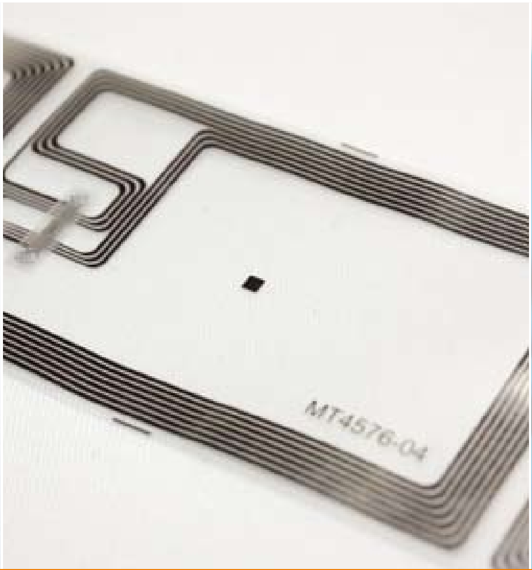
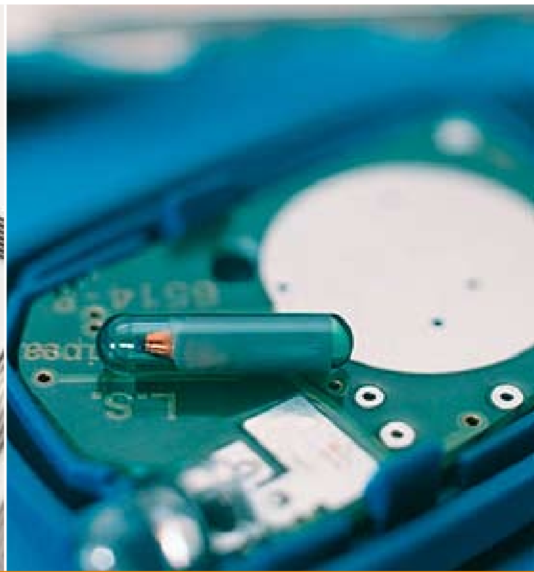




Q2.2009

Interim Report

SMARTRAC N.V.

In thousands of euro		Consolidated six months ended June 2009	Consolidated six months ended June 2008	Change	Change in %
Consolidated statement of comprehensive income					
Revenues		59,087	49,605	9,482	19.1
EBITDA [1]		6,608	11,468	(4,860)	(42.4)
Profit for the period		1,845	8,171	(6,326)	(77.4)
Financial position and liquidity					
Net cash provided by (used in) operating activities		(1,509)	8,758	(10,267)	(117.2)
Working capital		31,935	21,584	10,351	48.0
Capital expenditure [2]		3,578	7,488	(3,910)	(52.2)
Total assets		174,283	114.681	59,602	52.0
Operating figures					
Basic earnings per share	euro	0.14	0.62	(0.48)	(77.4)
Cash flow per share	euro	(0.11)	0.66	(0.77)	(116.7)
Equity ratio	%	57.7	77.6	(19.9)	(25.7)
Headcount	at month's end	2,543	2,739	(196)	(7.2)

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

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

Patent protected wire-embedding technology

Disclaimer:

To the extent that this report contains forward-looking statements, such statements are based on assumptions, planning and forecasts at the time of publication of this report. Forward-looking statements always involve uncertainties. Business and economic risks and developments, the conduct of competitors, political decisions and other factors may cause the actual results to be materially different from the assumptions, planning and forecasts at the time of publication of this report. Therefore, SMARTRAC N.V. does not assume any responsibility relating to forward-looking statements contained in this report. Furthermore, SMARTRAC N.V. does not assume any obligation to update the forward-looking statements contained in this report.

Report of the Management Board

Dear Shareholders,
Dear Friends of our Company,

In the first six months of the business year 2009, SMARTRAC had to confront the continuing challenges presented by the difficult economic environment. Despite this demanding situation, SMARTRAC was able to achieve top-line growth. Total sales for the six-month period ended 30 June increased by 19 percent from euro 49.6 million in 2008 to euro 59.1 million in 2009. Order behavior across all business units remained noticeably less focused on the long-term and resulted in significant volatility in the utilization of SMARTRAC's global production network with an associated significant impact on its efficiency and profitability. Supplementarily, SMARTRAC's profitability was burdened by the unfavorable result of its U.S. production facility and the continued ramp-up of its operations in Malaysia. These factors led to EBITDA from January to June decreasing by 42 percent from euro 11.5 million to euro 6.6 million, generating an EBITDA margin of 11 percent. The profit for the period amounted to euro 1.8 million compared to euro 8.2 million a year ago.

SMARTRAC's operational development

Business units and change in product mix

Security segment

The products offered by the **eID business unit** address governmental requirements for personal electronic identification such as ePassports, National eID Cards, Electronic Driver's Licenses and Electronic Visas.

SMARTRAC continued to increase its total share of the global market for ePassport projects. As of record date, the company has been chosen to deliver High Secure Inlays for ePassport projects in more than 25 countries. The growth in SMARTRAC's market share of this key segment of the RFID industry, in addition to other eID projects, compensated to a certain extent the continuing weak demand for ePassports for the U.S. project. Nevertheless, the situation in the U.S. ePassport project resulted in an underutilization of SMARTRAC's dedicated high-security production site in the United States. In the first six months of 2009, the partners in the value chain of the U.S. ePassport project predominantly were using their existing stock of inventory. SMARTRAC assumes that during the course of the second half of 2009 order volumes and shipment levels will increase.

The **Cards business unit** produces card inlays for public transport, access, ePayment and active card applications and caters to card manufacturers.

In terms of sales, the Cards business unit remained the biggest business unit in the SMARTRAC portfolio. Continuous growth in public transport and access applications – accompanied by sustained sales in the area of ePayment – resulted in performance figures that were in line with management's expectations. In the first six months of the year 2009, new markets were opened up in Asia and new products were launched, such as the PRELAM® which feature integrated shielding materials and high-end microcontroller cards for loyalty programs.

Industry segment

Sokymat Automotive GmbH is the main entity of the **Industry & Logistics business unit**. It provides car immobilizers for the automotive industry and RFID tags for animal identification, logistics, industrial, laundry and medical applications.

In the period January to June 2009, the business unit had to cope with a sharp decline in volume in the automotive industry due to the deep economic recession. An increase in the book to bill ratio in the second quarter, and the first signs of recovery in demand from automotive customers in all of the major markets of Sokymat Automotive, indicate that the company passed the trough in the first half of 2009. The beginning of serial production for a new transponder for Remote Keyless Entry applications substantiates this interpretation.

The adjustments to the product portfolio of the non-automotive business contributed to the growth of the business unit and confirms SMARTRAC's strategy to create a strong platform in animal identification and industry applications. Development contracts and volume agreements for livestock tagging and laundry applications were concluded in the second quarter.

The **Tickets & Labels business unit** supplies RFID transponders that cater to ticket and label converters and includes applications in the area of library, ticketing, public transport and toll collection.

The solutions provided by the business unit focus on transponders based on etched antennas. SMARTRAC has developed a technology platform that integrates under one umbrella the inlay assembly concept, proprietary interconnection method, and the in-house manufacturing of antennas, straps and inlays. The ChipLink™ inlays are manufactured at SMARTRAC's production site in Malaysia. First qualification processes with leading ticket converters were completed and additional partners are currently being qualified. The first orders for small production series in the area of public transport have been received and a total of some million inlays have been delivered to customers. SMARTRAC is currently competing for some new tenders for toll collection, public transport and library applications.

The **product mix** in the first six months of 2009 was affected by a continuous weak level in the US ePassport volumes and in the automotive industry due to the deep global economic recession. Despite these demand driven developments, SMARTRAC's broad and diversified business model was able to achieve 19 percent sales growth for the period under review.

In the eID business unit, the continuous depressed level of demand in the U.S. ePassport project could be compensated to a certain extent by existing and new ePassport and eID projects. Nevertheless, the business unit eID reported a 19 percent decline in sales. The Cards business unit, which includes ePayment applications as well as public transportation and access control, continued to grow and reported 19 percent growth in the first six months of the year. In total, the sales of the Security segment were flat compared to the sales figure a year ago.

Mainly allocated to the consolidation of Sokymat Automotive, the Industry segment accounted for 250 percent growth. The Industry & Logistics business unit was affected by the decline in the automotive business, but was able to expand its market position in the fields of industry, animal ID and logistics. Compared to last year's figure, revenues increased by 551 percent. The Tickets & Labels business unit reported growth of 62 percent. The growth was mainly driven by first orders for small production series produced in SMARTRAC's factory in Malaysia.

Mid-term credit facility signed

Subsequent to the reporting period, SMARTRAC completed its first transaction in the syndicated loan market on 14 July 2009. The company signed an agreement on a syndicated multicurrency credit facility for euro 65 million which ends on 30 June 2012 with standard market terms and conditions. SMARTRAC has successfully transferred the existing one-year bridge financing facility into a mid-term credit facility. SMARTRAC intends to use euro 50 million from the new facility to refinance the usage of the bridge financing facility related to the acquisition of Sokymat Automotive GmbH signed in September 2008. The facility's remaining euro 15 million provide financial flexibility for SMARTRAC's growth strategy, which involves both organic growth and acquisitions. The credit facility will strengthen SMARTRAC's financing flexibility and support the company´s strategic development in line with its growth objectives.

Area of growth: RFID in public transportation

RFID technology – a motor for growth

The worldwide RFID market is a growing and dynamic market. RFID applications have already been adopted in various fields of application and industries and will increasingly become a part of everyday life. On 12 May 2009, the Commission of the European Communities published a commission recommendation with regard to RFID applications. The recommendation provides guidance to the member states on the design and operation of RFID applications in a lawful, ethical, and socially and politically acceptable way, respecting the right to privacy and ensuring protection of personal data.

According to the commission's recommendation, RFID technology has the potential to become a new motor for growth and jobs, since it holds enormous economic promise by creating new business opportunities, reducing costs and increasing efficiency.

SMARTRAC appreciates the commision's commitment to RFID as it sends a strong political signal and will help to increase the awareness and penetration of RFID technology. SMARTRAC is well positioned in the growing RFID market due to its unique positioning in the RFID value chain, the largest production capacities worldwide, its global network in R&D, production and sales, and its broad technology base.

Research and development

SMARTRAC's research and development team creates cutting-edge products and solutions and continuously enhances our product portfolio. In the course of the second quarter, SMARTRAC added the Dual Frequency PRELAM® to its product portfolio. The pre-laminated inlays are available in various hybrid combinations in the frequencies LF, HF and UHF. Accommodating the growing demand for RFID transponders with diverse read range requirements, SMARTRAC Dual Frequency PRELAM® products are suited for applications such as access control, electronic payment, automated fare collection, border crossing as well as for multipurpose applications in the standard card format.

With its research and development centers and prototyping facilities situated around the world, SMARTRAC is able to directly transform technically mature innovations into high-volume production.

SMARTRAC joins Smart Card Alliance

SMARTRAC has joined the Smart Card Alliance, a non-profit, multi-industry association and the leading voice in the North American smart card industry. Being the world's largest smart card industry association, the Smart Card Alliance has played a major role in driving the development and deployment of smart cards.

As a leading manufacturer of inlays for contactless smart cards, SMARTRAC to date has delivered more than 1 billion transponders to card manufacturers worldwide. Manufactured with the company's proprietary and patented wire-embedding technology, the durable and dependable inlays have set standards in various fields. In order to participate in the further development of the market and to contribute to the thought leadership provided by the Smart Card Alliance, SMARTRAC has now become a member of this renowned industry association.

The SMARTRAC share

In the first six months of 2009, the SMARTRAC share price developed within a broad range. Starting at euro 11.50 at the beginning of the year, the share declined steadily and disproportionately to bottom out on March 6, 2009 at euro 6.50. From this all-time low, the share price more than doubled to reach a peak for the period of euro 13.07 on 29 June 2009. In the three months April to June, the SMARTRAC share increased by 36% and followed the overall buoyancy in technology shares with a certain time lag. The share price at record date of euro 12.80 represented an increase of 11 percent in the first six months of 2009, compared to the decline in the German DAX of 3 percent and the 19 percent increase in the TecDAX during the period under review.

The second quarter of 2009 saw increasing trading volumes in SMARTRAC shares. The average number of shares traded per day on the XETRA trading platform in the period between April and June 2009 increased to some 34,000 shares, compared to roughly 20,000 shares in the first three months of the year. From January to June 2009, some 27,000 shares were traded on average on the XETRA trading platform compared to 49,000 shares a year ago.

In terms of its shareholder structure, SMARTRAC reported that Manfred Rietzler, the founder and CTO of SMARTRAC, increased his interest in the company in April 2009 from 17.63 percent to 19.85 percent by purchasing 300,000 shares at euro 10.02. Accordingly, the free float according to Deutsche Börse currently amounts to 80.15 percent. Within the free float, no change in the material holdings, which would be subject to mandatory disclosure, was recorded during the second quarter. At record date, Fortis Investment Management N.V., Amsterdam (10.51%) and Schroder plc, London (5.13%) hold interests in SMARTRAC that are above the reporting thresholds. Wolfgang Schneider, a member of the Group Executive Team, continues to hold a stake of 3.70 percent in SMARTRAC.

In the second quarter of 2009, only minor changes were made to the analyst's valuation models after the reporting of the three-months figures. With the positive development of the share price during the second quarter, target prices of several brokers have been reached. On 30 June 2009, the price target was between euro 11 and euro 15, with an average of euro 13. Four analysts recommended buying the stock and one analyst rated the SMARTRAC share "neutral".

In the second quarter, SMARTRAC management continued the intensive dialogue with investors to explain the recent developments and the expectations for the current fiscal year. At roadshows in Amsterdam, Paris and Vienna, as well as at investment conferences in New York and Frankfurt, the management explained the business model, the financials and the potentials of the RFID market. Several site visits and conference calls completed the communication activities.

On June 30, 2009, SMARTRAC N.V. held 210,451 treasury stock (March 31, 2009: 210,451 shares) at an average share price of euro 30.14. Details on the utilization of the treasury stock are provided in the notes on page 26 of the report.

The Annual General Meeting of Shareholders was held in Amsterdam on April 29, 2009. The shareholders present or represented at the meeting held 4,033,208 shares and represented 29.88 percent of the issued share capital. All items on the agenda were approved by at least 77 percent of the votes cast with the majority of the items approved by 100 percent of the votes cast. The votes, the minutes of the meeting as well as the amended Articles of Association and all other documents related to the Annual General Meeting of Shareholders are made public in the Investor Relations section of the SMARTRAC website.

Financial performance

SMARTRAC reports 19 percent top-line growth from January to June 2009

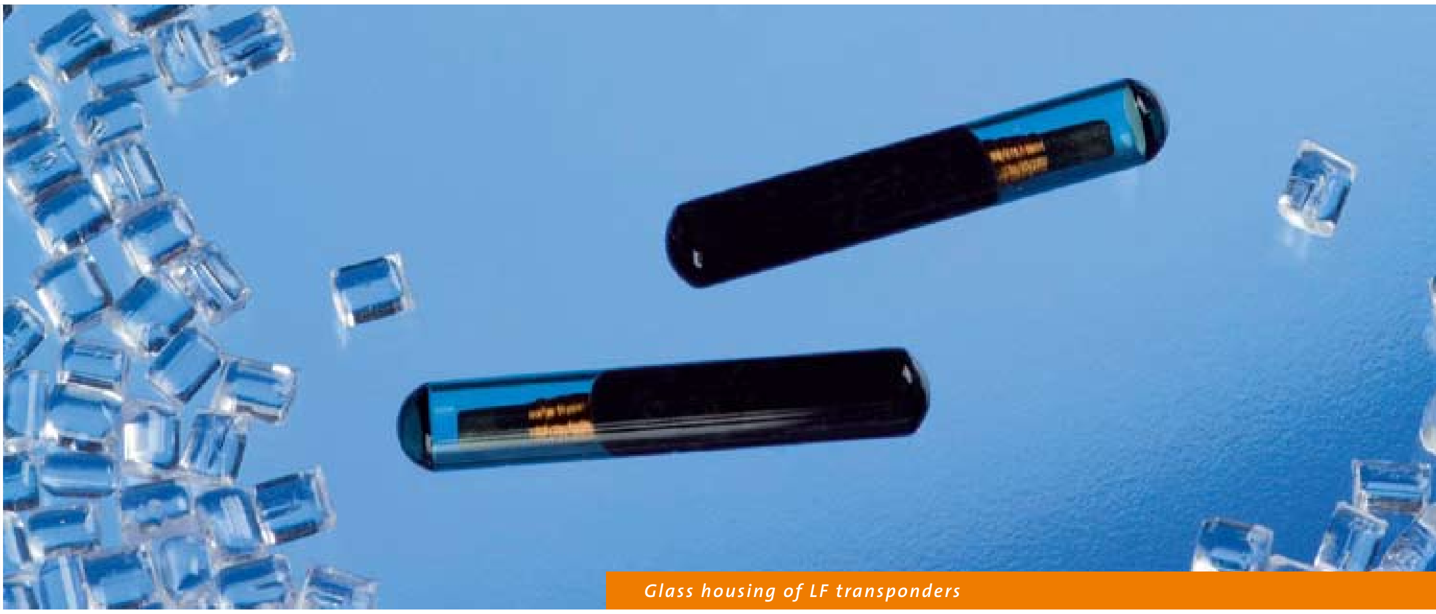
Sales of euro 59.1 million in the first six months of 2009 represent an increase of 19 percent compared to sales of euro 49.6 million in the first half of 2008. Due to the change in product mix, extremely volatile utilization of production capacity in the first six months of 2009 and the negative effects from the U.S. factory and the ramp-up in Malaysia, EBITDA (including EBITDA from other operations) of euro 6.6 million from January to June 2009 decreased by 42 percent compared to EBITDA of euro 11.5 million for the same period in 2008.

Net financial result was negative at euro 0.5 million compared to negative euro 0.9 million a year ago. In the first six months of 2009, the financial result was mainly driven by the interest expenses incurred for the debt financing of the acquisition of Sokymat. These were partly compensated by a positive net effect resulting from change in currencies. In the respective period of 2008, the financial result was predominantly affected by foreign exchange losses.

In the period under review, SMARTRAC generated total comprehensive income of euro 1.6 million which represents a decrease of 80 percent compared to euro 8.1 million for the same period in 2008.

Segment development

In the **Security segment** (Cards and eID business units), sales in the first six months of 2009 reached euro 45.0 million, representing an almost flat development compared to sales of euro 44.9 million in the same period of the previous year. Due to a higher proportion of chip-sourcing, the underutilization of the U.S. production site and the volatility in the utilization of the production network in general, EBITDA in the six-month period



Glass housing of LF transponders

ended June 30, 2009 declined disproportionately by some 40 percent to euro 7.7 million compared to euro 12.9 million from January to June 2008.

In the first half of 2009, the cards business unit continued its growth trend by accounting for a 19 percent increase in sales to euro 26.1 million, compared to sales of euro 21.9 million for the same period in 2008. An encouraging development in the area of mass transportation and access control, as well as a continued strong performance in ePayment applications, were responsible for the positive result. The eID business represented sales of euro 19.4 million in the period under review, a decrease of 19 percent compared to sales of euro 23.9 million a year ago. This decline is solely attributable to a significant reduction of deliveries for the U.S. ePassport project, and is purely driven by demand as SMARTRAC provides the only qualified inlay to the largest ePassport project worldwide. However, the decline resulted in an underutilization of the U.S. production capacity with negative effects on the financial performance. Existing and new ePassport and eID projects worldwide could not fully compensate the unfavorable development of the U.S. ePassport project.

Sales of euro 13.6 million in the **Industry segment** (Industry & Logistics and Tickets & Labels business units) for the first six months of 2009 are 250 percent higher compared to sales of euro 3.9 million in the previous year. Along with organic growth in the business units, the increase is mainly attributed to the consolidation of Sokymat Automotive GmbH that was included for the first time in September 2008. With EBITDA of euro 0.5 million in the first six months of 2009, the Industry segment provided an increased positive contribution to the group EBITDA compared to an EBITDA of euro -0.3 million recorded in the same period in 2008. The success of cost-saving measures, which were initiated at an early stage, have, to a certain extent, balanced the significant decline in the automotive business, on the other hand the profitability of the Industry segment is still affected by significant ramp-up costs for the production facility in Malaysia.

The Industry & Logistics business unit reported sales of euro 10.3 million for the period January to June 2009 compared to euro 1.5 million a year ago. The increase of 551 percent was mainly determined by the consolidation of Sokymat Automotive GmbH, but was strongly supported by organic growth in the non-automotive applications such as the animal identification and other industry and logistics applications. The business unit Tickets & Labels increased sales by 62 percent from euro 2.3 million to euro 3.7 million. The completion of product qualification processes and the start of volume production in the production facility in Malaysia supported the development.

Balance sheet

As of 30 June 2009, total assets amounted to euro 174.3 million compared to euro 177.4 million as of 31 December 2008.

Inventories decreased from euro 19.4 million at year end 2008 to euro 17.9 million at the end of the period under review. SMARTRAC actively managed its inventories while simultaneously maintaining full flexibility in serving customer requirements at short notice. Trade receivables increased by 28 percent from euro 21.2 million to 27.3 million primarily driven by the shift in sales towards the end of the reporting period. On the balance sheet date, short term investments declined from euro 10.4 million as of December 31, 2008 to euro 5.4 million, due to the maturity of a German government bond. The inflow has been transferred into a short-term bank deposit. Despite the inflow from the disinvestment from the government bond, cash and cash equivalents decreased by 13 percent from euro 22.5 million to euro 19.6 million, primarily due to the repayment of debt.

Interest-bearing loans and borrowings were reduced by some euro 3 million in the period under review. In comparison to December 31, 2008, working capital increased by euro 8.1 million to euro 31.9 million per 30 June 2009. This was mainly attributable to the increase in trade receivables.

As of June 30, 2009 SMARTRAC's group equity amounts to euro 100.5 million. This represents a 2 percent increase compared to year end 2008 (euro 98.2 million), and was mainly attributable to the result of the period. The equity ratio increased from 55 percent at December 31, 2008 to 58 percent at June 30, 2009.

Cash flow statement

Cash provided by operating activities amounted to euro 0.2 million for the first six months of 2009, compared to euro 9.2 million for the same period in the previous year. The decrease of operating cash flow is mainly due to a decrease in net profit combined with an increase in working capital. Taking into account interest paid and received as well as payments for income taxes, the net cash used in operating activities in the first half of 2009 amounted to euro 1.5 million compared to net cash provided by operating activities of euro 8.8 million in 2008.

Net cash provided by investing activities amounted to euro 1.6 million as of 30 June 2009, compared to net cash provided of euro 4.3 million for the same period of 2008. This development is mainly due to cash inflow of euro 4.9 million from asset management activities in 2009 compared to euro 10.5 million in 2008. Investments in property, plant and equipment decreased from euro 6.2 million in 2008 to euro 2.0 million in 2009.

Net cash used in financing activities amounted to euro 3.1 million compared to euro 10.7 million in the first six months of 2008. In 2009, SMARTRAC used cash to reduce the company´s debt position. In 2008, a cash outflow can be predominantly allocated to the second SMARTRAC share buyback program (euro 7.5 million).

Business outlook

Although developments in the global macroeconomic environment remain volatile, the first signs of an economic stabilization should provide the basis for the expected improvement in the second half of 2009. Within the SMARTRAC business, signs of recovery can be seen in the automotive business and in the U.S. ePassport project. In collaboration with growth opportunities in card-related and industry applications as well as in the area of animal identification and in the Ticket & Label business, SMARTRAC's broad business portfolio provides a solid base to confront and master the ongoing challenges posed by the current economic environment. Reducing the volatility in utilization remains the main issue for the second half of 2009, in which the order behavior of SMARTRAC's customers should stabilize, thereby facilitating visibility.

For these reasons, SMARTRAC reaffirms its guidance for the full fiscal year. The Management is convinced that the business will grow organically in the course of 2009, and that, on the basis of a full year, SMARTRAC will continue to be a profitable and cash generating company.

The successful completion of the refinancing package for the next three years, the solid financial structure, the proven RFID business model with its evident growth potentials, and the strong international positioning provide the strategic framework for further growth in the coming years.

For the Management Board

Dr. Christian Fischer
Amsterdam, July 2009


SMARTRAC
TECHNOLOGY

Condensed consolidated interim financial information

Condensed consolidated interim financial information for the six months ended 30 June 2009

Condensed consolidated interim statement of comprehensive income
For the six and three months ended 30 June 2009 (2008)

In thousands of euro	Note	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Revenues	6	29,718	22,478	59,087	49,605
Cost of sales		(21,321)	(13,434)	(41,679)	(29,163)
Gross profit	6	**8,397**	**9,044**	**17,408**	**20,442**
Administrative expenses		(7,228)	(5,458)	(14,670)	(11,152)
Other operating income (expenses)		(83)	29	(89)	82
Total operating expenses		**(7,311)**	**(5,429)**	**(14,759)**	**(11,070)**
Operating profit before financial income (expenses)		**1,086**	**3,615**	**2,649**	**9,372**
Financial income		1,090	642	2,484	728
Financial expenses		(1,800)	(427)	(3,020)	(1,661)
Net financial income (expenses)	7	**(710)**	**215**	**(536)**	**(933)**
Profit before tax		**376**	**3,830**	**2,113**	**8,439**
Income tax (expenses)	8	(115)	(145)	(268)	(268)
Profit for the period attributable to the owners of the parent		**261**	**3,685**	**1,845**	**8,171**
Foreign exchange translation		(191)	(180)	(230)	(109)
Other comprehensive income (loss), net of tax		**(191)**	**(180)**	**(230)**	**(109)**
Total comprehensive income for the period attributable to the owners of the parent		**70**	**3,505**	**1,615**	**8,062**
Basic earnings per share (euro)	9	0.02	0.28	0.14	0.62
Diluted earnings per share (euro)	9	0.02	0.28	0.14	0.62

The accompanying notes (on page 18 to 29) are an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim balance sheet

As at 30 June 2009 (and 31 December 2008)

In thousands of euro	Note	Consolidated 30 June 2009	Consolidated 31 December 2008
Assets			
Intangible assets	11	58,837	58,351
Property, plant and equipment	10	37,495	38,440
Other investments		426	415
Deferred tax assets		2,153	2,141
Other non-current assets		855	920
Total non-current assets		**99,766**	**100,267**
Inventories		17,867	19,428
Trade receivables		27,265	21,246
Current income tax		1,257	890
Other current assets		3,085	2,624
Short-term investments		5,419	10,399
Cash and cash equivalents		19,624	22,532
Total current assets		**74,517**	**77,120**
Total assets		**174,283**	**177,387**
Equity			
Share capital		6,750	6,750
Share premium		54,893	56,911
Translation reserve		(132)	98
Retained earnings		45,332	43,487
Treasury stock	12	(6,344)	(9,092)
Total equity attributable to equity holders of the company		**100,499**	**98,154**
Liabilities			
Secured loans		1,099	1,142
Employee benefits		354	317
Deferred tax liabilities		3,486	3,228
Total non-current liabilities		**4,939**	**4,687**
Bank overdraft		344	353
Current portion of secured loans		457	462
Interest-bearing loans and borrowings	14	50,505	53,382
Trade and non-trade payables		13,016	14,423
Current income tax		340	341
Other current liabilities		4,183	5,586
Total current liabilities		**68,845**	**74,547**
Total liabilities		**73,784**	**79,234**
Total equity and liabilities		**174,283**	**177,387**

The accompanying notes (on page 18 to 29) are an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2009 (2008)

In thousands of euro	Note	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Cash flows from operating activities			
Net profit	6	1,845	8,171
Reconciliation of net profit to net cash provided by (used in) operating activities:			
Income tax expenses	8	268	268
Depreciation and amortization	6	3,959	2,096
Interest income	7	(260)	(201)
Interest expenses	7	1,030	251
Expenses for share based payments		687	674
Other non-cash items		(84)	394
Changes in operational assets and liabilities			
Other non-current assets		64	14
Inventories		1,505	(982)
Trade receivables		(6,035)	693
Other current assets		(633)	(36)
Employee benefits		37	35
Trade and non-trade payables		(1,405)	(424)
Other current liabilities		(752)	(1,721)
Cash provided by operating activities		**226**	**9,232**
Interest paid		(1,639)	(237)
Interest received		275	133
Income taxes paid		(371)	(370)
Net cash used in (previous year: cash provided by) operating activities		**(1,509)**	**8,758**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,002)	(6,170)
Purchase of intangible assets / development costs		(1,576)	(1,069)
Proceeds from sales of equipment		303	499
Other investments		(11)	(415)
Deposits paid for property, plant and equipment		–	(249)
Cash payments on purchase of consolidated subsidiaries, net of cash purchased		–	1,217
Cash proceeds on sale of short-term investments		4,880	10,533
Net provided by investing activities		**1,594**	**4,346**
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings and secured installment loan		–	1,207
Repayments of interest-bearing loans and borrowings and secured installment loan		(3,118)	(4,409)
Share buyback	12	–	(7,529)
Net cash used in financing activities		**(3,118)**	**(10,731)**
Net change in cash and cash equivalents and bank overdrafts		(3,033)	2,373
Cash and cash equivalents and bank overdrafts at 1 January		22,179	14,318
Effect of exchange rate fluctuations on cash and cash equivalents and bank overdrafts		134	(281)
Cash and cash equivalents and bank overdrafts at 30 June		**19,280**	**16,410**

The accompanying notes (on page 18 to 29) are an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in shareholders' equity

For the six months ended 30 June 2009 (2008)

In thousands of euro	Note	Issued and paid-up share capital	Share premium	Translation reserve	Retained earnings	Treasury stock	Equity attributable to SMARTRAC's shareholders
Balance as at 1 January 2008		**6,750**	**54,463**	**(86)**	**29,859**	**(4,798)**	**86,188**
Net profit for the period		–	–	–	8,171	–	8,171
Other comprehensive income (loss)		–	–	(109)	–	–	(109)
Total comprehensive income of the period		**–**	**–**	**(109)**	**8,171**	**–**	**8,062**
Share buyback	12	–	–	–	–	(7,529)	(7,529)
Share based payment – options	13	–	674	–	–	–	674
Share based payment – shares		–	12	–	–	177	189
Share based acquisition	12	–	24	–	–	1,437	1,461
Balance as at 30 June 2008		**6,750**	**55,173**	**(195)**	**38,030**	**(10,713)**	**89,045**
Balance as at 1 January 2009		**6,750**	**56,911**	**98**	**43,487**	**(9,092)**	**98,154**
Net profit for the period		–	–	–	1,845	–	1,845
Other comprehensive income (loss)		–	–	(230)	–	–	(230)
Total comprehensive income of the period		**–**	**–**	**(230)**	**1,845**	**–**	**1,615**
Share buyback	12	–	–	–	–	–	–
Share based payment – options	13	–	521	–	–	–	521
Share based payment – shares	13	–	(544)	–	–	753	209
Share based acquisition	12	–	(1,995)	–	–	1,995	–
Balance as at 30 June 2009		**6,750**	**54,893**	**(132)**	**45,332**	**(6,344)**	**100,499**

The accompanying notes (on page 18 to 29) are an integral part of the condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2009

1. Reporting entity

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

Company	Country of incorporation	Date of incorporation/ inclusion	Business type	Ownership and voting interest
Direct Holdings				
SMARTRAC TECHNOLOGY Ltd.	Thailand	1 January 2000	Manufacturing	100 %
SMARTRAC TECHNOLOGY GmbH	Germany	17 November 2003	Manufacturing/ Service Centre	100 %
SMARTRAC TECHNOLOGY Pte. Ltd.	Singapore	7 October 2005	Sales Service	100 %
multitape GmbH	Germany	26 January 2007	Manufacturing	100 %
SMARTRAC TECHNOLOGY Brazil B.V.	The Netherlands	27 February 2007	Holding	100 %
SMARTRAC TECHNOLOGY US Inc.	USA	31 August 2007	Manufacturing	100 %
SMARTRAC IP B.V.	The Netherlands	18 January 2007	IP Management	100 %
multitape Holding B.V.	The Netherlands	3 September 2007	Holding	100 %
Xytec Solutions Sdn. Bhd.	Malaysia	21 January 2008	Manufacturing	100 %
SMARTRAC German Holding GmbH	Germany	2 September 2008	Holding	100 %
Indirect Holdings				
SMARTRAC TECNOLOGIA INDÚSTRIA E COMERCIO DA AMAZÔNIA Ltda.	Brazil	15 July 2007	Manufacturing	100 %
SMARTRAC Trading Pte. Ltd.	Singapore	22 March 2007	Trading	100 %
Multitape Technology (M) Sdn. Bhd.	Malaysia	3 October 2007	Manufacturing	100 %
Sokymat Automotive GmbH	Germany	26 September 2008	Manufacturing	100 %

Other investments

On 19 May 2008 SMARTRAC acquired 100% of the equity interests of the insolvent AmaTech Automation GmbH, located in Pfronten, Germany. SMARTRAC cannot gain control in the stage of insolvency and therefore AmaTech Automation GmbH has not been consolidated. The company holds specific patented technology.

Employees

As at 30 June 2009, the Group employed 2,543 employees (2,604 as of 31 March 2009; 2,739 as of 30 June 2008; 2,666 as of 31 March 2008).

The Group's consolidated financial statements

The Group's consolidated financial statements as at and for the year 2008 are available upon request from the Company's registered office at Strawinskylaan 851, 1077 Amsterdam, The Netherlands or can be downloaded via www.smartrac-group.com.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 as adopted by the European Union. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

This condensed consolidated interim financial information was authorized for issuance by the Management on 28 July 2009. The condensed consolidated interim financial statements for the period ended 30 June 2009 were not subject to a limited interim review.

3. Declaration of the Board of Management

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

Amsterdam, 28 July 2009

Dr. Christian Fischer   Manfred Rietzler   Stephen Juge

4. Significant accounting policies and methods of computation

The accounting policies and methods of computation applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements of the Group as at and for the year ended 31 December 2008.

In addition we have adopted **IFRS 8 "Operating Segments"**. IFRS 8 introduces the 'management approach' to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, has been applied since the beginning of the financial year 2009.

IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to assess each segment's performance and to allocate resources to them.

In prior years and including the financial year 2008, the Group presented segment information in respect of its business and geographical segments. The comparative figures of the financial year 2008 were adjusted according to IFRS 8.

The reportable segments were identified based on the differences of the product portfolio rather than differences in geographical area or other factors.
The business units eID and Cards were aggregated as reportable segment 'Security' and the business units Industry & Logistics and Tickets & Labels were aggregated as reportable segment 'Industry'. All other business activities are included in the 'All other' segment.

The business segment 'Security' includes products for personal electronic identification in governmental use such as ePassports, National eID cards, electronic driver's licenses and electronic Visa as well as card inlays for transport, access, ePayment and active card applications.

The business segment 'Industry' covers RFID tags for fields of application such as automotive, animal identification, logistics, industrial, laundry and medical as well as RFID inlays that cater to tickets and label converters and include fields of application such as library, ticketing and airline luggage.

Under the management approach, the Group presents segment information in respect of the business segment structure that reflects the approach of assessment performed by the CODM. The measurement of segment profit or loss is based on the segment's EBITDA.

The basis of accounting for any transactions between reportable segments is in accordance with IFRS.

Furthermore, the amendment of **IAS 1 "Preparation of Financial Statements"** was adopted. The adoption of this accounting policy has not materially affected the computation of the results of the group.

With respect to the other Standards and Interpretations to be adopted as per the 2009 financial year, reference is made to the notes to the consolidated financial statements 2008. These Standards and Interpretations have minor or no effect.

5. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements as at and for the year ended 31 December 2008.

6. Segment reporting

Consolidated segment information by business segments for the six months ended June 2009

	Security		Industry		All other		Eliminations		Consolidated	
In thousands of euro	Six months ended June 2009	Six months ended June 2008	Six months ended June 2009	Six months ended June 2008	Six months ended June 2009	Six months ended June 2008	Six months ended June 2009	Six months ended June 2008	Six months ended June 2009	Six months ended June 2008
Segment revenue										
Revenue from external customers	44,987	44,641	13,634	3,705	466	1,259	–	–	59,087	49,605
Revenue from transactions with other segments	–	295	2	186	1,114	1,130	(1,116)	(1,611)	–	–
Total revenue	**44,987**	**44,936**	**13,636**	**3,891**	**1,580**	**2,389**	**(1,116)**	**(1,611)**	**59,087**	**49,605**
Segment result										
Gross profit	14,224	19,361	2,889	855	303	405	(8)	(179)	17,408	20,442
Operating income (expenses)	(8,625)	(8,243)	(3,971)	(1,411)	(2,171)	(1,595)	8	179	(14,759)	(11,070)
Operating profit (loss)	5,599	11,118	(1,082)	(556)	(1,868)	(1,190)	–	–	2,649	9,372
Financial result									(536)	(933)
Profit before tax expense / benefit									**2,113**	**8,439**
Income tax expense / benefit									(268)	(268)
Group profit for the period									**1,845**	**8,171**
Supplemental information										
Operating profit (loss)	5,599	11,118	(1,082)	(556)	(1,868)	(1,190)	–	–	2,649	9,372
Depreciation and amortization	2,143	1,780	1,620	223	196	93	–	–	3,959	2,096
Segment EBITDA*	**7,742**	**12,898**	**538**	**(333)**	**(1,672)**	**(1,097)**	**–**	**–**	**6,608**	**11,468**

The Group comprises the following main business segments:

- Security segment: the manufacture and sale of RFID inlays with embedded memory chips with high security features such as sophisticated data encryption, controlled data access and mutual authentication, for use in applications such as ePassports, eID Cards, eDriving licenses, eVisas, eHealth cards, eSocial security cards, Public transport, ePayment, Access and Active card applications.
- Industry segment: the manufacture and sale of RFID transponders with embedded chips for use in a broad range of applications. RFID transponders for the industry and logistics sector are suited for automotive applications, for use in harsh environments as well as for highly sensitive areas such as the medical sector. In addition this segment covers a broad range of standard and customized RFID inlays for tickets and labels.
- All other: all other income / expense that cannot be attributed to the Security and Industry segment.

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

Revenues by subsegment were as follows:

In thousands of euro	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Segment Security		
eID	19,443	23,928
Cards	26,064	21,944
Intrasegment eliminations	(520)	(936)
Subtotal	**44,987**	**44,936**
Segment Industry		
Tickets & Labels	3,747	2,317
Industry & Logistics	10,298	1,583
Intrasegment eliminations	(409)	(9)
Subtotal	**13,636**	**3,891**
Segment All Other	**1,580**	**2,389**
Intersegment eliminations	(1,116)	(1,611)
Total	**59,087**	**49,605**

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Group's principal geographical areas are Europe, North America, Asia and Latin America.

In thousands of euro	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Revenues		
Europe	32,459	30,690
North America	14,317	9,593
Asia	8,514	5,201
Latin America	3,435	3,752
Others	362	369
Total revenues	**59,087**	**49,605**

7. Net financial income (expenses)

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

In thousands of euro	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Change in fair value	39	38	96	48
Interest income	101	168	260	201
Foreign exchange gains	950	436	2,128	479
Financial income	**1,090**	**642**	**2,484**	**728**
Change in fair value	(192)	(112)	(353)	(166)
Interest expenses	(204)	(127)	(1,030)	(251)
Bank charges	(147)	(66)	(242)	(146)
Foreign exchange losses	(1,257)	(122)	(1,395)	(1,098)
Financial expenses	**(1,800)**	**(427)**	**(3,020)**	**(1,661)**
Net financial income (expenses)	**(710)**	**215**	**(536)**	**(933)**

8. Income tax (expenses)

Recognized in the statement of comprehensive income

In thousands of euro	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Current income tax (expense) reversal	139	(60)	(21)	(238)
Deferred tax (expense) benefit	(254)	(85)	(247)	(30)
Income tax (expense) benefit	**(115)**	**(145)**	**(268)**	**(268)**

Reconciliation of effective income tax charge

In thousands of euro	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Profit before tax	**376**	**3,830**	**2,113**	**8,439**
Expected tax expense based on rate of 25.5 %	(96)	(976)	(539)	(2,152)
Tax exempt income relating to promotional privileges	580	1,243	1,394	2,678
Taxe rate differences	(44)	(1)	4	35
Non-recognition of tax benefits on losses incurred	(491)	(267)	(1,101)	(484)
Withholding tax reversal	(23)	110	(23)	–
Others	(41)	(254)	(3)	(345)
Effective income tax expense	**(115)**	**(145)**	**(268)**	**(268)**

9. Earnings per share

Profit attributable to ordinary shareholders

The calculation of basic and diluted earnings per share for the period of the three months and six months ended 30 June 2009 is based on the profit attributable to ordinary shareholders and amounts to euro 261,000 for three months ended June and euro 1,845,000 for six months ended June (three months ended June 2008: euro 3,685,000 and six months ended June 2008: euro 8,171,000).

Basic earnings per share

In thousands of euro and shares, except earnings per share	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Profit attributable to ordinary shareholders	261	3,685	1,845	8,171
Weighted average number of outstanding ordinary shares	13,289	13,145	13,259	13,190
Earnings per share (euro)	**0.02**	**0.28**	**0.14**	**0.62**

Weighted average number of ordinary shares for the purpose of diluted earnings per share

The weighted average number of ordinary shares for the purpose of diluted earnings per share includes the dilutive potential shares of SMARTRAC's stock option schemes:

In thousands of shares	Consolidated three months ended June 2009	Consolidated six months ended June 2009
Weighted average number of outstanding ordinary shares	13,289	13,259
Effect of potential dilutive shares:		
Share options	17	11
Weighted average number of ordinary and dilutive shares	**13,306**	**13,270**

Diluted earnings per share

In thousands of euro and shares, except earnings per share	Consolidated three months ended June 2009	Consolidated six months ended June 2009
Profit attributable to ordinary shareholders	261	1,845
Weighted average number of ordinary and dilutive shares	13,306	13,270
Diluted earnings per share (euro)	**0.02**	**0.14**

10. Property, plant and equipment

Acquisitions

During the six months ended June 2009 the Group acquired assets totalling euro 2,002,000 (six months ended June 2008: euro 6,170,000).

11. Intangible assets

Development costs

Intangible assets include capitalized development costs (carrying amount) amounting to euro 3,415,000 as at 30 June 2009 (as at 30 June 2008: euro 630,000).

12. Treasury stock

During the three months ended June 2009 no shares were acquired or issued.

In conjunction with the stock plan 5,000 shares were granted to a member of the Management Board in March 2009 and SMARTRAC granted 19,941 bonus shares to the Management Board and selected employees decreasing the treasury stock by euro 753,000. Additionally 66,184 shares were granted relating to the acquisition of Xytec, decreasing the treasury stock by euro 1,995,000.

The table below shows the development of treasury stock:

Month	Number of shares	Average share price in euro
Total as at 1 January 2008	**190,644**	
February 2008 (share buyback)	86,189	35.19
March 2008 (share buyback)	101,132	33.91
March 2008 (share based acquisition)	(49,470)	29.05
April 2008 (conversion of bonus in shares according to stock plan)	(5,936)	29.90
April 2008 (share buyback)	32,849	32.49
August 2008 (bonus shares rendered)	(24,176)	30.13
September 2008 (restricted stock bonus)	(29,656)	30.13
Total as at 31 December 2008	**301,576**	**30.14**
March 2009 (bonus shares rendered)	(19,941)	30.14
March 2009 (conversion of bonus in shares according to stock plan)	(5,000)	30.14
March 2009 (share based acquisition)	(66,184)	30.14
Movement current year	**(91,125)**	**30.14**
Total as at 30 June 2009	**210,451**	**30.14**

13. Share based payment

Stock option scheme

Total expenses for the SMARTRAC stock option scheme are recorded during the three months and six months ended June 2009 and during the three and six months ended June 2008. They are reported under administrative expenses and as an increase in shareholder's equity (share premium) at the same time. The Black Scholes model was used for the valuation.

Since the fourth tranche of the SMARTRAC stock option scheme a market condition based on the total shareholder return (TSR) of SMARTRAC in relation to a peer group is included. The market condition is considered in the fair value of the granted options using a performance discount, based on the equal probability method.

The expenses for the stock option schemes for the period are as follows:

In thousands of euro	Consolidated three months ended June 2009	Consolidated three months ended June 2008	Consolidated six months ended June 2009	Consolidated six months ended June 2008
Tranche 1	–	45	–	90
Tranche 2	–	131	131	262
Tranche 3	162	161	328	322
Tranche 4	21	–	35	–
Tranche 5	20	–	27	–
Total expenses	**203**	**337**	**521**	**674**

The exercise price of stock options granted within six weeks of the Company's IPO (first tranche) is the IPO offer price. The exercise price of stock options granted of the second and third tranche was based on the weighted average price of the Company's shares during the ten business days immediately preceding the grant of the stock options. The exercise price of the fourth and fifth tranche was based on the weighted average price of the Company's shares during the five business days immediately preceding the grant of the stock Options.

In conjunction with the stock option scheme 2008, the Company's Management Board granted 95,514 stock options to the Management Board and selected employees on 24 March 2009.

The exercise price, the grant dates and the underlying assumptions for each tranche are as follows:

Tranche	Exercise price in euro	Grant date	Current price of underlying shares at grant date in euro	Expected volatility	Exp. annual employee turnover rate	Risk-free interest rate	Option life expiration
Tranche 1	17.00	17 Aug 2006	16.80	55 %	5 %	3.60 %	17 Aug 2012
Tranche 2	22.40	29 March 2007	22.11	40 %	5 %	3.97 %	29 March 2013
Tranche 3	39.20	23 Nov 2007	34.50	40 %	0 %	3.67 %	23 Nov 2013
Tranche 4	14.80	8 Aug 2008	16.55	45 %	5 %	4.02 %	8 Aug 2014
Tranche 5	8.34	24 March 2009	8.69	55 %	5 %	2.21 %	24 March 2015

The fair value of the stock options is based on the single tranche and the staggered vesting period, which is shown in the table below.

Tranche	Fair value in euro
Tranche 1	6.66
Tranche 2	6.86
Tranche 3	8.50
Tranche 4	3.44
Tranche 5	1.87

The expenses for all tranches are reported under administrative expenses and as an increase in shareholder's equity.

There are currently no dividend payouts expected until date of exercise.

Stock plan

In conjunction with bonus shares granted to the Management Board and selected employees of SMARTRAC, treasury stock decreased by 24,941 shares during the first half year 2009 (first half year 2008: decrease in treasury stock by 5,936 shares).

14. Interest-bearing loans and borrowings

As at 30 June 2009 a total amount of euro 19.5 million of the existing euro 70 million multi-currency revolving credit facility from Deutsche Bank Luxembourg S.A. is unused. This credit facility will be replaced by a new euro 65 million term and multi-currency revolving facilities agreement. Please refer to note 17 'Subsequent events'.

15. Contingencies

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

16. Related parties

Transactions with key management

With respect to the remuneration of key management please refer to the annual report 2008.

Transactions with Supervisory Board

With respect to the remuneration of the Supervisory Board please refer to the annual report 2008.

17. Subsequent events

On 14 July 2009 SMARTRAC N.V. has completed its first transaction in the syndicated loan market. The company signed an agreement on a syndicated euro 65 million multicurrency credit facility provided by Deutsche Bank and Berenberg Bank with standard market terms and conditions. The new credit facility will replace the existing bridge financing facility.

The availability period of the new credit facility is until 30 June 2012. This agreement shall be used for the refinancing of the existing indebtedness. Furthermore the agreement provides euro 15 million financial flexibility for SMARTRAC's growth strategy, both organic and by acquisition.

SMARTRAC TRANSFORMING RFID

Financial Calendar

November 4, 2009
Publication of Q3 Interim Report
[Analysts' Conference Call]

Further information: www.smartrac-group.com

Investor Relations

Andreas Schwarzwälder
SMARTRAC N.V.

Strawinskylaan 851
1077 XX Amsterdam
The Netherlands

Phone +31 20 30 50156
E-Mail investor.relations@smartrac-group.com