

Annual Report 2012



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XEIKON

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Preface



Dear Shareholder,
Dear Reader,

We have every reason to look back with satisfaction over the past year.

2012 was dominated by DRUPA, the world's largest graphics trade fair, held every four years. Once again, Xeikon was able to present a series of new products and technological innovations.

For Digital Printing Solutions, the portfolio was optimized among other developments. We came out with a new series of presses for document printing, and the series for label and packaging printers was extended. The basysPrint portfolio was also almost entirely overhauled. As the orders that we received both at and immediately after DRUPA show, we have once again made the right choices.

DRUPA was also the platform for the première of the ThermoFlexX product line of imagers for digital flexographic and letterpress plates, especially for label and packaging printing. The launch of ThermoFlexX reinforces the focus on these applications and places us in a unique position: Xeikon is the only supplier to offer label and packaging printers both digital printing solutions and solutions for digital flexographic and letterpress printing.

Another first that was received with great enthusiasm was the demonstration of our Trillium technology. With this technology we aim to extend our digital portfolio for high-volume applications. Trillium offers uncompromising print quality and higher productivity at lower costs. As with all our products, ecological sustainability is a key principle for the further development of this technology.

In financial terms too, there is reason for satisfaction.

Compared with 2011, sales remained virtually constant at 130.2 million euros (2011: 129.8 million euros). The net profit was 9.0 million euros, 29% higher than last year (2011: 7.0 million euros).

On the sales side we had a difficult first half, but during the second half of the year this was amply compensated for. As expected, many customers had waited until DRUPA to place their orders.

At Prepress Solutions, sales fell again by over 7%, following an initial decrease in 2011. basysPrint is still contending with difficult market conditions on the conventional offset printing market and competition from Chinese suppliers. The new generation of UV-Setters and our ThermoFlexX product line should be able to turn the tide. For ThermoFlexX, the first distributors were appointed in the course of 2012.

However, falling sales at Prepress Solutions were more than compensated for by the increase in sales at Digital Printing Solutions. Turnover from equipment sales mainly increased in the Labels & Packaging segment, but Document & Commercial also sold more machines. These developments are due to the segmentation of our product portfolio. For both Labels & Packaging and Document & Commercial, we have a clear upgrade path which enables our customers' machinery to grow in line with the capacity requirements of their business.

In geographical terms, sales rose in Europe (+6.1%), but fell in North and South America (-8.4%) and Asia (-7.1%). In the US, the fall in sales is mainly the result of a shift in certain high-volume applications to inkjet. We are convinced that Trillium will offer a satisfactory response to this.

At 32 million euros, the group's EBITDA was 5% higher than the previous financial year (2011: 30.5 million euros). This is due to strict cost management, continuing efficiency improvements and an optimized product mix. The operating result (EBIT) also increased, and came to 20.2 million euros (2011: 19.5 million euros). The balance sheet remains strong: solvency was 71% (2011: 68%), and thanks to the further repayment of debts, the 'net financial debt:EBITDA' ratio worked out as 0.34 (2011: 0.95). 2012 was a fruitful year. In 2013 we will profit further from the successful launch of our new products. In the R&D field too, the focus for the coming year is clear: Digital Printing Solutions will concentrate on the development of the Trillium technology, and Prepress Solutions will further develop the ThermoFlexX portfolio.

Finally, a word of thanks is due. Sincere thanks to all the employees, who have dedicated themselves to making 2012 a year on which we can look back with satisfaction. Thanks for the extra effort that a DRUPA year always requires. Thanks too to our suppliers and partners for their effective cooperation and, not least, to our customers for the confidence they have placed in us.

Frank Deschuytere

Chairman of the Executive Board



The group in profile



Zeikon N.V. ('Zeikon') develops, manufactures, and distributes innovative, competitive, and environmentally-friendly digital printing and prepress equipment for specific market segments in the global graphics industry.

Zeikon is the result of a successful combination of unique and proven digital printing and prepress technology, valuable intellectual property and a long-standing track record in high-end product development and manufacturing. With the acquisitions of Strobbe Graphics, Zeikon and basysPrint between 2000 and 2004, the parent company Punch International nv ('Punch International') laid the foundation for what was to become a strong international graphics group: Punch Graphix plc.

In May 2005, Punch Graphix plc was admitted to AIM in London. Punch International remained a shareholder with 49% of the shares. During 2007, Punch International took control and increased its shareholding to 97%⁽¹⁾. The shares were then bought by Punch Technix nv, a listed subsidiary specializing in machine construction and development⁽²⁾. The group changed its name to Punch Graphix nv to reflect its focus on activities in the graphics industry. In July 2007, Punch Graphix was listed on Euronext Amsterdam.

Since November 15, 2011, the group has traded under the name Zeikon N.V. This name fits better with the Zeikon brand, which enjoys a good reputation on the market in the field of digital printing systems. The name change will contribute to better market recognition. Punch International remains the majority shareholder, with around 66% of the shares.

Based in the Netherlands and with production centers in Belgium and a global sales and distribution network, the group is now structured in two divisions, Digital Printing Solutions and Prepress Solutions, each offering cutting-edge products tailored to its target markets and backed up by a truly customer-oriented service.

Digital Printing Solutions

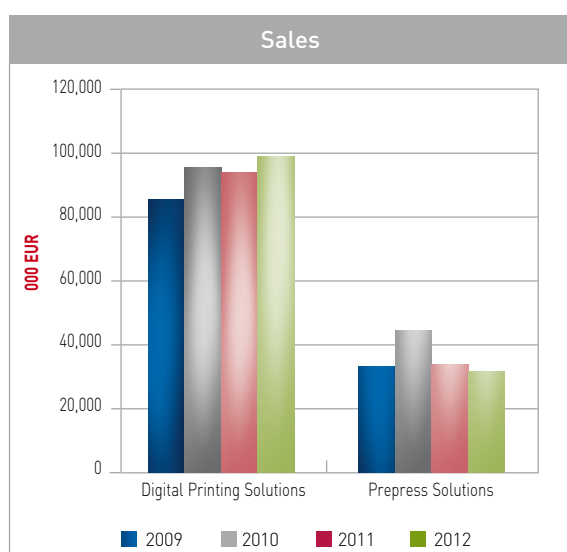
The Zeikon brand name stands for sophisticated total solutions for professional color printing in commercial printing, document, and transaction printing (Document & Commercial) and industrial applications such as labels and packaging (Labels & Packaging). Zeikon solutions consist of advanced digital color printing presses, workflow software based on open standards, application-specific toner, and other consumables. On a consolidated basis, Digital Printing Solutions generated around 76% of the annual sales for 2012.

Prepress Solutions

Under the brand name basysPrint, the group develops, produces, and markets high-quality CtP⁽³⁾ prepress systems for various printing techniques using UV-sensitive plates. basysPrint targets the commercial printing sector. With ThermoFlexX, the group offers an alternative to CtP prepress systems for flexo and letterpress printing, mainly of labels, flexible packaging, and corrugated cardboard. Together with Agfa, the group develops and produces high-end CtP systems for newspaper offset printing. Agfa markets these systems globally under the Polaris X and Advantage N brand names. On a consolidated basis, Prepress Solutions generated around 24% of the annual sales for 2012.

Shared Services

Various support services are grouped under the name 'Shared Services': human resources, financial administration and central support for sales, servicing and purchasing.

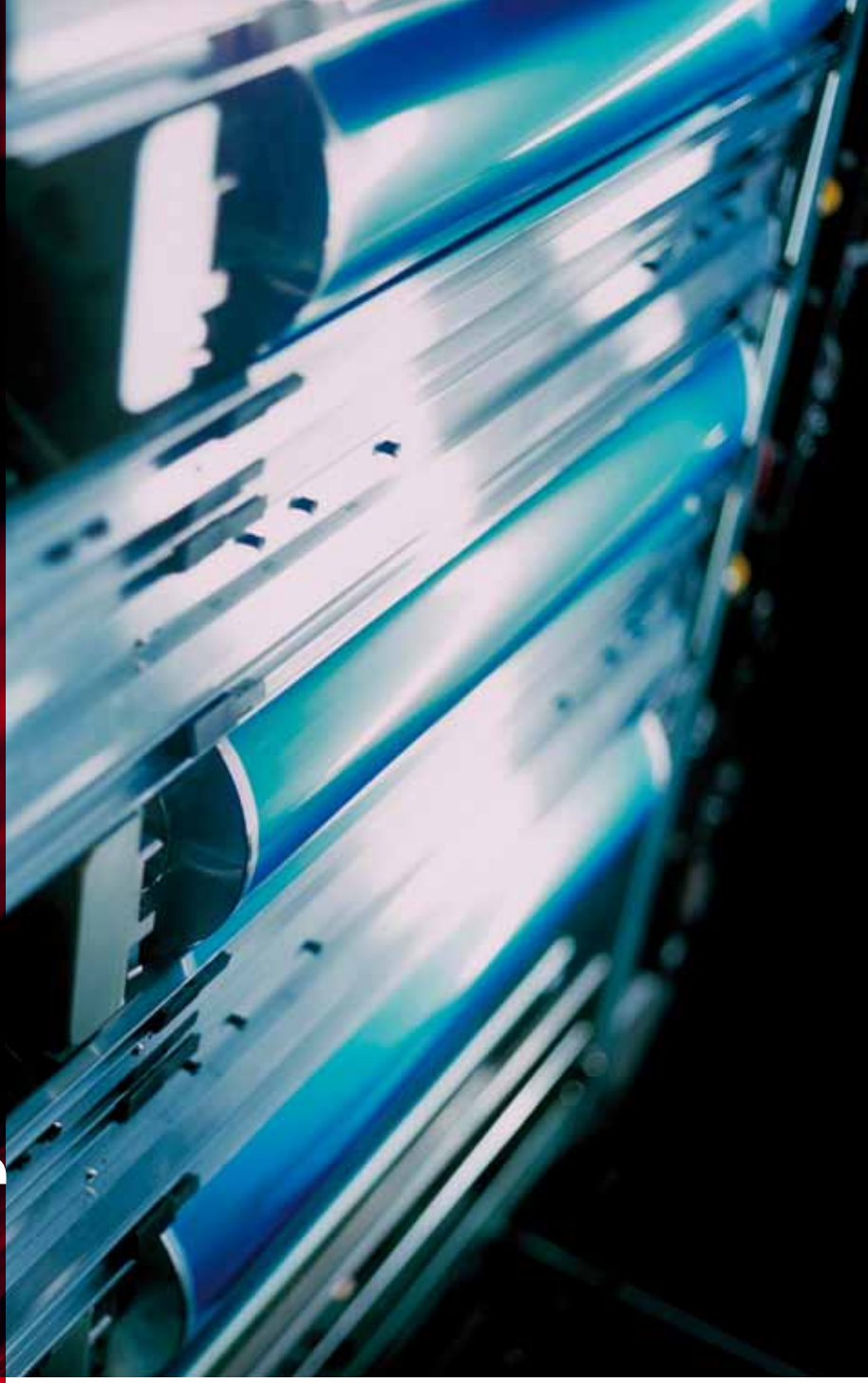


More information on Xeikon's activities and products can be found in chapter 4 and on the websites www.xeikon.com and www.basysprint.com. Financial information on the progress of business during the financial year is given in chapter 7. The consolidated annual accounts with detailed notes and the statutory annual accounts are included at the back of this report, in chapters 11 and 12.

In the following chapters, depending on the context 'Xeikon' may refer either to Xeikon N.V. and its subsidiaries or to the product brand name Xeikon.



Strategy and financial objectives



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Strategy

Xeikon is committed to becoming and remaining a market leader by means of market and customer-oriented innovations. A dedicated team of researchers and engineers anticipates the new technological developments and expectations of the chosen markets in close collaboration with the group's sales and service organization. By ensuring continuous technological enhancement, the group allows itself and its customers to maintain a competitive edge. Purposeful innovation and improvement are driving sustainable growth.

The pillars of Xeikon's long-term strategy are as follows:

Worldwide presence and top 3 player in chosen niche markets

Close contact with customers through a streamlined and specialized sales and service organization is of decisive importance to deliver optimum customer service and sustained success. Particularly in the fast-growing markets of Latin America and Asia, Xeikon aims to further develop and strengthen its own service network.

Xeikon aims to be a top three player in each market segment or niche market where it is active. Thanks to a successful combination of knowledge and technology, the group concentrates on those niches where its proven technology and customer-oriented approach provide a competitive advantage for all those involved.

Focus on recurrent income and growth

Xeikon wants to offer its customers the highest possible convenience and efficiency: in addition to integrated solutions, each division also offers technical support, service, and consumables. Recurrent income provides the company with a stable basis for further growth. Continuous improvement and optimum exploitation of the synergies between the divisions, the sales and service organization and the partners support sustainable growth.

Value creation for shareholders and all other stakeholders

Xeikon aims to realize structural value creation for its shareholders. It therefore concentrates its efforts on those higher-margin niche markets where it can play a leading role and can develop long-term relationships. In this way, it can ensure sustainable and profitable growth for the benefit of all concerned.

Financial objectives

The main financial objectives are as follows:

- a long-term return on equity of 15%;
- total sales growth at least in line with the growth in those markets where Xeikon is active;
- a strong ratio between 'operational cash flow (EBITDA)' and 'actual total sales' of at least 20%;
- a healthy balance sheet and a solvency ratio of at least 30-35%;
- a healthy interest coverage (EBITDA/interest) of more than 5.

Xeikon's financing strategy is aimed at exploiting and/or optimizing the following:

- the ratio between risk and return of the various operating activities;
- the distribution of the financing components across various parties, to limit the dependency on them;
- the ratio between 'equity capital and borrowed capital over the long term' and 'borrowed capital over the short term';
- the use of the public and private capital markets.

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Significant events



January

On January 9, 2012, Xeikon announced that it had acquired both the technology and the production facilities for Flexolaser solutions, which had previously belonged to RSD Technik GmbH and Flexolaser GmbH, leading manufacturers of computer-to-plate (CtP) solutions for both flexo and letterpress applications. Xeikon also announced that it had acquired the rights to the Thermoflex trademark from the Eastman Kodak Company. Both transactions, the details of which were arranged on a confidential basis, were agreed on at the end of 2011. These strategic acquisitions fit perfectly with Xeikon's strategy of launching a new product line within its CtP business and of becoming a leading digital solutions provider in the flexographic market.

March

In March 2012, Xeikon announced the launch of a service hub. To support its expansion in Asia, a senior area manager and a service manager were appointed. Together with the team that they will develop, they are responsible for sales and service for the Xeikon and ThermoFlexX range. Their operating base is Singapore.

April

In April 2012, it was announced that Jet Europe would become Xeikon's distribution partner for the entire array of ThermoFlexX solutions for flexographic and book plate exposure. Jet Europe is based in the Dutch town of Zeewolde, and is one of Europe's leading suppliers of high-quality photopolymer plates for flexographic printing, book printing and dry offset. The distribution agreement applies to the whole of Europe. Xeikon's service network provides installation, training and service.

May

May 2012 was dominated by DRUPA, the world's most prestigious graphics trade fair which is held every four years. From May 3 to 6, the 2012 fair provided a platform for the official market introduction of new products.

For Digital Printing Solutions, Xeikon launched the Xeikon 8000 Series, consisting of the Xeikon 8500, Xeikon 8600 and Xeikon 8800 presses for the Document & Commercial market. For the Labels & Packaging market there was the Xeikon 3030Plus. Visitors to the fair were also able to discover the brand-new operating software, MyPress, and Xeikon's cloud solution for color management, Xeikon Color Control. In addition, there were demonstrations of a new technology, Trillium, which makes printing possible at up to six times the speed of the current digital printing systems. Xeikon expects to commercialize this technology in a few years' time. For Prepress Solutions, basysPrint introduced its new generation of UV platesetters, the 460x and 860x series, as well as UV platesetters for very large formats (VLF). Xeikon also presented its new ThermoFlexX product line to the public at the fair.

On May 6, 2012, one of Xeikon's customers, W&R Labels, received the international CIPPI Award, in the category 'Biggest improvement in efficiency and customer service due to process automation'. The CIPPI Award is presented annually by CIP4, an international non-commercial partnership of suppliers and users. The organization advocates standards that promote automation in the graphics industry. Together with Xeikon, CERM and Esko, the Dutch label printer W&R developed an integrated solution for the streamlining and automation of its digital and conventional presses.

July

In July 2012, Xeikon received the 2012 InterTech Technology Award for its X-800 VariLane, a software plug-in for the X-800 digital front-end. The X-800 VariLane has been specially developed to give label printers more flexibility. Thanks to this plug-in, labels of different sizes can be simultaneously printed in parallel lanes, benefiting both productivity and cost. The material on which the labels are printed is used more efficiently, yielding a cost saving of up to 30%.

September

From September 5 to 8, 2012, basysPrint demonstrated the possibilities of its UV platesetters for the Asian market, including Oceania, at KIPES 2012, the Korea International Printing Machinery & Equipment Show. basysPrint attended with its local distributor.

In mid-September 2012, Xeikon took part in Labelexpo Americas 2012 with the Xeikon 3300 digital label press and one of the ThermoFlexX solutions. It launched its Vectorizer, a new plug-in for the X-800 digital front-end for driving the laser die-cutting device that cuts out the different labels. A patent application for Vectorizer is pending. Visitors to the fair were also able to discover Xeikon's new transparent Durable Clear Toner for the application of spot varnish. In addition, Xeikon sponsored two sustainability ini-

tiatives at the event: Ecovillage and Global Green Awards. In Ecovillage, waste from the live demonstrations of participating exhibitors such as Xeikon was collected and converted into fuel pellets. The Global Green Awards is an annual competition for suppliers of label printers. The awards go to suppliers that are working to minimize the environmental impact of the label industry.

In mid-September, Xeikon also announced that it had signed a marketing and referral agreement with Tronics, a producer and distributor of equipment for industrial packaging decoration for all kinds of containers, such as buckets, cartridges and tubes. Tronics is active in America, Asia and Oceania, and has long-standing experience in the field of heat transfer labeling, an alternative to in-mold labeling (IML) or direct print. Previously it had used flexographic printing or gravure for such purposes. The arrival of Tronics means that Xeikon's Aura Partner network now has two partners for transfer applications: the Italian company Moss and Tronics.

On September 26 and 27, 2012, Xeikon attended the first EcoPrint fair in Berlin. The event was targeted at customers, suppliers and printers for commercial, packaging and POP printing. The aim was to bring together all those with an interest in the theme of sustainable printing. As one of the pioneers of sus-



tainable and ecologically responsible production and printing, Xeikon was closely involved in determining the event's focus and content from the start. Xeikon was also present with an information stand at which visitors could discover the group's integrated sustainable approach (see chapter 5 on page 46).

In the course of September 2012, the contract with Agfa was extended until August 2018.

October

Graph Expo 2012 in Chicago was the setting for the North American première of the new Xeikon 8000 Series. Xeikon demonstrated the Xeikon 8800 there from October 7 to 10, 2012.

On October 8, 2012, Xeikon announced that Frank Deschuytere was to succeed Wim Maes as CEO with effect from January 1, 2013. It was also announced that Wim Deblauwe had resigned as a supervisory director with immediate effect. On the same date it was announced that Wim Maes, who until December 31, 2012 was Xeikon's CEO and statutory director, would be proposed to the General Meeting of Shareholders of May 28, 2013 as a member of the Supervisory Board. After deliberation, the Supervisory Board has decided that it is better at the present time to keep Wim Maes working for the company in an operational capacity than to propose him as a supervisory director right now. For this reason, Wim Maes' appointment as a supervisory director of Xeikon will now not be included on the agenda of the General Meeting of Shareholders of May 28, 2013.

From October 29 to November 1, 2012, Xeikon took part in Labelexpo India 2012. Together with its local distribution partners, it demonstrated the Xeikon 3050 and the ThermoFlexX 18.

Post-balance-sheet events

On January 8, 2013, Xeikon announced that it was holding initial talks with a party that had expressed an interest to Xeikon in making a public offer for its shares. Xeikon emphasized that the parties were then in the initial phase of their talks, and that if developments so required, further communication would immediately take place in accordance with legal requirements.

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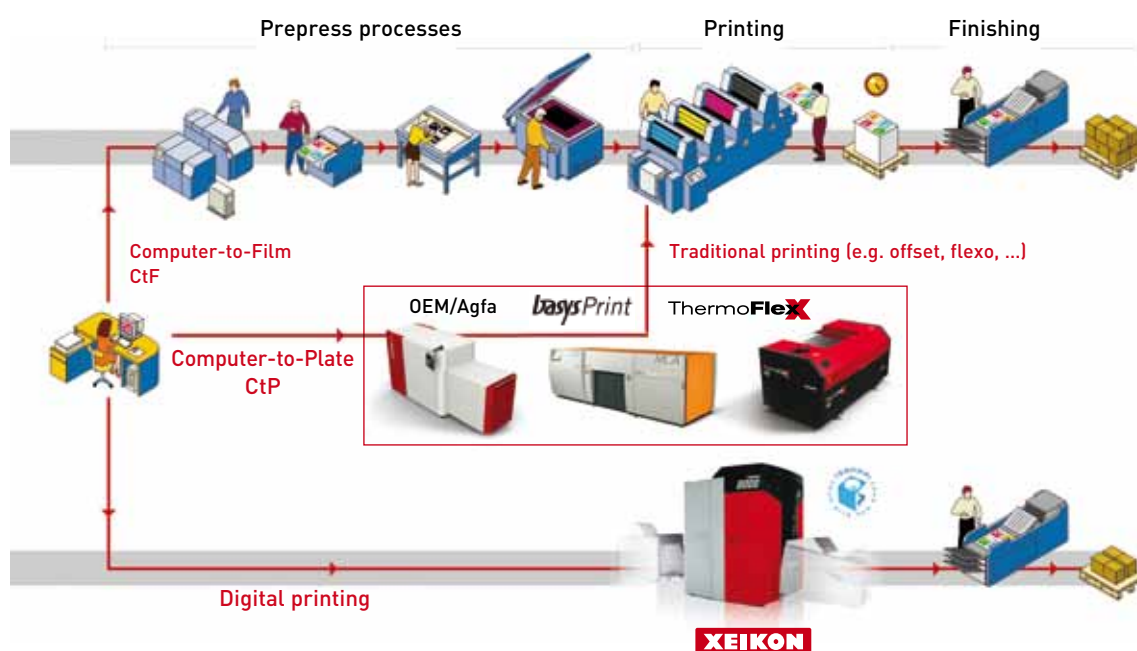
The group in close up



Position in the printing process

The traditional printing process is a multistage process in which the image to be printed is converted from an electronic file to a film that is developed and mounted. The film is then copied onto the printing plate used in the printing press that prints the image onto paper or another material.

The group's unique solutions eliminate one or more of the intermediate stages in the traditional offset printing process. With Xeikon, it is targeting the digital printing sector. With basysPrint and ThermoFlexX, and in collaboration with Agfa, it offers solutions for the CtP prepress sector.



Digital printing

Digital printing technology prints documents directly from digital files onto paper or another substrate. This is why digital printing is also known as direct-to-press or direct-to-paper. The digital printing process eliminates film exposure, plate production, and mounting - costly, time-consuming stages in the traditional offset printing process. There are no start-up costs involved in the digital printing process, so it enables small high-quality print runs to be produced cost-effectively and avoids the risk of being left with superfluous stocks. Furthermore, only digital printing technology offers true personalization or customization, allowing every print to be different.

Computer-to-Plate

Computer-to-Plate, or CtP, is a digital technology in which the text and images to be printed are imaged straight onto a light-sensitive printing plate using a special light source, after which the plate is used in the traditional printing process. This is where the CtP method differs from the traditional analogue method of plate imaging. In the traditional process, a negative or positive film of the information to be printed has to be made first, and is then copied onto the printing plate to be used in the printing process. With CtP technology, not only is the printing process quicker, the printing quality is also greatly improved.



Digital Printing Solutions

Products and services

Under the Zeikon brand name, the group develops, manufactures, and distributes high-end, environmentally-friendly total solutions for professional digital color printing. Zeikon solutions consist of advanced digital color printing presses and peripherals; open standard based workflow software, application-specific toner, and other consumables, supported by customer-oriented service.

Printing presses and peripherals

Zeikon printing presses are digital web-fed color printing presses that use electrophotography, the same principle as is used in photocopiers and laser printers. Besides electrophotographic digital printing presses, there are also inkjet printing presses such as those made by Hewlett-Packard. Because Zeikon presses use dry toner, they are more environmentally friendly than systems that use inkjet or polyethylene-based liquid toner. This is because with dry toner, no solvents are used, and printed matter is easy to recycle (see chapter 5 on page 46). Zeikon is also currently working on Trillium, a system that

uses liquid toner, produces printing that contains no volatile compounds and guarantees the same paper recyclability as its dry toners.

Zeikon invests continually in the further development and enhancement of its product range. Zeikon presses are equipped with an imaging head that combines an actual resolution of 1200 dpi with an addressability of 1200 x 3600 dpi and variable point density. This combination results in superior commercial printing quality with clear, razor-sharp details, high definition and soft tone transitions. The high resolution is particularly useful for the reproduction of minuscule details such as microtext and guilloches for security printing, serifs and fine lines in certain fonts, and hairlines. The imaging head was developed for the Zeikon 8000, but then also became standard for all Zeikon presses. All the presses are also characterized by the features which could be said to be Zeikon's trademark. With the exception of the simplex label presses, they produce One-Pass-Duplex™ printing on a wide variety of materials and a large number of standard and non-standard formats with virtually unlimited lengths.

Besides printing presses, Xeikon develops and distributes peripherals such as stackers (Xeikon Stacker), mid-size and extra-large paper unwinders, paper rewinders, and inline print protectors (Xeikon Web Finishing Module). Specifically for label printers, Xeikon markets inline equipment to convert printed material into labels (die cutting and varnishing).

Workflow and operating software

All Xeikon presses are supplied with the X-800 workflow software developed by Xeikon. Because it supports all open industry standards for printing variable data, Xeikon users have an unprecedented choice of processing options. Thanks to its openness, modularity, and scalability, the X-800 integrates seamlessly with existing systems to create a fully automated workflow, and can grow in line with the user's developing needs.

Electrophotography is a photocopying process in which an image is formed by toner on an electrically charged drum. The image is transferred electrically to the substrate onto which the image is being printed - paper or another material. In the last stage of the process, the toner is melted onto the substrate for good adhesion, which is known as fusing.

Inkjet printers print an image by propelling ink from 'chambers' onto the substrate. These chambers can be activated by means of heat or electricity. A distinction is made between continuous systems, in which an uninterrupted stream of ink droplets is injected through the printer's nozzle, and drop-on-demand systems, in which the ink droplets are only propelled onto the substrate at the point when this is necessary for imaging.

The Zeikon product family covers the entire spectrum of professional print applications. During the year, the Zeikon 8000, Zeikon 5000Plus and Zeikon 6000 were standardized on the platform of the Zeikon 8000, thus optimizing the portfolio.

Zeikon 8000 Series: Zeikon's assortment for the document market is suitable for small, medium-sized and large print runs and combines flawless print quality, productivity and cost efficiency. All presses in the range offer an addressability of 1200 x 3600 dpi with variable point density. They are suitable for substrate widths of 320 to 512 mm and grammages of 40 to 350 g/m². The maximum print width is 504 mm. The Zeikon 8500 replaces the Zeikon 5000Plus, but with a maximum printing speed of 160 ppm (A4 color pages per minute) is significantly faster than its predecessor (130 ppm). The Zeikon 6000 has been replaced by the Zeikon 8600. This press has a maximum printing speed of 195 ppm (instead of 160 ppm). Finally, the Zeikon 8800, formerly the Zeikon 8000, is the fastest and most productive press in the series. With a maximum printing speed of 260 ppm, it effortlessly achieves monthly operating cycles of 10 million pages.

The Zeikon 8000 Series was launched at DRUPA 2012. Since then, production of the Zeikon 5000Plus and Zeikon 6000 has stopped.

Zeikon 3000 Series: Zeikon's array of label presses combines flawless printing quality with superior productivity. All presses offer an addressability of 1200 x 3600 dpi with variable point density. The Zeikon 3030, Zeikon 3030Plus and Zeikon 3300 print on scalable substrate widths of 200 to 330 mm. They differ in maximum printing speed. For applications requiring greater widths, there are the Zeikon 3050 and the faster Zeikon 3500, suitable for substrate widths of 250 to 516 mm. All models print on a wide range of substrates (self-adhesive labels — co-extrusion films, BOPP, PVC, and PET — cardboard, transparent, and opaque film) with weights of 40 to 350 g/m². Uniquely, the labels do not require any pretreatment or processing for the toner to adhere well. Thanks to rotation press technology and a variable repeat length, they always print at top speed, regardless of the number of colors used or the format of the labels. Labels of different dimensions can be printed in one and the same run, enabling label printers to maximize their productivity and minimize production costs.

Xeikon Trillium

Xeikon is currently working on a new technology, Trillium. Trillium is based on a system of high viscosity toner that has two advantages over a dry toner system. High viscosity liquid toner is capable of higher printing speeds, making it possible to make machines that can print 800 ppm or more, without compromising on image quality. This means that Trillium machines will have a monthly capacity of tens of millions of pages. With high viscosity liquid toner, the toner layer is thinner than with dry toner. This makes printing considerably cheaper, and the look and feel is closer to that of conventional offset printing.

The Trillium machines are the perfect answer to the competition on the document market from high-volume inkjet systems, in which printing on coated paper with water-based inks and printing of pages with high page coverage cause problems.

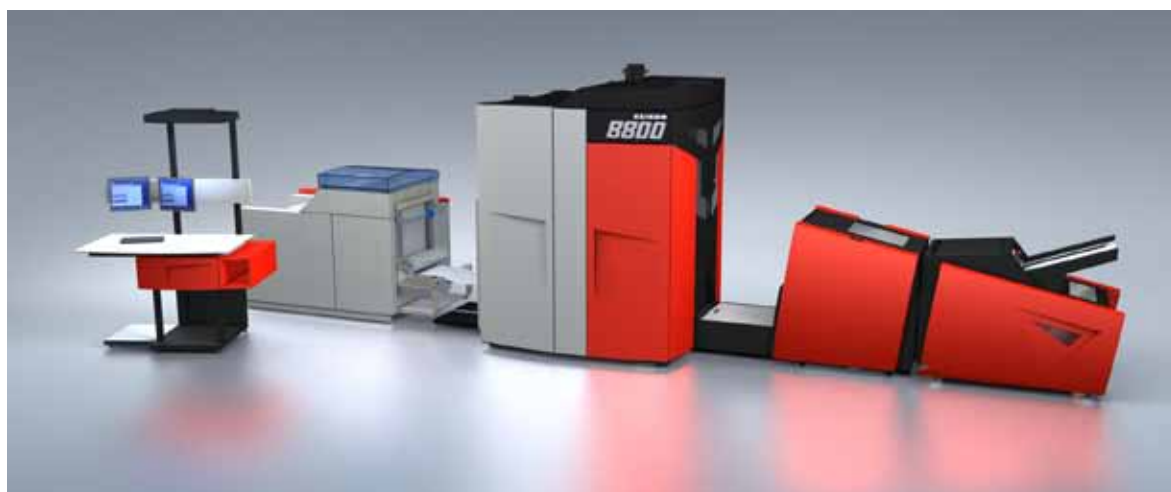


The X-800 can be combined with the powerful IPDS Controller⁴, which was developed for printing transaction documents or direct mailings. With the IPDS Controller, large print runs of transaction documents consisting entirely of variable and protected personal data can be printed in color in real time. Uniquely, the IPDS workflow also supports a fifth color. The fifth color station is typically used for customized colors, Pantone colors, and/or toner for safety applications. For direct marketing applications, transaction documents, and transpromo applications, support for a fifth color is a competitive advantage.

Specially for label printers, there are two plug-ins for the X-800: VariLane and Vectorizer. Thanks to VariLane, labels of different sizes can be simultaneously printed in parallel lanes, benefiting both productivity and cost. The substrate (the material on which the labels are printed) is used more efficiently, yielding a cost saving of up to 30%. The Vectorizer makes fully automated label production possible. This plug-in drives the laser die-cutting device that cuts out the different labels. Previously, a laser die-cutting machine had to stop after each job. Thanks to the Vectorizer, different jobs can be completed in a single pass, without interruption. A patent application for Vectorizer is pending.

At DRUPA 2012, Zeikon launched a cloud application for color management: Zeikon Color Control. This application will be integrated with the X-800 and ensures predictable, consistent and reproducible colors. The application generates a color library in a simple manner for the accurate simulation of Pantone colors, for example. In addition, Zeikon Color Control makes the simulation of industry standards such as ISO 12647 and IDEAlliance G7 possible. The main advantage of Zeikon Color Control is its user-friendliness. Printers now have access to advanced color management without the need to invest in specialist knowledge and expertise. Moreover, Zeikon Color Control has the typical advantages of a cloud application: no extra investment in hardware and access to the latest version of the application at all times.

Zeikon's new operating software, MyPress, was also demonstrated at DRUPA. The software has been completely rewritten so that in the future it will be easy to add extra functions. The user interface has been developed in collaboration with the universities of Hasselt and Leuven. Since the fourth quarter of 2012, all machines in the Zeikon 8000 Series have been equipped with this new operating software. In the course of 2013, the machines in the Zeikon 3000 Series will follow.





Toner

Xeikon's toner factory at Heultje in the north of Belgium is one of the biggest, most modern in Europe. The sale of toner and the developer that goes with it generates a very large recurrent revenue stream. Xeikon toners are dry toners which have a color range and color fastness that match and even exceed normal offset ink specifications. Besides the standard CMYK process colors, Xeikon also produces custom-made colors and toner for special applications such as absolutely color-fast toner and toner for security printing.

In 2010, Xeikon launched the QA toner range. This polyester-based toner offers superior printing quality, brighter colors, and a wider range of application than traditional toner. The QA range builds on the success and technology of the FA toner generation. Additional emphasis has been placed on environmental friendliness, safety, and performance. For the Industrial Printing segment, especially label and packaging applications, food safety, and color resistance are important. For Document Printing, the emphasis is on speed and extending the color palette. Because label and packaging applications place different demands on toner chemistry from the applications from the Document Printing segment, two different toner systems have been developed: QA-I and QA-P. Xeikon's QA-I toner meets FDA standards for applications involving indirect contact with food, and for certain applications with direct contact. The QA-P toner, which offers superior quality at extra high speeds, has been developed specially for the Xeikon 8000. In 2011, a new version of the spot colors red and orange in the QA-I range was issued. With even better UV resistance, they meet the requirements of the chemical industry in particular.

Service, support and integration

Customer satisfaction and close contact with the customer are crucial for lasting success. Xeikon is therefore represented all over the world by Xeikon subsidiaries, all of whom guarantee a flawless service. Xeikon solutions are also distributed through a network of distribution partners. With the aid of the integrated XRMS software (Xeikon Remote Monitoring Solution), the service organization can also offer technical support remotely.

Over the years, Xeikon has built up an extensive network of specialist partners, enabling it to offer integrated customized solutions. Xeikon has always ensured that its systems integrate easily with virtually all existing in- or offline finishing equipment and workflow tools. Specialist teams guide each integration project from concept to installation. Since 2011, all these providers of prepress workflows, variable data processing, MIS systems, finishing equipment and paper have been combined in a partner program, Xeikon Aura. Thanks to this program, Xeikon customers have received a transparent overview of all tested and approved components that can contribute to a total solution. For Xeikon, this is a way of maintaining and reinforcing non-exclusive relations with its partners.

Customers and target markets

The Xeikon solutions are oriented towards the sectors of industrial applications (Labels & Packaging) and document and commercial printing (Document & Commercial). Xeikon systems are perfect for high-volume applications and are particularly popular in companies in which the workflow is already largely automated and integrated and in which the printing press forms just one of the links in the overall operational chain. These are mainly printing companies but also include internal printing departments or specialist printers such as label and packaging printers. Although Xeikon users are highly diverse, they all have one key feature in common: they all want flawless print quality.

Document & Commercial

The applications for the Document & Commercial segment fall into two categories: static printing and data-controlled printing.

Static printing is, in a digital printing context, mainly about small print-runs and just-in-time orders. Digital book-printing is becoming increasingly important in particular. The book sector's business model has fundamentally altered in recent years, among other things as a result of the emergence of online ordering and a shift towards ever smaller print runs and pressure on margins. Xeikon presses lead the field in terms of quality, making them eminently suitable for art books and other 'coffee table books', but

also for the fine linework of technical manuals and course material. Another advantage for this last category is the fact that Xeikon presses can also print on ultra-thin paper without any problem. For the (thicker) dust jackets, format flexibility is one of the features of Xeikon presses that offer an extra advantage. Xeikon's workflow software supports fully automated book production up to and including the finishing process. Other examples of printing that is typically produced in smaller runs include SRCP ('short run color printing'), POS ('point of sale'), POP ('point of purchase') and wall decoration. This last application relates to products such as personalized or custom-designed wallpaper for hotel chains or stores, but for individuals too there are web applications for ordering personalized wallpaper online.

Data-controlled printing includes applications such as transactional printing, printing for direct marketing, and transpromo printing. These applications are based on the pioneering variable data printing possibilities of the Xeikon systems and in particular on the workflow software and IPDS module. Xeikon systems make extensive automation possible. This does not just lead to cost savings but also contributes to integrity – crucially important for transactional and transpromo printing. The fact that Xeikon presses are roll-fed and – apart from the simplex label presses – perform One-Pass-Duplex™ printing is another advantage: the data on the front and back match without the need for extra checks. In multichannel marketing communication, printing is reserved for

VIP communication. For direct marketing applications, print quality and format flexibility are therefore of great importance. Zeikon presses are at an undoubted advantage in this respect.

Labels & Packaging

Industrial applications for which Zeikon presses are ideal thanks to their virtually unlimited flexibility are packaging and labels. For the label market in particular, Zeikon has significant advantages with the Zeikon 3000 Series. The Zeikon 3500 is the most productive digital five-color label press on the market despite the launch of new systems by the competition during Labelexpo 2011.

Thanks to rotation press technology and a variable repeat length, all Zeikon 3000 Series presses always print at top speed, regardless of the number of colors used or the size of the labels. Labels of different dimensions can be printed in one and the same run, enabling label printers to maximize their productivity and minimize production costs. Another unique feature is the fact that the labels do not require any pretreatment or processing for the toner to adhere well. Moreover, Zeikon's QA-I toner meets the FDA standards for applications involving indirect contact with food, and for certain applications with direct contact. This is a significant advantage, as nearly 40% of digitally printed labels are used in the food industry.



Value factors and competitive advantages

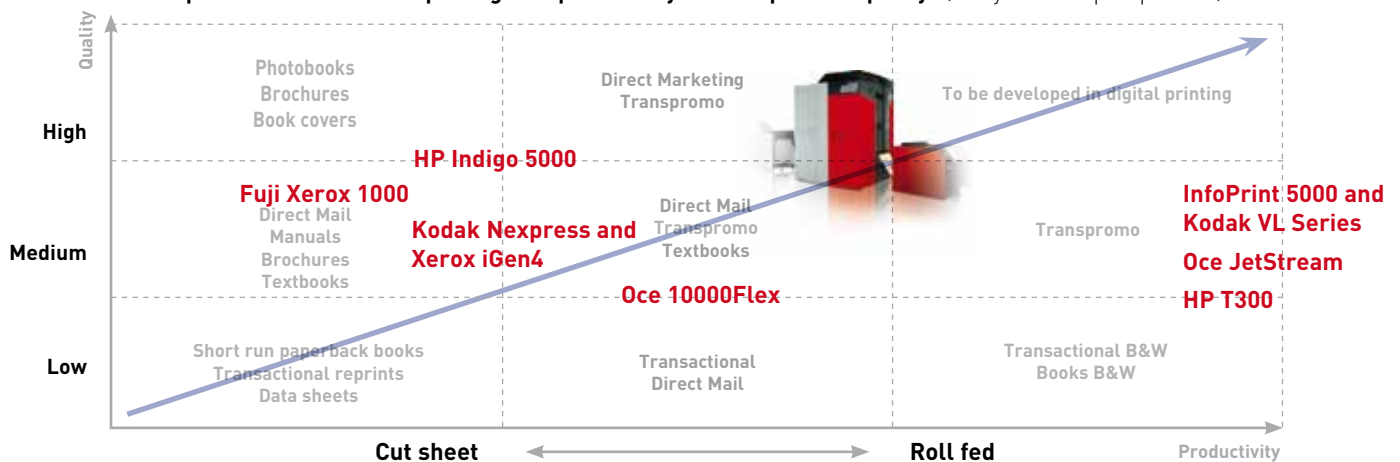
Technology – R&D

Specialist, highly motivated teams of researchers develop and test new technology and invest in improving and optimizing the digital printing presses, software and toner on an ongoing basis.

Printing presses and software

Xeikon solutions stand out from the competition through their exceptional combination of quality, speed, reliability, print formats, and flexibility. In the Document & Commercial segment, the paradigm of 'productivity at the expense of quality' is undermined by the Xeikon presses.

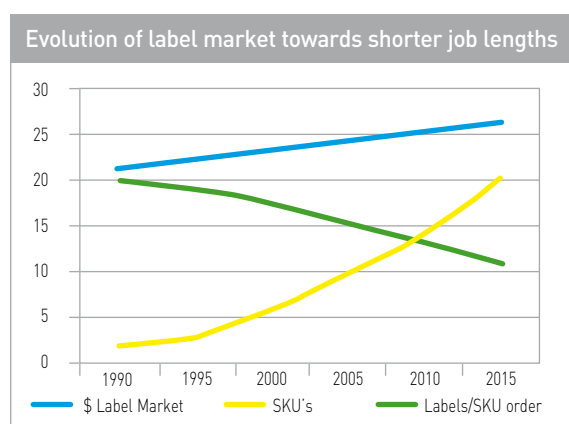
Xeikon presses undermine the paradigm of 'productivity at the expense of quality' (analysis for duplex presses)



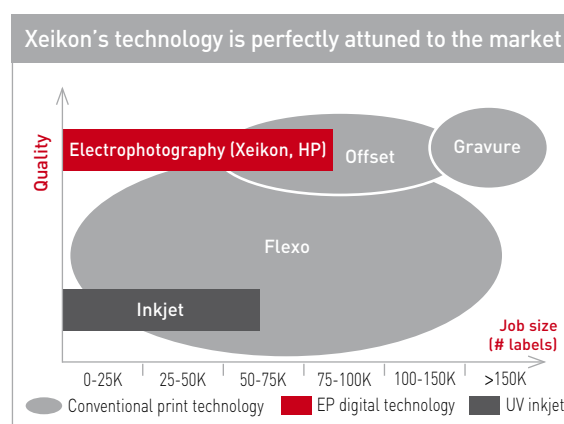
Source: Xeikon internal research

In the Labels & Packaging segment, the label market is moving towards ever shorter job lengths. Zeikon's

technology is perfectly attuned to market requirements.



SKU: stock keeping unit
Source: Zeikon internal research



Source: Zeikon internal research

Zeikon systems systematically score better in terms of productivity and cost-effectiveness.

With the X-800 digital front-end and IPDS Controller, Zeikon has achieved an absolute breakthrough in terms of processing power. Where competitors are using closed standards (proprietary systems), Zeikon developed the X-800 on the basis of open standards, making the X-800 perfect for integrating into a fully automated workflow. Thanks to the IPDS Controller, large print runs of transaction documents consisting entirely of variable and protected personal data can be printed in color in real time. Uniquely, the IPDS workflow also supports a fifth color.

Toner

Xeikon systems only use toner developed and manufactured by Xeikon. Xeikon's toner systems are protected by various patents. As a relatively small player, it benefits from being independent of third parties when it comes to toner production. The sale of toner and the developer that goes with it generates a large proportion of its recurrent revenue streams.

Xeikon's dry toner electrophotography offers offset printing quality and is particularly environmentally friendly (see chapter 5). Xeikon toner also outdoes other digital printing technologies in terms of UV resistance. In 2011, Xeikon put this to the test. Various color samples printed with Xeikon dry toner, liquid toner, and UV inkjet were exposed to direct sunlight for 800 hours. The color difference was then measured. Xeikon dry toner came out a clear best from the test.

	Delta E	Xeikon	UV inkjet	Liquid toner
1	Yellow	14.4	24.2	42.8
2	Green	8.2	20.1	47.1
3	Orange	8.3	16.8	43.8
4	Red	3.9	8.6	43.8
5	Violet	8.2	7.7	30.6
6	Turquoise	2.7	2.5	19.1
7	Brown	7.5	5.4	84
	Average	7.6	12.2	37.3

Delta E: color difference measure
Colors composed on the basis of CMYK



In 2012, Xeikon commercialized a transparent Durable Clear Toner. This toner is suitable for application as a spot varnish layer. As a result, for example, certain parts of an image can be varnished while others are left unvarnished. For labels and packaging, this can be useful: for instance, it allows a use-by date to be applied later or makes it easier to glue together the packaging. Because the toner is applied digitally in the press's fifth color station, printers do not necessarily have to invest in extra varnishing equipment.

Original color sample



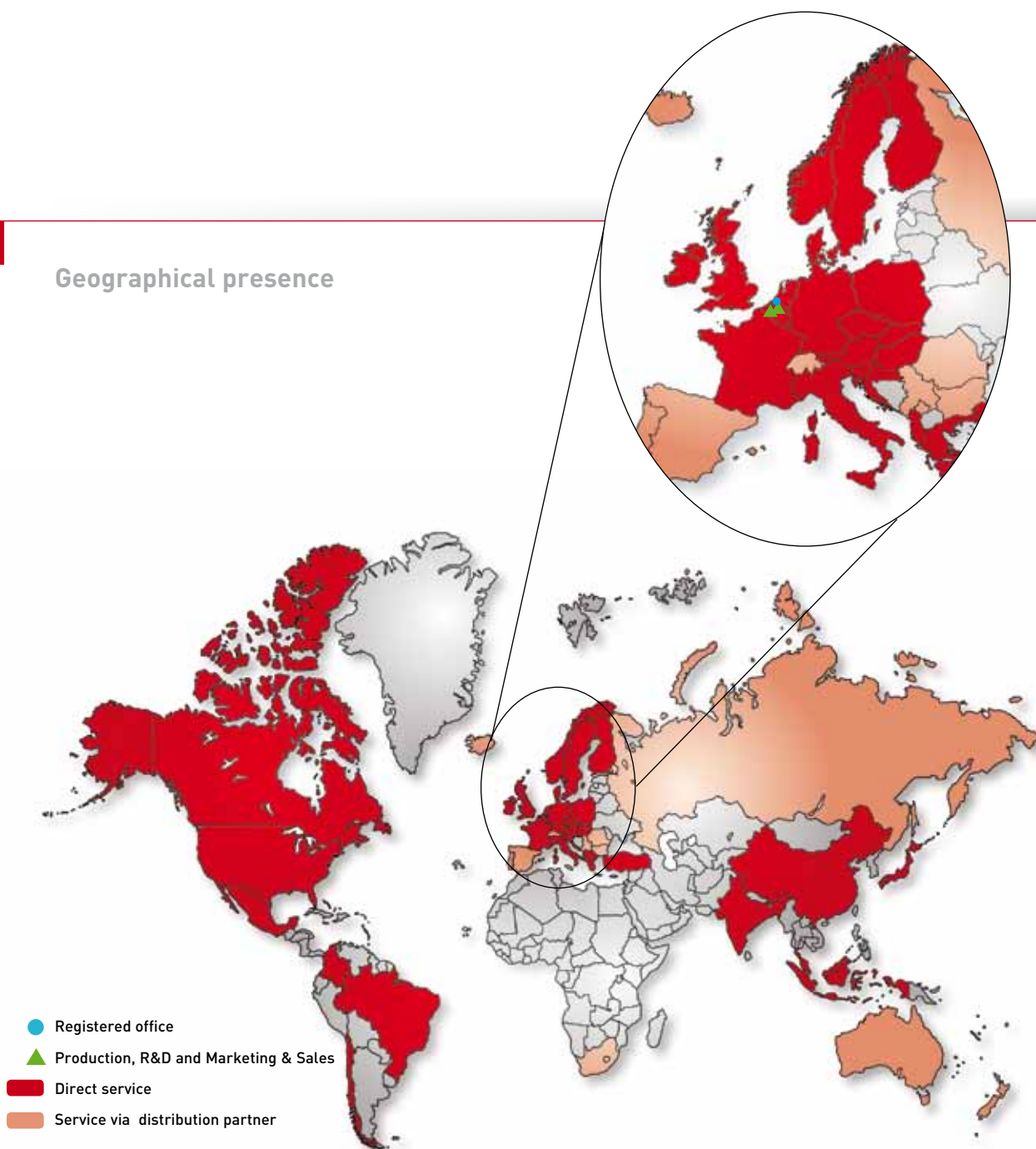
Color sample after 800 hrs direct sunlight



Sales & marketing

Distribution and support activity for the Zeikon pres-
ses is mainly carried out via specialized sales chan-
nels. Over the years, Zeikon has built up a solid clien-
tele which forms the basis for its recurrent revenue.

Geographical presence



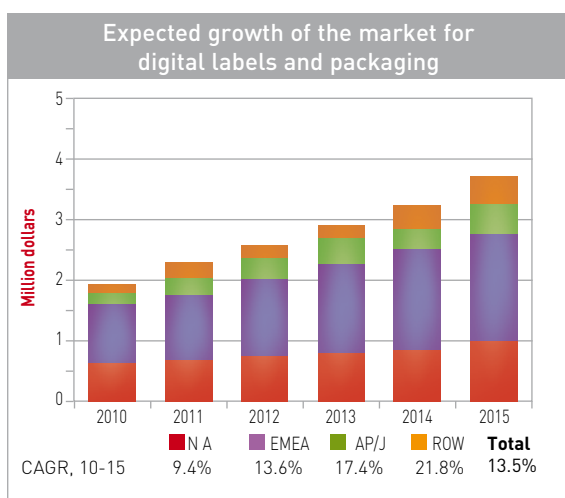
Xeikon is firmly anchored in Western Europe and Northern America, but also has a prominent presence in the various growth markets in Eastern Europe, Latin America and Asia. The group's head office is in the Netherlands, research and development as well as manufacturing for the Digital Printing Solutions division is based in Belgium. Globally Xeikon is represented by subsidiaries and its own service teams

and, to supplement them, through a network of distribution partners who distribute Xeikon solutions on a regionally exclusive basis. To provide optimal service and to keep in touch with its customers' needs, Xeikon distributes and services its products via one site in each country.

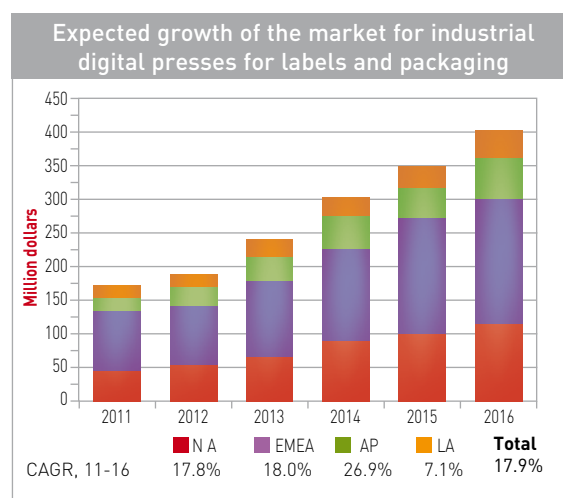
Growth potential

Market research firm Pira expects the market for digital printing (the market value of the produced printing work) to increase up to 2016 by a combined annual growth rate of 8.4% worldwide. The strongest growth market is Latin America. Eastern Europe, Africa and Australia/New Zealand should also grow more than in past years.

Specifically for the digital labels and packaging market, InfoTrends forecasts a combined annual growth rate of 10.3% (the value of the number of industrial digital presses sold for that segment). Electrophotography continues to dominate this market, in terms of both installed base and sales.



Market value of digital printing (labels and packaging)
Source: InfoTrends 2011 - Color Digital Packaging and Labels
Market Forecast: 2010-2015



Value of digital presses sold (labels and packaging)
Source: InfoTrends 2012 - Color Digital Packaging and Labels
Market Forecast: 2011-2016

Xeikon plans to grow more strongly than the market by sharpening its focus on certain niche markets, especially those for labels, packaging, direct marketing & dynamic mail, and book on demand.

Achievements

Global presence

Zeikon solutions are distributed and serviced worldwide by subsidiaries as well as through a network of distribution partners. In 2012, Zeikon's service network was extended by the addition of new partners in Asia. Zeikon America Inc is now also responsible for distribution and service for the entire Zeikon and ThermoFlexX range in Canada.

Top 3 player in chosen niche markets

With Zeikon, the group focuses on the Document & Commercial and Labels & Packaging segments. The focus for Document & Commercial is on medium to large volumes in the high-quality segment of that market. In that niche, Zeikon is one of the top 3. For Labels & Packaging, the emphasis is on digital label printing. For that segment, Zeikon is number 2.

Recurrent revenues

The recurrent revenue generated by Digital Printing Solutions derives from software updates, maintenance contracts and the sale of toner and other consumables.

Growth

The market for digital printing (the market value of the produced printing work) is expected to increase up to 2016 by a combined annual growth rate of 8.4%. Zeikon plans to grow more strongly than the market in niche markets (labels, packaging, direct marketing & dynamic mail, and book on demand) through targeted marketing, improved lead generation, and sharpened focus. Sales during 2012 for the Digital Printing Solutions segment increased further, despite difficult market conditions.

Prepress Solutions

Products and services

Under the brand name basysPrint, the group develops, produces, and markets UV platesetters. Like other CtP setters, they render the film development stage superfluous. Unique to the basysPrint platesetters, however, is the fact that the imaged plate is UV-sensitive. This means that the basysPrint systems increase accessibility: offset printers wishing to switch from traditional to filmless printing can continue to use the conventional offset plates whose characteristics and process stability they are thoroughly familiar with. basysPrint systems are also flexible: they can also image other UV-sensitive plates and substrates such as magnesium plates for embossing and hotfoil stamping, coatings for selective varnish, templates for screen printing or die cuts.

In early 2012, Xeikon announced that it had acquired both the technology and the production facilities for Flexolaser solutions, which had previously belonged to RSD Technik GmbH and Flexolaser GmbH. These solutions involve imagers for digital flexo and letterpress plates. Xeikon also announced that it had acquired the rights to the Thermoflex trademark from the Eastman Kodak Company. Xeikon markets the Flexolaser products under the name ThermoFlexX. The extra letter X indicates that this is not the old Kodak Thermoflex technology. The production and ongoing development activities have been relocated to Ypres in Belgium.

In collaboration with Agfa, the group develops and manufactures high-end CtP systems for the newspaper offset printing sector. Agfa markets these systems globally under the Polaris X and Advantage N brand names.

Platesetters

The basysPrint platesetters and the systems developed in collaboration with Agfa are flatbed platesetters: the printing plates remain flat during the setting process, unlike plates in drum setters which are secured inside or around a drum. The ThermoFlexX imagers are drum setters of the latter type.

CtP systems can be subdivided into different categories based on the imaging technology they use.

Violet imaging

In this technology, special photo-sensitive plates are imaged with violet, i.e. visible, laser light. This technology is used by more than 60% of the CtP market for newspaper offset printing, and forms the basis for the CtP systems developed in collaboration with Agfa.

Thermal imaging

Thermal CtP systems use an imaging technology in which heat-sensitive plates are imaged by exposing them to heat. The market share of this technology across the entire offset market is around 80%.

Ultraviolet imaging

Ultraviolet (UV) light can be used to image UV-sensitive plates. The basysPrint machines were the first, and until recently the only ones, to use this technology. Because conventional plates are considerably cheaper than the plates used in the other imaging technologies, the more expensive initial investment for the machine can be quickly recouped with high volumes. UV technology has a market share of approximately 10%.

Infra-red imaging

In this technology, the plates are exposed by infra-red, invisible light from a fiber laser or a diode laser. The ThermoFlexX imagers use a fiber laser. In the market for digital imaging of flexo and letterpress plates, this technology has a market share of more than 95%.

basysPrint

basysPrint offers UV platesetters for an extremely wide range of applications and plate formats, and is constantly investing in the further development and improvement of its product offering. In the course of 2008, it launched the new multicassette automation technology for large-format and extra-large-format platesetters, and the UV-Setters 450 and 850 presented at Drupa 2008 were the result of years of automation experience in the newspaper industry and tried and tested basysPrint imaging technology. In 2011, basysPrint launched an improved version of this platform with the Series 450x and 850x. In addition to higher productivity, the new platform also offers more flexibility. As well as plates for offset printing, UV-sensitive plates for other applications can now also be imaged. basysPrint also brought out a completely new GUI (graphical user interface) in 2011 for the operation of its UV Setters. At DRUPA

2012, basysPrint introduced its latest generation of UV platesetters, the 460x and 860x. Compared with the previous generation, these offer even more flexibility and, thanks to the sixth generation imaging head, even higher quality with competitive imaging speed. 2012 also saw the launch of a completely new product family for very large formats (VLF), with a format flexibility that is fairly unique for this market segment. For each series there are different models which are automated to a varying degree with one or more cassettes (Single-Cassette Automation (SCA) and Multi-Cassette Automation (MCA)). Depending on the required production speed, the number of violet laser imaging modules can vary. All systems have a variable-configuration register system with three-point alignment, which increases flexibility. The automatic systems have automatic slip sheet removal and an integrated punch if desired.





During the financial year 2012, the portfolio of basysPrint UV-Setters consisted of the following systems:

UV-Setter Series 460x | 4 page format: this series of setters was developed to expose format class 2 (B2) plates, up to 680 mm x 830 mm. The series has four variants. The UV-Setters in this series expose up to 70 plates per hour (605 x 745 mm, 1500 dpi). Suitable for plates for offset printing, selective varnish, hotfoil stamping and embossing, screens, and die cut.

UV-Setter Series 860x | 8 page format: the setters in this series were made for small-format plates up to format class 4 (B1), up to 940 mm x 1150 mm. The UV-Setters in this series image up to 45 plates per hour (1030 x 790 mm, 1500 dpi). In dual loading, they achieve a setting speed of 120 plates per hour — depending on the plate format. Suitable for plates for offset printing, selective varnish, hotfoil stamping and embossing, screens, and die cut.

UV-Setter Series VLF | large format: the UV-Setters VLF M, VLF SA and VLF MCA are intended for the VLF market (very large format printing), offer complete format flexibility for plates from 200 x 200 mm to 1560 x 2100 mm, and are available in different forms of automation — from manual (VLF M) to fully automatic with four cassettes online (VLF MCA). The UV platesetters in this series expose up to 20 plates per hour. All systems in this series are equipped with the patented 'fLEXpo' option, which makes it possible to remove an exposed plate and insert a new one while another plate is being exposed. This option considerably increases productivity.

UV-Setter Series F | flexo printing for newspapers: the UV-Setter Series F represents a response to the growing demand for CtP solutions for flexo printing for newspapers. The UV-Setter Series F is distributed worldwide via MacDermid Printing Solutions, the world's largest supplier of printing plates for this printing technique.

ScreenSetter for screen printing applications: the basysPrint UV-Setter for screen printing applications was distributed until mid-2011 by Kissel+Wolf under the name KIWO Screensetter for CTS (Computer to Screen). Since then, basysPrint has distributed the UV-Setter itself under the name 'basysPrint Screensetter'. Among other things, it is used in the production of printing plates (PCBs), membrane switches or instrument panels and for printing on ceramic materials or glass.

basysPrint platesetters use their proprietary Digital Screen Imaging process (DSI) which images the text or images to be printed on to the printing plate using UV light. The DSI process, which features step-by-step imaging in which one part of the plate is imaged first, the plate is moved along, and then another part is imaged, has been further optimized in the DSI² process. The imaging head now moves continuously - more quickly and more evenly - over the plate surface being imaged. In October 2006, basysPrint launched the DSI³ process for even faster imaging. DSI³ was specially developed for the large format imagers, because large format had until then been synonymous with long exposure times. Thanks to an ingenious design in which several different violet diodes are fitted to the outside of the imaging head, the imaging speed can be doubled without sacrificing image precision. An extra advantage of DSI³ is that the DSI³ modules do not need to be replaced during the lifetime of the UV-Setter. The DSI³ systems are distinguished by their high stability, which remains constant even without calibration. Extra DSI³ modules can be fitted to raise the imaging speed still further. All basysPrint UV-Setters are now equipped with DSI³.

Superior resolution

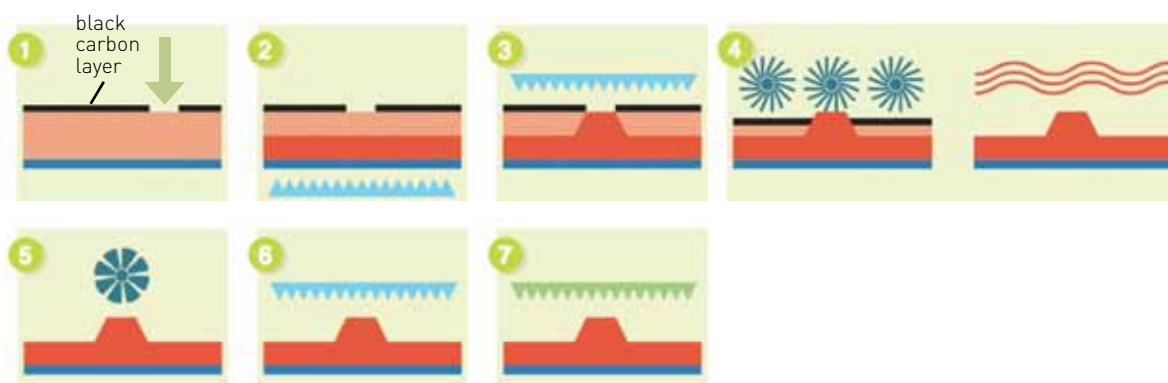
The most important part of the imaging head is the micromirror chip (Digital Micromirror Device™) which directs or diverts the UV light onto the printing plate via one of the almost 2 million⁽⁶⁾ independently moving micromirrors. The result of this imaging technology is a square dot. The sharp edges of the square dot produce optimum image quality. This is where this technology differs from traditional laser imaging, which produces a round dot. Round dots by their very nature have to overlap a little. Therefore, in traditional laser technology you need a greater number of dots for the same plate surface. The basysPrint UV-Setter, however, can produce a high image quality even at relatively low resolutions (fewer dots), thus dramatically reducing the image processing time.

The imaging heads of basysPrint UV-Setters differ from rival products through their dynamic autofocus. This function ensures very sharp dots across the printing plate and compensates for any unevenness in the plate surface. The autofocus adjusts continually according to the needs of the imaging process. Thanks to this function, basysPrint UV-Setters are able to image plates not just for offset printing, but also for other applications that make use of UV-light-sensitive plates or coatings such as flexo, screen printing, hotfoil stamping, etc.







ThermoFlexX

The ThermoFlexX imagers are used to expose digital flexographic and letterpress plates using infra-red fiber lasers. A digital flexographic plate, also known as an LAMS (Laser Ablative Masks System) plate, consists of an opaque top layer of black carbon and a polymer layer which is used for printing. Before a digital flexographic plate is ready to print, it goes through various processing steps (see diagram).

In a first step (1), the flexo plate is exposed by the ThermoFlexX imager. The information – the image to be printed – is burnt away in the top layer of carbon by means of an infra-red fiber laser. The carbon that has been burnt away is removed by suction. The plate is then equally pre-imaged from below in order to give the subsequent printed image a certain 'depth' (2). Next, the image is fully exposed through the burnt-away parts of the carbon top layer (3). After this, the unexposed parts are washed away with water or solvents (4) and the plate is dried (5). Finally, it receives a further complete after-exposure (6 and 7).



At DRUPA 2012, Xeikon launched its ThermoFlexX product line for roll-fed applications. The six imagers differ in terms of maximum processable plate format and productivity. The maximum plate format determines the field of application (see table).

						
	ThermoFlexX 18	ThermoFlexX 20	ThermoFlexX 30	ThermoFlexX 48	ThermoFlexX 60	ThermoFlexX 80
Maximum plate format	508 x 420 mm	635 x 500 mm	635 x 762 mm	900 x 1200 mm	1067 x 1524 mm	1270 x 2032 mm
Format application	narrow web	narrow to mid web	mid web	mid to wide web	wide web	wide web
Applications	<ul style="list-style-type: none"> • tags • labels 	<ul style="list-style-type: none"> • tags • labels • folded cardboard packaging 	<ul style="list-style-type: none"> • labels • folded cardboard packaging 	<ul style="list-style-type: none"> • labels • flexible packaging • folded cardboard packaging 	<ul style="list-style-type: none"> • flexible packaging • folded cardboard packaging 	<ul style="list-style-type: none"> • flexible packaging • folded cardboard packaging • corrugated cardboard packaging

Agfa

In collaboration with Agfa, the group develops and manufactures high-end CtP systems for the newspaper offset printing sector. Agfa markets these systems globally under the Polaris X and Advantage N brand names. More information on these systems can be found at www.agfa.com.

Polaris X

The first-generation Polaris was developed in 1996 by Strobbe Graphics and has since that time been continually adapted and improved. The Polaris has developed into the undisputed market leader in the top segment of the newspaper market. The latest generation, the Polaris X, processes up to 350 plates/hour and is distinguished by its reliability.

Advantage N

The Advantage N builds on the success of the Polaris and the Advantage. It is the ideal entry model for smaller and mid-sized newspaper printers. Depending on the model, it can process 75 to more than 300 plates/hour.

Workflow integration

Thanks to their open architecture, basysPrint UV platesetters can be seamlessly integrated into existing workflows. Users can continue to use their existing systems.

For the ThermoFlexX imagers, Xeikon offers the Prinergy Workflow from Kodak.

Service, support and integration

basysPrint is represented globally by a network of distribution partners. In some countries, basysPrint solutions are distributed and supported by Xeikon subsidiaries. All of these companies guarantee a seamless, customer-oriented service. Integration projects for basysPrint systems are supervised by specialist Xeikon teams from conception to installation.

Service and proximity to the customer are also of central importance for ThermoFlexX. The ThermoFlexX solutions are sold worldwide via dealers. The existing Xeikon network offers support for the service.

Solutions developed in collaboration with Agfa are distributed and supported globally by Agfa.

Customers and target markets

basysPrint

basysPrint's primary focus was initially on the market segments of commercial printing, packaging printing, and book printing, and medium to large printing presses. The VLF Series is also suitable for printing large-format posters. With the launch of the Series 460x and 860x, basysPrint is aiming to broaden its customer base. These imagers are designed for the needs of hybrid printing presses that offer commercial offset printing, regional journals, and special printing techniques such as screen printing, embossing, hotfoil stamping, and selective varnish. They no longer need to outsource these special techniques, and this generates time savings and extra income.

Because the Series 460x and 860x can image virtually any (UV-sensitive) plate type, they are also very popular with service firms and tradeshops which develop plates for different printing presses, all using different types and brands.

ThermoFlexX

With ThermoFlexX, Xeikon aims to position itself as a system supplier for the entire spectrum of flexographic printing applications: narrow web applications such as labels, mid web applications such as folded packaging and wide web applications such as large corrugated cardboard packaging. The ThermoFlexX product line also offers an alternative to other flexographic systems.

Xeikon has a unique position on the market for label and packaging printing, as the only supplier to offer its customers both digital printing applications – ideal for small and medium print runs and quick turnaround times – and solutions for digital flexographic and letterpress applications, mainly suitable for larger runs.

Agfa

The systems produced in collaboration with Agfa are designed for newspaper offset printing. Thanks to the success of the Polaris, the launch of new systems and the consolidation of the market, Agfa currently has a global market share of more than 50%.

Value factors and competitive advantages

basysPrint

basysPrint platesetters are distinguished by their user-friendliness, flexibility, and reliability. They lay the foundation for exceptionally high-quality printing.

In terms of flexibility, the new basysPrint platesetters are unequalled. They are the only platesetters that can not only process different plate formats, but also different plate types and plates from more than thirty different producers.

Moreover, printers can continue to use conventional plates for their offset printing, and such plates are still cheaper than the plates specially developed for other CtP imagers. As a result, the basysPrint technology considerably lowers the threshold for filmless printing, especially for medium-sized presses printing relatively high volumes, for which the cost of the plates is a decisive factor. In the past, the price difference between digital plates and conventional plates was over 50%. Today, that price difference has been considerably reduced, although it can vary greatly from region to region. For instance it is still up to 30% in Latin America, while in Europe and Asia the price difference is a mere 10%.

In comparison with other CtP technology, the UV CtP technology used by basysPrint is the most ecological. It uses less chemicals, and mainly harmless ones. The new basysPrint platesetters are also significantly more economical with energy (2 kWh as opposed to 8.3 kWh for thermal CtP systems). During printing, less waste is produced because conventional plates start up more quickly.

ThermoFlexX

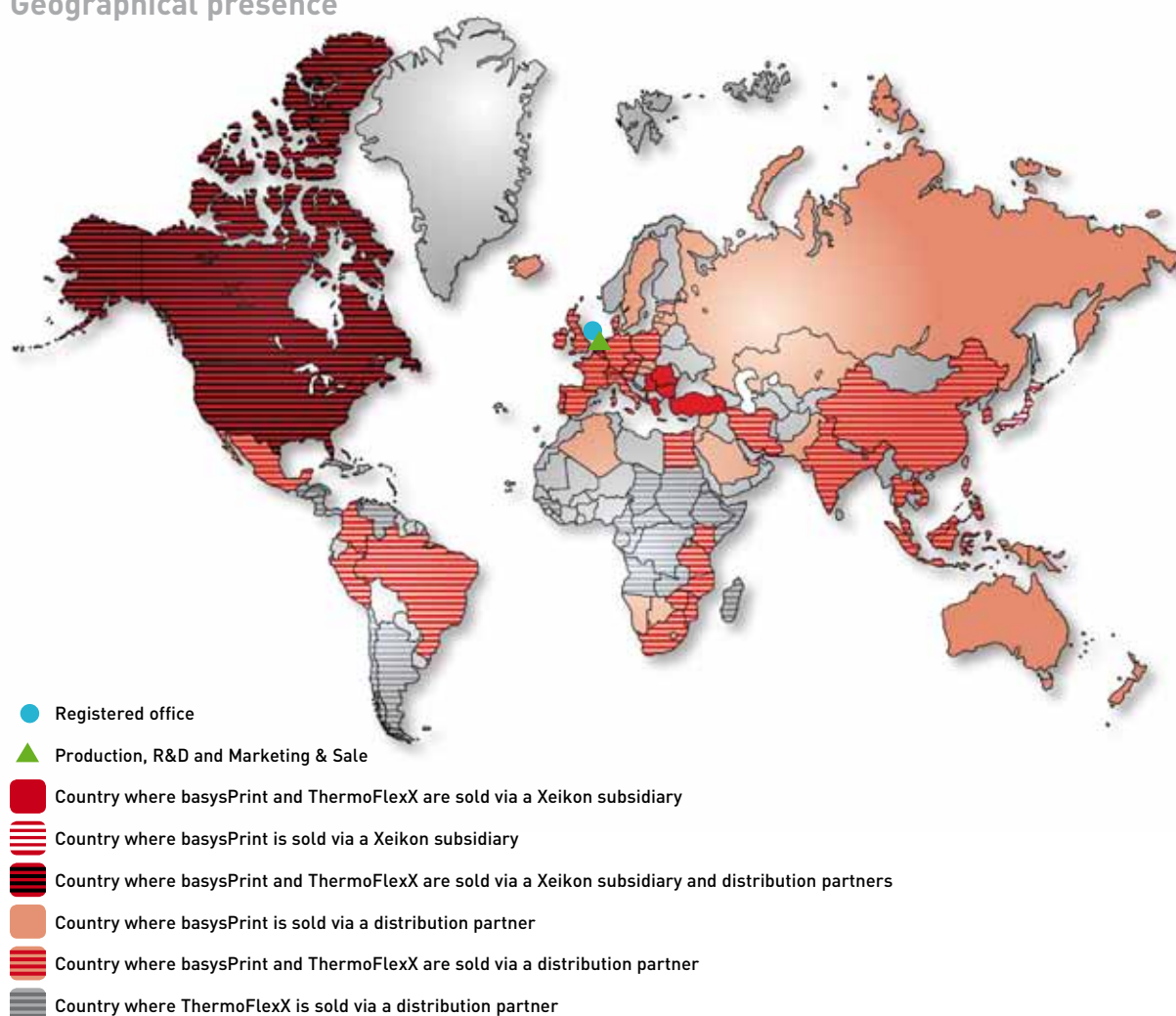
The ThermoFlexX imagers can, if required, offer the highest resolution: 5080 dpi. As well as their resolution, ThermoFlexX imagers have other unique advantages:

- A progressive clamping system ensures that the plate can be immediately mounted on the drum.
- Thanks to vacuum sliders on the drum, smaller parts of plates can also be exposed easily, ensuring that printers are able to use the remnants of used plates.
- The hybrid drum means that plates can be mounted either using a vacuum or magnetically (for plates with a metal back).

Agfa

The Polaris X and Advantage N platesetters distributed by Agfa are robust, proven systems that still lead the field in terms of imaging speed and reliability.

Geographical presence



Just as it is for Digital Printing Solutions, a local presence is also very important for Prepress Solutions. A network of distribution partners distributes basysPrint solutions globally on a non-exclusive basis. In some countries, basysPrint solutions are distributed and supported by Zeikon subsidiaries, which also distribute and support Zeikon solutions.

The ThermoFlexX solutions will be sold worldwide via dealers. In 2012 a first dealer was appointed, with responsibility for Europe. The existing Zeikon network offers support for the service. Zeikon America Inc is now also responsible for distribution and service for the entire ThermoFlexX range in the US and Canada.

The systems developed in collaboration with Agfa are manufactured in Belgium and distributed and supported globally by Agfa.

Growth potential

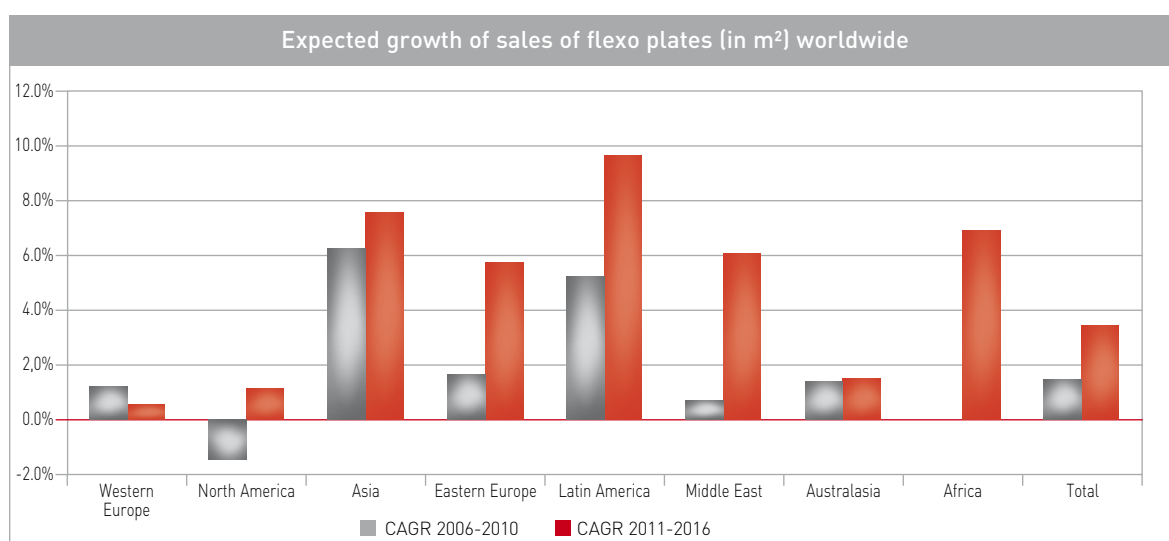
After a dip in 2009, the use of CtP systems, especially in the 8-page format segment, has grown strongly in the past few years. According to a study by research firm VSM, the worldwide user base for CtP systems will continue to expand until 2014 in the following

segments: 8-page format (8-up), newspapers (NP) and large format (VLF). The 2- and 4-page format segments (2-up and 4-up) are continuing their downward trend, mainly due to market consolidation. The growth markets in particular still offer strong prospects. The market for newspaper print should shrink.



Source: VSM 2010 – Prospects up to 2015

As far as the growth potential of flexographic printing is concerned, research firm Pira expects sales of flexo plates to increase worldwide up to 2016 with a combined annual growth rate of 3.4%. Pira sees more growth potential in the growth markets of Latin America (9.8%), Eastern Europe (5.8%, with 10% for Russia), and Asia (7.5% - Pira expects especially strong growth in China, India, and South-East Asia).



Source: Pira 2011 – The future of flexographic printing

Achievements

Global presence

A network of distribution partners distributes basysPrint solutions globally on a non-exclusive basis. The systems developed in collaboration with Agfa are manufactured in Belgium and distributed and supported globally by Agfa. The ThermoFlexX solutions will be sold worldwide via dealers. In 2012 a first dealer was appointed, with responsibility for Europe. The existing Zeikon network offers support for the service. Zeikon America Inc is now also responsible for distribution and service for the entire ThermoFlexX range in the US and Canada.

Top 3 player in chosen niche markets

With a sizeable market share, the CtP systems marketed by Agfa occupy the number one position in the newspaper printing segment. basysPrint is active in the commercial printing segment. In view of their unique flexibility, basysPrint imagers are also very popular with service firms and tradeshops. Zeikon aims to be among the top 3 with ThermoFlexX.

Recurrent revenues

Recurrent revenue is confined to maintenance and support contracts.

Growth

Market researchers including VSM expect the worldwide user base for CtP systems to continue growing until 2014 in the following segments: 8-page format, newspapers and large format. Sales during 2012 from Prepress Solutions activities fell by 7% in comparison with 2011. This drop is due to increasing competition from Chinese suppliers and the difficult market conditions in the conventional offset printing market. In 2012, Zeikon launched a new line of products for basysPrint which should prove an effective response to the increasing competition. Zeikon also plans to respond to the fierce competition with ThermoFlexX.

Sustainable entrepreneurship and sustainable innovation



Well-balanced personnel policy

Sustainable entrepreneurship means doing business in a way that takes account of people, safety, and the environment. Zeikon aims to minimize the impact its products and services have on man and the environment through sustainable innovation. By pursuing sustainability, it also creates the conditions for a safe and healthy working and living environment for all stakeholders. For Zeikon, sustainable entrepreneurship and sustainable innovation are an ongoing process in which the bar is being raised ever higher.

A well-balanced personnel policy is a key element in lasting success. A company can only maintain and reinforce its competitive edge by attracting and retaining suitable people. Zeikon is committed to honesty and transparency, and ensures that it lives up to its reputation as an attractive employer. It offers a safe, professional, and pleasant working environment where personal initiative is encouraged and employees are given the opportunity to develop to their full potential.

Equal opportunities

Zeikon is an equal opportunities employer, so it does not differentiate on the grounds of gender, age, race, religion, sexual orientation, or political preference. No such discrimination in any form is tolerated. Zeikon applies the principle of equal opportunities and sees to it that disabled people can be employed wherever possible.

Healthy work-life balance

Zeikon is aware that its future will depend on the extent to which it succeeds in recruiting and retaining suitable people. It therefore allows flexible working hours and tries to help its employees achieve a healthy work-life balance wherever possible. Zeikon has a personnel-friendly policy in respect of maternity and parental leave.

Sustainable product development

Although producing printed material is perhaps not always the best environmental choice per se, there are some sound ways in which its impact on the environment can be minimized. Zeikon's unique solutions all have a feature in common: they all make one or more intermediate stages in the traditional offset printing process redundant. The pursuit of sustainability is visible in all phases of product development, from concept and design to manufacturing.

Concept and design

The RoHS (Restriction of Hazardous Substances) Directive is a European regulation that restricts the use of certain hazardous substances in electrical and electronic equipment. All group products satisfy the requirements of this directive. New products are also designed to be as energy-efficient as possible. But that is not all.

Digital Printing Solutions

Digital printing technology prints documents directly from digital files onto paper or another substrate. Therefore digital printing is also known as direct-to-press or direct-to-paper. The digital printing process eliminates a number of costly, time-consuming stages in the traditional printing process, especially film exposure, plate production and mounting. There are no start-up costs involved in the digital printing process, so it enables small high-quality print runs to be produced cost-effectively. Print-on-demand is becoming a reality – print what you want, where you want. By only printing what is needed, superfluous stocks are avoided. Print-ready files can be sent to local printers digitally. This minimizes transportation of printed materials, which in turn reduces exhaust emissions.

In its product development work, Zeikon is guided by some important environmental objectives:

- The products must comply with existing environmental directives and must anticipate environment-related product standards and customer needs (RoHS, Eco-tex, Swan Label, California 65, etc.).
- Zeikon wants to reduce recycling costs of Zeikon presses, consumables and the printed material produced.
- Zeikon aims to minimize the environmental impact of its products throughout their entire life span.

Its product design strategy is based on the following principles: replacing or reducing the raw materials used, improving process efficiency, optimizing energy consumption and product life cycles and improving product disposal and recyclability.

Zeikon presses are environmentally friendly: they produce no hazardous emissions of volatile organic compounds (VOCs), and because they are equipped with a closed loop circulation cooling system, they do not use any process water. An independent study by VITO shows that Zeikon presses deliver considerable energy savings. Compared with the traditional offset process, a Zeikon machine consumes more than 6 kilowatt hours less in a typical print run of 5,000 A3 sheets printed on both sides. For the same print run, the offset process consumes 6 liters of process water, whereas a Zeikon machine uses none at all.

The materials printed on Zeikon presses are also environmentally friendly. Recyclability of printed matter is becoming more important with every year. Zeikon printed matter is guaranteed to be recyclable: the toner can be removed without any problems and contains no hazardous substances. Zeikon has played an active and pioneering role in numerous working groups on the recyclability of printed matter. Zeikon toner contains no heavy metals, softening agents or ingredients on the list of products to be avoided, so



that, for example, it can be used for printing on toys. Xeikon toners are ECO-Tex-compliant, which means that they are not harmful if they come into contact with the skin.

The QA toner system, launched in 2010, builds on the success and technology of the FA toner generation. However, a step further has been taken in the area of environmental friendliness and safety. As the Xeikon V2 toner and FA toner were before them, the QA toners have been found to meet FDA standards for food packaging applications, and some combinations are suitable for direct contact with dry and/or non-oily food. Various migration tests have also demonstrated that the QA-I toner effectively complies with numerous European packaging standards for food safety. Moreover, the QA toners have been found to be Ames-negative, meaning that they do not have any mutagenic effect on living organisms. Tests have also shown that they are not harmful to aquatic organisms.

For the new Trillium technology too, toner systems and toner ingredients have been chosen that meet the same stringent requirements in terms of recyclability, absence of harmful substances and human and environmental safety.

Xeikon printing presses have received many accolades in the past, not only for the quality of their design but also for their environmentally-friendly and innovative features. In 2003, the Xeikon production line was awarded the 2003-2004 Belgian Environment Prize⁽⁹⁾, and in 2007 Xeikon, when it was still Punch Graphix, won the Dutch Packaging Supply Chain Prize⁽¹⁰⁾ for its intelligently structured packaging supply chain. In collaboration with all the parties involved, Xeikon created an intelligent total concept with reusable packaging that is optimally adapted to each of the stages in the logistics process. Because the packaging is reusable, its impact on the environment is minimal. The toner is supplied in recyclable HDPE bottles. A program is also currently underway to provide the photo-sensitive rolls with recyclable packaging. This should result in 2013 in a further reduction in the environmental impact of printing with Xeikon machinery.

Prepress Solutions

Computer-to-Plate, or CtP, is a digital technology in which the text and images to be printed are imaged straight onto a light-sensitive printing plate using a special light source, after which the plate is used in the traditional printing process. This is where the CtP method differs from the traditional analogue method of plate imaging. In the traditional process, a negative or positive film of the information to be printed has to be made first, and is then copied onto the printing plate to be used in the printing process. The film exposure stage is redundant. No silver-containing printing films are produced, therefore reducing the impact on the environment.

In comparison with other CtP technologies, basysPrint platesetters are even more environmentally efficient: for the development of conventional (analogue) printing plates, not only is less developer needed, but an alkaline solution is also used which – by contrast with the acidic solutions for digital plates – is not harmful to the environment. Moreover, the development of conventional printing plates consumes less energy. So basysPrint platesetters contribute to a healthy production environment, reduce the amount of chemical waste, and cut waste processing costs. More environmentally efficient printing plates are coming onto the market for violet laser plate setters as well. These processless printing plates can be used on the press without chemical processing and thus without the need for process water or chemicals.

Manufacturing

The EU WEEE (Waste Electrical and Electronic Equipment) Directive is strictly complied with in all factories. The main aim of this directive is to reduce the annual volumes of waste from discarded equipment. The directive encourages recycling and other forms of re-use. The objectives of the Environmental Action Plan (MAP) for energy conservation and promoting the use of renewable energy are also pursued. All factories have separate systems that remove wastewater and rainwater separately, thus reducing the pressure on wastewater processing.

The toner factory in Belgium in particular has made some remarkable efforts. For example, it has invested heavily in optimizing its energy consumption. The factory uses heat recovery and efficient compartmentalization and zoning, resulting in a reduction in energy consumption of more than 35% over the past years. With effect from January 1, 2010, a switch has also been made to using exclusively green electricity. The Xeikon toner factory is the first toner factory whose production processes are virtually CO₂-neutral.

In line with the example of the toner factory at Heultje, since January 1, 2012 the Belgian sites at Ypres and Lier have also used exclusively green electricity.

Not only energy consumption has been tackled successfully. The toner factory has also introduced some intelligent measures that have brought about a dramatic reduction in the volume of waste it produces. Some waste fractions are reused in the production of new toner. Others are compressed with wood pulp for use as fuel in the cement industry. Packaging materials are recycled, and the volume of packaging waste is being kept to a minimum thanks to the use of raw materials in bulk packaging. The volume of waste produced over the past years has decreased by more than 50%.

This focus on environmentally friendly production methods can also lead to better products, as was strikingly illustrated in 2010 by the latest generation of QA toner. This toner is a mechanically produced, jet-milled toner, whose performance closely resembles that of chemically produced toner. The latter involves a production process that initially uses less energy, but this advantage is cancelled out by the energy consumption in the drying process, the emission of volatile organic compounds (VOCs) and the required waste water treatment. Xeikon has adapted its existing production techniques, as a result of which its QA toner offers all the advantages of chemical toner, without any of the disadvantages.

Raising awareness

In 2012, Xeikon was involved in the development of EcoPrint. This two-day event in Berlin was targeted at customers, suppliers and printers for commercial, packaging and POP printing. The aim was to bring together all those with an interest in the theme of sustainable printing. As one of the pioneers of sustainable and ecologically responsible production and printing, Xeikon was closely involved in determining the event's focus and content from the start. Xeikon was also present with an information stand at which visitors could discover the group's integrated sustainable approach. Information was exchanged about a wide range of aspects of sustainable printing: waste processing, solvent-free printing, recycling, the use of cardboard instead of plastic, paper production and climate change. Large numbers of visitors attended EcoPrint. There is increasing awareness that sustainability is a chain issue: every link in the value chain has to make an effort.

At Labelexpo Americas 2012, Xeikon sponsored two sustainability initiatives: Ecovillage and Global Green Awards. In Ecovillage, waste from the live demonstrations of participating exhibitors such as Xeikon was collected and converted into fuel pellets. The Global Green Awards is an annual competition for suppliers of label printers. The awards go to suppliers that are working to minimize the environmental impact of the label industry.

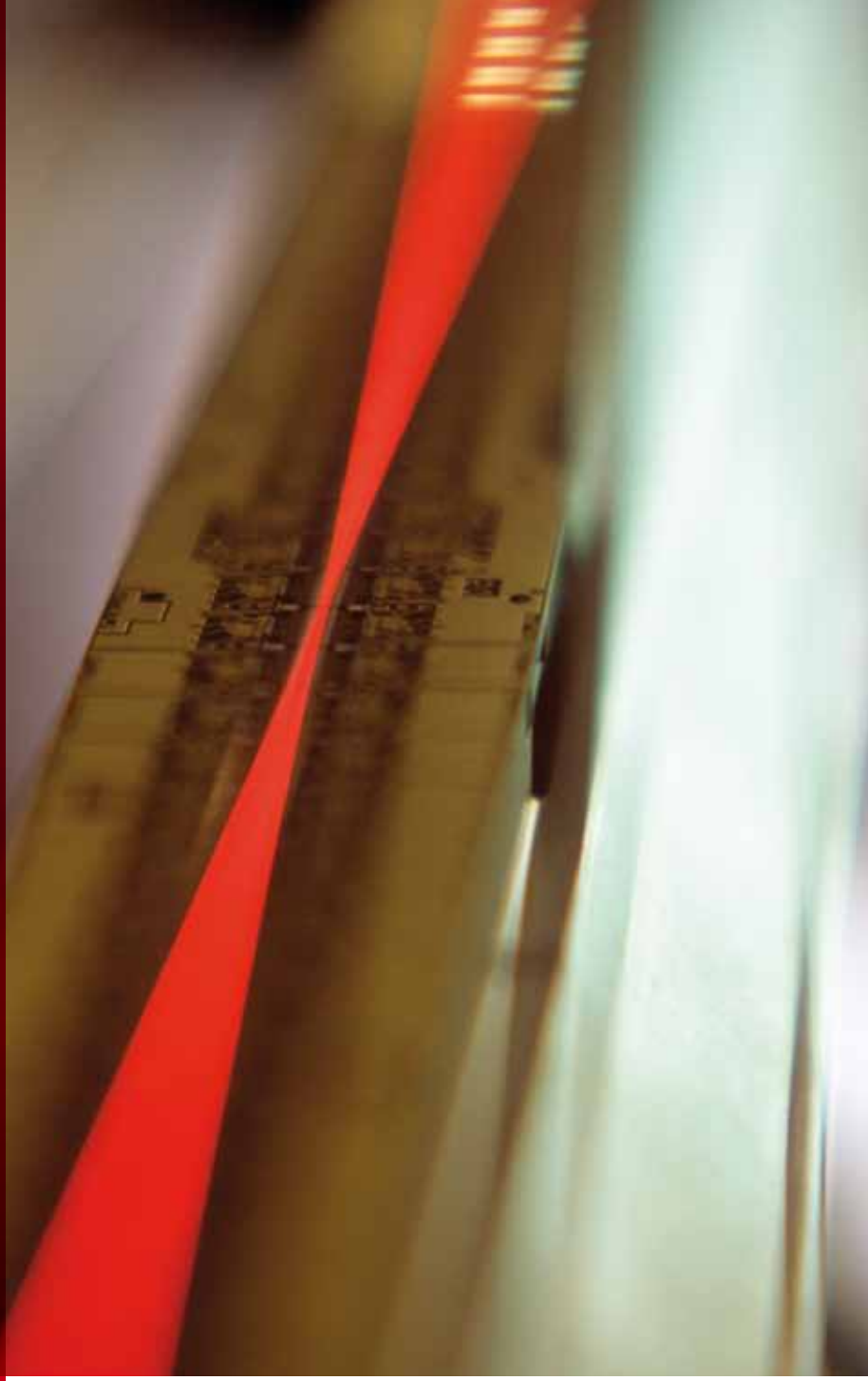
Ongoing quality assurance

By rigorously monitoring its manufacturing processes, Xeikon ensures that its product range meets the highest international quality standards.

The factories in Ypres and Lier (Belgium) are ISO 9001:2000 certified.



Report of the Supervisory Board



Annual accounts and dividend proposal

Sales remained virtually constant at 130.2 million euros (2011: 129.8 million euros). The net profit was 9.0 million euros, 29% higher than last year (2011: 7.0 million euros).

2012 was dominated by DRUPA, the world's largest graphics trade fair, held every four years. Xeikon presented an almost complete overhaul of its product portfolio there. The Trillium technology was also demonstrated. This technology is eminently suited to extending Xeikon's digital portfolio for high-volume applications, and is Xeikon's answer to inkjet. Trillium enables high print quality to be combined with higher productivity and lower variable costs, and achieves this without compromising on ecological sustainability.

Traditionally, a DRUPA year is characterized by a difficult first half, but this was amply compensated for during the second half.

At Prepress Solutions, sales fell again by over 7%, mainly due to the continuing difficult market conditions on the conventional offset printing market and competition from Chinese suppliers. The overhaul of the basysPrint portfolio should further increase competitiveness, and the introduction of the ThermoFlexX product line will reduce the dependence on the conventional offset printing market.

At Digital Printing Solutions, a sales increase was achieved. Turnover from equipment sales increased further, in both the Labels & Packaging and the Document & Commercial segment.

This annual report contains the annual accounts for the 2012 financial year, which have been supplied with an unqualified audit opinion. We recommend that the shareholders adopt this annual report and grant discharge to the Executive Board for the policy it pursued and the Supervisory Board for the supervision it performed during the last financial year.

The Supervisory Board agrees with the Executive Board's proposal that no dividend be distributed for the 2012 financial year.

Role of the Supervisory Board

Supervision of the policy and its execution by the Executive Board of Xeikon N.V. is entrusted to the Supervisory Board, which, in the two-tier control structure under Dutch law, has to be regarded as a separate control organ operating independently of the Executive Board. Among other things, this independence is expressed in the requirement that members of the Supervisory Board cannot be members of the Executive Board nor employees of the company.

The Supervisory Board acts in the interest of the company and supervises and advises the Executive Board in the execution of its management tasks and the definition of the strategic direction. Important management decisions must be submitted to the Supervisory Board for approval. The Supervisory Board supervises the structure and systems of internal control and financial reporting. It also establishes the remuneration of individual members of the Executive Board within the limits approved by the General Meeting of Shareholders. More information on the tasks and powers of the Supervisory Board can be found on page 73 onwards of this annual report.

Composition, profile and remuneration of the Supervisory Board

The Supervisory Board aims to have the appropriate combination of knowledge and experience among its members in relation to the nature of the company. Full personal details of the current members of the Supervisory Board can be found on page 70. The board members are appointed for a period of four years. The Supervisory Board has drawn up a profile for its size and composition, taking account of the nature of the company and its subsidiaries and the desired expertise of its members. The principles of the profile can be found in an annex to the Rules governing the Supervisory Board, which are posted on the company's website. On the basis of these principles, the Supervisory Board approved a more detailed profile in 2007. This profile is also available on the company's website. The current composition of the Supervisory Board meets the requirements set, and we rate it as adequate.

Wim Deblauwe resigned as a supervisory director with effect from October 5, 2012. In early September he accepted the role of Vice President North Europe at Betafence, and wishes to concentrate fully on it. The Supervisory Board respects this decision and would like to thank Wim Deblauwe for the stimulating and guiding role that he has played for the group for many years. The Supervisory Board wishes him every success with his further career.

It was announced on October 8, 2012 that Wim Maes would retire as CEO with effect from January 1, 2013. He is succeeded as CEO by Frank Deschuytere. The Supervisory Board is very grateful to Wim Maes for what he has achieved over the past three years. He has laid a sound financial platform for the group and established a clear strategic focus and a good product range. Wim Maes has also made an important contribution to the development and streamlining of the sales and service organization, so that Xeikon's customers can count on a professional and dedicated sales and service network. After deliberation, the Supervisory Board has decided that it is better at the present time to keep Wim Maes working for the company in an operational capacity than to propose him as a supervisory director right now. For this reason, Wim Maes' appointment as a supervisory director of Xeikon will now not be included on the agenda of the General Meeting of Shareholders of May 28, 2013.



Plenary activities and meetings of the Supervisory Board

Since October 5, 2012, the Supervisory Board consists of the following members:

- Herman olde Bolhaar, independent, chairman
- Gerard Cok, non-independent
- Arthur Vanhoutte, independent

The remuneration of members of the Supervisory Board is approved by the General Meeting of Shareholders and is 25,000 euros for the chairman and 20,000 euros for the other members.

During the year under review, the Supervisory Board met nine times. None of the members of the Supervisory Board was absent on a regular basis. The members of the Executive Board were present at these meetings except when conflicts of interest arose, during discussions on the composition and functioning of the Executive Board and during discussions on the remuneration, performance and functioning of the individual members of the Executive Board.

In line with best practice provision III.1.8 from the Dutch corporate governance code, the Supervisory Board discussed the risks associated with the company and the Executive Board's reporting on the internal risk management and control systems.

The Supervisory Board discussed its own functioning in the course of 2012.

Audit Committee

The Audit Committee assists the Supervisory Board in the execution of its responsibility to supervise the integrity of the financial reporting, the reporting process, the system of internal controls and risk management, and the choice of the external auditor. During the year, the Audit Committee consisted of Herman olde Bolhaar, Gerard Cok, and Arthur Vanhoutte. More information on the tasks, powers and composition of the Audit Committee can be found on page 85 onwards of this annual report.

The Audit Committee met once in 2012: on February 22, 2012. The external accountant attended this meeting, at which the annual figures were among the topics discussed. Reference is also made to the meetings of the Supervisory Board, at which the powers of the Audit Committee were discussed, as well as topics such as taxation, deferred tax assets, risk areas such as hedging, currency fluctuations and insurance, and outstanding claims and disputes. In view of the company's size, there is no internal auditor. There are various control measures in place to cover this function; these are explained in the section on 'Internal systems' on page 106.

Selection, Appointment and Remuneration Committee

Given the relatively small size of the company, the Supervisory Board decided to combine the powers of the selection and appointment committee and the Remuneration Committee into one committee, the Selection, Appointment and Remuneration Committee. During the year, the committee consisted of Herman olde Bolhaar, Gerard Cok, and Arthur Vanhoutte.

More information on the tasks, powers and composition of the Selection, Appointment and Remuneration Committee can be found on page 88 onwards of this annual report.

The committee met four times in 2012: on May 8, June 28, September 11 and December 20, 2012. In the area of remuneration and appointment and salaries, topics discussed included the individual remuneration of the members of the Executive Board. With effect from the 2008 financial year, the remuneration of the members of the Executive Board has been linked to the company's performance. These stock appreciation rights have already been approved in principle, but have not been elaborated.

Conclusion

Remuneration for Wim Maes and Kees Vlasblom, members of the Executive Board, and Frank Deschuytere, the new member of the Executive Board, was discussed in detail and established by the committee. A significant portion of the income is linked to the company's performance. No changes were made to the remuneration of the supervisory directors.

Frank Deschuytere was appointed as CEO with effect from January 1, 2013. He succeeded Wim Maes, who joined the Supervisory Board. Frank Deschuytere's appointment fits with Xeikon's strategy of extending and reinforcing the technology platform. At the General Meeting of Shareholders of May 28, 2013, Frank Deschuytere will be proposed as CEO and statutory director.

For an overview of the remuneration of the members of the Executive Board during the year under review and the current financial year, see page 90 of this annual report.

In 2012, we reaped the rewards of the efforts that have been made over the past few years. 2012 was concluded with strong results. On behalf of the Supervisory Board, I would like to thank all stakeholders for their great dedication. It is thanks in part to them that today we have a financially sound group with good future prospects.

Eede, April 16, 2013

Herman olde Bolhaar

Chairman of the Supervisory Board

Report of the Executive Board



General

Compared with 2011, sales remained virtually constant at 130.2 million euros (2011: 129.8 million euros). The net profit was 9.0 million euros compared with 7.0 million euros in 2011 (up 29%).

Significant events during the year

Market launches at DRUPA

In May 2012, Zeikon took part in DRUPA, the world's most prestigious graphics trade fair which is held every four years. The 2012 fair provided a platform for the official market launch of new products. Many customers waited until DRUPA to place equipment orders.

For Digital Printing Solutions, Zeikon launched the Zeikon 8500, Zeikon 8600 and Zeikon 8800 presses for the document and commercial printing market (Document & Commercial) and the Zeikon 3030Plus for the labels and packaging market (Labels & Packaging). Visitors to the fair were also able to discover the new MyPress operating software and Zeikon's cloud solution for color management, Zeikon Color Control. In addition, a new technology, Trillium, was demonstrated which makes printing possible at up to six times the speed of the current digital printing systems. Zeikon expects to commercialize this technology in a few years' time. For Prepress Solutions, basysPrint introduced its new generation of UV platesetters, the 460x and 860x series, as well as UV platesetters for very large formats (VLF). Zeikon also presented its new ThermoFlexX product line to the public at the fair.

Zeikon's participation at DRUPA was a success. For both Digital Printing Solutions and Prepress Solutions, it recorded substantial orders, worth more than 23 million euros or over 40% of the equipment turnover reported for 2011.

Technology Award for X-800 plug-in

In July 2012, Zeikon received the 2012 InterTech Technology Award for its X-800 VariLane, a software plug-in for the X-800 digital front-end. The X-800 VariLane has been specially developed to give label printers more flexibility. Thanks to this plug-in, labels of different sizes can be simultaneously printed in parallel lanes, benefiting both productivity and cost. The material on which the labels are printed is used more efficiently, yielding a cost saving of up to 30%.

Launches at Labelexpo Americas

In mid-September 2012, Zeikon took part in Labelexpo Americas 2012, launching its Vectorizer, a new plug-in for the X-800 digital front-end for driving the laser die-cutting devices that cut out the different labels. A patent application for Vectorizer is in progress. Zeikon also demonstrated its new transparent and scratch-resistant Durable Clear Toner at the fair. This toner is suitable for application as a spot varnish layer. As a result, for example, certain parts of an image can be varnished while others are left unvarnished. For labels and packaging, this can be useful: for instance, it allows a use-by date to be applied later or makes it easier to glue together the packaging. Because the toner is applied digitally in the press's fifth color station, printers no longer necessarily have to invest in extra varnishing equipment.

In addition, Xeikon sponsored two sustainability initiatives at the event: Ecovillage and Global Green Awards. In Ecovillage, waste from the live demonstrations of participating exhibitors such as Xeikon was collected and converted into fuel pellets. The Global Green Awards is an annual competition for suppliers of label printers. The awards go to suppliers that are working to minimize the environmental impact of the label industry.

Post-balance sheet events

On January 8, 2013, Xeikon announced that it was holding initial talks with a party that had expressed an interest to Xeikon in making a public offer for its shares. Xeikon emphasized that the parties were then in the initial phase of their talks, and that if developments so required, further communication would immediately take place in accordance with legal requirements.

Key figures

The group's EBITDA for 2012 was 32.0 million euros, an increase of 5% on 2011 (30.5 million euros). The operating result (EBIT) for 2012 increased by 4% to 20.2 million euros (2011: 19.5 million euros). The net

profit for 2012 was 9.0 million euros (2011: 7.0 million euros), including the negative result on the stake in Accentis of 7.7 million euros (2011: negative result of 7.7 million euros).

IFRS	31-12-2012	31-12-2011	Difference
<i>in million euros</i>			%
Sales	130.2	129.8	+0
Operating income	132.8	134.0	
EBITDA (1)	32.0	30.5	+5
Operating result (EBIT)	20.2	19.5	+4
Result before tax	13.0	11.5	
Net result	9.0	7.0	+29
Earnings per share (in euro per share)	0.35	0.28	
REBITDA (2)	32.0	30.5	
REBIT (3)	23.8	21.5	

(1) EBITDA is not a defined IFRS term. Xeikon defines it as the result obtained by taking the operating result, adding depreciation and amortization costs, impairments of current assets and provisions and subtracting any reductions of these items.

(2) REBITDA - recurrent EBITDA: EBITDA adjusted for one-off (non-recurring) elements.

(3) REBIT - recurrent EBIT: EBIT adjusted for one-off (non-recurring) elements.

Discussion of the annual results

Sales and operating income

Compared with 2011, sales remained constant. Sales rose by 3% at Digital Printing Solutions, but were down at Prepress Solutions. The main developments are as follows:

- Prepress Solutions sales during 2012 fell by more than 7% from their 2011 level. This drop was due to increasing competition from Chinese suppliers and the difficult market conditions in the conventional offset printing market. Sales during 2012 for the Digital Printing Solutions segment increased, despite difficult market conditions.
- Equipment sales in 2012 were up 5% compared with 2011.
- Recurring income from consumables and service activities fell by 3.4%. This fall mainly took place during the first quarter, and was due to a number of specific customers from North America that experienced sales losses. In the other regions, recurring income remained stable. In the second half of the year, recurring income was up 3.3% on its level in the second half of 2011.
- In geographical terms, sales rose in Europe (+6.1%), but fell in North and South America (-8.4%) and Asia (-7.1%).
- Sales in the second half of the year represent 57% of the total for the year.

Operating income was 132.8 million euros, compared with 134.0 million euros in 2011. Other operating income was 2.6 million euros (2011: 4.2 million euros), and consisted mainly of grants received and R&D costs passed on to third parties.

Consolidated	2012	2011
<i>in thousand euros</i>		
Sales per segment		
Digital Printing Solutions	98,643	95,694
Prepress Solutions (CtP)	31,584	34,086
Total sales	130,227	129,780
Sales per activity/product		
Equipment	59,204	56,226
Consumables, Service & Other	71,023	73,554
Total sales	130,227	129,780
Sales per region		
Europe	81,860	77,123
Americas	37,511	40,970
Asia (including Australia and New Zealand)	10,856	11,687
Total sales	130,227	129,780

EBITDA

Compared with the previous financial year, EBITDA rose 5.5% to 32.0 million euros (2011: 30.5 million euros).

This increase in EBITDA in 2012 compared with 2011 was due to strict cost management, efficiency improvements and a better product mix.

Consolidated	2012	2011
<i>in thousand euros</i>		
Consolidated	32,044	30,468
Non-recurring elements	0	0
REBITDA	32,044	30,468

REBITDA - recurrent EBITDA: EBITDA adjusted for one-off (non-recurring) elements

Operating result (EBIT)

The operating result (EBIT) was 20.2 million euros, which represents a 4% increase on 2011 (19.5 million euros). This increase is due to strict cost management, efficiency improvements and a better product mix compared with 2011. In overall terms, depreciation, impairments and provisions increased by 1.0 million euros in 2012 from their level in 2011. The details are as follows:

- Depreciation decreased from 9.0 million euros in 2011 to 8.2 million euros in 2012.
- Non-recurring impairment losses were 1.5 million euros in connection with customer receivables (2011: 0.3 million euros), and 1.7 million euros in connection with inventory (2011: 1.6 million euros). The group recorded 0.4 million euros of provisions in 2012 (2011: nil).

Consolidated	2012	2011
<i>in thousand euros</i>		
Consolidated	20,160	19,514
Non-recurring elements:		
On EBITDA	0	0
Impairment losses on current assets and provisions	3,659	1,944
REBIT	23,819	21,458

REBIT - recurrent EBIT: EBIT adjusted for one-off (non-recurring) elements



Financial result and result before tax

The net financial result in 2012 was a gain of 0.6 million euros (2011: a loss of 0.3 million euros). The result before tax was 13.0 million euros (2011: 11.5 million euros).

Xeikon recognized a negative result of 7.7 million euros from its stake in Accentis in 2012 (2011: 7.7 million euros). This negative result was due to an impairment to reflect a fall in the value in use of Accentis.

The tax burden in 2012 was 20% (2011: 24%) of the result before tax adjusted for the share in the result of associates.

Net result – group share

The group share in the net profit was 9.0 million euros, compared with 7.1 million euros in 2011.

Balance sheet

Shareholders' equity at the end of the reporting period was 185.7 million euros. This represents a net increase of 8.5 million euros from last year, mainly arising from the net profit for the year (9.0 million euros) and purchases of treasury shares (-0.3 million euros).

At the end of the financial year, Xeikon had a 8.3 million euros debt receivable from Punch International (2011: 7 million euros) and a 26.6 million euros debt receivable from Accentis (2011: 26.6 million euros); both are shown under long-term receivables.

Net financial debt fell from 29.0 million euros to 10.8 million euros.

Consolidated	2012	2011
<i>in million euros</i>		
Non-current assets	177.0	187.5
Current assets	54.5	53.3
Cash and cash equivalents	29.6	21.6
Total assets	261.1	262.4
Shareholders' equity	185.7	177.2
Interest bearing loans & borrowings	40.4	50.6
Other liabilities	35.0	34.6
Total liabilities & equity	261.1	262.4
Net financial debt	10.8	29.0
Net financial debt / EBITDA	0.34	0.95
Solvency	71%	68%



Information about financial loan agreements

Cash flow statement

Cash from operating activities was 26.3 million euros for 2012, resulting from an operational cash flow of 25.5 million euros and a decrease in working capital of 0.7 million euros.

The investment cash flow totaled -7.7 million euros, and consisted among other items of the capitalization of 5.6 million euros of R&D projects and the provision of 1.3 million euros of additional funds under the current loan agreement with Punch International (amount receivable as at December 31, 2012: 8.3 million euros).

Cash from financing activities came to -10.5 million euros (2011: -11.6 million euros), and included the repayment of 10 million euros on the syndicated loan taken out with a bank consortium.

Consolidated	2012	2011
<i>in million euros</i>		
Operational cash flow	25.5	28.3
Cash from working capital	+0.7	-14.3
Cash from operating activities	26.3	14.0
Cash used in investing activities	-7.7	-3.0
Cash from financing activities	-10.5	-11.6
Foreign exchange	0.0	0.6
Net cash flow	8.0	0.0
Cash and cash equivalents end of period	29.6	21.6

The group has a syndicated loan with a bank consortium for which contractual provisions are made in covenants that are assessed on a half-yearly basis. The outstanding amount was reduced by 10 million euros during 2012; the balance at the end of 2012 was 35 million euros (2011: 45 million euros). In 2012 Zeikon was again in compliance with all conditions set in the covenants.

Changes in the Supervisory Board and Executive Board

It was announced on October 8, 2012 that Wim Deblauwe had resigned as a supervisory director with immediate effect. On the same date it was announced that Wim Maes, who until December 31, 2012 was Zeikon's CEO and statutory director, would be proposed to the General Meeting of Shareholders of May 28, 2013 as a member of the Supervisory Board. After deliberation, the Supervisory Board has decided that it is better at the present time to keep Wim Maes working for the company in an operational capacity than to propose him as a supervisory director right now. For this reason, Wim Maes' appointment as a supervisory director of Zeikon will now not be included on the agenda of the General Meeting of Shareholders of May 28, 2013.

Research and development

Research and development is an essential success factor for our company. Zeikon strives to use sustainable innovation to limit any negative impact of its products and services on man and the environment. For Zeikon, sustainable entrepreneurship and sustainable innovation are an ongoing process in which the bar is being raised ever higher. The Executive Board has therefore decided to devote a special chapter to this topic in the annual report – see chapter 5 on page 46 and following.

Environmental and personnel affairs

Sustainable entrepreneurship takes account of man, safety and the environment. For information on environmental and personnel affairs, see chapter 5 on page 46 and following.

Use of derivative financial instruments

For a discussion of the use of derivative financial instruments, see the notes to the consolidated annual accounts on page 167 and following. Information on the group's risk management is included separately in chapter 9 (risks and risk management) on page 102 and following.

Corporate governance, information on the capital and control structure and other information for shareholders

Zeikon attaches great importance to corporate governance and transparent information provision. The Executive Board has therefore decided to devote specific chapters to these subjects.

In chapter 8 on page 68 and following, detailed information is provided about the way in which Zeikon applies the relevant principles and best practice provisions of the Dutch corporate governance code.

In accordance with the Decree on Article 10 of the Takeover Directive [article 10 Overnamerichtlijn], further explanation and information is given in chapter 10 on the company's capital structure, the existence of different kinds of shares, their rights and obligations and the percentage of the capital represented by each kind of share. An explanation is also given of the voting rights, the regulations governing the appointment and dismissal of members of the Executive and Supervisory Boards and modifications to the articles of association, as well as the powers of the Executive Board, in particular as regards the issue of Zeikon shares and acquisition of their own shares. Finally, more information is given on special controlling rights associated with shares, participating interests, and arrangements involving a change of control. Any subjects not covered in this annual report where there is an obligation to publish information according to the Decree, are not applicable to Zeikon.

The consolidated annual accounts and statutory annual accounts are included as chapters 11 and 12 on page 116 and following of this annual report. In chapter 11, detailed commentary and notes on the consolidated annual accounts are also provided.

Market developments and prospects

The group does not wish to announce any concrete objectives.

Proposed dividend

The Executive Board proposes that no dividend be distributed for the 2012 financial year.

Purchase of treasury shares

The Executive Board has decided to make use of the authority granted to it to purchase treasury shares. Under this authority, the Executive Board is empowered to purchase treasury shares up to the maximum quantity that may be vested in the company by virtue of the law and the articles of association at the time of acquisition, at a price between their par value and 110% of the stock-market price at the time of acquisition. In its quarterly trading updates, the company will report periodically on the number of treasury shares purchased and the average acquisition price. Since the authority was granted, the company has purchased a total of 3,152,332 treasury shares at an average price of 2.68 euro per share. This represents 10.98% of the total number of shares outstanding. In the course of 2012, Xeikon has purchased 119,580 treasury shares.

Declaration of the Executive Board

For the declaration in accordance with Article 5:25c of the Financial Supervision Act (Wet Financieel Toezicht - Wft), see page 119.

Eede, April 16, 2013

Frank Deschuytere

*Chief Executive Officer,
chairman of the Executive Board*

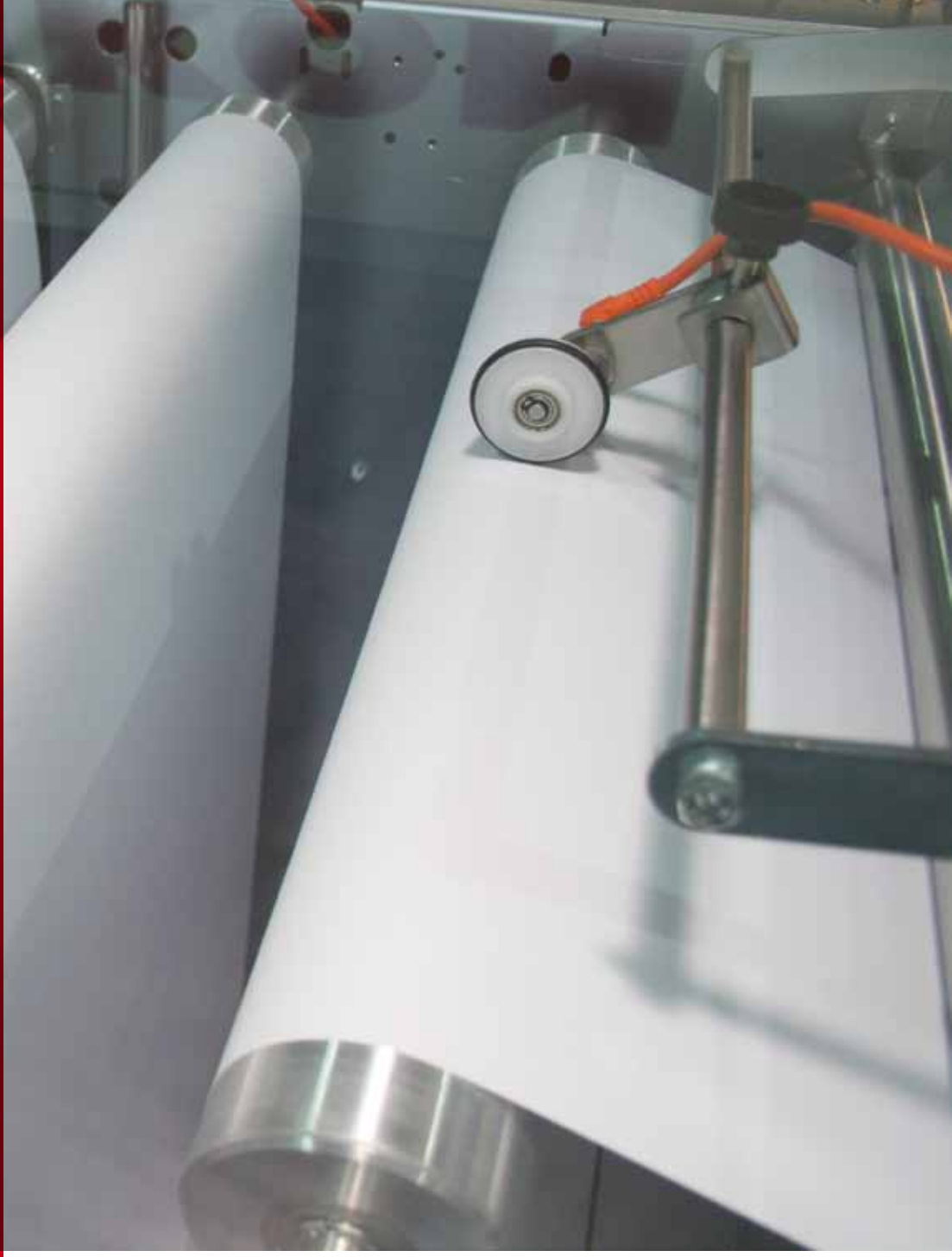
Kees Vlasblom

Chief Financial Officer



8

Corporate Governance



Compliance with and enforcement of the Code

Corporate governance relates to the management of a company, supervision of and accountability for that management, and the manner in which the various stakeholders can influence the decision-making process.

Xeikon attaches great importance to the transparent provision of information to its shareholders, partners, customers, suppliers, employees, and other stakeholders. The Executive Board and the Supervisory Board therefore endorse the principles and recommendations of the Dutch Corporate Governance Code, the Frijns Code (the 'Code') which has replaced the Tabaksblat Code.

Xeikon applies the majority of the principles and best practice provisions of the Code - to the extent that they are applicable. An exception is made with the best practice concerning the independence of members of the Supervisory Board and concerning reservation and dividend policy, as detailed further on pages 71 and 113 of this annual report.

The Rules governing the Supervisory Board state that the implementation of the rules drawn up in accordance with the provisions of the Code is an evolving process and that the Supervisory Board strives to implement their contents as quickly and fully as possible. The Supervisory Board will also take account of the group's specific business situation and will therefore implement these rules gradually and pragmatically.

Detailed information about Xeikon's corporate governance, the corporate governance statement, the rules of the Supervisory Board and its committees and the rules of the Executive Board, can all be found on the group's website (www.xeikon.com) under the 'Investors' chapter.

In 2012, Xeikon complied with the rules of its corporate governance system. Where transactions took place involving potential or actual conflicts of interest of material significance for directors or supervisory directors, these latter abstained from the decision-making process.

Supervisory Board

The Supervisory Board oversees the policy of the Executive Board and the general running of the company and its affiliates. It also advises the Executive Board.

Composition

The number of Supervisory Board members is established by the Supervisory Board after consultation with the Chairman of the Executive Board. During the year, the Supervisory Board consisted of four members. On October 8, 2012 it was announced that Wim Deblauwe had resigned as a supervisory director with immediate effect. On the same date it was announced that Wim Maes, who until December 31, 2012 was Xeikon's CEO and statutory director, would be proposed to the General Meeting of Shareholders of May 28, 2013 as a member of the Supervisory Board. After deliberation, the Supervisory Board has decided that it is better at the present time to keep Wim Maes working for the company in an operational capacity than to propose him as a supervisory director right now. For this reason, Wim Maes' appointment as a supervisory director of Xeikon will now not be included on the agenda of the General Meeting of Shareholders of May 28, 2013.

Herman olde Bolhaar

Chairman of the Supervisory Board

Herman olde Bolhaar studied Economics and Information Technology at the University of Tilburg in the Netherlands (1972). He is, amongst others, a member of the Advisory Board of Yacht, a division of Randstad Holding nv. He was Senior Vice President and Head of the Joint Venture Office of Philips International until February 2008. He started his career at Philips in 1969 and held several executive positions including Chief Financial Officer for various businesses at Royal Philips Electronics. He was appointed to the Supervisory Board on March 3, 2005 and became Chairman of the Supervisory Board of the former Punch Technix nv, now Punch Graphix nv, on April 20, 2006. Herman olde Bolhaar was reappointed as Chairman at the General Meeting of Shareholders of May 19, 2009.

Nationality	Dutch
Date of birth	January 16, 1948
Other board positions	-
Relevant additional roles	Member of the Advisory Board of Yacht, Member of Curatorium Neyenrode
Date of appointment	March 3, 2005

Herman olde Bolhaar currently holds no shares or share options (either directly or indirectly) in Xeikon N.V.

Wim Deblauwe

Supervisory director until October 5, 2012

Wim Deblauwe was active in the financial sector (ING) for five years before joining Xeikon International nv as Chief Financial Officer in 2002. He was later appointed Vice President Sales & Marketing of Punch Graphix plc¹. After the successful flotation of Punch Graphix plc, he was appointed Chief Financial Officer and Managing Director of Punch International nv. From December 2006 to May 2007, he was interim Chief Executive Officer of Punch Technix nv. He was appointed to the Board of Directors of Punch Graphix plc and to the Supervisory Board of Punch Graphix nv on July 23, 2007. On January 1, 2008, Wim Deblauwe stepped down as a member of the Supervisory Board when he was appointed Chief Executive Officer of the Punch Graphix group. On June 30, 2009, he succeeded Guido Dumarey as Chief Executive Officer of Punch International nv. On November 9, 2009, he was reappointed as a member of the Supervisory Board. On August 26, 2010, he was replaced as Chief Executive Officer by Wim Maes. On October 5, 2012 he resigned from the Supervisory Board. He is now Vice President North Europe at Betafence. Wim Deblauwe holds a Masters of Law Degree (KU Leuven, Belgium) and was also awarded the CFA (Certified Financial Analyst) certificate by the ICHEC (Brussels, Belgium).

Nationality	Belgian
Date of birth	September 28, 1974
Other board positions	Member of the Board of Directors of Accentis nv and Punch International nv (until October 5, 2012)
Relevant additional roles	Vice President North Europe at Betafence Limited
Date of appointment	November 9, 2009

During the 2012 financial year, Wim Deblauwe held shares in Zeikon N.V. both directly and indirectly, via Punch International nv.

Arthur Vanhoutte

Arthur Vanhoutte has over 35 years' experience in the international graphics sector. He has held various managerial positions in production, purchasing, R&D and marketing & sales. Since 1991, he has been responsible as CEO for the EMEA activities of Mutoh Belgium. Mutoh Belgium (Ostend, Belgium) develops and produces large-format piezo inkjet printers for commercial applications and professional cutting plotters for lettering and contour cutting; it is a subsidiary of the Japanese Mutoh Holdings Co, Ltd (Tokyo)).

Nationality	Belgian
Date of birth	April 4, 1949
Other board positions	Member of the Board of Directors of Punch International nv
Relevant additional roles	Chief Executive Officer Mutoh Belgium nv
Date of appointment	May 17, 2011

Arthur Vanhoutte does not own any shares in the company.

Gerard Cok

Gerard Cok is an entrepreneur, and does not own any shares in the company. The group regards Gerard Cok as bringing significant added value in view of his many years of financial and professional experience, which will enable him to make a significant contribution to the further development of the group.

Nationality	Dutch
Date of birth	October 7, 1948
Other board positions	Member of the Board of Directors of Accentis nv
Relevant additional roles	-
Date of appointment	May 17, 2011

Gerard Cok does not hold any shares in the company.

Under strict application of the rules of corporate governance, Gerard Cok does not have to be regarded as a dependent member. However, the Supervisory Board regards Gerard Cok as a non-independent member. This means that in view of the presence of Wim Deblauwe (until October 5, 2012), who is also non-independent, Zeikon N.V. does not comply with best practice rule III.2.1 described in Article 1.3 of the Supervisory Board Regulations, which states that all members of the Supervisory Board, with no more than one exception, must be independent within the meaning of Article 1.4 of the Supervisory Board Regulations. The Supervisory Board takes the view that this deviation is justified because Gerard Cok has important and relevant professional experience, and can deliver a significant contribution to the further development of the group. Consequently, two non-independent supervisory directors will sit on the Supervisory Board instead of one, which means that its composition will deviate from that stipulated in best practice rule III.2.1 of the corporate governance code.

All members of the Supervisory Board have their offices at Brievsstraat 70, 4529 GZ Eede, The Netherlands. The present positions, additional roles and/or other board positions have not resulted in, nor, the company believes, can result in a conflict of interest between the company and the individual members of the Supervisory Board.



Appointments

The members of the Supervisory Board are appointed by the General Meeting of Shareholders. The Supervisory Board nominates one or more candidates for appointment.

A nomination for appointment of a member of the Supervisory Board or a recommendation to the General Meeting of Shareholders states the candidate's age, his profession, the value of any shares he has in the company's capital and the positions he holds or has held, in as far as they are relevant for the performance of his duties as a member of the Supervisory Board. If he is already a member of other Supervisory Boards, those legal entities are also named; if this includes legal entities belonging to the same group, then a declaration of the group suffices. Reasons are given to justify the nomination or recommendation for appointment or reappointment.

The manner in which the candidate carried out his duties as member of the Supervisory Board in the previous term is taken into account when considering reappointments. A member of the Supervisory Board is only reappointed after careful consideration. Supervisory Board members can be appointed for a maximum of three terms of four years each.

The age limit of 65 years, which was stipulated in the articles of association of Punch Graphix nv, currently Xeikon N.V., was withdrawn by resolution of the Extraordinary General Meeting of Shareholders of February 13, 2009. The statutory age limit of 72 years had already been repealed some time ago. There was therefore no further reason to maintain the age limit in the articles of association. The Extraordinary General Meeting of Shareholders of February 13, 2009 accordingly amended the articles of association, in line with the law.

Retirement rota

The members of the Supervisory Board retire at regular intervals in accordance with the retirement rota drawn up by the Supervisory Board, in order to avoid too many members retiring at the same time. The retired member of the Supervisory Board can be reappointed immediately.

The retirement rota for the 2012 financial year was as follows:

	First appointment	Current term	Maximum term
Herman olde Bolhaar	March 3, 2005	2009-2013	2017
Wim Deblauwe	Nov. 9, 2009	2009-2012	-
Gerard Cok	Feb. 22, 2011	2011-2015	2024
Arthur Vanhoutte	Feb. 22, 2011	2011-2015	2024

Wim Deblauwe resigned as a supervisory director with effect from October 5, 2012.

The retirement rota as of the reporting date is as follows:

	First appointment	Current term	Maximum term
Herman olde Bolhaar	March 3, 2005	2009-2013	2017
Gerard Cok	May 17, 2011	2011-2015	2024
Arthur Vanhoutte	May 17, 2011	2011-2015	2024

Profile

The Supervisory Board has produced a profile for its size and composition, taking account of the nature of the business of the company and its subsidiaries and the desired expertise of its members. After consultation with the Chairman of the Executive Board, it was decided that the Supervisory Board would consist of at least three and at most seven members. The Supervisory Board will do everything in its power to ensure that its composition is always such that:

- the members can act independently and critically in respect of each other, the Executive Board and any vested interests whatsoever;
- every member of the Supervisory Board is capable of assessing the main points of the overall policy;
- every member of the Supervisory Board has the specific expertise necessary to perform his tasks within his role as described in the profile;
- the Supervisory Board as a whole corresponds to the profile and the composition of the Supervisory Board is such that it is able to perform its tasks properly;
- at least one member of the Supervisory Board is a financial expert, meaning that this person has relevant knowledge and experience in financial administration/accounting for listed companies or with other large legal entities;
- all members of the Supervisory Board, except for no more than one person, are independent within the meaning of Article 1.4 of the Rules governing the Supervisory Board; and
- the members of the Supervisory Board limit the number and nature of any other positions they may hold as defined in Article 21.1 of the Rules governing the Supervisory Board in order to ensure that they are able to perform their duties properly.

The principles of the profile can be found in an annex to the Rules governing the Supervisory Board which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'. On the basis of the principles, the Supervisory Board approved a more detailed profile in 2007, which has also been posted on the company's website.

Tasks and powers

Based on Articles 6, 7.1, and 10 of the Rules governing the Supervisory Board in accordance with the company's articles of association and best practice provision III.1.1 of the Code.

The Supervisory Board is tasked with overseeing the policy of the Executive Board and general running of the company and its affiliates. The Supervisory Board advises the Executive Board. Responsibility for the performance of its tasks rests with the Supervisory Board collectively. The Supervisory Board is responsible for the quality of its own performance.

The Supervisory Board's supervisory role in respect of the Executive Board relates among other things to: (i) the achievement of the company's targets, (ii) the strategy and the risks associated with the group's activities, (iii) the structure, and operation of the internal risk management and control systems, (iv) the financial reporting process and (v) compliance with legislation and regulations.

The Supervisory Board oversees compliance with internal procedures drawn up by the Executive Board for the compilation and publication of the annual report, the annual accounts, the quarterly and/or interim results and ad hoc financial information. The Supervisory Board also oversees the establishment and enforcement of the internal control mechanisms for external financial reporting as described in Article 7.1 of the Rules governing the Executive Board.

In fulfilling its remit, the Supervisory Board focuses on the interests of the company and its affiliates, and for this purpose weighs up any relevant stakeholder interests. Members of the Supervisory Board perform their tasks without a mandate and independently of any vested interests in the company. They do not support a particular interest without taking the other interests involved into account. Members of the Supervisory Board take consistent positions on important issues, matters of principle and matters of general interest in respect of the outside world, taking into account the responsibility of its individual members.

The Executive Board provides the Supervisory Board and its members and committees, promptly and of its own accord, with the information they need to be able to operate effectively and perform their tasks properly. This information is provided in writing where possible. The Supervisory Board and its individual members are furthermore themselves responsible for asking the Executive Board and the external auditor for any information the Supervisory Board may need to enable it to fulfill its remit as a supervisory organ effectively. If the Supervisory Board deems it necessary, it may obtain information from company officers and external advisers. The company will provide the necessary means to enable it to do so. The Supervisory Board may ask certain officers and external advisers to attend its meetings.

Every member of the Supervisory Board has access to the books, data and offices of the company insofar as this is necessary or could be useful in the effective performance of his task. A member of the Supervisory Board exercises this right in consultation with the Chairman of the Supervisory Board and the Company Secretary, unless stated otherwise in the relevant committee rules.

For the purpose of fulfilling its remit, the Supervisory Board can furthermore request the assistance of or information from one or more experts to be engaged by it for a fee to be agreed with the Supervisory Board, which will be paid by the company.

A detailed description of the tasks and powers of the Supervisory Board can be found in the Rules governing the Supervisory Board, which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'.



Meetings and decision-making

Based on Chapter III, Articles 14 to 17 of the Rules governing the Supervisory Board in accordance with the company's articles of association and best practice provision III.1.1 of the Code.

The Rules governing the Supervisory Board specify that the Board must meet as often as is necessary for its effective operation. It meets at least 4 times a year. Meetings are scheduled a year in advance where possible. The Supervisory Board also meets in the interim if the chairman of the Supervisory Board; two other members of the Supervisory Board or the Executive Board deem it necessary.

Supervisory Board meetings are chaired by the chairman of the Supervisory Board or, in his absence, by the vice-chairman of the Supervisory Board. If both persons are absent, the meeting is chaired by one of the other members of the Supervisory Board who is designated for this purpose by the members of the Supervisory Board present and represented at the meeting by a majority of votes.

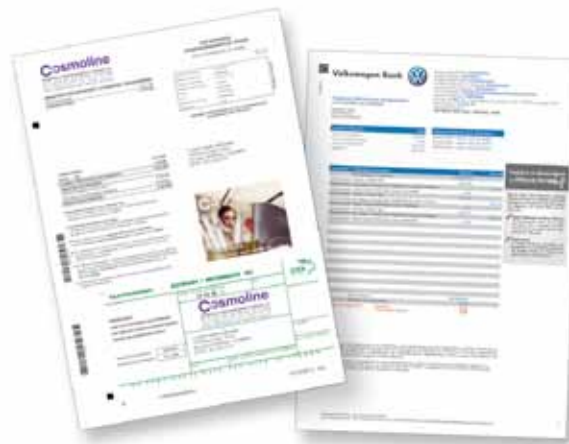
The Company Secretary or another person designated for this purpose by the chairman of the meeting keeps minutes of what is discussed at the Supervisory Board meeting. The minutes provide an insight into decision-making and are adopted by the Supervisory Board at the same or the next meeting.

Every member of the Supervisory Board has one vote. The members of the Supervisory Board aim to take decisions unanimously where possible.

If unanimity cannot be achieved and neither the law, the company's articles of association nor the Rules governing the Supervisory Board prescribes a larger majority, decisions of the Supervisory Board will be taken by a majority of the votes cast. In the event of a tie, the Chairman of the Supervisory Board will cast the deciding vote. The Supervisory Board may only take decisions if a majority of the serving members of the Supervisory Board are present or represented at the meeting.

Decisions by the Supervisory Board are in principle taken at a meeting of the Supervisory Board. They can also be taken in writing, provided the proposal concerned has been sent to all serving members of the Supervisory Board and none of them are opposed to this method of decision-making. The written decision-making procedure takes the form of written declarations by all members of the Supervisory Board. A declaration by a member of the Supervisory Board who wishes to abstain from voting on a decision to be taken in writing must state that he does not oppose this method of decision-making.

The complete chapter III can be found in the Rules governing the Supervisory Board, which are posted on the company's website in the section 'Investors', sub-section 'Corporate Governance, Rules & Regulations'.



Remuneration principles

Based on Article 19 of the Rules governing the Supervisory Board in accordance with the company's articles of association and best practice provision III.1.1 of the Code.

The remuneration of the members of the Supervisory Board is established by the General Meeting of Shareholders. The Supervisory Board puts forward proposals to the General Meeting of Shareholders from time to time for this purpose.

Any VAT to be paid by a member of the Supervisory Board on his earnings shall be paid by the company. The remuneration of the members of the Supervisory Board is not dependent on the company's operating results. Members of the Supervisory Board are not assigned shares or rights to shares in the company's capital by way of remuneration.

Besides the remuneration, all reasonable costs incurred by members of the Supervisory Board in connection with their attendance at meetings are reimbursed; the chairman of the Supervisory Board (or, where the costs are incurred by the chairman of the Supervisory Board, the vice-chairman of the Supervisory Board) is responsible for judging whether the costs incurred are reasonable. Other costs are only reimbursed in full or in part if they are incurred with the approval of the chairman of the Supervisory Board or, on his behalf, by the Company Secretary (or, where the costs are incurred by the chairman of the Supervisory Board, by the vice-chairman of the Supervisory Board or on his behalf by the Company Secretary).

The complete article 19 can be found in the Rules governing the Supervisory Board, which are posted on the company's website in the section 'Investors', sub-section 'Corporate Governance, Rules & Regulations'.

Conflicts of interest

Based on Article 18 of the Rules governing the Supervisory Board in accordance with the company's articles of association and best practice provision III.1.1 of the Code.

A member of the Supervisory Board immediately reports a potential or actual conflict of interest of material significance to the company and/or to the member concerned to the chairman of the Supervisory Board and provides all relevant information about it, including any relevant information concerning his spouse, registered partner or other long-term partner, foster child and blood relations or relations by marriage to the second degree. The Supervisory Board arrives at a decision as to whether there is a conflict of interest in the absence of the member of the Supervisory Board concerned.

A conflict of interest exists in any case when the company intends to enter into a transaction with a legal entity (i) in which a member of the Supervisory Board personally has a material financial interest (ii) a director of which has a relationship under family law with a member of the Supervisory Board or (iii) in which a member of the Supervisory Board is a director or has a supervisory role.

A member of the Supervisory Board will not take part in the discussion and decision-making about a subject or transaction in which he has a conflict of interest with the company.

All transactions involving conflicts of interest of members of the Supervisory Board are agreed subject to the usual conditions applicable to standard market transactions in the industry in which the company and its subsidiaries are active. Decisions to enter into transactions involving conflicts of interest with such persons that are of material significance to the company and/or the Supervisory Board members concerned must be approved by the Supervisory Board.

Ownership of and transactions in securities

Based on Article 22 of the Rules governing the Supervisory Board in accordance with the company's articles of association and best practice provision III.1.1 of the Code.

Any shares owned by a member of the Supervisory Board are intended as a long-term investment. The members of the Supervisory Board are bound by the company's Rules governing Insider Trading with regard to securities in the company and other securities referred to in those Rules.

A member of the Supervisory Board must report any changes in his ownership of securities relating to Dutch listed companies to the compliance officer, in this case the Company Secretary, on a regular basis, but at least once a quarter. A member of the Supervisory Board who invests exclusively in listed investment funds or has assigned discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempt from this provision.

The complete article 22 can be found in the Rules governing the Supervisory Board, which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'. Please see page 96 of this annual report for the Rules governing Insider Trading. The Rules governing Insider Trading are also published on the company's website in the chapter 'Investors', subsection 'Corporate Governance'.

Transactions involving Punch International

The Supervisory Board discusses transactions with Punch International, as a shareholder with more than 10% of the shares of Xeikon N.V. Any transactions must be conducted at arm's length.

Executive Board

The Executive Board is responsible for company policy and is supervised by the Supervisory Board.

Composition

During 2012, the Executive Board consisted of Wim Maes and Kees Vlasblom. On January 1, 2013, Wim Maes was succeeded by Frank Deschuytere, who will be proposed as CEO and statutory director at the General Meeting of Shareholders on May 28, 2013.

Frank Deschuytere

Chief Executive Officer from January 1, 2013

Frank Deschuytere (born 1964) was appointed as CEO of Xeikon N.V. with effect from January 1, 2013. He started his career in 1989 at Agfa-Gevaert's R&D department, where he worked on the development of technologies for digital printing. In 1999, he joined Xeikon, taking on various roles as a member of the executive team, including responsibility for R&D, production, logistics, HR and sales. In 2010, he moved to OTN Systems, a producer of telecommunication equipment. As VP R&D and Service there, he oversaw the transition to a new network technology. Frank Deschuytere has a master's degree in engineering science (specializing in civil telecommunication engineering) from the University of Ghent, Belgium, and obtained an MBA from the University of Leuven, Belgium. At the General Meeting of Shareholders on May 28, 2013 he will be proposed as CEO and statutory director.

Frank Deschuytere does not hold any shares or options in Xeikon N.V.

Wim Maes

Chief Executive Officer until December 31, 2012

Wim Maes (born 1972) was appointed as CEO and statutory director of Punch Graphix nv, now Xeikon N.V., with effect from October 1, 2009. From July 2007 to October 2009, he was CEO of Punch Telematix nv. Prior to that, he was briefly CEO of Punch Technix nv. He started his career at Traficon, where he rose via various technical positions to become Technical Director. He then spent six years at Barco, where he was successively Sales Executive, Sales Director EMEA and Director Sales & Marketing for Barco Simulation. On October 8, 2012 it was announced that Wim Maes would retire as CEO with effect from December 31, 2012. He continues to work for the company in an operational capacity. Wim Maes holds a master's degree in mechanical and electrotechnical engineering / mechatronics (KU Leuven, Belgium).

Wim Maes does not hold any shares (options) in Xeikon N.V.

Kees Vlasblom

Chief Financial Officer

Kees Vlasblom (born 1966) was appointed as CFO of Punch Graphix nv, now Xeikon N.V., with effect from November 16, 2009. Before that, he was CFO of PNO Consultants B.V., which he helped to develop from being a Dutch business to a European business with sites in 13 countries and around 500 employees. He started his career at Berk, Accountants and Tax Advisers, and then held various financial and managerial positions at international businesses such as Satlynx sa, WPS Parking Systems B.V., Imtech Technology and Pilkington Benelux B.V. He was nominated and confirmed as a statutory director at the General Meeting of Shareholders on May 18, 2010.

Kees Vlasblom does not hold any shares (options) in Xeikon N.V.

Appointments

The members of the Executive Board are appointed by the General Meeting of Shareholders. The directors are appointed on the basis of a binding nomination, including at least two people for every place to be filled, drawn up within three months of the Supervisory Board having invited the Executive Board to do so by registered letter. If no binding nomination has been drawn up before the deadline, the General Meeting of Shareholders is free to choose whomsoever it wishes.

Members of the Executive Board are appointed each time for a period of four years at the most. Executive Board members stand down at regular intervals according to a retirement schedule compiled by the Supervisory Board, in order to prevent where possible several members of the Executive Board standing down simultaneously. The Supervisory Board may change the schedule at all times. A change in the schedule may not, however, lead to a current member of the Executive Board staying on for a longer period than stated in the initial appointment, nor to a member having to retire against his will before that period has expired. The retirement schedule is available from the company on written request (addressed to the company secretary) and will be put on the company website. The Executive Board determines the number of Executive Board members subject to the Supervisory Board's approval.

Tasks and powers

Based on Chapter II, Articles 5 to 11 of the Rules governing the Executive Board in accordance with Article 15.3 of the company's articles of association.

In general, the Executive Board is charged with managing the company. Among other things, this means that the Executive Board is responsible for compiling and achieving the company's targets, its strategy and policy and the resultant development of its results. The Executive Board answers to the Supervisory Board and the General Meeting of Shareholders in this regard. Responsibility for the management of the company rests with the Executive Board collectively. The Executive Board is responsible for the quality of its own performance. The Executive Board conducts its activities under the supervision of the Supervisory Board.

The Executive Board is also responsible for compliance with all relevant legislation and regulations, management of the risks associated with the group's activities, and financing of the company. The Executive Board reports on this to, and discusses the internal risk management and control system with, the Supervisory Board and the Audit Committee of the Supervisory Board.

In fulfilling its remit, the Executive Board must act in accordance with the interests of the company and its affiliates, and for this purpose weighs up any relevant stakeholder interests.

The members of the Executive Board take consistent positions on important issues, matters of principle and matters of general interest in respect of the outside world, taking into account the responsibility of its individual members.

The Executive Board is jointly responsible with the Supervisory Board for the company's corporate governance structure and compliance with the Dutch Corporate Governance Code.

The Executive Board ensures that employees have the opportunity to report suspected irregularities of a general, operational or financial nature within the company to the Chairman of the Executive Board or an Officer designated by him for this purpose without prejudice to their legal position. Suspected irregularities relating to the performance of members of the Executive Board are reported to the Chairman of the Supervisory Board. This whistleblowers' rule is posted on the company's website in the chapter 'Investors', subsection 'Corporate Governance'.

The Executive Board is in particular responsible for:

- **Strategy and risks:** The Executive Board draws up, records and submits to the Supervisory Board for approval: (i) the company's operational and financial targets, (ii) the strategy by which the targets are to be achieved, and (iii) the preconditions applicable to the strategy, e.g. with regard to the financial ratios.
- **Financial reporting, annual accounts and annual report:** The Executive Board is responsible for the quality and completeness of the published financial reports. The compilation and publication of the annual report, the annual accounts, the quarterly and interim results and any ad hoc financial information are subject to careful internal procedures. The Executive Board is responsible for setting up and enforcing internal procedures designed to ensure that the Executive Board is aware of all important financial information, in order to ensure the timeliness, completeness and accuracy of the external financial reporting. With this in mind, the Executive Board sees to it that the financial information from divisions and/or subsidiaries is reported directly to it and that the integrity of information is not affected.
- **Contact with the external auditor:** The Executive Board is responsible for ensuring that the external auditor can perform his auditing activities properly, and ensures that the company's role and policy in respect of the external auditor is properly implemented both by the external auditor and by the company, as provided for by or by virtue of the agreement with the external auditor, the Rules governing the Executive Board, the Rules governing the Supervisory Board and the Rules governing the Audit Committee.



- **Contact with the Supervisory Board:** The Chairman of the Executive Board is the first point of contact for the Chairman of the Supervisory Board. With regard to the provision of information to and the execution of tasks and powers by the Supervisory Board and its members and committees, the Executive Board and its members act in accordance with the provisions in this regard relating to the Executive Board and its members laid down by or by virtue of the Rules governing the Executive Board, the Rules governing the Supervisory Board, the rules governing committees, the company's articles of association and any applicable legislation and regulations.
- **Contact with shareholders:** The Executive Board and the Supervisory Board provide the General Meeting of Shareholders with all relevant information it needs for the exercising of its powers. The members of the Executive Board attend the General Meeting of Shareholders unless special circumstances prevent them from doing so.
- **Contact with analysts, the financial press and institutional and other investors:** The Executive Board, or where applicable the Supervisory Board, will equally and simultaneously inform all shareholders and other parties in the financial market about any matters which may affect the share price. Contact between the Executive Board on the one hand and the press and financial analysts on the other is handled and structured carefully, and the company does not undertake any actions which may affect the independence of analysts in respect of the company and vice versa.

The General Meeting of Shareholders of May 23, 2012 granted the management (the Executive Board) the authority, for a period of 18 months, to acquire fully paid-up shares in the company for valuable consideration on the stock market or through other channels. This authority replaces that granted by the General Meeting of Shareholders on May 17, 2011.

The complete Chapter II can be found in the Rules governing the Executive Board, which are posted on the company's website in the section 'Investors', sub-section 'Corporate Governance, Rules & Regulations'. For a more detailed description of the distribution of tasks in the Executive Board and the specific responsibilities of the Chairman and the Chief Financial Officer, please see Chapter I of the Rules governing the Executive Board.

Meetings and decision-making

Based on Chapter III, Articles 13 and 14 of the Rules governing the Executive Board in accordance with Article 15.3 of the company's articles of association.

The Rules governing the Executive Board specify that the Executive Board shall meet once a week on principle, or as many times more often as one or more members of the Executive Board deem it desirable or necessary to ensure that the Executive Board can perform its duties properly.

Executive Board meetings are convened by the Chairman of the Executive Board. Executive Board meetings are chaired by the Chairman of the Executive Board. In the absence of the Chairman of the Executive Board, the meeting will be chaired by another member of the Executive Board designated by the members of the Executive Board present or represented at the meeting, by a majority of the votes cast.

The Company Secretary or another person designated for this purpose by the chairman of the meeting keeps minutes of what is discussed at the Executive Board meeting. The report provides an insight into the decision-making process. The minutes are approved by the Executive Board at the same or the next meeting.

Every member of the Executive Board has one vote. The members of the Executive Board aim to take decisions unanimously where possible.

If unanimity cannot be achieved and neither the law, the company's articles of association nor the Rules governing the Executive Board prescribes a larger majority, decisions of the Executive Board will be taken by a majority of the votes cast. In the event of a tie, the Chairman of the Executive Board will cast the deciding vote. The Executive Board may only take decisions if a majority of the serving members of the Executive Board is present or represented at the meeting.

Decisions of the Executive Board are in principle taken at a meeting of the Executive Board. The Executive Board does not take decisions in an area for which a certain member of the Executive Board is specifically responsible if that member is absent. Decisions of the Executive Board can also be made in writing provided the proposal concerned has been sent to all serving members of the Executive Board and none of them is opposed to this method of decision-making. The written decision-making procedure takes the form of written declarations by all members of the Executive Board. A declaration by a member of the Executive Board who wishes to abstain from voting on a decision to be taken in writing must state that he does not oppose this method of decision-making.

The complete chapter III can be found in the Rules governing the Executive Board, which are posted on the company's website in the section 'Investors', sub-section 'Corporate Governance, Rules & Regulations'.

Remuneration principles

Based on Chapter IV, Article 16 of the Rules governing the Executive Board in accordance with Article 15.3 of the company's articles of association.

The remuneration and terms of employment of the members of the Executive Board are established by the Supervisory Board in accordance with Article 14.6 of the company's articles of association and Article 12 of the Rules governing the Supervisory Board, within the remuneration policy adopted by the General Meeting of Shareholders.

Members of the Executive Board do not gain any benefit from company activities except by way of remuneration as a member of the Executive Board or by way of shares in the company, which are kept as a long-term investment.

In addition to their remuneration, all reasonable costs incurred by members of the Executive Board with the consent of the Chairman of the Executive Board or, where it concerns the Chairman of the Executive Board, with the consent of the Chairman of the Supervisory Board, will be reimbursed.

The complete Article 16 can be found in the Rules governing the Executive Board, which are posted on the company's website in the section 'Investors', sub-section 'Corporate Governance, Rules & Regulations'.

Conflicts of interest

Based on Chapter IV, Article 15 of the Rules governing the Executive Board in accordance with Article 15.3 of the company's articles of association.

A member of the Executive Board may not (i) enter into competition with the company, (ii) demand or accept any (substantial) gifts from the company for himself, his spouse, registered partner or other long-term partner, foster child, or blood relation or relation by marriage to the second degree, (iii) obtain unjust benefits for third parties at the company's expense, and (iv) exploit business opportunities that arise for the company for himself, his spouse, registered partner or other long-term partner, foster child or blood relation or relation by marriage to the second degree.

A member of the Executive Board must immediately report any potential or actual conflict of interest of material significance to the company and/or to the member concerned to the Chairman of the Supervisory Board and the other members of the Executive Board and must provide all relevant information, including relevant information concerning his spouse, registered partner or other long-term partner, foster child and blood relations or relations by marriage to the second degree. The Supervisory Board arrives at a decision as to whether there is a conflict of interest in the absence of the member of the Executive Board concerned.

A conflict of interest exists in any case if the company intends to enter into a transaction with a legal entity: (i) in which a member of the Executive Board personally has a material financial interest, (ii) a director of which has a relationship under family law with a member of the Executive Board, or (iii) in which a member of the Executive Board is a director or has a supervisory role.

A member of the Executive Board does not take part in the discussion and decision-making about a subject or transaction in which he has a conflict of interest with the company.

All transactions involving conflicts of interest of members of the Executive Board are agreed subject to the usual conditions applicable to standard market transactions in the industry in which the company and its subsidiaries are active. Decisions to enter into transactions involving conflicts of interest with such persons that are of material significance to the company and/or the Executive Board members concerned must be approved by the Supervisory Board.

In cases in which the company has a conflict of interest with one or more members of the Executive Board, the company is represented by the person or persons designated for this purpose by the Supervisory Board, unless the General Meeting of Shareholders has designated one or more other persons for this purpose.

Audit Committee

Ownership of and transactions in securities

Based on Chapter IV, Article 18 of the Rules governing the Executive Board in accordance with Article 15.3 of the company's articles of association.

Shares owned by a member of the Executive Board are intended as a long-term investment. The members of the Executive Board are bound by the company's Rules governing Insider Trading with regard to securities in the company and other securities referred to in those rules.

Ownership of and transactions in securities by members of the Executive Board other than as referred to in the company's Rules governing Insider Trading are subject to the rules to be established by the Supervisory Board as referred to in Article 22.3 of the Rules governing the Supervisory Board.

On June 28, 2010, the Executive Board approved the insider trading rules and insider trading list and appointed the group's new compliance officer.

The insider trading rules and associated documents have been published in a separate section on the company's website.

The Supervisory Board may appoint permanent or ad hoc committees from its ranks and charge them with tasks to be described in more detail by the Supervisory Board. The Audit Committee is one of these.

Composition

The Audit Committee has at least two members. All members of the Audit Committee must be members of the Supervisory Board and must be independent within the meaning of Article 1.4 of the Rules governing the Supervisory Board, with the exception of no more than one member. The members of the Audit Committee are appointed by and can be dismissed at any time by the Supervisory Board. The Supervisory Board appoints one of the members of the Audit Committee as the Chairman of the Audit Committee. The Audit Committee may not be chaired by the Chairman of the Supervisory Board nor by a former member of the Executive Board.

During 2012, the Audit Committee consisted of Herman olde Bolhaar, Gerard Cok, and Arthur Vanhoutte. Herman olde Bolhaar chairs the Audit Committee.

Tasks and powers

Based on Articles 2 and 3 of the Rules governing the Audit Committee in accordance with Article 5 of the Rules governing the Supervisory Board.

Within the Supervisory Board, the Audit Committee is in particular charged with:

- Overseeing the Executive Board with regard to:
 - (i) the operation of the internal risk management and control systems, including monitoring compliance with the relevant legislation and regulations and monitoring the operation of codes of conduct;
 - (ii) provision of financial information by the company, including but not limited to the choice of accounting policies, the application and assessment of the effects of new rules, insight into the handling of estimated items in the annual accounts, forecasts, the work of internal and external auditors in this regard, etc;
 - (iii) acting on recommendations and following up comments by the internal audit department and the external auditor;
 - (iv) the role and functioning of the internal audit department;
 - (v) the company's policy regarding tax planning;
 - (vi) the relationship with the external auditor, in particular his independence, remuneration and any non-auditing activities he performs for the company;
 - (vii) the financing of the company; and
 - (viii) the use of information and communication technology (ICT).

- The issuing of advice to the Supervisory Board concerning the Supervisory Board's proposal to the General Meeting of Shareholders for the appointment of the external auditor.
- If necessary, the putting forward of proposals to the Supervisory Board with regard to the policy to be pursued in respect of the independence of the external auditor and any actual or potential conflicts of interest between the external auditor and the company.
- Preparation of meetings of the Supervisory Board with the Executive Board at which the annual accounts and the annual report, the interim and quarterly results of the company are discussed.

The Audit Committee may only exercise the powers specifically assigned or delegated to it by the Supervisory Board, and may never exercise powers extending beyond the powers the Supervisory Board as a whole may exercise.

The Audit Committee is the first point of contact for the external auditor if he observes irregularities in the content of the financial reports.

The complete Articles 2 and 3 can be found in the Rules governing the Audit Committee, which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'.

Meetings

Based on Article 4 of the Rules governing the Audit Committee in accordance with Article 5 of the Rules governing the Supervisory Board.

The Audit Committee meets as often as is necessary in order to ensure that it can perform its work properly, but at least twice a year. Furthermore, the Audit Committee meets with the external auditor at least once a year in the absence of the Executive Board.

Where possible, meetings are scheduled a year in advance and, where possible, are held just before Supervisory Board meetings. The Audit Committee furthermore meets in the interim if the Chairman of the Audit Committee or two other members of the Audit Committee deem it necessary.

For a meeting to be valid, it must be attended by at least two members. In the event of a tie of votes, the chairman will cast the deciding vote.

The complete Article 4 can be found in the Rules governing the Audit Committee, which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'.

The Audit Committee met once in 2012, reporting on this occasion to the Supervisory Board (see also page 56).

Important decisions

For a discussion of the important decisions taken during the 2012 financial year, please see the report of the Supervisory Board on page 52.

Selection, Appointment and Remuneration Committee

The Supervisory Board may appoint permanent or ad hoc committees from its ranks and charge them with tasks to be described in more detail by the Supervisory Board. Because of the size of the company, the Supervisory Board has decided to combine the powers of the Selection and Appointment Committee and the Remuneration Committee together into one committee, the Selection, Appointment and Remuneration Committee.

Composition

The Selection, Appointment and Remuneration Committee consists of at least two members. All members of the Selection, Appointment and Remuneration Committee must be members of the Supervisory Board and must be independent within the meaning of Article 1.4 of the Rules governing the Supervisory Board, with the exception of no more than one member. The Chairman of the Supervisory Board is usually a member and chairman of the Selection, Appointment and Remuneration Committee by virtue of his office. On account of the merger of the Selection, Appointment and Remuneration Committee with the Appointment Committee, however, the Supervisory Board has decided that this stipulation need not apply. The members of the Selection, Appointment and Remuneration Committee are appointed by and can be dismissed at any time by the Supervisory Board.

During 2012, the Selection, Appointment and Remuneration Committee consisted of Herman olde Bolhaar, Gerard Cok, and Arthur Vanhoutte. Herman olde Bolhaar chairs the committee.

Tasks and powers

Based on Article 2 of the Rules governing the Selection, Appointment and Remuneration Committee in accordance with Article 5 of the Rules governing the Supervisory Board.

With regard to selection and appointment, the Selection, Appointment and Remuneration Committee has the following tasks:

- Drawing up selection criteria and appointment procedures for members of the Supervisory Board and the Executive Board;
- Reviewing the size and composition of the Supervisory Board and the Executive Board at least once a year, and if necessary putting forward proposals concerning the profile of the Supervisory Board;
- Reviewing the performance of the individual members of the Supervisory Board and the Executive Board at least once a year and reporting on this to the Supervisory Board;
- Putting forward proposals for appointments and reappointments;
- Overseeing the policy of the Executive Board with regard to the selection criteria and appointment procedures for higher management;
- Preparing the decision-making process for the Supervisory Board concerning acceptance by a member of the Executive Board of membership of the supervisory board of a listed company;
- Preparing the decision-making process for the Supervisory Board concerning conflicts of interest which may arise on acceptance of other positions by members of the Supervisory Board;
- Compilation of a succession plan in the event that one of the members of the Executive Board needs to be replaced.

With regard to remuneration, the Selection, Appointment and Remuneration Committee is charged with the following tasks:

- Putting forward proposals to the Supervisory Board concerning the remuneration policy for members of the Executive Board, which will be presented to the General Meeting of Shareholders for approval along with any material amendments to it;
- Putting forward proposals concerning the remuneration of the individual members of the Executive Board, which shall in any case include:
 - (i) the remuneration structure; and
 - (ii) the level of fixed remuneration, the shares and/or options and/or other variable remuneration components, pension rights, discharge arrangements and other pay to be awarded, as well as the performance criteria and the application thereof and, where necessary, putting forward proposals for amending or supplementing the remuneration of individual members of the Executive Board, this remuneration and any amendments and/or supplements being presented to the Supervisory Board for approval (notwithstanding the powers of the Supervisory Board to delegate the definitive establishment to the Remuneration Committee within constraints set by the Supervisory Board);
- Compilation of the Remuneration Report as referred to in Article 12.1 of the Rules governing the Supervisory Board; and
- Putting forward proposals to the Supervisory Board concerning the remuneration of the individual members of the Supervisory Board, which will be presented to the General Meeting of Shareholders for approval.

The Selection, Appointment and Remuneration Committee may only exercise the powers specifically assigned or delegated to it by the Supervisory Board, and may never exercise powers extending beyond the powers the Supervisory Board as a whole may exercise.

Meetings

Based on Article 3 of the Rules governing the Selection, Appointment and Remuneration Committee in accordance with Article 5 of the Rules governing the Supervisory Board.

The Selection, Appointment and Remuneration Committee meets as often as is necessary in order to enable it to fulfill its role. The Selection, Appointment and Remuneration Committee meets at least once a year. Meetings are scheduled a year in advance where possible. The Selection, Appointment and Remuneration Committee also meets in the interim if the Chairman of the Selection, Appointment and Remuneration Committee or two other members of the Selection, Appointment and Remuneration Committee deem it necessary to do so.

For a meeting to be valid, it must be attended by at least two members. In the event of a tie of votes, the chairman will cast the deciding vote.

The complete Article 3 can be found in the Rules governing the Selection, Appointment and Remuneration Committee, which are posted on the company's website in the section 'Investors', subsection 'Corporate Governance, Rules & Regulations'.

The Committee met four times in 2012 and reported to the Supervisory Board (see also page 56).

Important decisions

For a discussion of the important decisions taken during the 2012 financial year, please see the report of the Supervisory Board on page 56.

Remunerations

It was decided that with effect from the 2008 financial year, the remuneration of the members of the Executive Board would be linked to the company's performance. The principle of these 'stock appreciation rights' was approved, but in the end no concrete implementation was devised.

The remuneration of the members of the Supervisory Board has been approved by the General Meeting of Shareholders and amounts to 25,000 euros for the chairman and 20,000 euros for the other members with effect from the 2008 financial year.

	Fixed remuneration	Variable remuneration	Total remuneration	Budgeted fixed remuneration for 2013
<i>in euros</i>				
Supervisory Board	80,000	-	80,000	65,000
Herman olde Bolhaar	25,000	-	25,000	25,000
Creafim bvba, Wim Deblauwe	15,000	-	15,000	-
Gerard Cok	20,000	-	20,000	20,000
Arthur Vanhoutte	20,000	-	20,000	20,000
Executive Board	350,780	323,000	673,780	340,000
Fram bvba, Wim Maes (CEO)	193,000	193,000	386,000	-
Kees Vlasblom (CFO)	157,780	130,000	287,780	160,000
FDVV Consult bvba, Frank Deschuytere (CEO)	-	-	-	180,000

Key agreements

Xeikon has included a 'change of control' clause in its standard partnership contracts and standard supplier contracts.

General Meeting of Shareholders

The following information sets out the main provisions of the articles of association with regard to the General Meeting of Shareholders.

Article 18 - Meeting, convening, agenda, attendance

1. The annual General Meeting of Shareholders shall be held within six months of the closing of each financial year. The agenda of the annual General Meeting of Shareholders shall include the following points:
 - a. consideration of the annual accounts and, where prescribed by law, the annual report and the other information referred to in Article 2:392 of the Civil Code;
 - b. adoption of the annual accounts;
 - c. where applicable, discharge of the member(s) of the Executive Board and the Supervisory Board;
 - d. approval of the appropriation of profits;
 - e. performance of any other actions required by law.
2. General meetings will also be held in the case referred to in Article 2:108a of the Civil Code and as often as a member of the Executive Board or Supervisory Board deems it necessary, notwithstanding the provisions of the previous paragraph.
3. The Executive Board is obliged to convene a general meeting if one or more persons entitled to attend a meeting, who together represent at least ten per cent of the issued capital, request it to do so in writing, stating the subjects to be considered. If the Executive Board still fails to convene a meeting for a date within a reasonable period after receipt of the request referred to above, any one of the requestors shall be entitled to convene the meeting subject to the provisions laid down in this regard in these articles of association.
4. General meetings are held in the municipality in which the company has its registered office, or in Amsterdam.
5. The convening of those entitled to attend the meeting shall be performed, without prejudice to the stipulations in paragraph 3 of this article, by or on behalf of the management and/or the Supervisory Board in accordance with the requirements of the law and the applicable provisions of Euronext Amsterdam N.V. The company is authorized to convene shareholders and others entitled to attend via the company website and/or via an announcement published by another electronic channel, as the company sees fit.
6. The notice of convocation shall state the place, date and time of the meeting, the time of registration referred to in paragraph 7 of this article, the method by which the shareholders can register and the method by which they can exercise their rights, as well as the agenda of the meeting. Persons entitled to attend the meeting may obtain a copy of the agenda from there free of charge.
7. The management shall establish a date and time of registration, taking account of the stipulations of the law on this matter, for a General Meeting of Shareholders, on the basis of which it shall be determined in accordance with the requirements of the law who may be regarded as entitled to attend the meeting.
8. An item whose treatment is requested in writing by one or more shareholders entitled to make such a request on legal grounds, shall be included in the notice of convocation or announced in the same way if the company has received the request, with supporting reasons, no later than on the sixtieth day before the date of the meeting. If items as referred to in the previous sentence are placed on the agenda, this shall be mentioned in the agenda.
9. Every holder of ordinary bearer shares who is entitled to vote and every usufructuary and pledgee of ordinary bearer shares to whom the voting right falls is authorized to attend the

General Meeting of Shareholders, either in person or represented by a proxy appointed in writing, to speak at such a meeting and to exercise the voting right, provided the management is informed in writing of the intention to attend the meeting, in the place and no later than the date and time mentioned in the notice of convocation. The management may determine that the rights referred to in the previous sentence may be exercised by means of an electronic means of communication. For this, it shall always be a requirement that the shareholder or the proxy appointed in writing can be identified via the electronic means of communication, can observe the proceedings at the meeting directly and can exercise the voting right. The management may set an additional requirement that the shareholder or the proxy appointed in writing may participate in the deliberations via the electronic means of communication.

10. If a motion to amend the articles of association is placed on the agenda of a meeting, this shall always be stated in the notice of meeting, and a copy of the resolution containing the exact wording of the proposed amendments shall be made available at the company's office for inspection by shareholders and other persons with the right to attend meetings, from the date of the notice of meeting until after the meeting. Persons entitled to attend the meeting may obtain a copy of the motion free of charge.
11. If the requirements for convening meetings, placing items on the agenda and making items to be considered available for inspection laid down by law or in the company's articles of association have not been complied with, legally valid resolutions may nonetheless be adopted provided the entire issued capital is represented at the meeting concerned and provided they are passed unanimously.

Article 19 - Chairmanship, minutes, powers

1. The general meeting is chaired by the chairman of the Supervisory Board and, if no chairman has been appointed or the chairman is not present, by the oldest serving member of the Supervisory Board present at the meeting; if none of the members of the Supervisory Board are present at the meeting, the meeting shall be chaired by the chairman of the Executive Board, and if the Executive Board has not appointed a chairman or the chairman is not present, by the oldest serving director present at the meeting; if none of the directors are present at the meeting, the meeting shall appoint its own chairman.
2. The chairman shall appoint one of those present to take minutes, which he and this secretary shall adopt and, in evidence thereof, sign. If a notarial record is made of the proceedings of the meeting, minutes do not need to be taken and signature of the record by the notary shall suffice.
3. Every person entitled to attend meetings may be represented at the meeting by a proxy appointed in writing, provided the appointment is deposited at the company's office in the place and no later than the date and time mentioned in the notice of convocation.

Article 20 - Exercise of voting right

1. Every share shall confer the right to cast one (1) vote.
2. Shares belonging to the company or a subsidiary shall not confer the right to cast votes at the general meeting, nor shall shares for which the company or a subsidiary holds depositary receipts. Usufructuaries and pledgees of shares belonging to the company and its subsidiaries, however, are not excluded from the right to vote if the usufruct or pledge was established before the share belonged to the company or a subsidiary. The company or its subsidiaries may not cast votes for shares on which they have a usufruct or pledge.
3. To determine whether a certain proportion of the capital is represented or whether a majority represents a certain proportion of the capital, the amount of the shares for which no votes can be cast shall be deducted from the capital.
4. Votes concerning matters shall be cast verbally, and votes concerning persons shall be cast by unsigned sealed ballots, unless the chairman of the meeting adopts or permits another voting method without the objection of one of those present with voting rights.
5. Provided these articles of association do not require a bigger majority, all resolutions shall be passed with an absolute majority of the valid votes cast.
6. The management may determine that votes may be cast by letter or by electronic means prior to the General Meeting of Shareholders. Such votes shall be treated as equivalent to votes cast at the time of the meeting. However, such votes may not be cast earlier than the time of registration to be determined in the notice of convocation, as referred to in Article 18.7. Without prejudice to the other stipulations of Article 18, the notice of convocation shall state the manner in which and the conditions under which those entitled to vote may exercise their rights prior to the meeting.
7. Blank votes shall not be counted as votes cast.
8. If votes on a motion concerning matters are tied, no resolution shall be passed.
9. If in an election of persons, whether from a binding list of candidates or otherwise, no-one receives an absolute majority of votes cast in the first vote, a second free vote shall be held; if no-one receives an absolute majority then, one or more additional votes will be held until such time as either one person receives an absolute majority or the election is between two persons and both persons receive an equal number of votes. In the event of such further elections, not including the second free vote, each election shall be between the persons who stood in the previous election, but excluding the person who received the smallest number of votes in the previous election. If more than one person received the smallest number of votes in the previous

election, lots shall be drawn to decide which of these persons will not stand in the new election, on the understanding that in the event of an election of persons from a binding list of candidates, the person who was placed lowest on the list of candidates will not stand in the new election. If a vote between two persons ends in a tie, lots shall be drawn to determine which of the two has been elected, on the understanding that in the event of an election of persons from a binding list of candidates, the person placed highest on the list of candidates will be elected.

10. The decision pronounced at the meeting by the chairman on the outcome of a vote shall be final. The same shall apply to the substance of a resolution passed insofar as votes were cast on a motion not recorded in writing.
11. However, if a decision is challenged immediately after it is pronounced as referred to in the previous paragraph, a new vote shall be held if requested by the majority of the general meeting, or, if the original vote was not by roll-call or by ballot, by one person with voting rights. The legal consequences of the original vote shall cease to exist as a result of this new vote.

Article 21 - Prior approval of the Executive Board

1. Resolutions to:
 - a. amend the articles of association; and
 - b. wind up the company,
 shall require the prior approval of the Executive Board, subject to the Supervisory Board's approval.
2. Unless the prior approval of the Executive Board, subject to the Supervisory Board's approval, has been obtained, resolutions to dismiss or suspend a director or Supervisory Board member may only be taken with a majority of at least two-thirds of the valid votes, provided this majority represents at least half of the issued capital.
3. If the required quorum is not represented, a second meeting in accordance with the provisions of Article 2:120 paragraph 3 of the Civil Code may not be held.

Article 22 - Ballot

1. Unless the company has bearer shares, holders of depositary receipts and/or usufructuaries with voting rights, shareholder resolutions may, instead of at general meetings, also be passed by ballot - including by telegram or fax - provided they are carried unanimously by all shareholders with voting rights.
2. The Executive Board shall enter resolutions carried in the manner described in the previous paragraph of this Article in the register of minutes of general meetings and shall announce that it has done so at the next general meeting.

Insider trading

The new insider trading rules were adopted on June 28, 2010 by resolution of the Executive Board and the Supervisory Board. They were published on the company's website in Dutch and English.

The following information repeats the provisions in full.

I Definitions

1. In these rules,

AFM: means the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten)

Board of Management: means the board of management of the Company

Company: means the limited liability company Punch Graphix N.V., now Xeikon N.V., with official seat in Sluis, the Netherlands

Compliance Officer: means the officer referred to in Chapter V

Employee: means any person employed by, or in any other type of relationship of authority to, the Company or subsidiary or group company of the Company, irrespective of the duration of the employment, as well as a person or company that signed a management contract or offers professional services to the Company or subsidiary or group company of the Company, as well as the members of the Board of Management and Supervisory Board members and the members of the supervisory board and managing board of any group company and subsidiary of the Company

Execute a transaction: means to directly or indirectly and for one's own account or for the account of others, buy or sell securities or effect any other legal act aimed at acquiring or disposing securities (such as exchanging or donating securities; buying or writing options on securities; exercising options on securities, conversion of convertible bonds)

Executive: means an Employee who has an executive position and on that basis has the power to take decisions which have an effect on the future development and prospects of the Company and who may regularly have access to Inside Information

Group Company: means

- (a) any subsidiary of the Company,
- (b) any legal entity or company in which the Company has a participating interest as referred to in section 24c, book 2 of the Dutch Civil Code, if the turnover of that legal entity or company as most recently determined constitutes at least 10% of the consolidated turnover of the Company, and
- (c) any entity (if any) holding 25% or more of the Company's issued share capital

Group Company Securities: means (depository receipts for) shares in the capital of an Affiliated Company and rights pursuant to an agreement to acquire (depository receipts for) shares in the capital of a Group Company

Inside Information: means any information of a precise nature which has not been made public, relating, directly or indirectly, to the Company or the trade in X-Securities which, if made public could have a significant effect on the price of the X-Securities

Supervisory Board: means the supervisory board of the Company

X-Securities: means

- (a) (depository receipts for) shares in the capital of the Company or other securities issued by the Company, which are listed or admitted to trading on a stock exchange; and/or
- (b) securities whose value is partly determined by the value of the securities referred to under (e.g. options and convertible bonds)

II General rules for all Employees

Prohibition from Executing Transactions

2. Every Employee is prohibited from using Inside Information by Executing a Transaction in X-Securities.
3. The prohibition of paragraph 2 shall not apply to:
 - (a) the exercise of options, the conversion of convertible debentures or the exercise of warrants or similar rights to X-Securities within the scope of an employee incentive plan, on the date of expiry of such right or within a period of five business days prior thereto;
 - (b) the sale of the X-Securities obtained through (a) above within the period referred to in (a), provided that the person concerned has, at least four months prior to expiry, notified the Compliance Officer in writing of his or intention to sell or has authorized the Company to undertake such sale in his or her name;
 - (c) the receipt, other than by choice, of X-Securities as stock dividend;
 - (d) any other transactions specifically allowed under the Dutch legislation.
4. An Employee is obliged to obtain the prior written approval of the Compliance Officer to Execute a Transaction by way of submitting the notice form as attached to these rules as an annex (Annex). The Compliance Officer may prohibit any Employee from Executing a Transaction in X-Securities at any time and as long as he deems appropriate. The Compliance Officer shall inform the Employee concerned in writing of the designation.

Prohibition from recommending Transactions

5. Every Employee is prohibited from recommending the Execution of Transactions in X-Securities to a third party if he or she has information, which he or she reasonably suspects to be Inside Information.

Confidentiality

6. The Employee should abstain from using Inside Information and mixing private and business matters, as well as the reasonably foreseeable appearance of it. The Employee should handle the business information available to him or her carefully. This information should be kept separate from the Employee's private life.
7. Every Employee is prohibited from disclosing Inside Information, or information he or she suspects to be Inside Information, to anyone (including other Employees) other than in the normal course of the exercise of his or her employment, profession or duties.
8. If an Employee is in doubt as to whether a prohibition applies to him or her, he or she should contact the Compliance Officer.

III Prohibitions for Management and Supervisory Board Members and Executives

9. Every member of the Board of Management, Supervisory Board member and every Executive is prohibited from
 - (i) Executing Transactions in X-Securities during a closed period, i.e.:
 - a. the period starting on the last day of a quarter or half year and ending on the day of publication of the financial results of such quarter or half year or, if longer, 21 days prior to such publication;
 - b. the period of 21 days prior to the announcement of an (interim) dividend;
 - c. the period of 2 months prior to the first publication of an annual report;
 - d. the period of 1 month before the publication of a prospectus regarding an offer to the public of X-Securities (or, if shorter, as from the date the offer was first resolved on until the date of publication); and
 - (ii) selling X-Securities within six months of having purchased such X-Securities, and from buying X-Securities within six months of having sold such X-Securities.

The prohibitions of this paragraph 9 shall not apply to Transactions as referred to in paragraph 3.
10. The Company shall announce in time, before the beginning of each calendar year, which periods during the relevant calendar year shall classify in any case as closed periods referred to in paragraph 9(i). Any changes or additions shall be announced in the same manner during the course of the calendar year.
11. The Compliance Officer may under special circumstances grant dispensation from the provisions of paragraph 9. The request shall be made in writing and the dispensation shall be granted in writing.
12. The provisions of this Chapter III shall remain applicable during six months after the person referred to in paragraph 9 has lost that capacity.

IV Obligations to notify

Forms

13. The notifications referred to in this Chapter IV shall be made by using forms supplied by the Compliance Officer. In making the notifications, the questions contained in the forms must be answered in a complete and truthful manner.

Notification obligations of members of the Board of Management and Supervisory Board

14. Members of the Board of Management and Supervisory Board must within two weeks of their designation or appointment notify the Compliance Officer and the AFM of the number of X-Securities and Group Company Securities at their disposal and the number of votes they can cast on the issued capital of the Company and the issued capital of Group Companies.
15. Members of the Board of Management and of the Supervisory Board must immediately after a company has become a Group Company notify the Compliance Officer and the AFM of the number of X-Securities at their disposal and the number of votes they can cast on the issued capital of Group Companies.
16. Members of the Board of Management and Supervisory Board must notify the Compliance Officer and the AFM immediately of any change in the number of X-Securities and Group Company Securities at their disposal, and of any change in the number of votes that they can cast on the issued capital of the Company and Group Companies.
17. A member of the Board of Management or Supervisory Board may request the Compliance Officer in writing to notify the AFM on his or her behalf.

Notification obligations for Executives

18. Executives must notify the AFM and inform the Compliance Officer in writing of any Transaction in X-Securities within five business days after the date on which the Transaction has been Executed.
19. An Executive may request the Compliance Officer in writing to make the relevant notification on his or her behalf.

Notification obligations of spouses, relatives etc.

20. Employees that are obliged to notify their transactions in X-Securities should be aware that the following persons are under a statutory obligation to notify the AFM when they Execute a Transaction in X-Securities, and shall inform those persons accordingly:
 - a. their spouses, registered partners, life partners or other persons with whom they cohabitate in a similar way;
 - b. their children who fall under their authority or who are under legal restraint and for whom they are appointed as guardian;
 - c. their other relatives (related by blood or otherwise) who have on the date the Transaction is Executed shared a common household with them for at least one year;
 - d. legal entities, trusts as referred to in Section 1 under c of the Act on the Supervision of Trust Offices (Wet toezicht trustkantoren) or partnerships,
 - (i) whose executive responsibility is vested in
 - (ii) which is controlled by
 - (iii) which has been created for the benefit of, or
 - (iv) whose economic interests are essentially equivalent to those of the Employee or the person referred to in paragraphs a to c.

V Compliance Officer

21. The Board of Management of the Company shall appoint a Compliance Officer and may dismiss him or her at any time. The Board of Management shall announce the identity of the Compliance Officer and where he or she (or its substitute) can be reached.
22. The Compliance Officer has the duties and powers conferred on him or her by these Rules. The Board of Management may confer additional duties and powers on the Compliance Officer.
23. The Compliance Officer may in consultation with the Board of Management designate one or more deputies, who may be established in other countries and who may, for the benefit of the Employees in those countries, exercise such duties and powers as the Compliance Officer shall determine in consultation with the Board of Management. The Compliance Officer may in consultation with the Board of Management designate persons to replace him or her during his or her absence.

VI Investigations

24. The Employee acknowledges that the Compliance Officer is authorized to investigate all Transactions in X-Securities Executed by him or her. The Employee must provide the Compliance Officer with all information requested in the context of this rules.
25. The Compliance Officer is entitled to investigate Transactions Executed in X-Securities and Group Company Securities by, under the authority or on behalf of an Employee. All Employees are obliged to collaborate in the investigation. If requested any Employee will instruct his or her stock broker or responsible intermediary to provide the Compliance Officer with any requested information on Transactions Executed in X-Securities or Group Company Securities.
26. The Compliance Officer is entitled to report the results of the investigation to the chairman of the Board of Management in writing. Before reporting to the chairman of the Board of Management, the Employee shall be entitled to respond on the investigation results. The chairman of the Board of Management shall inform the Employee on the final outcome of the investigation.

VII Sanctions

27. In case of violation of one or more provisions of these rules, the Company or, as the case may be, the employer reserves the right to impose any sanctions which he is entitled to impose pursuant to the law and/or the (employment) agreement with the party concerned. Such sanctions include termination of the (employment) agreement with the party involved, whether or not by way of summary dismissal. The Company and the employer may also inform the AFM of their findings. Some of the violations of these rules are punishable by imprisonment or a fine.

VIII Other provisions

28. The provisions of these rules can be amended and supplemented by a resolution of the Board of Management and approved by the Supervisory Board of the Company. Amendments and supplements shall enter into force upon their announcement, unless the announcement specifies a later date.
29. The Board of Management shall have the power to take decisions in those cases, which are not covered by these rules.
30. During the financial year, the rules were assessed by the Compliance Officer. No irregularities were discovered.
31. These rules are governed by Dutch law.
32. These rules are an update of the rules published on the website of the Company and can be updated from time to time as approved by the Supervisory Board.

A Dutch version of these Rules will remain available on the website of the Company.

Risks and risk management



General

Xeikon N.V.'s risk management policy is aimed at sustainable management of the company's activities and at minimizing or, where possible, covering the risks sensibly in order to ensure that the company continues to generate long-term shareholder value.

The Executive Board is fully responsible for setting up, implementing and effective operation of the internal risk management and control systems. The aim of these systems is to identify and manage the major operational and financial risks to which the company is exposed. In this regard, the Executive Board has drawn up policy rules and procedures to guarantee the effectiveness of the various control systems. The analysis below summarizes the internal and external circumstances and variables that are expected to have the most impact on the results of Xeikon N.V.

Strengths

- Solid strategic foundations in a growing market environment
- Strong market position in global niche markets
- Significant recurrent sales – recurrent revenues from toner, software and service
- Professional employees who are offered regular refresher courses and training
- High-end technology and service provision that responds effectively to customer demand
- Solid IP portfolio
- Sustainable innovation and sustainable entrepreneurship

Weaknesses

- Small size – the group is a relatively small player in the global graphics market. Its main competitors are groups that are much bigger.
- Dependence on one main party – sales to Agfa Graphics represent a significant proportion of sales.

Opportunities

- Further digitalization of the graphics industry
- Expansion of the digital portfolio for document printing with Trillium
- Expansion of the CtP portfolio – generating recurrent revenues by offering printing plates to the CtP segment
- Emerging markets such as India, China and, to a lesser extent, Latin America

Threats

- Negative global economic developments
- New technological developments
- Political instability in some of the group's key countries/regions

Operational risk management

Product and activity portfolio

The group has various sources of revenues.

Digital Printing Solutions (Xeikon):

- Revenues from the sale of machines
- Recurrent revenues:
 - software sales
 - toner sales
 - service (maintenance contracts and spares)

Prepress Solutions (CtP – basysPrint, ThermoFlexX and Agfa):

- Revenues from the sale of machines
- Recurrent revenues:
 - software sales
 - service (maintenance contracts and spares)

Machine sales

The most important factors for successful machine sales are the technological features of the machines and their competitiveness. The group monitors global technological and pricing developments closely. To do this it uses external market research, its network of partners and an internal information system.

As machines are capital goods, the group is not unaffected by the economic climate.

However, this impact is tempered by:

- the group's broad geographic spread;
- the diversity of its customers;
- the group's strong market position.

In order to optimize its working capital, the group almost only manufactures to order. This enables stock levels to be kept as low as possible. In principle the production of a machine does not start until confir-

mation of the approval of financing has been received from the financial institution or until the deposit has been paid (generally about 20% of the contract value), and the machine is delivered on receipt of a second payment, generally 70% of the contract sum. The balance is payable after the customer's acceptance of the (installed) machine. The group, particularly Digital Printing Solutions, makes defensive use of so-called click-and-charge contracts, in which the customer pays per printed page, or installment contracts, both subject to a positive credit check on the customer in question. Occasionally machines are leased on a long-term basis.

Although the manufacturing process is characterized by a certain degree of volume flexibility, the group needs to actively manage its order books and ensure regular coordination between order books and manufacturing capacity. It uses a CRM application (Salesforce) to handle the day-to-day management of its order books.

Toner, software and service

The recurrent revenues generated from toner, software and maintenance contracts are roughly proportionate to the number of machines installed on customers' premises (the installed base). The development of this installed base is therefore closely monitored.

The toner consumption of the Xeikon printing presses is responsible for the lion's share of the recurrent revenues. Xeikon can monitor the toner consumption of the installed presses via a web application. A monthly KPI report provides insight into toner consumption, generated revenues, the number of maintenance interventions and their efficiency.

Financial risk management

Balance sheet

The group maintains an active policy of optimizing the balance sheet ratios in order to limit financial risks and maintain the solvency of the business in the long term. Its stock exchange listing is making a useful contribution to meeting its financial targets. The group has access to a syndicated loan from a bank consortium, the original amount of which was 75 million euros. At the end of 2011, the balance outstanding on the loan was 45 million euros. The interest rate risk on this loan is closely monitored by the group. Research costs are partly charged to the income statement and partly posted as investments. The group regularly reviews the carrying value of intangible assets, including goodwill, using an impairment test. This has shown that no impairment of intangible assets is required for the balance sheet items as they appear on the balance sheet for the year-end 2012 except for the impairment of development costs of 0.94 million euros. The deferred tax assets recognized are evaluated periodically in the context of projected profits. More detailed information can be found under the accounting policies on page 123 of this annual report. A discussion of each of the elements cited is to be found in the notes to the accounts from page 138 onwards.

Foreign currency conversion

The group limits its sensitivity to foreign currency fluctuations where possible, but it is not immune to exchange rate differences when exchange rates fluctuate. Fluctuations in exchange rates also result in cumulative currency translation differences. Revenues in local currencies are mainly used for local payments. International cash flows are limited

and are mainly in US dollars. Exchange rate contracts can be entered into where possible and desirable. Sudden and important changes in exchange rates can affect the balance sheet and the income statement. More detailed information can be found under the accounting policies on page 123 of this annual report and in the relevant note to the financial statements on page 167 (see note 27).

Pension provisions

In certain countries, the group has established 'defined contribution' pension plans. The total cost to the group of these pension plans is known in advance, and no provision needs to be made for them. More detailed information can be found under the accounting policies on page 123 of this annual report and in the relevant note to the financial statements on page 173 (see note 28).

Insurance and legal risks

Xeikon N.V. and its subsidiaries have taken out the usual insurance policies to cover the most important risks: professional liability, buildings and equipment, vehicle fleet, medical insurance etc.

Xeikon N.V. or its subsidiaries are involved in a number of claims either as claimant or defendant. Where necessary, provisions for these have been included in the annual accounts. When the actual outcome differs from the estimates, the difference is posted to the income statement. More detailed information can be found under the accounting policies on page 123 of this annual report and in the relevant note to the financial statements on page 163 (see note 24).

Internal systems

The strategic objectives are clearly defined and are known throughout the whole company. Accomplishing these objectives is a top priority. At the same time the group must ensure that it has effective risk management and control systems in place to enable it to deal with the strategic, operational and financial risks it faces. The group views the introduction of such systems as an ongoing process, and regularly reviews its systems in the light of its day-to-day business in order to bring about efficient and effective risk management.

Management on all levels is responsible for the use, compliance with and monitoring of the internal reporting and management systems. The internal control framework consists of the risk management and control systems described below:

Financial manual and reporting

The financial manual sets out the guidelines for financial reporting in the group and is made available to the controllers and auditors of the holding company and all subsidiaries. Monthly financial reporting is done on a centralized reporting system (Cognos) and is made available to all managers via a web application, taking their levels of responsibility into account.

Organizational structure

All tasks, responsibilities and powers in existence in the organization are shown in the organizational structure. The division of responsibilities and powers is laid down. The group ensures that all employees are aware of the organizational structure relevant to them.

The group uses a matrix structure under which powers for subsidiaries are vested in local managers, except for functions with strategic or controlling relevance such as R&D, Sales and Marketing, Finance and Administration, where local people responsible for these subdomains report hierarchically to the relevant manager at group level (management team) and not to the local manager.

Managers are bound by clear restrictions with regard to their powers of representation. Investments, purchases and contracts with a value or risk that exceeds certain amounts must be approved by regional managers, the responsible member of the management team or the member of the Executive Board.

On December 31, 2012 the management team comprised:

Chief Executive Officer	Wim Maes
Chief Financial Officer	Kees Vlasblom

With effect from January 1, 2013, Frank Deschuytere has been appointed as Chief Executive Officer. He will be proposed as statutory director at the General Meeting of Shareholders on May 28, 2013.

Strategic planning, budgeting and control

The management of the Digital Printing Solutions and Prepress Solutions divisions and the management of the sales offices submit an annual action plan to the Executive Board, in which they assess the strategy, the risks, the planned activities and the budgets for the coming year. These budgets are entered in the central financial reporting system.

The Digital Printing Solutions and Prepress Solutions divisions monitor the results of their activities by means of strict budgeting procedures and a series of specially designed critical performance indicators. Unforeseen circumstances or material deviations from the plans must be reported immediately to the responsible member of the management team. The management team meets on a regular basis to discuss the strategy and the associated risks, actual results versus budget, and other important matters.

The Executive Board meets on a regular basis to review the general running of business in the divisions. The members of the Executive Board also visit the main sales offices regularly.

Financial reporting

The group's systems and procedures for financial reporting are tailored to its operational requirements and support the management in its evaluation of the group's activities. The principles and procedures for the group's financial reporting are kept updated and are accessible to all employees via the intranet. These principles and procedures are also regularly communicated to the financial departments. The financial reporting requirements are formalized, and the business is assessed on the basis of financial reports from local branches, which are drawn up on a monthly and quarterly basis.

Letter of representation

Every year all regional managers of the subsidiaries sign a detailed statement concerning their financial reporting and internal auditing together with a responsible member of the Executive Board of the subsidiary concerned.

Internal audit

The parent company performs internal audits of the subsidiaries on a frequent basis. Findings are reported directly to the Chief Financial Officer who will immediately inform all members of the management team of any irregularities identified during management team meetings.

Audit Committee

The Audit Committee consists of three members of the Supervisory Board, and provides independent support for the risk management process based on the Supervisory Board's supervisory role. The Audit Committee concentrates on the quality of the internal and external reporting, the effectiveness of the internal audits and the work of the external auditors (see also chapter 8 on page 68).

External audit

The annual accounts of Zeikon N.V. and various subsidiaries are audited by external auditors once a year. These audits are performed on the basis of generally accepted auditing principles.

Statement of the Executive Board

Advisory role

With the exception of due diligence assignments in the context of acquisitions and activities relating to the annual accounts, the external auditor does not provide advice. Advice is provided by third parties such as tax and insurance experts.

Code of conduct

Zeikon N.V. has a set of regulations for insider trading and guidelines with respect to the ethical code and rules on competition. On June 28, 2010, the group's General Counsel was appointed as compliance officer and the new insider trading rules and associated documents were published in a separate section on the group's website.

Whistleblower policy

The Supervisory Board approved a whistleblower policy in 2007. The aim of this procedure is to ensure that any infringement of the policy and procedures can be reported without the person reporting the incident suffering negative consequences. Anyone concerned may report irregularities or suspected irregularities internally to his/her immediate superior. If he/she does not wish to report to his/her immediate superior, he/she may report to a manager, or, if he/she does not wish to do so, to the Compliance Officer. Irregularities may also be reported to the Compliance Officer in addition to reporting to the superior or manager. The whistleblower policy was adapted in 2010 and published on the group's website.

Assessment of risk management and internal audit

The Executive Board is of the opinion that the internal risk management and control systems described above provide a reasonable degree of certainty that the annual accounts do not contain any material errors and that these systems were operating efficiently during the year under review.

The Executive Board has no reason to believe that these systems will not operate effectively in 2013. It should be noted that the above does not mean that these systems and procedures offer 100% certainty with regard to achieving operational and financial objectives, nor that they can absolutely avoid incorrect statements, inaccuracies, errors, fraud or non-compliance with rules and regulations.



Information for shareholders



Financial calendar

Xeikon on the stock exchange

As well as the annual results, Xeikon also publishes half-yearly figures (interim results) and quarterly financial reports. The scheduled publication dates and the date of the General Meeting of Shareholders are as follows:

Trading update first quarter 2013	May 13, 2013
Annual General Meeting 2013	May 28, 2013
Publication of interim results for 2013	August 23, 2013
Trading update third quarter 2013	November 15, 2013
Publication of results for 2013	February 28, 2014

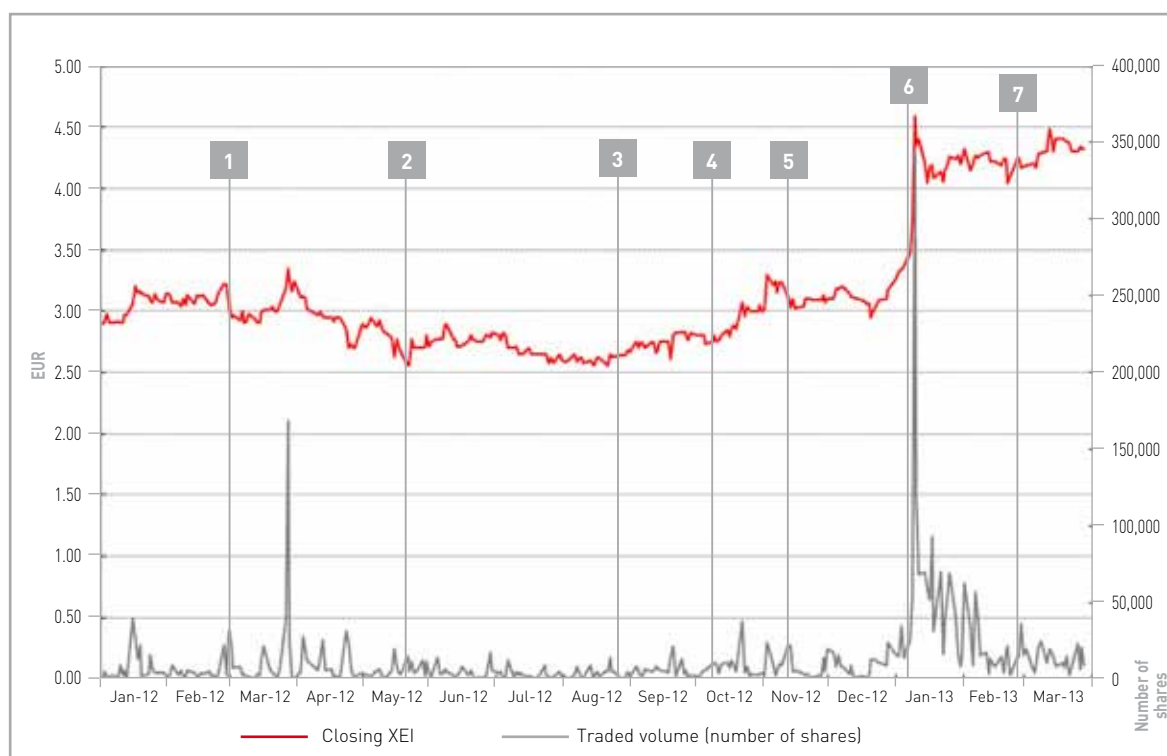
Any amendments to this calendar will be posted on the company's website (www.xeikon.com) as soon as possible.

The ordinary shares of Xeikon have been listed on Euronext Amsterdam since July 4, 1997.

Symbol	XEI
ISIN code	NL 0006007247
Number of shares on December 31, 2012	28,710,371
Market capitalization on December 31, 2012 (in thousand euros)	93,309
Closing price on December 31, 2012 (euros)	3.25

Xeikon has entered into a liquidity contract with the Dutch investment company SNS Securities nv, which acts as a permanent liquidity provider for the shares issued by Xeikon listed on Euronext Amsterdam by NYSE Euronext. This means that SNS Securities nv issues a continuous quote in the order book, in line with the conditions set by Euronext. The cumulative intraday long or short position of SNS Securities

nv has been restricted in the liquidity contract to 100,000 euros. This contract has been entered into in the interests of the company and its shareholders. Through the appointment of a specific liquidity provider, which promotes the trading of Xeikon, shares, negotiates the best prices and reduces the bid-ask spread, shareholder value can in principle be increased.



1	29-02-2012	Publication of results for 2011
2	21-05-2012	Trading update Q1 2012
3	24-08-2012	Publication of interim results for 2012
4	08-10-2012	Changes in Supervisory Board and Executive Board
5	12-11-2012	Trading update Q3 2012
6	08-01-2013	Announcement initial discussions on possible takeover bid
7	27-02-2013	Publication of results for 2012

Dividend policy

Xeikon does not currently consider it desirable to provide a strict dividend policy that establishes a certain pay-out ratio, for example. The Executive Board therefore proposes that any dividend pay-out, in whatever form, be reviewed on an annual basis, taking the group's anticipated financial requirements into account.

Capital

The company's authorized capital amounts to three hundred and forty million euros (340,000,000 euros), divided into eighty five million (85,000,000) ordinary shares with a nominal value of four euros each.

The evolution of the issued share capital and the number of issued shares since November 15, 2005 is shown in the following table.

	Nominal value per share in euros	Number of shares	Share capital in euros
Situation on November 15, 2005	4.00	1,526,596	6,106,384
After contribution of Punch Professional	4.00	3,511,170	14,044,683
After debt conversion	4.00	3,665,498	14,661,992
After public capital increase	4.00	4,591,764	18,367,056
Situation on December 12, 2005	4.00	4,591,764	18,367,056
Situation on July 23, 2007	4.00	17,335,506	69,342,024
Situation on December 13, 2007	4.00	28,244,596	112,978,384
Situation on December 21, 2007	4.00	28,710,370	114,841,480
Situation on December 31, 2008	4.00	28,710,370	114,841,480
Situation on December 31, 2009	4.00	28,710,370	114,841,480
Situation on December 31, 2010	4.00	28,710,371	114,841,484
Situation on December 31, 2011	4.00	28,710,371	114,841,484
Situation on December 31, 2012	4.00	28,710,371	114,841,484

For more information please see endnote 2 at the end of this annual report.

Shareholder structure

Based on the denominator of 28,710,371 (total number of shares with voting rights) and the relevant notifications received by the company up to December 31, 2012, the shareholder structure is as follows:

	Number of shares	% of shares
Ordinary shares		
Punch International nv	18,856,298	65.68
Free float	6,701,741	23.34
Treasury shares	3,152,332	10.98
Total	28,710,371	100.00

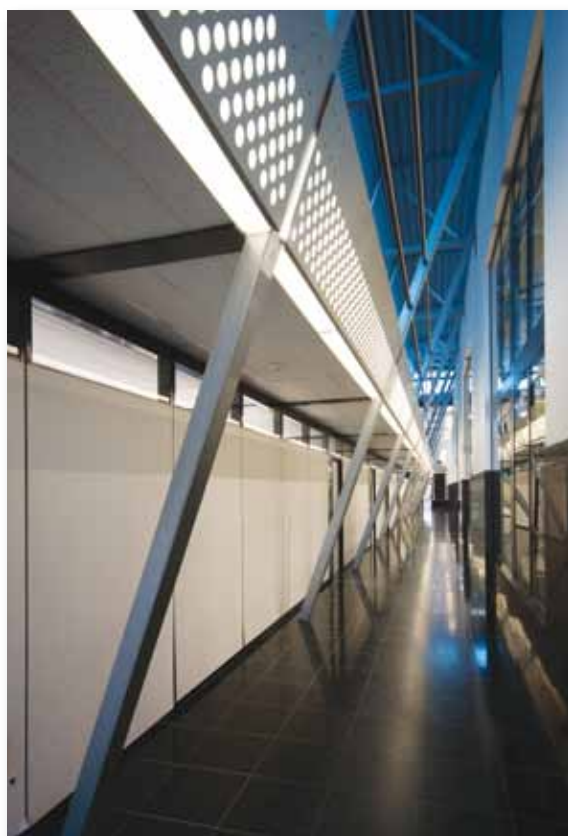
Each ordinary share confers the right to cast 1 vote. There are no ordinary shares with special control rights. The ordinary shares of Xeikon N.V. are listed on Euronext Amsterdam.

The controlling shareholder of Xeikon N.V. is Punch International nv, an international industrial holding headquartered in Belgium. Punch International is listed on Euronext Brussels (ticker symbol PUN). Punch International's voting rights are no different from those of the other shareholders.

The group entered into a syndicated loan agreement in 2008 with a consortium of banks, in which a change of control clause is included.

General Meeting of Shareholders

For a detailed description of the provisions governing the General Meeting of Shareholders, please see chapter 8 on page 68 of this annual report.



Investor relations

Xeikon wishes to keep its shareholders and other stakeholders as fully informed as possible. Therefore, a special 'Investors' section has been created on the company's website (www.xeikon.com), where all the information that may be of use to investors can be found. In addition, people who wish to subscribe to the press release mailing list may do so there.

Shareholders, investors and analysts are regularly invited to presentation meetings, particularly following important financial transactions and announcements of the group's financial results. Xeikon also takes part in investor relations conferences and seminars. The presentations given on such occasions are available on the company's website for consultation by anyone who wishes to view this information.

Shareholders are encouraged to attend the annual General Meeting of Shareholders where they will be able to meet the members of the Executive Board and management and will have the opportunity to ask questions.

For financial information on Xeikon and any other questions relating directly or indirectly to Xeikon shares, please contact the Investor Relations officer at investor.relations@xeikon.com. Registered shareholders are kindly requested to inform the Investor Relations officer of any change of address in writing.

The consolidated and statutory annual accounts, the articles of association, the annual reports and other documents which are published are available free of charge at the company's head office. All this information is also available on the corporate website.

Consolidated annual accounts



Consolidated income statement 2012

	Note	2012	2011
<i>in thousand euros</i>			
Total sales	1, 2, 3	130,227	129,780
Other operating income	3	2,615	4,195
Total revenues		132,842	133,975
Change in inventory	15	2,244	1,055
Purchases	15,16	44,705	48,492
Salaries & employee benefits	5	24,822	24,309
Depreciation & amortization	10,12	8,225	9,010
Impairment losses on current assets		3,236	1,918
Provisions	24	423	26
Other operating charges	4	29,027	29,651
Total operating expenses		112,682	114,461
Operating result (EBIT)		20,160	19,514
Finance income/cost	6	554	-284
Share in the result of associates	13	-7,725	-7,713
Result before taxes		12,989	11,517
Taxes	7	-4,060	-4,559
Net result		8,929	6,958
Attributable to:			
- shareholders in Xeikon N.V.		8,953	7,103
- minority interest		-24	-145
EBITDA (*)		32,044	30,468
Result per share - ordinary (euros per share)	8	0.35	0.28
Result per share - diluted (euros per share)	8	0.35	0.28

(*)EBITDA is not a defined IFRS term. Xeikon N.V. defines it as the result obtained by taking the operating result, adding depreciation and amortization costs, impairments of current assets and provisions and subtracting any reductions of these items.

Consolidated summary of overall result 2012

	Note	2012	2011
<i>in thousand euros</i>			
Net result		8,929	6,958
Foreign exchange translation differences included in equity		-153	820
Overall result		8,776	7,778
Attributable to:			
- shareholders in Xeikon N.V.		8,800	7,923
- minority interest		-24	-145

Consolidated balance sheet as at December 31, 2012

	Note	2012	2011
<i>in thousand euros</i>			
Non-current assets		176,987	187,518
Intangible assets	10,11	116,077	114,106
PPE: Property, Plant & Equipment	12	9,297	11,959
Investments in associates	13	5,545	13,270
Receivables (non-current)	14	39,312	38,219
Deferred tax assets	25	6,756	9,964
Current assets		84,109	74,909
Inventories	15	23,259	25,605
Trade debtors	16	25,164	22,434
Other amounts receivable	16	6,045	5,277
Cash and cash equivalents	18	29,641	21,593
Total assets		261,096	262,427

	Note	2012	2011
<i>in thousand euros</i>			
Shareholders' equity		186,246	177,782
Ordinary shares	19	114,841	114,841
Share premium account		140,269	140,269
Consolidated reserves		-57,820	-66,437
Translation differences		-11,044	-10,891
Minority interests	22	-565	-546
Total equity		185,681	177,236
Non-current liabilities		8,861	43,638
Interest bearing loans & borrowings (non-current)	23	5,216	40,275
Deferred tax liabilities	25	3,645	3,363
Current liabilities		66,554	41,553
Trade payables	26	20,291	16,293
Other current payables	26	5,802	7,697
Current tax liabilities		2,274	2,872
Borrowings	23	35,214	10,330
Provisions	24	2,736	3,278
Financial instruments	27	237	1,083
Total equity & liabilities		261,096	262,427

Consolidated cash flow statement 2012

	Note	2012	2011
<i>in thousand euros</i>			
Cash flow from operating activities			
Profit before taxes		12,989	11,517
Adjustments for:			
Share in the result of associates	13	7,725	7,713
Depreciation of non-current assets and impairments of current assets	10,12,15,16	11,459	10,928
Provisions	24	423	26
Result on decommissioning and disposal of tangible non-current assets	12	-	20
Interests in income statement		-1,153	-82
Taxes paid		-558	-1,493
Financial instruments		-844	-324
Subtotal		30,041	28,305
Movement in trade & other receivables		-4,774	-3,128
Movement in inventory		606	-2,969
Movement in trade & other payables		1,455	-5,425
Movement in provisions		-941	-2,748
Subtotal		-3,654	-14,270
Net cash flow from operating activities		26,387	14,035
Cash flow from investing activities			
Purchase of intangible assets	10	-1,171	-1,680
Capitalized development costs	10	-5,631	-5,094
Purchase of property, plant & equipment	12	-1,617	-1,632
Loan granted to Punch International nv	14	-1,155	-
Subtotal		-9,574	-8,406
Sale of participations	13	-	100
Sale of property, plant & equipment	12	720	726
Reimbursement of loan granted to Punch International nv	14	-	3,000
Capital component of finance leases received		283	1,045
Interest received / paid		980	492
Subtotal		1,983	5,363
Net cash flow from investing activities		-7,591	-3,043

	Note	2012	2011
<i>in thousand euros</i>			
Cash flow from financing activities			
Purchase of treasury shares	19	-332	-1,402
Subtotal		-332	-1,402
New loans		-	115
Loan reimbursements	23	-10,179	-10,248
Capital component of finance leases paid		-	-40
Subtotal		-10,179	-10,173
Net cash flow from financing activities		-10,511	-11,575
Foreign exchange		-237	597
Net cash flow		8,048	14
Cash and cash equivalents			
At the beginning of the period	18	21,593	21,579
At the end of the period	18	29,641	21,593
Net cash flow		8,048	14

Statement of changes in equity 2012

	Ordinary Shares	Share premium account	Consolidated reserves	Translation differences	Share holders' equity	Minority interests	Total equity
<i>in thousand euros</i>							
December 31, 2010	114,841	140,269	-72,138	-11,711	171,261	-394	166,963
Result of the year	-	-	7,103	-	7,103	-145	4,656
Treasury shares (*)	-	-	-1,402	-	-1,402	-	-686
Change in scope	-	-	-	-	-	-7	59
Change in translation differences	-	-	-	820	820	-	-126
December 31, 2011	114,841	140,269	-66,437	-10,891	177,782	-546	177,236
Result of the year	-	-	8,953	-	8,953	-24	8,929
Treasury shares (*)	-	-	-332	-	-332	-	-332
Change in scope	-	-	-	-	-	5	5
Change in translation differences	-	-	-4	-153	-157	-	-157
December 31, 2012	114,841	140,269	-57,820	-11,044	186,246	-565	186,681

(*)The Executive Board has decided to avail itself of the authority granted it to purchase treasury shares. Under this authority, which was extended at the General Meeting of May 30, 2012, the Executive Board is empowered to purchase treasury shares up to the maximum quantity that may be vested in the company according to the law and the articles of association at the time of acquisition, at a price between their par value and 110% of the stock-market price at the time of acquisition. The company will report periodically on the number of treasury shares purchased and the average purchase price in its quarterly trading updates. At the end of 2012, the company had purchased a total of 3,152,332 (2011: 3,032,752) treasury shares at an average price of 2.68 euros (2011: 2.67 euros). This represents 10.98% (2011: 10.56%) of the total outstanding shares. 119,580 (2011: 430,047) treasury shares were purchased in 2012.

Principles of consolidation and accounting policies

Principles of consolidation

The group applies the following methods for the consolidation of its accounts:

A. Full consolidation

Full consolidation is applied to those entities in which the group holds the majority of the voting rights or over which the group exercises legal or actual control.

Under this method of consolidation all assets and liabilities of the subsidiary concerned are recorded in the books of the parent company against the carrying value of the investment. Where applicable, this method results in the determination of a consolidation difference and the recognition of a minority interest.

Following the same principle, the items of the respective income statements of the subsidiary and the parent company are added up, and the result of the consolidated companies over the financial period is divided into a share of the parent company and a minority share. The intercompany accounts and transactions are eliminated in the consolidation.

B. Equity method

This method is applied in all cases where the criteria valid for full or proportionate consolidation do not apply. It is applied to entities in which a consolidated company holds a share and over which it has significant control.

The assets and liabilities of the company accounted for using the equity method are not included in each item of the consolidated balance sheet, but the account 'participating interests' of the consolidating company is recalculated in the consolidated financial statements in such a way that the part of the equity capital of the companies concerned is accounted for. Instead of the dividends received the consolidated income statement reflects the share of the group in the realized results of the company accounted for using the equity method.

Accounting policies

A. General

Xeikon N.V. (the 'Company'), formerly Punch Graphix nv, has its statutory seat in Sluis. The Company has its headquarters in Eede, Brievversstraat 70, 4529 GZ, Netherlands. The activities of the Company include the development and sale of digital printing and CtP solutions.

The complete consolidated balance sheet and income statement is included in the consolidated financial statements of Punch International nv (Euronext Brussels), Xeikon N.V.'s majority shareholder.

The consolidated financial statements of the Company for the year ended December 31, 2012 comprise the Company and its subsidiaries (together referred to as 'the group'). The financial statements have been prepared by the Executive Board and authorized for issue on April 16, 2013 by the Supervisory Board.

The financial statements will be submitted for approval to the Annual General Meeting of Shareholders on May 28, 2013. In accordance with Article 2:402 Book 2 of the Netherlands Civil Code a condensed income statement is included in the Company's statutory financial statements.

B. Basis of preparation

The financial information has been prepared in accordance with those International Financial Reporting Standards (IFRS) and IFRIC interpretations in force issued by the International Accounting Standards Board (IASB) and as adopted within the EU.

The financial information has been prepared under the historical cost convention. 'Group' should be read as Xeikon N.V. and its subsidiaries.

The cash flow statement has been prepared using the indirect method.

The group's companies maintain their books and records in the currency of and in compliance with statutory regulations of the countries in which they are incorporated and registered. The functional currencies are determined separately for each business on the basis of the relevant IFRS provisions.

The Company's consolidated financial statements are expressed in euros, the functional and presentation currency of the group.

The introduction of the following new or amended standards and interpretations with effect from January 1, 2012 had no impact on the principles of the group's financial reporting, financial position or performance:

- IFRS 7: Financial Instruments: Disclosures
- IAS 1: Presentation of Financial Statements
- IAS 12: Income Taxes

At the time of approval of the financial statements, the following standards and interpretations had been published but were not yet in force:

- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- Revision of IAS 1: Presentation of Financial Statements
- Revision of IAS 19: Employee Benefits
- Revision of IAS 27: Separate Financial Statements
- Revision of IAS 28: Investments in Associates and Joint Ventures
- Revision of IFRIC 20: Stripping Costs in the Phase of a Surface Mine

Xeikon does not expect the application of this modification of standards and IFRIC interpretations in future financial years to entail any material consequences for the consolidated annual accounts. The exception to this is IFRS 10. The possible consequences of the introduction of IFRS 10 will be analyzed in more detail prior to its effective date of entry into force.

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For critical accounting estimates and judgments, see the relevant individual notes, more specifically note 10 [Intangibles], note 11 [Goodwill], note 24 [Provisions], note 25 [Deferred tax liabilities and deferred tax assets] and the chapter on 'Financial risk management' on page 105 of this report. Other estimates relate to the valuation of investments in associates, the provision for commercial bad debts, the inventory provision and the estimated economic life of fixed assets.

IAS 36 'Impairment of assets' requires management to estimate inputs into valuation models concerning matters such as forecast cash flows and profit margins. The directors base their estimates both on past experience and expected market trends going forward.

Management must also make assumptions concerning inventory valuation, the valuation of receivables and the valuation of the warranty provision. In each instance, management take account of the historical performance of the group in respect of these matters, together with current information concerning, for example, product mix and performance and exposure to credit risk.

The accounting principles have been applied consistently throughout the relevant period. A summary of the more important accounting policies is set out below.

C. Basis of combination

The financial statements have been prepared on a consolidated basis. Corporate entities meeting the definition of a subsidiary set out in IAS 27 'Consolidated and Separate Financial Statements' and being members of the group have been included in the consolidated financial statements from the date that control passed to the Xeikon N.V. group of companies and are excluded from the consolidated financial statements from the date that control ceases. Intercompany transactions and balances have been eliminated on combination including unrealized profits and losses, except to the extent that unrealized losses cannot be recovered.

D. Business combinations - Goodwill

(i) Business combinations

The results of business combinations are shown in the consolidated annual accounts according to the acquisition method. The acquired party's identifiable assets, liabilities and contingent liabilities are included in the consolidated balance sheet at their actual value on the acquisition date. The results produced by the acquired activities are included in the consolidated results from the date they came under control.

(ii) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalized as an intangible asset with any impairment in carrying value being charged to the income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement. Costs relating to the acquisition are charged to the income statement.

E. Investments in group companies, associated undertakings and joint ventures**(i) Group companies**

It is assumed that control is exercised over a group company with regard to its financial and operating policy. Generally, this is associated with holding more than half the voting rights in the company. Even if more than half of the voting rights have not been acquired, control may be demonstrated by power:

- over more than half the voting rights on the basis of an agreement with other investors; or
- to control the other company's financial and operating policy on the basis of the articles of association or an agreement; or
- to appoint or dismiss the majority of members of the Supervisory Board/Executive Board; or
- to cast the majority of votes at meetings of the Supervisory Board/Executive Board.

If a business from the group performs transactions with group companies, profits and losses are eliminated up to the amount of the group's interest in the affiliated company in question. Intercompany balance-sheet accounts are also eliminated.

The minority holding of third parties in the net assets of group companies is presented as a separate element of the shareholders' equity.

(iii) Investments in associated undertakings

An associate is an entity over which the group can exercise significant influence, but not control or joint control, via participation in the entity's financial and operating policy decisions. The results and assets and liabilities of associated undertakings are treated in these financial statements according to the equity method, unless they are classified as 'held for sale'.

The goodwill identified on the acquisition date minus cumulative impairments is accounted for in the book value of the associate. The share in the profits or losses of the associate generated after the acquisition date is shown in the income statement.

The book value of associates is adjusted for cumulative changes after the acquisition date. If the group's share in the losses of associates is greater than or equal to the stake in the associate, the group no longer recognizes any share in further losses, unless the group has undertaken liabilities, which could result in the expenditure of funds.

On the balance sheet date, a test is conducted to assess whether the value of the associates should be impaired. Whenever the book value of an associate exceeds its realizable value (the realizable value is the fair value of the asset minus sale costs, or the economic value of the asset if this latter value is higher), an impairment loss is recorded under the share in the result of associates in the income statement. The fair value minus the sale costs is the amount that can be obtained from the sale of an asset on a commercial, objective basis between independent parties. The economic value is based on Xeikon's share in the cash value of estimated future cash flows that are expected to be generated by the associate.

Write-backs of impairment losses that were recorded in previous years are recognized in the income statement if there is an indication that the impairment losses which were recorded for the associates no longer apply or have decreased.

Property investments in associates

Property investments are recorded at fair value. The fair value of property investments is determined on the basis of a calculation of returns, in which rental income is capitalized. When determining the fair value, account is taken of the difference between market rent and contractual rent, vacancy, state of maintenance and necessary future replacement investments.

The property portfolio is appraised at the end of the financial year by an independent external valuer. The estimates are carried out in accordance with the guidelines of IAS 40 and the latest guidelines of the Valuation Standards compiled by the Royal Institute of Chartered Surveyors (RICS). The method used is the 'Hardcore Valuation Technique'. This consists of determining a building's market value by capitalizing its rental income, which is divided into two components: a 'sustainable rent' and an 'excess rent' if the property is leased out at a rent higher than the market or sustainable rent. For each property, an estimated rental value (ERV) and a capitalization rate or yield that reflects market conditions are determined on the basis of points of comparison. The sustainable rent is capitalized at a market yield rate. The excess rent is then capitalized at a higher yield rate because of the higher risk of this portion of the income stream. Finally, the two values are added together to work out the property's market value.

Changes in the fair value of property investments are recorded in the income statement in the period in which they occur. Realized gains or losses on the sale of a property investment are accounted for in the period in which the sale takes place as the difference between the net proceeds from the sale and the most recently published fair value. Property investments are not depreciated, as they are recorded at fair value in accordance with IAS 40.

(iii) Interests in joint ventures

The group's share of jointly controlled assets and any liabilities are consolidated using the method of proportionate consolidation for investments in joint ventures.

F. Discontinued operations

A discontinuing operation is a clearly distinguishable component of the group's business:

- that is disposed of or terminated pursuant to a single plan;
- that represents a major line of business or geographical area of operations; and
- that can be distinguished operationally and for financial reporting purposes.

Non-current assets held for sale and discontinued activities are valued at the lower of their carrying value and their fair value less cost to sell. These assets are no longer amortized.

G. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales are recognized net of sales tax and discounts. Revenue from sales of goods is recognized when delivery has taken place and the transfer of risks and rewards has been completed. Revenue from rendering services is recognized by reference to the stage of completion when this can be measured by reference to labor hours incurred prior to the year end as a percentage of total estimated labor hours for the contract. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

No revenue is recognized on barter transactions involving the exchange of similar goods and services. Interest is recognized on a time proportion basis that reflects the effective yield of the asset. Royalties are recognized on an accrual basis in accordance with the terms of agreements. Dividends are recognized when the shareholders' right to receive payment is established.

The geographical segmentation of sales is determined by the geographical position of the group's companies.

H. Leases

(i) As a lessee

Finance leases

Leases of property, plant and equipment where a company in the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period. The leased assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. If there is no reasonable certainty that ownership will be acquired by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Payments made under operating leases are recognized as an expense on a straight-line basis over the term of the lease.

(ii) As a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payment is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned financial income. Financial income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Profits arising on sales under finance leases are recognized in the period that the sale occurs.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to the lessee) is recognized on a straight-line basis over the lease term.



I. Foreign exchange

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Income statements of foreign entities are translated into the group's reporting currency at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates applying on the balance sheet date. Translation differences compared with the starting position of equity of foreign entities and the results for the year are included in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate. When foreign entities are sold, the cumulative conversion difference included in the equity is transferred to the income statement on the transaction date, as part of the sale result.

The following table summarizes the most important exchange rates as applied during the year and during the previous year:

	2012	2011
USD as at year end	1.3218	1.2950
USD average	1.2861	1.3928
GBP as at year end	0.8184	0.8380
GBP average	0.8116	0.8682
JPY as at year end	113.5400	100.2500
JPY average	102.6600	111.0600

J. Borrowing costs and interest

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing. When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the income statement.

Neither the interests paid or incurred nor the borrowings costs are eligible for capitalization.

K. Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Government grants relating to capitalized development costs are offset against those development costs. Government grants relating to costs are offset against those costs.

L. Employee benefit costs

(i) Pension obligations

The group operates a number of 'defined benefit' and 'defined contribution' plans, the assets of which are held in separate trustee-administered funds or group insurances. The pension plans are funded by payments from employees and by the relevant companies in the group, taking into account the recommendations of independent qualified actuaries. For the 'defined benefit' plans, pension costs are assessed using the 'projected unit credit method': the

cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees based on actuarial calculations. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses are recognized over the average remaining service lives of employees. Net assets resulting from the overfunding of the pension obligations are recognized to the extent of the net present value of the future savings on the employer's contribution using the 'closed group method' on the personnel at year-end. The group no longer has any 'defined benefit' plans. The group's contributions to 'defined contribution' plans are charged to the income statement in the period to which the contributions relate. Pre-retirement pensions are treated as termination benefits. The costs are recognized when individuals agree to terminate their employment under these programs.

(ii) Other benefits

The group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in current and prior periods. The obligation is calculated using the 'projected unit credit' method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the group's obligations.

(iii) Employee compensation benefits

All employees benefit payments were paid in cash and expensed to the profit and loss account.

M. Taxation including deferred tax

Deferred income tax is provided for in full using the balance sheet liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

Deferred taxes are not calculated on the following temporary differences:

- the initial recognition of goodwill that is not deductible for tax purposes; and
- the initial recognition of assets or liabilities that are not a business combination and affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The current tax payable is based on taxable profit of the year. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are only set off against each other if the following circumstances apply. The group has a right, enforceable in law, to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities concern taxes levied by the same tax authority on the same taxable entity. Alternatively, they concern taxes levied on different taxable entities that either intend to set current tax assets and liabilities off against each other or to realize tax assets at the same moment that tax liabilities are settled and to do this for every future period where deferred tax assets and liabilities for considerable sums are respectively realized and settled.

N. Property, plant and equipment

Items of property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and impairment losses.

Expenses for the repair of property, plant and equipment are usually charged against income when incurred. They are, however, capitalized when they increase the future economic benefits expected to arise from the item of property, plant and equipment. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the item. Land is not depreciated.

Assets under construction represent plant and properties under construction and are stated at cost. This includes cost of construction, plant and equipment and other direct costs, including the related borrowing cost. Assets under construction are not depreciated until such time as the relevant assets are available for their intended use.

The estimated useful lives, which are subject to annual review, of the various identified asset categories are as follows:

Buildings	25 to 40 years
Equipment in buildings	10 years
Decoration of buildings	10 years
Production machines	8 years
Supporting material	8 years
Demonstration machinery	2 years
Office machinery	5 years
Office machinery hardware	5 years
Furniture production department	5 years
Furniture offices	5 years
Vehicles production department	5 years
Other vehicles	3 years

Depreciation is calculated on a straight-line basis, taking account of any estimated residual value and starting from the month of purchase. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable value.

0. Intangibles

(i) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in the income statement as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits and meets the recognition criteria set out in IAS 38 'Intangible Assets'.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as assets in a subsequent period. Development costs

that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. The amortization periods adopted do not exceed five years. The capitalized development costs are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

(ii) Computer software development costs

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the group that have probable economic benefits exceeding the cost beyond one year, are recognized as assets. Direct costs include staff costs of the software development team. Computer software costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful lives, not exceeding a period of three years.

(iii) Other intangible assets

Expenses relating to acquired patents and licenses are capitalized and amortized on a straight-line basis over their expected useful lives, not exceeding a period of 20 years. Expenses relating to acquired trademarks are capitalized and, in view of their indeterminate useful life, are not amortized. For intangible assets that are amortized, an assessment is made of whether they have undergone impairment whenever events or changed circumstances indicate that their book value may not be realizable. For intangible assets with an indefinite economic life, an annual assessment is made of whether they have undergone impairment. The amortization and impairment of intangible assets is accounted for under 'Depreciation' in the income statement.

P. Impairment of non-financial assets (other than inventories, deferred tax assets, employee benefits and derivative financial instruments)

Every year at balance sheet date, goodwill and other intangible non-current assets with indefinite useful lives are reviewed for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount (being the higher of its fair value less cost to sell and its value in use), an impairment loss is recognized under 'amortizations' in the income statement. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash generating unit to which the assets belong. Reversal of impairment losses recognized in prior years is recorded in income when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased. As an exception, an impairment loss recognized for goodwill is not reversed in a subsequent period.

Q. Loans granted (non-current other receivables)

Loans are initially shown at fair value, including transaction costs incurred. They are subsequently recorded at amortized cost price; any difference between the income (minus transaction costs) and the redemption value is taken to the income statement over the period of the loan by means of the effective interest rate method.

Loans are included under short-term receivables if they will be repaid within 12 months of the balance sheet date.

R. Inventories

Inventories are valued at cost, following the 'lower of cost or net realizable value' principle, with the cost being determined according to the weighted average cost method. Work in progress and finished goods are valued at full production cost. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocation of material and manufacturing overhead, and an appropriate share of the depreciation and write-downs of assets used for production. If the purchase or production cost is higher than the net realizable value, inventories are written down to net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

S. Trade and other receivables

Trade receivables are carried at original invoice amount less impairment losses as a result of a past event that occurred subsequent to the assets' recognition, such as evidence of deterioration in counterparty credit risk. Other receivables are recorded at amortized cost price minus any bad debt provision.

T. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

U. Share capital and share premium

External costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs directly incurred in connection with a business combination are deducted directly from equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Where the Company or its subsidiaries purchase its own or its parent company's equity share capital, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from the total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

V. Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

V.1. Warranty

The group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of the level of repairs and replacements or on basis of best estimates.

V.2. Onerous contracts

The group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

V.3. Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognized in the period in which the group becomes legally or constructively committed to payment.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for restructuring;
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Costs relating to the ongoing activities of the group are not provided for in advance. Any non-current assets that are no longer required for their original use are transferred to current assets provided their sale is likely and active sales efforts are being carried on to sell the assets in their current state. These assets are carried at the lower of the carrying amount or the fair value less costs to sell.

V.4. Other provisions

Other provisions are recorded for liabilities that can be estimated with sufficient reliability. The provisions include legal claims and tax risks for which it is more likely than not that an outflow of resources will be required to settle the obligation.

W. Trade and other payables

Trade and other payables are shown at amortized cost price.

X. Financial risk management**(i) Financial risk factors**

The group entities seek to minimize potential adverse effects on the financial performance of their local business, however, fluctuations in market prices, foreign currency exchange rates on sales and purchases or intercompany loans are inherent risks in the performance of the business.

The group uses derivative financial instruments to hedge its exposure and interest rate risks arising from its operational, financing and investment activities. The net exposure is managed on a central basis in accordance with the principles laid down by general management. As a policy, the group does not engage in speculative or leveraged transactions, nor does it hold or issue derivative financial instruments for trading purposes.

(ii) Foreign exchange rate risk

Due to the international character of the group, its business is exposed to different foreign exchange risks arising from various currency exposures primarily with respect to the US dollar and the pound sterling. Companies in the group might use forward contracts or other instruments, concluded with local banks to hedge their exposure to foreign currency risks in the local reporting currency.

See note I on the treatment of foreign currencies.

(iii) Interest rate risk

Interest rate risk is managed using derivative financial instruments to hedge its exposure to interest rate fluctuations.

(iv) Credit risk

The group has no significant concentration of credit risks and has policies in place to monitor the credit risks on customers. For major projects the intervention of credit insurance companies or similar organizations is requested.

(v) Liquidity risk

Liquidity risk is linked to the evolution of the group's working capital. The group monitors the change in working capital through focused actions.

Y. Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group enters into foreign exchange forward contracts and interest swap agreements in order to hedge these risks if this is regarded as desirable by the Executive Board. The group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives will be governed by the group's policies approved by the Executive Board which provides written principles on the use of financial derivatives. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, will be recognized in profit or loss. Changes in the fair value of derivative financial instruments will be recognized in the income statement as they arise.

Z. Fair value estimation

Fair value estimation is based on third parties estimations, when available. For hedging contracts fair value is the mark to market value.

AA. Profit per share

The result per share and result per share after dilution are accounted for. The result per ordinary share is calculated on the basis of the profit or loss attributable to the group's shareholders, divided by the weighted average number of ordinary shares during the reporting period (corrected for retained treasury shares). In the calculation of the result per share after dilution, the profit or loss attributable to the group's shareholders and the weighted average number of ordinary shares during the reporting period (corrected for retained treasury shares) are corrected for all potentially dilutory effects on the ordinary shares.

Notes to the accounts

1. Segment information

In accordance with IFRS 8 'Operational segments', the management approach for the financial reporting of segmented information has been used. This standard states that the segmented information to be reported must be consistent with internal reports used by the

key operational decision-making officers, on the basis of which the internal performance of Xeikon's operational segments is assessed and resources are allocated to the different segments.

Detailed sales information

2012	Q1	Q2	Q3	Q4	Year	H1	H2
<i>in thousand euros</i>							
Sales per segment							
Digital Printing Solutions	20,298	21,706	24,586	32,053	98,643	42,004	56,639
Prepress Solutions (CtP)	6,992	7,373	7,332	9,887	31,584	14,365	17,219
Total sales	27,290	29,079	31,918	41,940	130,227	56,369	73,858
Sales per activity/product							
Equipment	9,873	11,731	14,129	23,471	59,204	21,604	37,600
Consumables and service	17,417	17,348	17,789	18,469	71,023	34,765	36,258
Total sales	27,290	29,079	31,918	41,940	130,227	56,369	73,858
Sales per region							
Europe	17,074	20,788	17,336	26,662	81,860	37,862	43,998
Americas	7,420	6,335	10,451	13,305	37,511	13,755	23,756
Asia (including Australia and New-Zealand)	2,796	1,956	4,131	1,973	10,856	4,752	6,104
Total sales	27,290	29,079	31,918	41,940	130,227	56,369	73,858

Due to its restructuring programs, involving extensive centralization and the integration of operational departments, Xeikon discontinued operational segmentation (Digital Printing Solutions, Prepress Solutions and Other) at the start of 2009 in internal reporting to the key opera-

tional decision-making officers, with the exception of the sales figures. Digital Printing Solutions and Prepress Solutions therefore do not constitute separate operational segments within the meaning of IFRS 8.

2011	Q1	Q2	Q3	Q4	Year	H1	H2
<i>in thousand euros</i>							
Sales per segment							
Digital Printing Solutions	22,668	24,596	19,619	28,811	95,694	47,264	48,430
Prepress Solutions (CtP)	9,439	9,305	7,206	8,136	34,086	18,744	15,342
Total sales	32,107	33,901	26,825	36,947	129,780	66,008	63,772
Sales per activity/product							
Equipment	12,459	15,079	10,113	18,575	56,226	27,538	28,688
Consumables and service	19,648	18,822	16,712	18,372	73,554	38,470	35,084
Total sales	32,107	33,901	26,825	36,947	129,780	66,008	63,772
Sales per region							
Europe	20,648	20,498	11,961	24,016	77,123	41,146	35,977
Americas	9,406	9,930	11,305	10,329	40,970	19,336	21,634
Asia (including Australia and New-Zealand)	2,053	3,473	3,559	2,602	11,687	5,526	6,161
Total sales	32,107	33,901	26,825	36,947	129,780	66,008	63,772

2. Geographical segment information

	Consolidated		Netherlands		Belgium		Rest of Europe		America (1)		Asia Pacific (2)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<i>in thousand euros</i>												
Sales to external customers	130,227	129,780	5,019	4,758	18,592	17,617	58,249	54,748	37,511	40,970	10,856	11,687
Non-current assets	176,987	187,518	55,517	64,859	32,867	31,459	85,711	87,257	1,939	2,344	953	1,599
Total assets	261,096	262,427	121,913	116,566	35,069	33,505	88,080	91,334	13,423	16,828	2,611	4,194

(1) North and South America

(2) Including Australia and New Zealand

The group's head office is in the Netherlands. Research, development and manufacturing for the Digital Printing Solutions division (Xeikon solutions) is based in Belgium. Globally Xeikon is represented by Xeikon subsidiaries as well as through a network of distribution partners who distribute Xeikon solutions on a regionally exclusive basis. basysPrint's (Prepress Solutions division) research and development department is based in Belgium. Manufacturing

takes place in Belgium as well. A network of distribution partners distributes basysPrint solutions globally on a non-exclusive basis. In some countries, basysPrint solutions are distributed and supported by Xeikon subsidiaries, which also distribute and support Xeikon solutions. The systems developed in collaboration with Agfa (Prepress Solutions) are manufactured in Belgium and distributed and supported globally by Agfa.

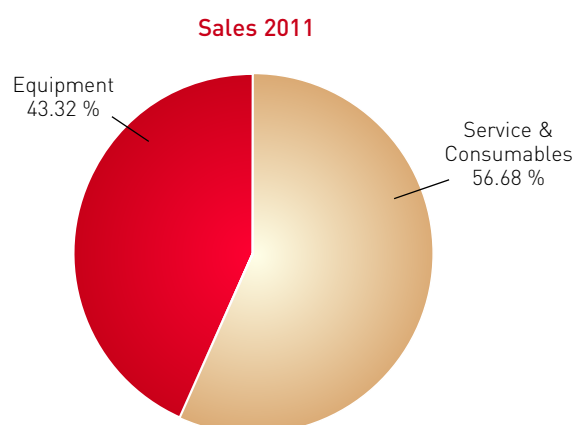
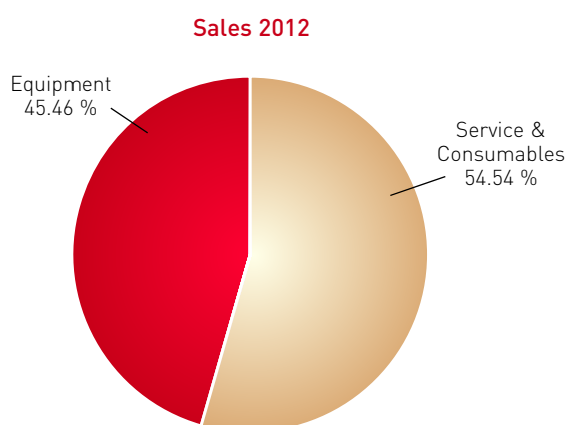
3. Sales and other operating income

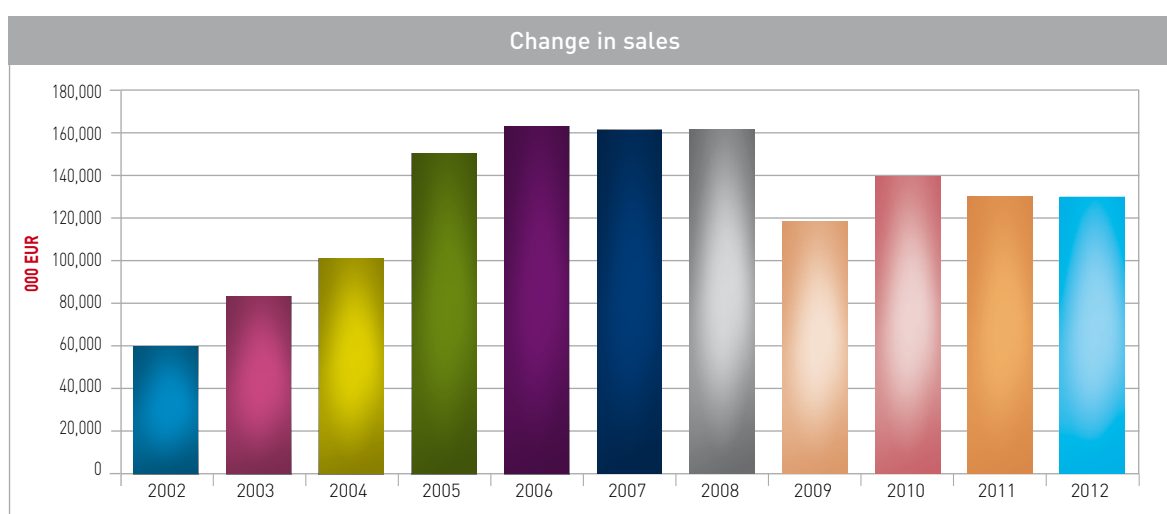
3.1 Sales

	2012	2011
<i>in thousand euros</i>		
Equipment	59,204	56,226
Consumables and service	71,023	73,554
Sales	130,227	129,780

Compared with 2011, sales remained constant. Digital Printing Solutions sales rose by 3%, while those at Prepress Solutions were down. The main developments are as follows:

- Prepress Solutions sales during 2012 fell by more than 7% from their 2011 level. This drop was due to increasing competition from Chinese suppliers and the difficult market conditions in the conventional offset printing market. Sales during 2012 for the Digital Printing Solutions segment increased further despite difficult market conditions.
- Equipment sales in 2012 were up 5% compared with 2011.
- Recurring income from consumables and service activities fell by 3.4%. This fall mainly took place during the first quarter, and was due to a number of specific customers from North America that experienced sales losses. In the other regions, recurring income remained stable. In the second half of the year, recurring income was up 3.3% on its level in the second half of 2011.
- In geographical terms, sales rose in Europe (+6.1%), but fell in North and South America (-8.4%) and Asia (-7.1%).
- Sales in the second half of the year represent 57% of the total for the year.



Change in sales

2002- April 2005: graphic division of Punch International | May 2005 – January 2007: Punch Graphix plc | from February 2007: Xeikon N.V.

3.2 Other operating income

Other operating income was 2.6 million euros in 2012 (2011: 4.2 million euros) and consisted mainly of grants received and R&D costs passed on.

Grants are provided by the government and are recorded in the income statement when they have definitely been acquired and do not relate to capital-

ized development costs. Xeikon mainly applies for grants in connection with scientific and technological research. Other income under this heading relates to various amounts passed on to associated and external parties, statutory grants for R&D personnel and other charges passed on.

4. Other operating charges

	2012	2011
<i>in thousand euros</i>		
Rental, leasing and maintenance of land, property, and equipment	7,055	7,080
Utility and service costs of land, property, and equipment	2,893	2,719
Transport costs	3,490	3,436
Research & development	1,089	1,997
Sales, marketing and representation costs	5,738	5,109
Other fees and expenses	8,762	9,310
Total other operating charges	29,027	29,651

In comparison with 2012, other operating charges fell by 0.6 million euros. The decrease in other operating charges is due to strict cost management.

During 2012, Xeikon paid audit fees of 278,000 euros to BDO Audit & Assurance B.V. and associated companies (2011: 227,000 euros). In addition, 23,000 euros non-audit fees were charged in 2012 for the provision of tax advice (2011: 11,000 euros).

5. Salaries & employee benefits

	2012	2011
<i>in thousand euros</i>		
Wages and salaries	18,943	18,369
Social securities costs	3,895	3,711
Other staff costs	1,272	1,564
Pension costs	712	665
Salaries & employee benefits	24,822	24,309

Compared with 2011, personnel costs fell by 0.5 million euros or 2%.

The contributions for pension schemes consist of defined contribution schemes, more details of which are given in note 28.

The workforce size at the year end was as follows:

	2012	2011
Number of personnel members	391	420

The average number of personnel members during 2012 was 398 (2011: 429).

The total remuneration of the Supervisory Board and Executive Board during 2012 came to 753,780 euros (2011: 664,430 euros).

	Fixed remuneration	Variable remuneration	Total remuneration	Budgeted fixed remuneration for 2013
<i>in euros</i>				
Supervisory Board	80,000	-	80,000	65,000
Herman olde Bolhaar	25,000	-	25,000	25,000
Creafim bvba, Wim Deblauwe	15,000	-	15,000	-
Arthur Vanhoutte	20,000	-	20,000	20,000
Gerard Cok	20,000	-	20,000	20,000

Remuneration of the Supervisory Board consists of periodically paid remuneration. No remuneration payable at a future date was allocated, and no severance pay, profit shares or bonuses. The remuneration

of members of the Supervisory Board is approved by the General Meeting of Shareholders and has been 25,000 euros per year for the chairman and 20,000 euros for the other members since 2008.

	Fram bvba, Wim Maes (CEO)	Kees Vlasblom (CFO)
<i>in euros</i>		
Executive Board		
Short-term employee benefits	386,000	271,550
Benefits on retirement	-	16,230
Other long-term employee benefits	-	-
Severance pay	-	-
Share-based payments	-	-
Total remuneration	386,000	287,780

Bonus payments were issued to the statutory directors in view of the achievement of the targets for EBITDA and cash flow. No share options were assigned to the statutory directors during 2012 and/or during 2011, and there were no other forms of long-term remuneration.

Members of the Executive Board also hold key management positions. There are no obligations towards former directors. The statutory directors did not hold any options on December 31, 2012 and/or on December 31, 2011.

6. Net financial result

	2012	2011
<i>in thousand euros</i>		
Interest on bank accounts	59	27
Interest income on related parties	1,812	1,556
Interest income on finance leases	211	236
Exchange differences	424	3,017
Change in the actual value of derivative financial instruments	846	326
Other financial income	241	59
Total financial income	3,593	5,221
Interest on bank borrowings	-839	-1,618
Interest cost on finance leases	-91	-118
Exchange differences	-1,838	-3,427
Other financial charges	-271	-342
Total financial charges	-3,039	-5,505
Net financial result	554	-284

Interest income on loans to related parties consists firstly of income on the loan of 26.6 million euros to Accentis and secondly of interest on the loan of 8.3 million euros to Punch International (2011: 7 million euros). The loan to Accentis has a 20-year term and is interest-bearing at a nominal annual rate of 6% during the first five years (2008–2012) of the term. From the sixth year (2013) onwards, the interest rate is determined on the basis of Euribor + 2%. Interest income in 2012 from the loan to Accentis was 1.6 million euros (2011: 1.5 million euros). Interest income in 2012 from the loan to Punch International was 0.2 million euros (2011: 0.4 million euros).

During 2008, a syndicated loan of 75 million euros was arranged. At the end of 2012, 35 million euros had been taken. 10 million euros were repaid in 2012. See also note 23 – Interest-bearing loans and borrowings.

The foreign exchange result was -1,414,000 euros (2011: -410,000 euros), and was mainly due to the strengthening of the US dollar against the euro during 2012.

Other financial results came to -31,000 euros (2011: -283,000 euros).

Zeikon grants leases to its customers and charges an effective interest rate of 6.5% (2011: 6.5%). In 2012, Zeikon received 211,000 euros (2011: 236,000 euros) of interest income on finance leases.

7. Taxes

Tax in the income statement

	2012	2011
<i>in thousand euros</i>		
Current tax	538	1,494
Deferred tax	3,522	3,065
Taxes	4,060	4,559

Proof of tax

	2012	%	2011	%
<i>in thousand euros</i>				
Result before tax	12,989		11,517	
Untaxed result of associates accounted for by the equity method	7,725		7,713	
Adjusted result before tax	20,714		19,230	
Income tax calculated using the Dutch tax rate	5,178	25.0	4,807	25.0
Effect of non-deductible expenses	390	2	314	1
Effect of movements in taxed reserves	-133	-1	-716	-4
Effect of valuation of previously unvalued losses which can be offset against tax	-1,588	-8	-226	1
Corrections of previous years and other effects (*)	-460	-2	-516	-3
Effect of difference from tax rates in foreign jurisdictions	672	3	896	4
Income tax according to the income statement	4,060	19	4,559	24

(*) Mainly relates to the effect of the notional interest deduction on Belgian group companies.

The average tax rate was 19% (2011: 24%).

8. Earnings per share

	2012	2011
Result for the period (in thousand euros)	8,953	7,103
Weighted average number of shares - basic	25,558,039	25,799,010
Weighted average number of shares - diluted	25,558,039	25,799,010
Earnings per share - basic (eurocents per share)	35	28
Earnings per share - diluted (eurocents per share)	35	28

9. Dividends

The Executive Board proposes that no dividend be distributed for the 2012 financial year (2011: no dividend distributed).

10. Intangibles

	Development costs	Brand names, software, licenses, ...	Goodwill	Total intangibles
<i>in thousand euros</i>				
Acquisition value				
At December 31, 2010	47,586	15,803	116,421	179,810
Additions - acquisitions	-	1,680	-	1,680
Additions - internally generated	5,093	-	-	5,093
Currency translation adjustments	-	198	18	216
Disposals	-1,043	-1,048	-	-2,091
Other changes	-1,146	1,146	-	0
At December 31, 2011	50,490	17,779	116,439	184,708
Additions - acquisitions	-	1,171	-	1,171
Additions - internally generated	5,631	-	-	5,631
Currency translation adjustments	-	-3	23	20
Disposals	-	-75	-	-75
Other changes	-39	-	-	-39
At December 31, 2012	56,082	18,872	116,462	191,416
Amortizations				
At December 31, 2010	-39,665	-3,911	-24,772	-68,348
Charge for the year	-3,525	-742	-	-4,267
Disposals	1,043	1,048	-	2,091
Currency translation adjustments	-	-71	-7	-78
At December 31, 2011	-42,147	-3,676	-24,779	-70,602
Charge for the year	-2,599	-1,330	-	-3,929
Impairment	-940	-	-	-940
Disposals	-	75	-	75
Currency translation adjustments	39	21	-3	57
At December 31, 2012	-45,647	-4,910	-24,782	-75,339
Book value				
At December 31, 2011	8,343	14,103	91,660	114,106
At December 31, 2012	10,435	13,962	91,680	116,077

Capitalized development costs consist of internal expenditure on major projects which are expected to generate sufficient future economic benefits. Amortization charges have been determined in accordance with the accounting policies described on page 133. The impairment was applied to capitalized costs of an R&D project that was stopped following an internal study by the R&D department which showed that implementation was economically and commercially unfeasible. The recoverable value of these capitalized costs is nil.

The capitalized development costs can mainly be summarized as belonging to three categories:

- equipment – Xeikon and Prepress
- toner
- software development

The item 'Brand names, software, licenses, etc.' contains both software licenses and brand names of unlimited duration. The book value and purchase value of these brand names is subject to annual impairment testing. For other assets in this category, the maximum amortization term is twenty years. See note 11 for a detailed discussion of the goodwill.

The relative values of the capitalized development costs and the development costs included in the income statement are as follows:

	2012	2011
<i>in thousand euros</i>		
Capitalized development costs	5,631	5,093
Development costs in income statement	1,089	1,997
Total development costs	6,720	7,090

11. Goodwill

	2012	2011
<i>in thousand euros</i>		
Goodwill	91,680	91,661

The goodwill mainly arose through the acquisition by public offer on the part of Punch International nv of the shares in Punch Graphix Plc in January 2007. As a result of this transaction, and in accordance with IFRS 3, the assets of Punch Graphix plc had to be revalued by Punch International nv on the transaction date. The impact of the first valuation by Xeikon N.V. was the generation of goodwill of 81 million euros. This goodwill has not been assigned to a cash flow-generating unit.

On the acquisition of the shares in Punch Graphix plc by Xeikon, it was decided that the goodwill recognized in the books of Punch International nv (91 million euros) should be taken over by Xeikon N.V.; of this amount, 10 million euros was assigned to intangible assets for the Xeikon and basysPrint brand names.

The realizable values are based on the value in use, using cash flow projections based on the five-year strategic business plan. The strategic business plan was approved by the Supervisory Board on February 14, 2013.

The underlying assumptions used for impairment calculation are as follows:

	2012	2011
Sales growth compared with previous year	2.4%-9.9%	3.6%-4.6%
Weighted average cost of capital	9.1%	9.6%

Other assumptions used in the cash flow projections are as follows:

- The expected future sales growth percentages have increased from last year's impairment calculation because the effect of the introduction of the Trillium product line on sales has been taken into account.
- Gross margin percentages for sales are expected to show a downward trend compared with those recorded in 2012, due to the expected future change in product mix.

- A terminal value is taken into account for the calculations. A growth rate of 1.5% is used when calculating the residual value (2011: 1.5%);
- The net assets in calculating the WACC method are approximately 70% (2011: 69%) of the total assets used in the WACC calculation.

The strategic business plan was subjected to a sensitivity analysis, testing the sensitivity of both the weighted average cost of capital (post tax WACC) and sales growth in the strategic business plan for the next five years.

Sensitivity analysis WACC				
WACC	7.0%	8.0%	9.0%	10.0%
Difference between realizable value and book value (in million euros)	246	189	144	109

Sensitivity analysis sales growth next five years				
Annual sales growth	1.0%	2.0%	3.0%	4.0%
Difference between realizable value and book value (in million euros)	28	46	88	132

The calculations show that no special impairments need to be recorded.

12. Property, plant and equipment

	Land & buildings	Machinery & equipment	Furniture & fixtures	Other non-current assets	Total PPE
<i>in thousand euros</i>					
Acquisition value					
At December 31, 2010	3,213	32,451	5,241	5,773	46,678
Acquisitions	4,305	862	165	188	5,520
Sales and disposals	-	-3,519	-370	-254	-4,143
Currency translation adjustments	10	-33	17	-2	-8
Other changes	-	-292	40	1,802	1,550
At December 31, 2011	7,528	29,469	5,093	7,507	49,597
Acquisitions	25	1,323	156	113	1,617
Sales and disposals	-	-1,873	-170	-819	-2,862
Currency translation adjustments	-8	-46	-17	-5	-76
Other changes	-	55	-5	-204	-154
At December 31, 2012	7,545	28,928	5,057	6,592	48,122
Amortizations					
At December 31, 2010	-1,410	-24,994	-4,366	-5,539	-36,309
Disposals and cancellation	-	2,788	355	254	3,397
Charge for the year	-308	-2,740	-653	-1,041	-4,742
Currency translation adjustments	-10	24	-17	19	16
Other changes	-	-92	-34	126	0
At December 31, 2011	-1,728	-25,014	-4,715	-6,181	-37,638
Disposals and cancellation	-	1,703	157	283	2,143
Charge for the year	-393	-2,528	-249	-185	-3,355
Currency translation adjustments	9	35	15	3	62
Other changes	-	-37	-	-	-37
At December 31, 2012	-2,112	-25,841	-4,792	-6,080	-38,825
Book value					
At December 31, 2011	5,800	4,455	378	1,326	11,959
At December 31, 2012	5,433	3,087	265	512	9,297

The book value of property, plant and equipment acquired under finance lease is as follows:

	2012	2011
<i>in thousand euros</i>		
Land and buildings	4,920	5,097
Machinery and equipment	91	170
Book value of fixed assets acquired under finance lease	5,011	5,267

On January 14, 2011, Xeikon acquired the land and premises at Heultje (Westerlo, Belgium), where the group's strategically important toner factory is based, from the property company Accentis. The price was 4.2 million euros and was paid partly via the acquisition of existing financing (3.9 million euros) and partly in cash.

The other land and buildings acquired by finance leasing relate to the Xeikon SE Europe building in Athens, Greece. The equipment acquired by finance leasing includes equipment for Xeikon Prepress. Most finance leases include purchase options.

On the balance sheet date, the group had an investment liability in tangible assets: the purchase of the land in Heultje for 300,000 euros, for which an installment of 10% had already been paid in 2012.

No special impairments were recorded in 2012 (2011: nil).

Apart from the mortgage on the property at Heultje as security for the financing, there are no restrictions or securities on fixed assets.

13. Investments in associated undertakings

At the end of 2012 the holding in the share capital of Accentis was 43.74% (2011: 43.74%).

As the fair value of Accentis is structurally lower than its equity value, at the end of 2012 Xeikon performed a special impairment test. In this test, the economic value is based on Xeikon's share in the cash value of Accentis' estimated future cash flows expected to

result from dividends and/or a future disposal of the stake in Accentis. The result was a special impairment of 7.7 million euros, recognized under 'Share in the result of associates accounted for by the equity method' in the income statement.

Accentis nv's complete financial statements can be consulted at www.accentis.com.

	2012	2011
<i>in thousand euros</i>		
At January 1	13,270	21,083
Sales of shares - income	-	-100
Share in result of associated undertakings	-	-7,311
Sales of shares - result	-	-88
Special impairment	-7,725	-314
Amount recognized in income statement	-7,725	-7,713
At December 31	5,545	13,270
Summary financial information on the basis of Accentis financial statements for 2012:		
Total assets	185,953	189,722
Total liabilities	143,102	147,504
Income	20,775	21,802
Net result	632	-38,453
Stock price in euros	0,01	0,02
Number of shares	554,484,942	554,484,942
Stock market value of participation	5,545	11,090
Equity value of participation	13,600	13,584

14. Non-current receivables

	2012	2011
<i>in thousand euros</i>		
Finance lease receivables (see note 17)	4,638	4,449
Long-term loans to related parties	34,260	32,887
Other non-current receivables	414	883
Non-current receivables	39,312	38,219

The long-term loans to related parties consist of a loan to Punch International of 8.3 million euros (2011: 7 million euros) and a loan to Accentis of 26.0 million euros (2011: 25,9 million euros).

The loan to Punch International increased by 1.3 million euros in 2012.

The loan to Accentis was originally 30.4 million euros and was acquired from Punch International for 29.5 million euros on December 31, 2008. The difference of 0.9 million euros will be recognized in the income statement over the term of the loan (20 years). The loan to Accentis bears interest at a nominal rate of

6% per annum during the first five years (2008-2012). From the sixth year, the interest rate is determined on the basis of Euribor +2%. The loan to Punch International nv relates to a credit facility of 15 million euros which has been made available until December 31, 2015. The interest is fixed as the 6-monthly Euribor rate +1.95%.

As security, a lien has been acquired via a specially set up foundation, Stichting Punch Graphix, on the Xeikon shares held by Punch International.

The item 'Other non-current receivables' mainly consists of advance payments of long-term loans to customers.

15. Inventory

	2012	2011
<i>in thousand euros</i>		
Raw materials and components	14,137	14,239
Work in progress	1,163	742
Finished goods	7,959	10,624
Inventories	23,259	25,605
Cost of sales	46,949	49,547
Inventory turnover ratio (in days at cost price)	181	189

During 2012 an amount of 1.7 million euros in inventory write-downs were recorded (2011: 1.6 million euros).

Where the net realizable value of inventory items is lower than the purchase or production cost, the dif-

ference is recorded as an impairment in the income statement.

Xeikon has no inventories which are pledged as security for liabilities.

16. Trade and other receivables

	Note	2012	2011
<i>in thousand euros</i>			
Trade receivables		24,565	22,616
Trade debtors to related parties	30	104	188
Provisions for impairments of trade receivables		-3,607	-4,066
Finance lease receivables	17	3,840	3,328
Advances received		262	368
Total trade receivables		25,164	22,434
Other amounts receivable		4,935	4,518
Provisions for impairments of other receivables		-	-79
Deferred charges and accruals		1,110	838
Total other receivables		6,045	5,277
Total trade and other receivables		31,209	27,711
Number of days to customer payment		70	63

Movements in the provisions for impairments of trade receivables and other amounts receivable:

	2012	2011
<i>in thousand euros</i>		
As at January 1	4,145	4,776
Additional impairment provisions recorded in the result	1,989	1,151
Use of existing provisions	-2,022	-950
Reversal of impairment provisions recorded in the result	-493	-838
Currency conversion differences	-12	6
As at December 31	3,607	4,145

Ageing analysis of trade receivables:

	2012	2012	2011	2011
	Gross	Impairment	Gross	Impairment
<i>in thousand euros</i>				
Not due	17,186	-	14,726	-
0 to 30 days	3,432	-	2,625	-
30 to 90 days	1,339	-	989	-
More than 90 days	2,608	3,607	4,276	4,066
Total	24,565	3,607	22,616	4,066

Transactions with related parties primarily involve Punch International nv and Accentis nv.

Trade and other receivables on the balance sheet are net amounts, and Xeikon expects all receivables to be collected within a period of 12 months. The management bases its assessment of doubtful debts on past payment behavior and the current economic situation. The credit risk is attributable to trade receivables and receivables from finance leases. The group's credit risk is not concentrated as it is spread over a large number of customers. One specific customer repre-

sents a significant credit risk which has been entirely covered by a credit insurance policy. The receivables in respect of Agfa Graphics have been passed on to Belfius Commercial Finance sa/nv for a maximum of 85% of the invoice total.

Debtor days rose slightly compared with the previous year.

Credit control has been and remains a priority for the management. See also note 27 on the credit risk.

17. Financial lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	2012	2011	2012	2011
<i>in thousand euros</i>				
Within one year	4,101	3,693	3,840	3,328
First to fifth year	4,910	4,925	4,638	4,449
After five years	-	-	-	-
Total lease receivables	9,011	8,618	8,478	7,777
Financial income	533	841		
Total future lease payments	8,478	7,777		
Lease payments in short term	3,840	3,328		
Lease payments in long term	4,638	4,449		
Total	8,478	7,777		

Future financial income falling due:

	2012	2011
<i>in thousand euros</i>		
Within one year	261	365
Second to fifth year	272	476
After five years	-	-
Financial income	533	841

The group has a number of finance lease receivables in respect of its digital printing systems. The average term of such leases is five years and the contracts are entered into at a fixed interest rate. As at December 31, 2012, the average effective interest rate of the contracts was about 6.5% (2011: 6.5%). The customer

has a purchase option on the machines, the nature of which depends on the various contract specifications. Legally speaking, the group retains ownership of machines provided under finance lease. No impairments have been recorded on the finance lease receivables.

18. Cash and cash equivalents

	2012	2011
<i>in thousand euros</i>		
Short-term bank deposits	7,556	3,028
Cash at bank and in hand	22,085	18,565
Cash and cash equivalents	29,641	21,593

The average effective rate interest rate on short-term bank deposits varies between 2% and 3%. These deposits have an average maturity date of one month. The complete balance of cash and cash equivalents

is freely available, apart from an amount of 208,000 euros (2011: 1,565,000 euros) which is blocked under the terms of a (bank)guarantee.

19. Share capital

	2012	2011
<i>in thousand euros</i>		
Authorized share capital	340,000	340,000
85,000,000 shares of 4 euros each		
Issued and fully paid share capital	114,841	114,841
28,710,371 shares with a nominal value of 4,00 euros each		

Movement in share capital

Date	Transaction	Number of shares	Share capital
<i>in thousand euros</i>			
At January 1, 2007		4,591,764	18,367
July 23, 2007	new shares issued following public placement and contribution	12,743,742	50,975
December 13, 2007	new shares issued following private placement and debt conversion	10,909,090	43,636
December 21, 2007	new shares issued following the exercise of the over-allotment option	465,774	1,863
At December 31, 2007		28,710,370	114,841
At December 31, 2008		28,710,370	114,841
At December 31, 2009		28,710,370	114,841
At December 31, 2010	Abolition of the 40 priority shares and conversion into 1 share in the group's capital. This share was transferred to the company.	28,710,371	114,841
At December 31, 2011		28,710,371	114,841
At December 31, 2012		28,710,371	114,841

All shares are fully paid up. For a description of the rights associated with the different types of share, see chapter 10 on page 110.

The Executive Board has resolved to avail itself of the authority granted it to purchase treasury shares. Under this authority, which was extended at the General Meeting on May 30, 2012, the members of the Executive Board are empowered to purchase treasury shares up to the maximum quantity that may be vested in the company by virtue of statute and the articles of association at the time of acquisition, at a price between their par value and 110% of the stock-market price at the time of acquisition. The company

will periodically report on the number of treasury shares purchased and the average acquisition price in its quarterly trading updates. At the end of 2012 the company had purchased a total of 3,152,332 treasury shares at an average price of 2.68 euros. This represents 10.98% of the total outstanding shares. 119,580 treasury shares were purchased in 2012 (2011: 430,047). (2011: 3,032,752 shares or 10.56% of the shares at an average price of 2.67 euros). These purchased treasury shares are deducted from the issued shares to arrive at the number of outstanding shares for the calculation of the result per share.

20. Reserves

Xeikon N.V. is a company incorporated under Dutch law. In accordance with the Civil Code, statutory reserves must be formed for certain situations.

The translation differences reserve and other statutory reserves are statutory reserves which limit distributions to shareholders. The other statutory reserves

are constituted at the level of capitalized development costs in accordance with Dutch law.

For movements in equity and reserves, see page 122 'Statement of changes in equity 2012'.

21. Share-based payments

Xeikon did not have any share option schemes either for its management or for its staff during the financial years 2011 and 2012.

22. Minority interests

	2012	2011
<i>in thousand euros</i>		
At January 1	-546	-394
Change in consolidation scope	5	-7
Share in the net result of associates	-24	-145
At December 31	-565	-546

23. Interest-bearing loans & borrowings

	Leasing debts	Bank debts	Total non-current borrowings	Leasing debts	Bank debts and overdrafts	Total current borrowings	Total interest-bearing loans & borrowings
<i>in thousand euros</i>							
Movement schedule							
At December 31, 2010	1,746	45,000	46,746	104	10,000	10,104	56,850
New debts	3,906	-	3,906	97		97	4,003
Repayments	-	-	-	-248	-10,000	-10,248	-10,248
Transfers	-377	-10,000	-10,377	377	10,000	10,377	-
Currency translation adjustments	-	-	-	-	-	-	-
At December 31, 2011	5,275	35,000	40,275	330	10,000	10,330	50,605
New debts	14	-	14	7	-	7	21
Repayments				-179	-10,000	-10,179	-10,179
Transfers	-73	-35,000	-35,073	73	35,000	35,073	0
Currency translation adjustments	-	-	-	-17	-	-17	-17
At December 31, 2012	5,216	-	5,216	214	35,000	35,214	40,430
Maturity							
Within 1 year	-	-	-	330	10,000	10,330	10,330
Between 1 and 5 years	850	35,000	35,850	-	-	-	35,850
More than 5 years	4,425	-	4,425	-	-	-	4,425
At December 31, 2011	5,275	35,000	40,275	330	10,000	10,330	50,605
Within 1 year	-	-	-	214	35,000	35,214	35,214
Between 1 and 5 years	922	-	922	-	-	-	922
More than 5 years	4,294	-	4,294	-	-	-	4,294
At December 31, 2012	5,216	-	5,216	214	35,000	35,214	40,430

The minimum lease payments under finance leases fall due as follows:

	2012	2011
<i>in thousand euros</i>		
Within 1 year	522	666
Between 1 and 5 years	2,054	2,020
More than 5 years	5,530	6,081
	8,106	8,767
Financial charges	2,676	3,162
Financial lease payables	5,430	5,605

Future finance charges falling due:

	2012	2011
<i>in thousand euros</i>		
Within 1 year	308	336
Within the 2nd and 5th year	1,132	1,170
After 5 years	1,236	1,656
Financial charges	2,676	3,162

In the course of 2008, a syndicated loan of 75 million euros was taken out with a bank consortium. At the end of December 2012, 35 million euros of this loan was taken. 10 million euros was paid off during the year. Xeikon has to comply with a number of ratios in order to take up this loan:

- Solvency ratio: 30%
- Leverage on basis of net financial debt to EBITDA:
 - Maximum ratio 3/1 up to December 31, 2008
 - Maximum ratio 2.75/1 up to December 31, 2009
 - Maximum ratio 2.5/1 from January 1, 2010
- Interest coverage: ratio of EBITDA to net financial costs must never exceed 4 during the term of the loan agreement.

The group complied with the conditions of the loan agreement during 2012.

The item short-term loans with credit institutions records 35 million euros of the syndicated loan, which is to be paid off in the course of 2013. The first repayment in 2013 of 5 million euros was carried out in mid-January 2013.

24. Provisions

	Pensions	Warranty	Other	Total provisions
<i>in thousand euros</i>				
At December 31, 2010	499	3,507	2,008	6,014
New provisions recognized in result	82	-	150	232
Use of provisions in the course of the year	-75	-1,096	-1,577	-2,748
Reversal of provisions recognized in result	-	-204	-2	-206
Currency translation adjustment	14	-1	-27	-14
At December 31, 2011	520	2,206	552	3,278
New provisions recognized in result	80	398		478
Use of provisions in the course of the year	-84	-631	-226	-941
Reversal of provisions recognized in result			-55	-55
Currency translation adjustment	-21		-3	-24
At December 31, 2012	495	1,973	268	2,736

The pension provision as at the end of 2012, in the amount of 495,000 euros (2011: 520,000 euros), principally relates to the group's obligation in connection with certain early-retirement arrangements. Pension commitments are discussed in note 28. The group has no more defined benefit schemes.

The expected term of this provision depends on when the persons concerned retire and is largely long-term in nature.

The warranty provision represents a best estimate of the group's liabilities under 12 month warranties granted on the sale of systems, based on past experience. The expected term of this provision is 0.5 years on average.

The other provisions primarily relate to restructurings and legal disputes. The expected term of these provisions is usually a maximum of two years.

25. Deferred tax liabilities and deferred tax assets

Deferred tax is calculated based on the temporary differences, using the tax rates applicable in each country. The movements in deferred tax assets and

liabilities during 2012 are shown below. As allowed under IAS12, they are shown after the offsetting of different balances within the same legal entity.

Deferred tax liabilities

[illegible]

Deferred tax assets

[illegible]

Unrecognized tax losses and their maturity

2012	Total	2013	2014	2015	2016	2017	2018	2019	Unlimited
<i>in thousand euros</i>									
Unrecognized tax losses	17,600	1,937	1,230	1,675	1,908	105	468	596	9,681
Unrecognized tax assets	4,890	391	250	406	384	21	117	165	3,156

2011	Total	2012	2013	2014	2015	2016	2017	2018	2019	After 2019	Unlimited
<i>in thousand euros</i>											
Unrecognized tax losses	21,762	98	2,985	1,914	2,016	1,107	-	151	662	3,667	9,162
Unrecognized tax assets	6,310	21	740	464	533	224	-	38	195	1,291	2,803

The unrecognized tax assets amount to approximately 4.9 million euros (2011: 6.3 million euros).

26. Trade and other payables

	2012	2011
<i>in thousand euros</i>		
Trade payables	19,407	15,554
Trade payables to related parties (see note 30)	884	739
Total trade payables	20,291	16,293
Other tax and social security payables	3,590	2,789
Advances received	736	738
Other debts	424	1,700
Accruals and deferred income	1,052	2,470
Total other payables	5,802	7,697

Xeikon expects to settle all these short-term liabilities within 12 months of the balance-sheet date.

27. Financial instruments

(i) Financial risk factors

The group entities seek to minimize potential adverse effects on the financial performance of their local business, however, fluctuations in market prices, foreign currency exchange rates on sales and purchases or intercompany loans are inherent risks in the performance of the business.

The group uses derivative financial instruments to hedge its exposure and interest rate risks arising from its operational, financing and investment activities. The net exposure is managed on a central basis in accordance with the principles laid down by general management. As a policy, the group does not engage in speculative or leveraged transactions, nor does it hold or issue derivative financial instruments for trading purposes.

(ii) Foreign exchange risk

Due to the international character of the group, its business is exposed to different foreign exchange risks arising from various currency exposures primarily with respect to the US dollar and the pound sterling. Companies in the group might use forward contracts or other instruments, concluded with local banks to hedge their exposure to foreign currency risks in the local reporting currency.

The group's financial liabilities and assets can be analyzed by currency as follows:

2012	EUR	GBP	USD	CAD	SEK	JPY	AUD	BRL	CHF	CNY	Total
<i>in thousand euros</i>											
Finance leases	7,617	-	547	148	166	-	-	-	-	-	8,478
Non-current receivables	34,373	-	-	-	-	299	-	-	-	-	34,672
Trade & other receivables	22,350	36	4,498	-	260	225	-	-	-	-	27,369
Total financial assets	64,340	36	5,045	148	426	524	-	-	-	-	70,519

2012	EUR	GBP	USD	CAD	SEK	JPY	AUD	BRL	CHF	CNY	Total
<i>in thousand euros</i>											
Finance leases	5,430	-	-	-	-	-	-	-	-	-	5,430
Borrowings	35,000	-	-	-	-	-	-	-	-	-	35,000
Trade & other payables	24,998	102	733	-	191	69	-	-	-	-	26,093
Total financial liabilities	65,428	102	733	-	191	69	-	-	-	-	66,523

2011	EUR	GBP	USD	CAD	SEK	JPY	AUD	BRL	CHF	CNY	Total
<i>in thousand euros</i>											
Finance leases	7,777	-	-	-	-	-	-	-	-	-	7,777
Non-current receivables	33,770	-	-	-	-	-	-	-	-	-	33,770
Trade & other receivables	16,000	4	6,519	43	443	1,284	-	10	-	80	24,383
Total financial assets	57,547	4	6,519	43	443	1,284	-	10	-	80	65,930

2011	EUR	GBP	USD	CAD	SEK	JPY	AUD	BRL	CHF	CNY	Total
<i>in thousand euros</i>											
Finance leases	5,605	-	-	-	-	-	-	-	-	-	5,605
Borrowings	45,000	-	-	-	-	-	-	-	-	-	45,000
Trade & other payables	20,538	1,927	949	-	183	172	131	26	-	64	23,990
Total financial liabilities	71,143	1,927	949	-	183	172	131	26	-	64	74,595

(iii) Credit risk

With the exception of one customer, the group has no significant concentration of credit risks and has policies in place to monitor customer credit risks. For major projects the intervention of credit insurance companies or similar organizations is requested.

One specific customer represents a significant credit risk which has been entirely covered by a credit insurance policy.

The total credit risk is 70.5 million euros (2011: 65.9 million euros). For finance leases, Xeikon has the machines as security. Credit control is one of the tasks of the finance department at Xeikon. The finance department, in consultation with the commercial department, makes assessments of the existing credit risk at regular intervals, and undertakes the appropriate action to limit the credit risk for Xeikon as far as possible. Xeikon has no reason to

believe on the publication date that additional significant impairments on receivables (including the loans to Accentis nv and Punch International nv) need to be recorded. Legally speaking, Xeikon retains ownership of the machines which are provided under finance lease. No impairments have been recorded on the finance lease receivables.

(iv) Liquidity risk

Liquidity risk is linked to changes in the group's working capital. The group closely monitors the change in working capital through focused actions.

Liquidity risks can arise when there is a clear difference between the goods and services delivered and the payments and advances received, or when investments in progress and in working capital place great pressure on available financial means and/or operational cash flow.

The scale of transactions can cause short-term fluctuations in the liquidity position. In general, Xeikon is able to counter such fluctuations using control mechanisms. The organization has sufficient credit facilities available to cope with these fluctuations. Every month, a liquidity forecast is drawn up for the coming twelve months, partly in order to control the liquidity risk. The liquidity risk is analyzed so as to take account of available liquid assets, credit facilities and typical fluctuations in working capital requirements. This gives Xeikon sufficient opportunity to use

the available liquidity and credit facilities as flexibly as possible and to identify any shortcomings in time. Outgoing cash flows for derivatives or financial liabilities consist of repayments (contractual or otherwise) and interest payments (actual and expected). On the basis of the current operating results and liquidity position, Xeikon is convinced that the cash flow from operating activities and available liquid assets is sufficient to meet all liabilities with respect to working capital, investments, interest payments, dividends and scheduled repayments in the next twelve months and the near future.

	Net book value	Contractual cash flows (*)	Within 1 year	1 to 5 years	More than 5 years
<i>in thousand euros</i>					
December 31, 2011					
Long-term loans	40,275	45,226	-	39,145	6,081
Short-term loans	10,330	12,542	12,542	-	-
Recovered arrears	-	-	-	-	-
Total	50,605	57,768	12,542	39,145	6,081
December 31, 2012					
Long-term loans	5,216	7,584	-	2,054	5,530
Short-term loans	35,214	35,694	35,694	-	-
Recovered arrears	-	-	-	-	-
Total	40,430	43,278	35,694	2,054	5,530

(*) including interest

(v) Interest rate risk

The interest rate risk policy aims to limit the interest rate risks arising from the financing of the business, and hence also to optimize the net interest results. At the end of 2012, Xeikon had interest-bearing debts of 40.4 million euros (2011: 50.6 million euros), including the syndicated loan of 45 million euros (2011: 45 million euros). A fall in interest rates by 100 base points would result in a change for the syndicated loan of 175,000 euros in financial income and charges (2011: 450,000 euros).

The conditions the group must meet in connection with the syndicated loan are described in note 23 'Interest-bearing loans & borrowings'.

(vi) Fair value interest risk

The group enters into lease arrangements as both lessee and lessor. These leases are transacted at fixed rate thereby exposing the group to fair value interest rate risk. Currently, the group does not hedge any of this risk.

For more details on the finance leases in respect of which the group is exposed to the fair value risk, see note 17 (as lessor) and note 23 (as lessee).

There is no significant difference between the book and fair value of financial assets and liabilities that are included in the balance sheet at fair value, with movements in fair value being recognized in the income statement on the basis of the slight fluctuations in the risk-free rate since the conclusion of the lease contracts.

Hedging activities

At December 31, 2012, Xeikon Japan held several foreign exchange contracts to hedge future cash outflows in JPY. The hedged items concern recognized transactions and highly probable future transactions. Future cash outflows, before their maturity date, are covered by a combination of forwards, consisting of

combinations of put options and call options. Hedge items that are recognized at year-end are included in the balance sheet at fair value and movements in fair value are taken directly to net profit or loss for the period.

At the end of the accounting period, the following foreign exchange contracts were outstanding:

Description	Currency	Maturity	Fair value <i>in thousand euros</i>
Foreign exchange contracts	JPY	13-08-2013	237
Total			237

At the end of 2011, the following foreign exchange contracts were included in the balance sheet:

Description	Currency	Maturity	Fair value <i>in thousand euros</i>
Foreign exchange contracts	JPY	13-08-2013	1,083
Total			1,083

The fair value calculation of the abovementioned exchange rate contract is based on a level 2 valuation.

(vii) Capital requirements

The group manages its capital, i.e. its equity, to ensure that entities in the group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance, taking account of any agreements that have been made.

The capital structure of the group consists of debt, which includes the interest-bearing loans & borrowings disclosed in note 23, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in 'Statement of changes in equity 2012' on page 122. Xeikon aims to achieve a net debt-to-capital ratio of at least 15%.

	2012	2011
<i>in thousand euros</i>		
Debts	40,430	50,605
Cash and cash equivalents	-29,641	-21,593
Net debt	10,789	29,012
Equity	185,682	177,236
Net debt / equity	6%	16%

28. Pensions

Pension commitments are as follows:

	2012	2011
<i>in thousand euros</i>		
Defined contribution plans	712	665
Total pension commitments	712	665

28.1 Defined contribution plans

The operational group established a number of pension schemes around the world covering many of its employees. The group's pension arrangements are principally defined contributions in nature. The assets of these schemes are held separately from those of the group in funds administered and under control of trustees.

At December 31, 2012, no contributions were outstanding to these schemes.

28.2 Defined benefit plans

The group does not have a defined benefit scheme.

29. Operational lease

	2012		2011	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
<i>in thousand euros</i>				
Within 1 year	5,265	-	5,265	448
Within the 2nd and 5th year	15,795	-	21,060	-
After 5 years	-	-	-	-
Total	21,060	-	26,325	448

Operational lease costs are included in the item 'Rental, leasing and maintenance of land, property and equipment' in note 4 and amounted to 5.7 million euros in 2012 (2011: 5.9 million euros).

Xeikon has concluded a lease agreement until 2017 for the office and production building of Xeikon Manufacturing (formerly Punch Graphix International) in Lier (Belgium) and the buildings in Ypres (Belgium) for Xeikon Prepress (formerly Punch Graphix Prepress Belgium).

Xeikon also still leases office buildings in Eede for Xeikon N.V. (formerly Punch Graphix nv) and Xeikon International B.V. (formerly Punch Graphix Europe B.V.). On the expiry of these agreements, they must be formally terminated, or they will be automatically extended for a period of three years.

The minimum lease payments due in the future on the basis of non-cancellable leases contracted by the group as a lessee mainly relate to conditional leases.

30. Transactions with related parties

	2012	2011
<i>in thousand euros</i>		
Directors' emoluments	754	664
Punch International and affiliated undertakings	942	1,252
Accentis and affiliated undertakings	5,698	5,467
Total expenses		7,397
Punch International and affiliated undertakings	273	494
Accentis and affiliated undertakings	1,626	1,283
Total income	1,899	1,777
Punch International and affiliated undertakings	8,432	7,146
Accentis and affiliated undertakings	27,619	26,694
Total receivables	36,051	33,840
Punch International and affiliated undertakings	302	410
Accentis and affiliated undertakings	583	329
Total payables	885	739

Accentis

Xeikon has a number of contracts with Accentis or affiliated companies:

- Lease for the offices in Eede, the Netherlands, for an initial period of 9 years ending in 2016 and an annual rental charge of 37,000 euros.
- Facility provision agreement for the offices and production premises in Lier, Belgium, for the period up to 2017 and an annual rent of 4,200,000 euros.
- Facility provision agreement for the offices and production premises in Ypres, Belgium, for the period up to 2017 and an annual rent of 1,220,000 euros.
- Loan agreement with Accentis nv for 30,360,000 euros with a term of 20 years. The Accentis loan of 30.4 million euros was taken over by Xeikon from Punch International in 2008 at a discount of 3%, or 0.9 million euros, after negotiations between the parties. The difference of 0.9 million euros will be taken to the income statement over the term of the loan (20 years). The interest rate on the Accentis loan is 6% for the first five years of the loan agreement. From the sixth year, the interest rate is determined on the basis of Euribor +2%. During the first five years there will be no capital repayments, after which there will be quarterly repayments of 1/60 of the capital. The interest on the Accentis loan is 1.6 million euros for 2012 (2011: 1.5 million euros).

Punch International

At the end of the year, Xeikon had a long-term debt receivable from Punch International of 8.3 million euros (2011: 7.0 million euros). The loan relates to a credit facility of 15 million euros which has been made available until December 31, 2015. The interest is fixed as the 6-monthly Euribor rate +1.95%.

31. Principal companies, joint ventures and associates

31.1 Fully consolidated subsidiaries

Company	Country of incorporation	Ownership 31-12-2012 %	Ownership 31-12-2011 %		Principal activity
Xeikon N.V. (formerly Punch Graphix nv)	NL				Holding
Strobbe Newspaper Systems bv	NL	100.00	100.00		Sales & Marketing
RMS Roboter Vertriebs GmbH	DE	100.00	100.00	(4)	Sales & Marketing
RMS sas	FR	100.00	100.00	(4)	Sales & Marketing
RMS Benelux bv	NL	100.00	100.00		Sales & Marketing
Xeikon International bv (formerly Punch Graphix Europe bv)	NL	100.00	100.00		Sales & Marketing
Xeikon IP bv	NL	100.00	100.00		Sales & Marketing
Punch Graphix Ltd	UK	99.98	99.98		Holding
Xeikon Manufacturing nv (formerly Punch Graphix International nv)	BE	99.98	99.98	(2)	Production
Xeikon Prepress nv (formerly Punch Graphix Prepress Belgium nv)	BE	99.98	99.98	(2)	Production
Xeikon America Inc (formerly Punch Graphix Americas Inc)	US	99.98	99.98	(2)	Sales & Marketing
Xeikon Japan Co Ltd (formerly Punch Graphix Japan Co Ltd)	JP	99.98	99.98	(2)	Sales & Marketing
Xeikon Deutschland GmbH (formerly Punch Graphix Deutschland GmbH)	DE	99.98	99.98	(2)	Sales & Marketing
Xeikon Nordic Oy (formerly Punch Graphix Nordic Oy)	FI	99.98	99.98	(2)	Sales & Marketing
Xeikon Scandinavia AB (formerly Punch Graphix Scandinavia AB)	SE	99.98	99.98	(2)	Sales & Marketing
Punch Graphix UK Ltd	UK	99.98	99.98	(2)	Sales & Marketing
Xeikon Nederland bv (formerly Punch Graphix Nederland bv)	NL	99.98	99.98	(2)	Sales & Marketing
Xeikon Italia Srl (formerly Punch Graphix Italia Srl)	IT	99.98	99.98	(2)	Sales & Marketing
Xeikon France sa (formerly Punch Graphix France sa)	FR	99.98	99.98	(2)	Sales & Marketing
Xeikon Austria GmbH (formerly Punch Graphix Austria GmbH)	AT	99.98	99.98	(2)	Sales & Marketing

Company	Country of incorporation	Ownership 31-12-2012 %	Ownership 31-12-2011 %		Principal activity
Zeikon Hong Kong Ltd (formerly Punch Graphix Hong Kong Ltd)	CN	99.98	99.98	(2)	Sales & Marketing
Punch Participatiemaatschappij bv	NL	99.98	99.98	(2)	Holding
Punch Graphix Canada Inc	CA	99.98	99.98	(2)	Sales & Marketing
Zeikon Ltd	UK	99.98	99.98	(2)	Sales & Marketing
Punch Graphix Brasil Comercio de Maquinas Grafica Ltda.a	BR	99.98	99.98	(4)	Sales & Marketing
Zeikon South East Europe sa (formerly Punch Graphix South East Europe sa)	EL	95.18	95.18	(2)	Sales & Marketing
Punch Graphix Baski as	TR	76.15	76.15	(3)	Sales & Marketing
Linomedia Cyprus Ltd	CY	66.63	66.63	(3)	Sales & Marketing
Punch Graphix Bulgaria Ltd	BG	-	95.18	(4)	Sales & Marketing
Punch Graphix Romania Srl	RO	95.18	95.18	(3)	Sales & Marketing
Punch Graphix Serbia-Montenegro	YU	95.18	95.18	(3)	Sales & Marketing
Punch Graphix Cyprus Ltd	CY	95.18	95.18	(3)	Sales & Marketing
Punch Trading Ltd	CN	99.98	99.98		Sales & Marketing
BasysPrint Service Germany GmbH	DE	100.00	100.00		Sales & Marketing
Zeikon Belgium nv	BE	100.00	100.00		Sales & Marketing

(1) Participations under liquidation

(1) Participations held by Punch Graphix plc

(3) Participations held by Punch Graphix South East Europe sa

(4) Participations liquidated in 2012

31.2 Interests in associated undertakings

Company	Country of incorporation	Ownership 31-12-2012 %	Ownership 31-12-2011 %
Accentis nv	BE	43.74	43.74

Zeikon SE Europe sa has the following participating interests, which are not included in the scope of consolidation:

- Exin AEBE (9.12%)
- Anax AEBE (9.12%)
- Apex AEBE (9.12%)

- Technological Park of Thessaly sa (2.25%)
- High Technological Park Acropolis sa (0.20%)

The participations in the above companies are fully written down.

32. Post-balance sheet events

No events entailing an adjustment of the figures took place between the balance sheet date and the date on which the consolidated reports were approved for publication.

33. Contingent liabilities

From time to time, Xeikon is involved in disputes with third parties. However, the management believes that no additional provisions are needed for these beyond those already included in the financial statements.

Independent auditor's report

BDO Audit & Assurance B.V. was commissioned to audit the annual accounts. See page 189 for the independent auditor's report of the consolidated annual accounts.

Statutory annual accounts



Statutory balance sheet

Company balance sheet as at December 31, 2012

	Note	2012	2011
<i>in thousand euros</i>			
Assets			
Non-current assets		286,305	275,733
Tangible assets		-	-
Non-current financial assets	1	247,662	235,901
Long-term receivables	2	34,260	32,887
Deferred tax assets	3	4,383	6,945
Current assets		43,340	41,575
Amounts receivable	4	20,333	26,434
Cash and cash equivalents		23,007	15,141
Total assets		329,645	317,308
Liabilities			
Current liabilities	8	143,399	104,526
Loans and borrowings		35,000	10,000
Trade payables		137	253
Other payables		108,262	94,273
Non-current liabilities		-	35,000
Loans and borrowings	7	-	35,000
Other provisions	6	-	-
Total liabilities		143,399	139,526
Total net assets		186,246	177,782
Equity and reserves			
Share capital		114,841	114,841
Share premium account		140,269	140,269
Other reserves		-77,208	-81,882
Legal reserves		10,435	8,342
Foreign currency translation reserve		-11,044	-10,891
Result of the year		8,953	7,103
Total equity and reserves	5	186,246	177,782
Total equity and liabilities		329,645	317,308

Income statement

Company profit and loss account for the financial year ended December 31, 2012

	2012	2011
<i>in thousand euros</i>		
Result from participating interests after taxation	11,232	11,294
Other revenue and expenses after taxation	-2,279	-4,191
Result after taxation	8,953	7,103

Notes to the balance sheet and income statement

General

The general accounting principles for compiling the balance sheet and the income statement are the same as the valuation principles described in the notes to the consolidated annual accounts, as are the accounting principles for valuing assets and liabilities and determining the result. Subsidiaries are valued using the same valuation principles applied to the consolidated annual accounts.

The company annual accounts were compiled in accordance with the statutory regulations concerning annual accounts contained in Part 9 of Book 2 of the Civil Code. In doing so, the same accounting policies for valuation and determining the result were used as for the consolidated annual accounts. The company annual accounts make use of the option provided in Section 2:402 in Book 2 of the Civil Code.

The holdings in group companies in the statutory balance sheet are valued at net asset value based on the accounting policies for the consolidated financial statements.

Notes on the items identified in the balance sheet

1. Financial non-current assets

	2012	2011
<i>in thousand euros</i>		
Initial balance as at January 1	235,901	222,091
Result from participating interests	11,232	11,294
Result from participating interests with negative equity	682	-366
Payment of dividend	-	-
Purchase (sale) of participating interests	-	-100
Internal sale of treasury shares	-	2,162
Purchase of treasury shares	-	-
Change in scope of consolidation	-	-
Exchange rate differences for participating interests	-153	820
Final balance as at December 31	247,662	235,901

At the end of 2012, the stake in Accentis' share capital was 43.74% (2011: 43.74%). In 2011 a stake of 0.1 million euros was sold (2010: purchase of 8.6 million euros).

If necessary, provisions for non-collectability are established for amounts payable on participating interests.

2. Long-term receivables

	2012	2011
<i>in thousand euros</i>		
Long-term receivables from related parties	34,260	32,887
At December 31	34,260	32,887

Long-term receivables from related parties consist of a loan of 8.3 million euros to Punch International (2011: 7.0 million euros) and one to Accentis which at the end of the year amounted to 20.0 million euros (2011: 25.9 million euros).

3. Deferred tax assets

	2012	2011
<i>in thousand euros</i>		
Initial balance	6,945	9,675
Changes during the financial year	-2,562	-2,730
At December 31	4,383	6,945

The deferred tax asset relates to losses which can be offset against tax. For more details on the calculation of the deferred tax asset, see the note on the consolidated balance sheet.

4. Receivables

	2012	2011
<i>in thousand euros</i>		
Receivables on group companies	-	153
Current account group companies	20,237	26,052
Other receivables, prepayments and accrued income	96	229
Total receivables	20,333	26,434

In 2012 a total of 1.8 million euros of interest was calculated (2011: 1.6 million euros) on intercompany amounts under the headings 'long-term receivables' and 'receivables', of which 1.6 million euros related to

the Accentis loan. A bad debt provision was recorded of 1.6 million euros (2011: 0.2 million euros) for inter-company receivables.

5. Equity

The table below shows the changes to the equity of Xeikon leading to the equity position as at December 31, 2011 and December 31, 2012.

	Paid-up capital	Share premium	Other reserves	Statutory reserve	Exchange-rate reserve	Result for financial year	Total equity
<i>in thousand euros</i>							
At December 31, 2010	114,841	140,269	-83,735	6,776	-11,711	4,822	171,262
Result appropriation	-	-	4,822	-	-	-4,822	-
Purchase of treasury shares	-	-	-1,403	-	-	-	-1,403
Change in scope of consolidation	-	-	-	-	-	-	-
Currency translation differences for participating interests	-	-	-	-	820	-	820
Change in statutory reserve	-	-	-1,566	1,566	-	-	-
Result for financial year	-	-	-	-	-	7,103	7,103
At December 31, 2011	114,841	140,269	-81,882	8,342	-10,891	7,103	177,782

	Paid-up capital	Share premium	Other reserves	Statutory reserve	Exchange-rate reserve	Result for financial year	Total equity
<i>in thousand euros</i>							
At December 31, 2011	114,841	140,269	-81,882	8,342	-10,891	7,103	177,782
Result appropriation	-	-	7,103	-	-	-7,103	-
Purchase of treasury shares	-	-	-332	-	-	-	-332
Change in scope of consolidation	-	-	-	-	-	-	-
Currency translation differences for participating interests	-	-	-4	-	-153	-	-157
Change in statutory reserve	-	-	-2,093	2,093	-	-	-
Result for financial year	-	-	-	-	-	8,953	8,953
At December 31, 2012	114,841	140,269	-77,208	10,435	-11,044	8,953	186,246

The authorized capital on December 31, 2012 and December 31, 2011 was 114,841,484 euros.

Xeikon has purchased 3,152,332 (2011: 3,032,752) treasury shares at an average price of 2.68 euros. 119,580 treasury shares were purchased in 2012. The corresponding amount is deducted from the other reserves.

The statutory reserve concerns a statutory reserve associated with the capitalized development costs for the company's subsidiaries. The exchange rate reserve is a legal reserve.

Overview of issued share capital:

	Shares	Nominal (euros)	Issued (euros)
Ordinary shares issued as at 31-12-2012	28,710,371	4.00	114,841,484

No options were issued to staff during the financial years 2011 and 2012.

6. Provisions

	Risks	Total provisions
<i>in thousand euros</i>		
At December 31, 2010	325	325
Use	-325	-325
At December 31, 2011	-	-
Use		
At December 31, 2012	-	-

7. Financial liabilities

	2012	2011
<i>in thousand euros</i>		
Credit institutions	-	35,000
Total financial liabilities	-	35,000

In the course of 2008 Xeikon contracted a syndicated loan of 75 million euros. At the end of December 2012, 35 million euros of this loan was taken. 10 million euros was paid off during the year.

8. Current liabilities

	2012	2011
<i>in thousand euros</i>		
Creditors	137	253
Current account for group companies	108,059	93,394
Tax, remuneration, and other social security charges	201	164
Repayment of syndicated loan	35,000	10,000
Other liabilities, accruals and deferred income	2	715
Total current liabilities	143,399	104,526

9. Off-balance sheet obligations

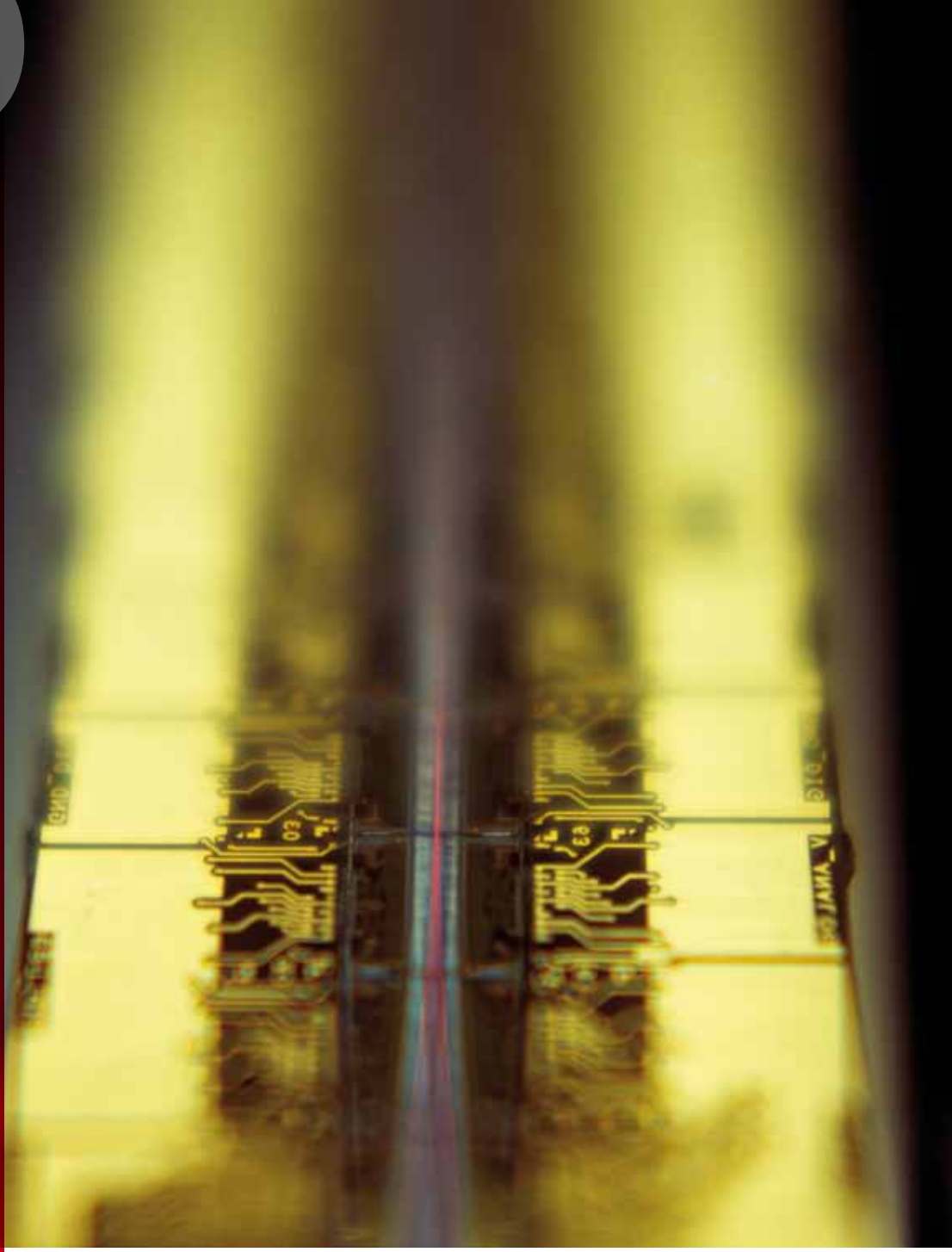
The company is part of a fiscal entity for company tax and sales tax. On this basis the company bears principal responsibility for the taxation obligation of the fiscal entity as a whole.

10. Remuneration of directors and supervisory directors

	Paid periodically	Payable in the future	Profit shares and bonuses	Total benefits
<i>in euros</i>				
Supervisory Board				
Herman olde Bolhaar	25,000	-	-	25,000
Creatim bvba, Wim Deblauwe	15,000	-	-	15,000
Arthur Vanhoutte	20,000	-	-	20,000
Gerard Cok	20,000	-	-	20,000
Executive Board				
Fram bvba, Wim Maes (CEO)	193,000	-	193,000	386,000
Kees Vlasblom (CFO)	141,550	16,230	130,000	287,780

No severance payments were made. Bonus payments were issued to the statutory directors in view of the achievement of the targets for EBITDA and cash flow.

Other information



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Independent auditor's report

"To: the General Meeting of Shareholders and the Management of Xeikon N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Xeikon N.V., Sluis. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2012 the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Xeikon N.V. as at December 31, 2012 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Proposed profit appropriation

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Xeikon N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

In accordance with the procedures described in the articles of association, the Supervisory Board proposes to allocate the profit of the financial year 2012 to the reserves.



Amstelveen, 16 April 2013

BDO Audit & Assurance B.V.
on its behalf,

O. van Agthoven RA"

Provisions of the articles of association on profit appropriation

The articles of association (Article 26) contain the following provisions on profit appropriation:

- From the profit, as shown in the adopted annual accounts, the holders of these priority shares shall first receive, if possible, the same percentage applied to the nominal value of their priority shares as the statutory interest rate on July 1 of the financial year in question.
- From the profit remaining after the distribution referred to in paragraph 1, a portion to be determined by the priority shareholders shall be transferred to the reserves. The profit which then remains shall be available to the general meeting.
- The company may only make distributions to the shareholders and other parties entitled to receive distributable profit to the extent that its equity is greater than the issued capital plus the reserves which the law stipulates must be made available.
- The profit appropriation shall only occur after the adoption of the annual accounts, showing that such an appropriation is permitted.
- Without the prior approval of the priority shareholders, the general meeting is not authorized to decide on the total or partial closure of any reserve.

Declaration in accordance with Art 5:25c Section 2 Point c of the Financial Supervision Act (Wft)

On behalf of Xeikon N.V., we, the undersigned, declare that to the best of our knowledge

- the annual accounts give a true and fair picture of the assets, liabilities, financial position and profit of Xeikon N.V. and the companies included in the scope of the consolidation; and
- the annual report gives a true and fair picture of
 - the position on the balance sheet date,
 - the main events that occurred during the year and their effect on the consolidated financial statements,
 - the main related party transactions entered into during the year, and
 - substantial risks and uncertainties in the year.

Eede, April 16, 2013

Frank Deschuytere
*Chief Executive Officer,
Chairman of the Executive Board*

Kees Vlasblom
Chief Financial Officer

Endnotes

(1) After the contribution Punch Graphix nv increased its shareholding in Punch Graphix plc by roughly another 2%. On December 31, 2007, Punch Graphix nv held 99.62% of the shares in Punch Graphix plc. Meanwhile, Punch Graphix plc has been transformed into Punch Graphix ltd.

(2) History of Punch Technix nv.

Punch Technix came into being when the Dutch listed company Prolion Holding nv changed its name following the acquisition of the machine construction activities of the Punch International group.

May 2005

In May 2005 Punch International acquired 40.6% of the shares in the former Prolion, thus becoming its main shareholder. Prolion had specialized in the development and manufacture of automatic milking systems for large and medium-sized dairy farms through its operating company RMS. The outsourcing of the manufacture of RMS systems to Punch's specialist production facilities in Slovakia heralded the beginning of operational collaboration between the two groups.

October 2005

In order to create sufficient economies of scale and to benefit from operational and strategic synergies, it was proposed in October 2005 to incorporate the Punch group's machine construction activities into Prolion. This involved the production of precision metal components and the manufacture and assembly of equipment and machines for the agrifood, graphics and medical industries and various other sectors. At the time these activities were still grouped in the Slovak company Punch Professional. It was also proposed to proceed with a capital increase and to convert Punch International's receivables from Prolion into shares.

November 2005

The Extraordinary General Meeting of Shareholders of Prolion approved the proposed transaction on November 14. On November 15, 2005 Prolion changed its name to Punch Technix. Following a reverse stock split, the Punch Technix share was listed on the Euronext stock exchange in Amsterdam (symbol: PNXL).

December 2005

Punch Technix made 9.2 million euros from a successful capital increase. Punch International remained the majority shareholder, with a 70.9% holding. The result of the input, conversion and capital increase was a technologically strong group backed by a financially significant reference shareholder.

(3) CtP: computer-to-plate

(4) PDF or PostScript is the industry standard for most digital printing applications. However, this does not apply to transaction form printing. Because of the enormous quantity of data, this process uses IPDS (Intelligent Print Data Stream) which is based on the AFP (Advanced Function Presentation) standard. This standard was developed by IBM in the 1970s to enable large volumes of data to be processed in computer centers and executed in a suitable format. The print manager converts the AFP file into an IPDS document flow. This data flow contains information on the layout of every page and the storage location of the data in it. The Xeikon IPDS Controller has been specially designed to enable a data flow with the amount of information commonly occurring in transaction printing to be printed in real time and, specifically, in color. It comes into action once the IPDS data flow has arrived at the front-end X-800. The IPDS Controller converts the IPDS data and sends it back to the X-800 for printing. With this intermediate stage, a printer can be supplied with data in real time.

(5) Transpromo is the use of traditional transaction documents such as bank or credit card statements, telephone accounts and bills for direct marketing purposes. Research has shown that these documents attract the most attention. This makes them perfect for offering the customer-oriented messages besides the transaction information. The effectiveness of transpromo documents as marketing tools for cross and upselling can be further enhanced by using specific customer information to create personalized messages that are relevant to the customer.

(6) The previous generation contained 800,000 individually moving micromirrors. The latest generation of micromirror chip contains 2,000,000 and is used in the 460x, 860x and VLF UV-Setters.

(7) VITO: Flemish Technological Research Organization. An independent research institute which promotes sustainable technological development among public authorities, industry and small and medium-sized businesses.

(8) In 2010, there was also an incident in Germany when problems with the de-inking of inkjet printing seriously disrupted the existing paper recycling system.

(9) The Belgian environmental prize is an initiative of the Federation of Enterprises in Belgium (VBO), the Vlaams Economisch Verbond and the Union Wallonne des Entreprises (the Dutch- and French-speaking Flemish Economic Unions - VEV, UWE) and the Brussels Enterprises Commerce and Industry (BECI), and is awarded to companies and organizations who have achieved outstanding performance or undertaken specific action in the area of sustainable development during the past five years, particularly in respect of environmental technology or strategy.

(10) The Dutch Packaging centre (NVC) is the only supply chain association in the Netherlands in the packaging sector. With its network of more than 500 member companies and 12,000 individuals, the association is a pioneer in terms of training, information and protecting the interests of the industry. The Dutch Packaging Supply Chain Prize is awarded twice a year to companies who have recently achieved successful cooperation in the supply chain in the Dutch market. Every company represents one link in the packaging supply chain for which the prize is awarded.

(11) Possibly a letter of credit (L/C).

Financial calendar

As well as the annual results, Xeikon also publishes half-yearly figures (interim results) and quarterly financial reports. The scheduled publication dates and the date of the General Meeting of Shareholders are as follows:

Trading update first quarter 2013	May 13, 2013
Annual General Meeting 2013	May 28, 2013
Publication of interim results for 2013	August 23, 2013
Trading update third quarter 2013	November 15, 2013
Publication of results for 2013	February 28, 2014

Any amendments to this calendar will be posted on the company's website (www.xeikon.com) as soon as possible.

Investor relations

The annual report, the results for accounting periods and other information are available in Dutch and in English from the website at www.xeikon.com. This information can also be obtained from the company's head office.

The Dutch version is considered the official version. The English version is a translation without proof of evidence. Xeikon N.V. is responsible for the translation.

Anyone requiring additional information can send an e-mail to investor.relations@xeikon.com.

Responsible editor

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