	December 14, 2011	Holding	100 %
SMARTRAC US Holding B.V.	The Netherlands	December 19, 2011	Holding	88 %
SMARTRAC Finland Holding Oy	Finland	March 22, 2012	Holding	100 %
UPM Raflatac RFID Co. Ltd.	China	March 31, 2012	Manufacturing	100 %
SMARTRAC TECHNOLOGY Fletcher Inc.**	USA	March 31, 2012	Manufacturing	100 %
Indirect Holdings				
SMARTRAC TECNOLOGIA INDÚSTRIA E COMERCIO DA AMAZÔNIA Ltda.	Brazil	July 15, 2007	Manufacturing	100 %
SMARTRAC Trading Pte. Ltd.	Singapore	March 22, 2007	Trading	100 %
SMARTRAC TECHNOLOGY MALAYSIA Sdn. Bhd.	Malaysia	October 3, 2007	Manufacturing	100 %
SMARTRAC TECHNOLOGY GERMANY GmbH	Germany	September 26, 2008	Manufacturing	100 %
AmaTech Automation GmbH	Germany	May 31, 2010	Manufacturing/ IP Management	100 %
SMARTRAC TECHNOLOGY Finland Oy**	Finland	March 31, 2012	Sales	100 %
Dalton ID, LLC	USA	July 29, 2011	Sales Service	100 %
Dalton Continental B.V.	The Netherlands	November 11, 2011	Manufacturing	100 %
Dalton Continental GmbH	Germany	November 11, 2011	Trading	100 %
Dalton ID (Africa) Pty	South Africa	November 11, 2011	Manufacturing	60 %
Dalton ID (Australia) Pty	Australia	November 11, 2011	Holding	100 %
Drovers AY One Pty	Australia	November 11, 2011	Manufacturing	100 %
SMARTRAC TECHNOLOGY Dresden GmbH*	Germany	December 14, 2011	Manufacturing	100 %
Neology Inc.	USA	December 21, 2011	Manufacturing	100 %
Single Chips Systems Inc.	USA	December 21, 2011	IP Management	100 %
Neology S. de RL de CV	Mexico	December 21, 2011	Trading	100 %
Neology Servicios S. de RL de CV	Mexico	December 21, 2011	Service Centre	100 %
Jointly controlled entity				
Citywish Investments Ltd.	China	July 2, 2010	Trading/Holding	30 %
Omnia Technologies Private Ltd.	India	March 1, 2011	Manufacturing	50 %

* In February 2012, KSW Microtec AG changed its company name to SMARTRAC TECHNOLOGY Dresden GmbH and in April 2012, KSW Microtec Holding AG changed its company name to SMARTRAC Dresden Holding GmbH. The name changes are a result of the Group´s strategy to unite its core business under the family brand 'SMARTRAC' as a sign of unification and commitment to the same values and principles.

** In Q2 2012 and also because of the Group´s strategy to unite its core business under the family brand "SMARTRAC", multitape Holding B.V., UPM RFID Inc. and UPM Oy have changed their company names.

ESTABLISHMENT OF SMARTRAC FINLAND HOLDING OY

On March 22, 2012, SMARTRAC established SMARTRAC Finland Holding Oy, a 100 percent subsidiary of SMARTRAC N.V., which serves as a holding company for UPM RFID Oy, Finland.

BUSINESS COMBINATIONS

The following companies were acquired during the reporting period as of March 31, 2012, and consolidated for the first time:

In thousands of EUR	Date of acquisition	Percentage of voting equity instruments acquired	Transaction costs	Goodwill	Revenues since January 1, 2012	Profit and loss since January 1, 2012
Company / business						
UPM RFID	March 31, 2012	100 %	1,388*	591	10,089	41
Total			**1,388***	**591**	**10,089**	**41**

* Thereof EUR 495,000 in Q1 2012. The costs are shown under administrative expenses.

The following paragraphs provide detailed disclosures on the acquisitions, specifically: a description of the related business activities and the expected impact for their integration into SMARTRAC Group; the purchase agreement, the purchase price allocation and other acquisition related information.

UPM RFID GROUP

Description of UPM RFID's business activities and the expected impact from their integration on the Group

UPM RFID, part of UPM-Kymmene Corporation's Engineered Materials business group and consisting the three companies UPM RFID, Inc., Fletcher, North Carolina, United States, UPM RFID Oy, Pirkkala, Finland and UPM Raflatac RFID (Guangzhou) Co., Ltd, Guangzhou, China, is a leading supplier of passive RFID products specializing in the development and high-volume production of HF, NFC and UHF RFID tags and inlays for use in a broad range of RFID applications.

SMARTRAC's intention behind purchasing UPM RFID is to expand its product and market platform for NFC and UHF RFID tags and inlays. The acquisition further leads to an expansion of SMARTRAC's market position in the strategically important markets China and the United States.

The Purchase Agreement

SMARTRAC, OEP Technologie B.V., Amsterdam, the Netherlands, OEP Technologie Holding B.V., Amsterdam, the Netherlands, UPM-Kymmene Investment, Inc., Fletcher, North Carolina, United States and UPM Raflatec Oy, Tampere, Finland entered into sales and purchase agreement being effective on March 31, 2012. Under this agreement SMARTRAC takes over the UPM RFID shares while UPM-Kymmene and UPM Raflatec Oy obtain a cash compensation and an indirect economic interest in SMARTRAC of 10.6 % via OEP Technologie B.V., a holding company controlled by One Equity Partners and one of the major shareholders of SMARTRAC.

The purchase consideration amounts to EUR 29.7 million consisting of EUR 23.1 million for the shares and of EUR 6.6 million cash at closing. SMARTRAC financed the deal predominately by utilizing SMARTRAC's authorized capital and issuing 2.103.886 ordinary shares for a cash consideration of EUR 11 per new share, in total EUR 23.1 million, to OEP Technologie B.V.

The purchase price allocation and other acquisition related information

The following tables present a summarized breakdown of the provisional values of UPM RFID's net assets acquired during the reporting period:

In thousands of EUR	Total
Total purchase consideration	**29,733**
Fair value of acquired assets	34,817
Fair value of acquired liabilities	(3,854)
Total fair value	**30,963**
Deferred tax assets	(327)
Deferred tax liability	2,148
Goodwill	**591**

Detailed overview of the net assets acquired (100 %) in the course of the financial year 2012:

In thousands of EUR	Carrying value prior to acquisition	Adjustment	Carrying value upon acquisition
Plant and equipment	7,010	2,319	9,329
Goodwill	–	591	591
Intangible assets	723	3,150	3,873
Cash and cash equivalents	6,575	–	6,575
Receivables	7,825	–	7,825
Inventories	5,801	663	6,464
Other current assets	752	–	752
Deferred tax assets	327	129	456
Trade and non-trade payables	(2,666)	–	(2,666)
Other current liabilities	(1,074)	–	(1,074)
Deferred income taxes	(115)	–	(115)
Deferred tax liabilities	(499)	(1,778)	(2,277)
Net assets acquired	**24,659**	**5,074**	**29,733**
Purchase consideration			(29,733)
Deferred consideration liability			4,536
Cash and cash equivalents			6,575
Consideration in shares			23,143
Cash inflow on acquisition date			**4,521**

All assets and liabilities acquired were recognized at the fair value on the date of the acquisition. Additional intangible assets (patents and technologies, customer relationships and similar rights) which were not recognized in the balance sheet of the company acquired have been accounted for, taking tax effects into consideration. The relief-of royalty-method was used to measure the patents and technologies. To measure the customer-relationships and similar rights the multi-period-excess-earnings method was used. On the basis of the fair value of the net assets acquired the goodwill amounts to EUR 0.6 million and is determined by the growth opportunities arising from the purchase. In accordance with IFRS 3 the goodwill is not amortized.

EMPLOYEES

As at June 30, 2012, the Group employed 3,942 employees (4,046 as of March 31, 2012; 3,435 as of June 30, 2011; 3,555 as of March 31, 2011).

THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements as at and for the year 2011 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.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim 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, 2011.

This condensed consolidated interim financial information was authorized for issuance by the Management Board of the Company on July 23, 2012. The condensed consolidated interim financial statements for the period ended June 30, 2012, were not subject to a limited interim review.

3. DECLARATION OF THE MANAGEMENT BOARD

We confirm, to the best of our knowledge that the condensed consolidated interim financial statements and the interim report of the Management Board have been prepared in accordance with the generally accepted principles for interim financial reporting under IFRS and accurately present the Group´s net assets, financial position and results of operations. The interim Group management report presents a true and fair view of the actual operations of the Group, including the results of operations and the position of the Group, and describes the material opportunities and risks of the Group´s future development in the remainder of the fiscal year.

Amsterdam, July 23, 2012

Dr. Christian Fischer Wolfgang Schneider Robert Harmzen

4. SIGNIFICANT ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation applied by the Group in the condensed consolidated interim 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, 2011.

With respect to the 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, 2011. These Standards and Interpretations have minor or no effect.

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 condensed consolidated interim 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, 2011.

. 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, National e-ID Cards, electronic driver's licenses, electronic Visas, e-Health cards, e-Social security cards, e-Permanent resident cards, public transport, e-Payment, access control 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 automotive applications, for use in harsh environments such as industry, logistics, laundry, waste management, as well as for highly sensitive areas such as the medical sector and animal identification. In addition, this segment covers a broad range of standard and customized RFID transponders for tickets and labels applications such as library, retail apparel, NFC, and airline luggage. The Industry segment also comprises the business activities of Neology Inc. which serves the electronic vehicle registration and electronic toll collection market.

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

CONSOLIDATED SEGMENT INFORMATION BY BUSINESS SEGMENTS FOR THE SIX MONTHS ENDED JUNE 2012 (2011)

	Security	
In thousands of EUR	Six months ended June 2012	Six months ended June 2011
Segment revenue		
Revenue from external customers	67,425	67,937
Revenue from transactions with other segments	–	–
Total revenue	**67,425**	**67,937**
Segment result		
Gross profit	14,036	18,211
Operating income / (expenses)	244	(13,348)
Operating profit / (loss)	14,280	4,863
Net financial expenses / (income)		
Share of profit of jointly controlled entities		
Profit before tax benefit / (expense)		
Income tax benefit / (expense)		
Profit for the period		
Supplemental information		
Operating profit (loss)	14,280	4,863
Amortization, depreciation and impairment	4,027	3,337
Exceptional items restructuring [2]	–	–
Exceptional items flood Thailand [3]	876	–
Insurance payments flood related [3]	(13,554)	–
Exceptional items acquisition costs [4]	–	–
Exceptional others	–	–
Segment EBITDA [1]	**5,629**	**8,200**

1) EBITDA is defined as operating profit for the period before depreciation, amortization, impairment, financial result, share of profits of associates 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) Restructuring costs for the year 2012. Please refer to note 7.

3) Please refer to note 7.

4) Transaction costs regarding acquisitions in 2012.

Industry		All other		Eliminations		Consolidated	
Six months ended June 2012	Six months ended June 2011	Six months ended June 2012	Six months ended June 2011	Six months ended June 2012	Six months ended June 2011	Six months ended June 2012	Six months ended June 2011
50,509	25,437	502	540	–	–	118,436	93,914
(23)	230	2,265	2,279	(2,242)	(2,509)	–	–
50,486	**25,667**	**2,767**	**2,819**	**(2,242)**	**(2,509)**	**118,436**	**93,914**
12,130	6,136	1,290	858	(770)	(277)	26,686	24,928
(12,365)	(6,750)	(1,723)	(1,294)	207	34	(13,637)	(21,358)
(235)	(614)	(433)	(436)	(563)	(243)	13,049	3,570
						(3,791)	(2,870)
						16	(21)
						9,274	**679**
						(149)	168
						9,125	**847**
(235)	(614)	(433)	(436)	(563)	(243)	13,049	3,570
4,227	2,334	394	366	(232)	(81)	8,416	5,956
555	–	–	–	–	–	555	–
567	–	(27)	–	–	–	1,416	–
(1,461)	–	–	–	–	–	(15,015)	–
–	–	495	–	–	–	495	–
178	–	–	–	–	–	178	–
3,831	**1,720**	**429**	**(70)**	**(795)**	**(324)**	**9,094**	**9,526**

REVENUES BY SUBSEGMENT

In thousands of EUR	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Segment Security		
eID	30,682	36,170
Cards	36,743	31,933
Intrasegment eliminations	–	(166)
Subtotal	**67,425**	**67,937**
Segment Industry		
Tickets & Labels	26,557	5,403
Industry & Logistics	18,392	20,264
Neology	5,563	–
Intrasegment eliminations	(26)	–
Subtotal	**50,486**	**25,667**
Segment All Other	**2,767**	**2,819**
Intersegment eliminations	(2,242)	(2,509)
Total	**118,436**	**93,914**

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 six months ended June 2012	Consolidated six months ended June 2011
Revenues		
Asia	31,055	17,026
Europe	48,169	55,074
Latin America	12,217	6,289
North America	25,378	15,181
Others	1,617	344
Total revenues	**118,436**	**93,914**

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

In thousands of EUR	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Revenues		
Total revenue for reportable segments	117,911	93,604
Other revenue	2,767	2,819
Elimination of inter-segment revenue	(2,242)	(2,509)
Consolidated revenue	**118,436**	**93,914**
Profit or loss		
Total EBITDA for reportable segments	9,460	9,920
Other EBITDA	429	(70)
All EBITDA (before inter-segment elimination)	**9,889**	**9,850**
Elimination of inter-segment profits	(795)	(324)
Unallocated amounts:		
Financial result	(3,791)	(2,870)
Depreciation, amortization and impairment	(8,416)	(5,956)
Share of profit of jointly controlled entities	16	(21)
Exceptional items	12,371	–
Consolidated profit before income tax	**9,274**	**679**

7. EXCEPTIONAL ITEMS

RESTRUCTURING DALTON GROUP

Within the six months ended June 30, 2012, operating profit included exceptional items for restructuring of Dalton Group that occurred from March until June. The total restructuring costs for this program amounted to EUR 555,000 and relate to administrative expenses.

EXCEPTIONAL ITEMS FLOOD THAILAND

In addition exceptional items regarding the Flood Thailand occurred in January and February and amounted in total to EUR 1.4 million. With respect to the item Flood Thailand please refer to the annual report 2011.

With regards to the flood damages as well as the business interruption, SMARTRAC received payments amounting to EUR 15.0 million treated as extraordinary income and shown under other operating income from January to June 2012.

8. NET FINANCIAL EXPENSES / (INCOME)

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

In thousands of EUR	Consolidated three months ended June 2012	Consolidated three months ended June 2011	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Change in fair value	285	365	782	784
Interest income	40	78	47	145
Foreign exchange gains	3,160	1,031	5,603	1,714
Financial income	**3,485**	**1,474**	**6,432**	**2,643**
Change in fair value	(957)	(227)	(1,211)	(261)
Interest expenses	(1,108)	(863)	(2,268)	(1,715)
Bank charges	(114)	(123)	(262)	(239)
Foreign exchange losses	(3,428)	(1,227)	(6,482)	(3,298)
Financial expenses	**(5,607)**	**(2,440)**	**(10,223)**	**(5,513)**
Net financial expenses / (income)	**(2,122)**	**(966)**	**(3,791)**	**(2,870)**

9. CORPORATE INCOME TAX

RECOGNIZED IN THE INCOME STATEMENT

In thousands of EUR	Consolidated three months ended June 2012	Consolidated three months ended June 2011	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Current corporate tax expense / (benefit)	(372)	(72)	(537)	(127)
Deferred tax expense / (benefit)	529	127	388	295
Income tax expense / (benefit)	**157**	**55**	**(149)**	**168**

RECONCILIATION OF EFFECTIVE INCOME TAX CHARGE

In thousands of EUR	Consolidated three months ended June 2012	Consolidated three months ended June 2011	Consolidated six months ended June 2012	Consolidated six months ended June 2011
Profit before tax	**8,018**	**224**	**9,274**	**679**
Expected tax expense based on rate of 25.0 % (2011: 25.5 %)	(2,005)	(57)	(2,319)	(173)
Tax rate differences in foreign jurisdiction	(895)	(38)	(557)	(196)
Non-deductible expenses	(18)	(13)	(200)	(30)
Tax-exempt income relating to promotional privileges	2,415	664	3,858	1,415
Non-recognition of tax benefits on losses incurred	192	(535)	(817)	(992)
Use of tax loss carry forward previously unrecognized	63	241	161	349
Permanent differences	400	(215)	(202)	(215)
Current taxes from prior years	–	–	(88)	–
Others	5	8	15	10
Effective income tax expense / (benefit)	**157**	**55**	**(149)**	**168**

10. PROPERTY, PLANT AND EQUIPMENT

ACQUISITIONS WITHOUT BUSINESS COMBINATIONS

During the six months ended June 30, 2012, the Group acquired tangible assets totalling EUR 18.7 million (six months ended June 30, 2011: EUR 7.4 million).

11. INTANGIBLE ASSETS

DEVELOPMENT COSTS

Intangible assets include capitalized development costs (carrying amount) amounting to EUR 6.0 million as at June 30, 2012 (as at June 30, 2011: EUR 5.2 million).

12. CAPITAL INCREASE

The increase in share premium in the financial year 2012 is mainly due to the excess of proceeds over par value from the capital increase. Vesting expenses regarding options were credited to share premium.

On March 31, 2012, the Company increased its share capital from EUR 8,872,044 (17,744,088 bearer shares) to EUR 9.923.987 (19,847,974 bearer shares). Subscription rights for shareholders have been excluded.

The capital increase is associated with the closing of the transaction with UPM-Kymmene Corporation under which SMARTRAC takes over UPM´s RFID business while UPM-Kymmene Corporation obtains an indirect economic interest in SMARTRAC of 10.6% via OEP Technologie B.V.

The new shares will be issued to OEP Technologie B.V., each new share having a nominal value of EUR 0.50, for a cash consideration of EUR 11.00 per new share, to be effected by means of a set off against an obligation of SMARTRAC to pay EUR 23,142,746.00 to OEP Technologie B.V. for providing the above mentioned indirect economic interest in SMARTRAC.

SMARTRAC N.V. and OEP Technologie B.V. furthermore agreed that the new shares will not be admitted to trading on the Regulated Market of the Frankfurt Stock Exchange for a period of at least twelve month following the registration of the capital increase.

The transaction costs included bank arrangement and legal fees (EUR 20,000).

In thousands of EUR

Gross proceeds	23,143
Par value of new shares – credited to share capital	(1,052)
Excess of gross proceeds over par value credited to share premium	22,091
Less – Transaction costs of the capital increase charged to share premium	(20)
Net movement in share premium arising from capital increase	22,071

13. SECURED LOANS

SMARTRAC has signed on June 13, 2012 a EUR 100 million term and revolving facilities agreement in order to refinance the EUR 65 million term and multicurrency revolving facilities agreement with maturity on June 30, 2012. The new 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 June 30, 2012 a total amount of EUR 31 million of the new EUR 100 million facilities agreement was unused.

14. PROVISIONS

In thousands of EUR	Warranties	Restructuring	Other	Total
Balance at January 1, 2012	99	–	5,223	5,322
Provisions made during the period	59	209	–	268
Provisions used during the period	–	(93)	–	(93)
Provisions reversed during the period	(37)	–	–	(37)
Balance at June 30, 2012	**121**	**116**	**5,223**	**5,460**

Provisions for restructuring Dalton Group amount to EUR 116,000 (2011: zero). They contain lawyer costs (EUR 51,000), compensation and payroll payments (EUR 65,000).

15. 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.

16. RELATED PARTIES

IDENTITY OF RELATED PARTIES

With respect to the relationship with related parties please refer to the annual report 2011.

The Group shows the following transactions with related parties:

In thousands of EUR	Transaction value six months ended June 2012	Transaction value six months ended June 2011
Sales		
Bibliotheca AG	1,483	3,218
Omnia Technologies Private Ltd.	166	170
Interest income		
RFID Technologie B.V.	–	7
Purchases		
Omnia Technologies Private Ltd.	481	170

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

In thousands of EUR	Consolidated June 30, 2012	Consolidated December 31, 2011
Trade and non trade receivables		
Bibliotheca AG	365	870
Dalton Property Holding UK Ltd.	–	4
Omnia Technologies Private Ltd.	47	104
Total	**412**	**978**
Trade payables		
Omnia Technologies Private Ltd.	27	106
Dalton Property Holding UK B.V.	–	3
Dalton Group Ltd.	–	25
Total	**27**	**134**
Other non-current assets		
Citywish Investments Ltd.	324	315
Total	**324**	**315**
Other current assets		
Bibliotheca AG	–	4
Dalton EID Ltd.	–	21
Total	**–**	**25**

In thousands of EUR	Consolidated June 30, 2012	Consolidated December 31, 2011
Capital contribution		
OEP Technologie B.V.	23,143	14,000
Manfred Rietzler	–	1,500
Capital increase		
Omnia Technologies Private Ltd.	–	309
Interest-bearing borrowings		
OEP Technologie B.V.	12,000	–

TRANSACTIONS WITH KEY MANAGEMENT

With respect to the remuneration of key management please refer to the annual report 2011.

TRANSACTIONS WITH SUPERVISORY BOARD

With respect to the remuneration of the Supervisory Board please refer to the annual report 2011.

17. SUBSEQUENT EVENTS

On July 20, 2012, SMARTRAC N.V. announced that the company's majority shareholder OEP Technologie B.V. has decided to initiate squeeze-out proceedings against all minority shareholders in SMARTRAC N.V. to have their shares in SMARTRAC N.V. transferred to OEP Technologie B.V. pursuant to article 2:92a of the Dutch Civil Code.

The Management Board of SMARTRAC N.V. has also been informed that OEP Technologie B.V. intends to request the Enterprise Chamber of the Amsterdam Court of Appeal to order the minority shareholders to transfer their shares and to set the price of the shares to be transferred at EUR 11.00 per share.

OEP Technologie B.V. currently holds 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 amounts to 2.8 percent.

FINANCIAL CALENDAR

November 9, 2012
Publication of Q3 Interim Report
Analysts' Conference Call

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