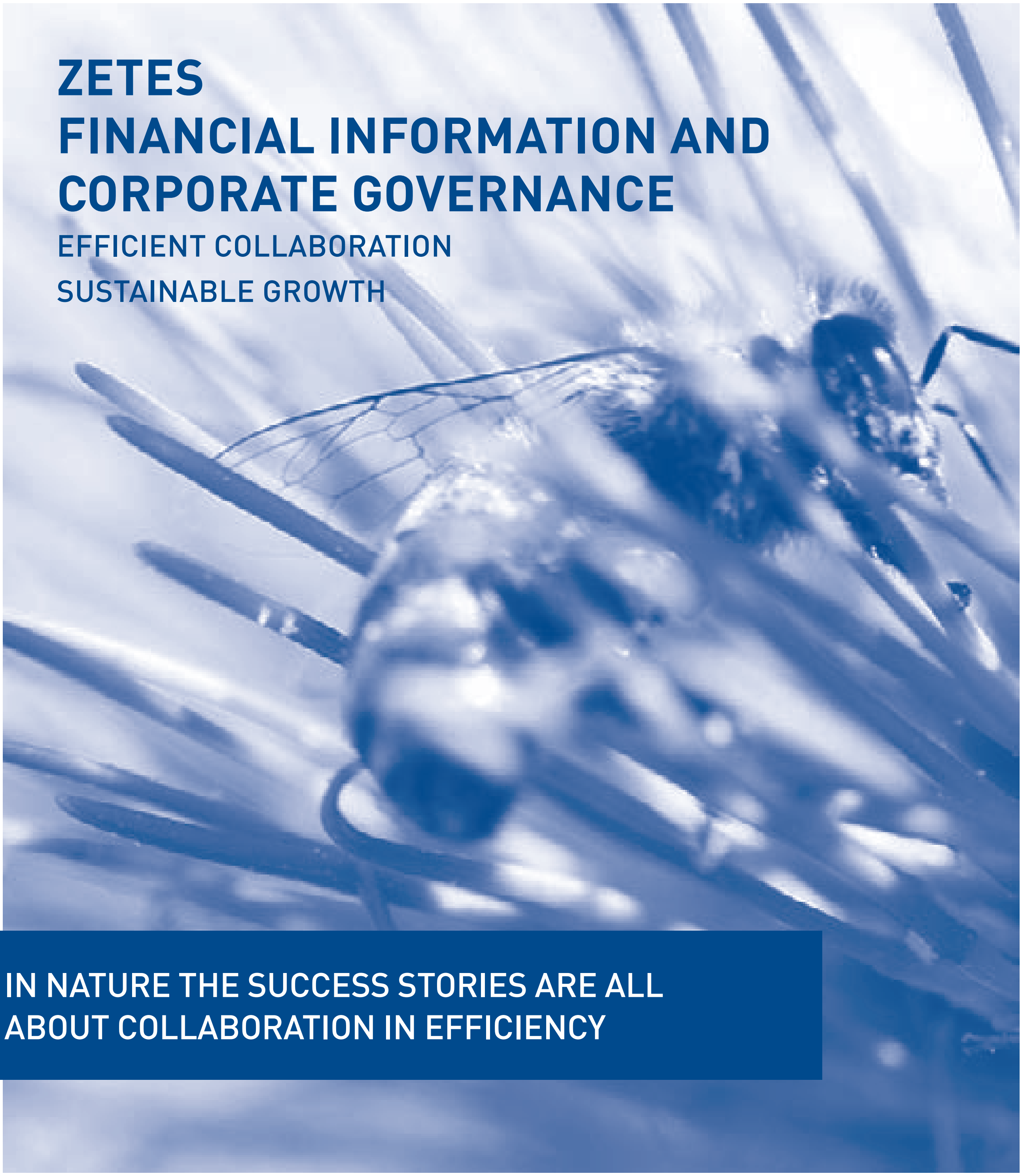
ZETES
FINANCIAL INFORMATION AND CORPORATE GOVERNANCE

EFFICIENT COLLABORATION
SUSTAINABLE GROWTH



IN NATURE THE SUCCESS STORIES ARE ALL ABOUT COLLABORATION IN EFFICIENCY

zetes

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The consolidated financial statements for the year ended December 31, 2014 as presented in this annual report were prepared under the responsibility of the Board of Directors and authorized for issue on April 1, 2015 subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on May 27, 2015.

Consolidated income statement

	NOTES	2012	2013	2014
In '000 €				
Sales		**214,126**	**211,472**	**245,270**
Cogs		(120,427)	(120,026)	(141,690)
Gross Margin		**93,699**	**91,446**	**103,579**
Employee expenses	2	(55,252)	(54,250)	(57,516)
Other operating expenses		(24,331)	(23,661)	(26,859)
Current EBITDA [1]		**14,117**	**13,535**	**19,205**
Non current costs	4	(1,207)	(820)	(1,015)
EBITDA		**12,910**	**12,715**	**18,190**
Provisions, depreciation, amortisation, impairment losses	6 / 7 / 9 / 10	(7,472)	(7,604)	(8,407)
EBIT		**5,438**	**5,111**	**9,783**
Result from the disposal of fixed assets		61	(3)	30
Financial result	4	(543)	(776)	(566)
Result before taxes		**4,956**	**4,333**	**9,247**
Income tax	5	(1,431)	(935)	(3,051)
PROFIT OF THE PERIOD		**3,526**	**3,397**	**6,196**
Non-controlling interests		(152)	12	(41)
Net profit of the Group		3,677	3,385	6,237
Current EBIT [1]		**6,645**	**5,931**	**10,798**
Net current result [1] [3]		**4,512**	**4,028**	**6,917**

Total comprehensive income

In '000 €			
Net profit of the Group	**3,677**	**3,385**	**6,237**
Currency translation differences (recyclable component)	106	(480)	142
Net revaluation of hedging instruments (recyclable component)	(13)	(22)	95
Other comprehensive income, net of related tax effects[*]	**94**	**(502)**	**237**
Total comprehensive income of the Group[**]	**3,771**	**2,883**	**6,474**

(*) "Other comprehensive income"
(**) "Total comprehensive income"

Earnings per share (€ per share)

Number of shares outstanding [2]	12	5,247 116	5,156 750	5,162 665
Net result [3]		0.70	0.66	1.21
Net current result [1] [3]		0.86	0.78	1.34
Number of shares fully diluted [2]	12	5,247 116	5,156 750	5,162 665
Net diluted result [3]		0.70	0.66	1.21

(1) "Current" excludes restructuring expenses and non current income/costs/badwill
(2) Weighted average number of outstanding shares
(3) Attributable to equity holders of the parent company

Consolidated financial position (before appropriation)

	NOTES	2012	2013	2014
In ´000 €				
ASSETS				
Tangible assets	6	13,625	15,873	16,386
Intangible assets	7	5,433	6,659	6,489
Goodwill	7	39,878	39,924	40,033
Deferred tax assets	5	3,204	4,385	4,885
Financial assets and other non current assets	8	556	2,705	2,066
Non current assets		**62,697**	**69,545**	**69,859**
Inventories	9	15,631	14,302	17,146
Current trade and other receivables	10	57,724	57,986	67,623
Current tax assets		216	181	440
Current prepayments		9,900	10,588	13,116
Cash and cash equivalents	13	12,797	10,585	16,290
Current assets		**96,268**	**93,642**	**114,614**
Total assets		**158,964**	**163,187**	**184,474**

EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		76,461	76,109	78,731
Non-controlling interests		1,039	963	808
Total equity	12	**77,501**	**77,072**	**79,539**
Non current borrowings	13	1,012	2,921	792
Non current provisions	14	771	800	921
Non current obligations	14	241	192	179
Deferred tax liabilities	5	1,854	2,550	2,698
Non current liabilities		**3,878**	**6,464**	**4,590**
Current interests bearing borrowings	13	4,921	10,983	14,208
Current provisions	14	114	-	-
Current obligations	14	33	24	26
Current trade and other payables	15	68,185	65,905	81,346
Current tax liabilities		2,617	1,288	3,727
Other current liabilities		1,715	1,450	1,040
Current liabilities		**77,586**	**79,651**	**100,345**
Total equity and liabilities		**158,964**	**163,187**	**184,474**

Consolidated cash flow statement

	2012	2013	2014
In ´000 €			
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE (I)	**14,306**	**12,797**	**10,585**
Cash flows from the P&L	**10,541**	**10,337**	**14,369**
Result before tax	4,956	4,333	9,247
Depreciation on fixed assets	5,033	4,927	5,501
Depreciation on development costs	1,686	1,748	2,324
Write-downs on inventories & receivables	538	824	416
Write-downs on financial assets	26	44	1
Provisions	(19)	(200)	106
Net Financial charges	153	232	177
Income tax paid	(1,694)	(1,504)	(3,429)
Other increases (decreases) incl. badwill	(138)	(68)	27
Working capital	**1,840**	**(6,311)**	**2,701**
Decrease (increase) in assets [1]	3,235	(2,796)	(14,126)
Increase (decrease) in liabilities	(1,395)	(3,514)	16,827
CASH FLOWS FROM THE OPERATIONS (II)	**12,381**	**4,026**	**17,070**
Acquisitions	**(7,934)**	**(11,086)**	**(8,754)**
Fixed assets	(5,361)	(7,986)	(5,851)
Subsidiaries (net of cash acquired)	(740)	(343)	(322)
Development expenses	(1,834)	(2,756)	(2,582)
Disposals	**201**	**366**	**158**
Fixed assets	201	366	158
Interests received (+)	**71**	**24**	**100**
CASH FLOWS RELATING TO INVESTING ACTIVITIES (III)	**(7,662)**	**(10,696)**	**(8,497)**
Increase (decrease) of cash flows from financing	**(1,395)**	**8,053**	**1,055**
Capital	105	2	-
Proceeds from finance lease/bank loans	-	3,947	3,160
Repayments of finance lease liabilities/bank loans	(2,080)	(2,108)	(2,186)
Bank overdrafts increase (decrease)	588	6,185	116
Cash restricted or pledged	(8)	28	(35)
Financial charges	**(224)**	**(256)**	**(277)**
Dividends Paid	**(2,895)**	**(2,875)**	**(2,857)**
Own shares	**(1,685)**	**(250)**	**(931)**
NET CASH FLOWS RELATING TO FIN. ACTIVITIES (IV)	**(6,199)**	**4,672**	**(3,009)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (V) = (II) + (III) + (IV)	**(1,481)**	**(1,998)**	**5,564**
Exchange rates impact (VI)	**(28)**	**(214)**	**141**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE (VII) = (I) + (V) + (VI)	**12,797**	**10,585**	**16,290**

(1) Included the change in LT trade receivables

Consolidated statement of changes in equity

In ´000 €	Issued capital	Reserves	Own shares	Currency translation reserves [2]	Hedging reserves	Total [1]	Non controlling interests	Total equity
Balance at 31 December 2011	**54,311**	**24,812**	**(1,568)**	**(286)**	**(0)**	**77,270**	**1,115**	**78,385**
Net result of the period		3,677				**3,677**	(152)	**3,526**
Result directly allocated to equity				106	(13)	**94**		**94**
Total comprehensive income		**3,677**		**106**	**(13)**	**3,771**	**(152)**	**3,619**
Capital increase						**0**	105	**105**
Dividends		(2,895)				**(2,895)**		**(2,895)**
Acquisitions / sales of own shares			(1,685)			**(1,685)**		**(1,685)**
Other variations		54		(54)		**0**	**(29)**	**(29)**
Balance at 31 December 2012	**54,311**	**25,649**	**(3,253)**	**(234)**	**(13)**	**76,461**	**1,039**	**77,501**
Net result of the period		3,385				**3,385**	12	**3,397**
Result directly allocated to equity				(480)	(22)	**(502)**		**(502)**
Total comprehensive income		**3,385**		**(480)**	**(22)**	**2,883**	**12**	**2,895**
Dividends		(2,875)				**(2,875)**		**(2,875)**
Acquisitions / sales of own shares			(250)			**(250)**		**(250)**
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in change of control		(110)				**(110)**	(82)	**(192)**
Other variations	(4,416)	4,416				**(0)**	(7)	**(7)**
Balance at 31 December 2013	**49,895**	**30,465**	**(3,502)**	**(714)**	**(35)**	**76,109**	**963**	**77,072**
Net result of the period		6,237				**6,237**	(41)	**6,196**
Result directly allocated to equity				142	95	**237**		**237**
Total comprehensive income		**6,237**		**142**	**95**	**6,474**	**(41)**	**6,433**
Share-based payment		34				**34**		**34**
Dividends		(2,857)				**(2,857)**		**(2,857)**
Acquisitions / sales of own shares			(931)			**(931)**		**(931)**
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in change of control		(99)				**(99)**	(103)	**(202)**
Other variations		(0)				**(0)**	(11)	**(11)**
Balance at 31 December 2014	**49,895**	**33,780**	**(4,433)**	**(572)**	**60**	**78,731**	**808**	**79,539**

(1) Attributable to equity holders of the parent company
(2) The increase of the translation reserves for an amount of 142 thousand € is mainly explained by pound sterling and the swiss franc's increase against the euro.

Summary of principal accounting policies

The principal accounting policies adopted when preparing these consolidated financial statements are set out below.

1. Declaration of conformity

The consolidated financial statements at 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union. The Zetes Group has not anticipated any standards or interpretations issued prior to the approval date of the financial statements, and which come into application later than 31 December 2014.

2. Summary of changes in accounting principles

The new standards and interpretations listed below are mandatory for the first time for the annual financial periods beginning on or after the date mentioned next to the standard or interpretation.

a. Standards and interpretations applicable from 2014

IFRS 10	Consolidated Financial Statements (1/1/2014).
IFRS 11	Joint Arrangements, replacing IAS 31 (1/1/2014).
IFRS 12	Disclosures of interests in other entities (1/1/2014).
These standards affect the information to be supplied in the consolidated financial statements.	
Amendments to IAS 27	Separate Financial Statements (1/1/2014).
Amendments to IAS 28	Investments in associates and joint ventures (1/1/2014).
Amendments to IFRS 10, IFRS 12 and IAS 27	Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (1/1/2014)
Amendments to IFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance (1/1/2014)
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (1/1/2014).
Amendments to IAS 36	Recoverable amount Disclosures for Non-Financial Assets (1/1/2014)
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (1/1/2014)
These standards, interpretations and amendments to standards have no significant impact on the consolidated financial statements.	

b. Standards and interpretations published by not yet in force at 31 December 2014

IFRIC 21	Levies charged by Public Authorities (1/1/2015)
IFRS	IFRS annual improvements cycle 2011-2013 (1/1/2015).
Amendments to IAS 19	Employee Benefits: Employee Contributions (1/2/2015)
IFRS	IFRS annual improvements cycle 2010-2012 (1/2/2015).
IFRS	IFRS annual improvements cycle 2012-2014 (1/1/2016, but not yet endorsed at European level).
IFRS 9	Financial Instruments (1/1/2018, but not yet endorsed at European level)
IFRS 14	Regulatory deferral accounts (1/1/206, but not yet adopted at European level)
IFRS 15	Revenue from contracts with customers (1/1/2017, but not yet adopted at European level
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (1/1/2016, but not yet endorsed at European level)
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (1/1/2016, but not yet endorsed at European level)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (1/1/2016, but not yet endorsed at European level)
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants (1/1/2016, but not yet endorsed at European level)
Amendments to IAS 27	Equity Method in Separate Financial Statements (1/1/2016, but not yet endorsed at European level)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (1/1/2016, but not yet endorsed at European level)
Amendments to IAS 1	Disclosure Initiative (1/1/2016, but not yet endorsed at European level)
The impact of the application of these standards, interpretation and amendments is currently being assessed.	

3. Preparation

The financial statements are prepared on a historical cost basis, except for the measurement at fair value of available-for-sale investments and derivative financial instruments. The consolidated financial statements are presented in euro, which is the company's functional currency.

The preparation of these financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities at the balance sheet date and income and expenses for the year. The Zetes Group revises its estimates at each closing date based on the best available information. The key estimates involve assessing:

- assets and liabilities in business combinations
- the recoverable amount of goodwill and the intangible assets (development costs)
- the results of construction contracts
- provisions, including for litigation
- capitalized tax loss carry-forwards
- where appropriate, the forecast evolution in results

4. Basis of consolidation

a. Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an interest of more than one half of the voting rights of an enterprise or otherwise has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences (or a date nearby) until the date that control ceases. The acquisition of subsidiaries (business combination) is recorded in accordance with IFRS 3 revised, with identifiable assets acquired and liabilities assumed recorded at the time of takeover of control at fair value. Business combinations made before 1 January 2010 were accounted for under IFRS 3 (as applicable prior to revision) and have not been restated.

Intra-group balances and transactions, and unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Joint arrangements

Joint arrangements are defined as any operations over which parties exert joint control (IFRS 11). In 2009, Zetes concluded such an agreement with Pitkit Printing Entreprises. Based on an analysis of the contract, and consistent with the accounting of Pitkit Printing Entreprises, this partnership is treated in the consolidated financial statements as a joint operation.

5. Foreign currency translation

Transactions in foreign currencies are translated at an average rate that approximates the foreign exchange rate ruling at the time the transaction took place. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the foreign exchange rate prevailing at that date. All foreign exchange gains and losses arising on this translation and from the settlement of the transactions are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to euro at the foreign exchange rate prevailing at the date of the transaction.

Upon consolidation, the assets and liabilities of subsidiaries stated in foreign currencies are translated to euro at foreign exchange rates prevailing at the reporting date. Goodwill and fair value adjustments related to the acquisition of foreign subsidiaries are translated at the historical rate at the date of acquisition and therefore no exchange differences arise. Income and expenses are translated to euro at the average rate for the period. Foreign exchange differences arising on translation are recognised directly in equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The main exchange rates used are:

	Closing 2014	Closing 2013	Average 2014	Average 2013
1 Euro =				
Pound sterling	**0.7789**	0.8337	**0.8061**	0.8491
Swiss franc	**1.2024**	1.2276	**1.2146**	1.2309
US dollar	**1.2141**	1.3791	**1.3288**	1.3282
Rand	**14.0353**	14.566	**14.3988**	12.7768

6. Revenue recognition

The Company does not specifically break out the sales of goods from the provision of services. In various cases, solutions are sold at an overall sales price with no distinction made between income from the provision of services and that from the sale of goods. The level of gross margin is the assessment criterion used by the Company as reflecting the value added by the Group.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Zetes and the revenue can be measured reliably. Additionally, the following criteria must be met:

a. Sale of products

Revenue from the sale of hardware products is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the sale of standard software is recognised at the time of physical delivery to the customer, to the extent that such sale is definitive. As a general rule, ownership of the software remains with the publisher, which grants only user rights to its customer.

b. Maintenance contracts

Revenue from maintenance contracts is recognised on a straight-line basis over the term of the service contract.

c. Integration services

Revenue from integration services, such as project management and installation of equipment, is recognised in the income statement according to the percentage of completion method. The degree of completion is measured by reference to the proportion of service costs incurred to date as a percentage of the estimated total service costs for each project.

d. Projects

Each project is broken down into its elementary components: hardware, software and services. Income is then recognised according to the rules which apply to each component. Where the individual components of a project cannot be broken out (sale of a total project), a global state of progress is determined and income from the project is determined as a function of this.

e. Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. In the Zetes People Authentication business, a construction contract typically involves the design and development of a card production pilot as well as the card production roll-out accompanied by project management and other value-added personalisation services.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised using the percentage of completion method. The stage of completion is measured by reference to the number of cards produced in proportion of the total to be produced for each project. Contract cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in connection with contract activities.

The aggregate of the contract costs incurred that relate to contract activity already performed, plus/minus the profit/loss recognised on each contract, is compared against the progress billings to date. Where costs plus/minus profit/loss exceed progress billings, the net balance is shown under trade and other receivables. Where progress billings exceed costs plus/less profit/loss, the net balance is shown under trade and other payables. Advance billings that relate to work to be performed in the future, are not considered in the above calculation and are included in advances received.

When it is appears probable that total contract costs will exceed total contract revenue, the expected loss is recognised in the income statement immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that those costs will be recovered.

f. Royalties, interest and dividends

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to Zetes. Income from dividends receivable is recognised when the right to receive payment is established.

7. Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Grants related to assets (such as for capital expenditure) are credited to deferred income and released to the income statement on a straight-line basis over the expected useful life of the relevant asset.

Grants relating to income are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land is not depreciated while owned buildings are depreciated over 20 years on a straight-line basis. Buildings are revalued by an outside valuer every three years, with recognition of any significant changes. Leasehold improvements are depreciated over the shorter of estimated useful life and lease term. Other items are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings structural works	20 years
Building equipment and installations	Maximum 10 years
Plant installations, machinery and equipment	3 - 5 years , or by the actual number of items produced vs. the total number of items expected to be produced on the machine
Goods ID equipment for commercial use (demo stock)	2 – 4 years
Computer and office equipment	3 – 5 years
Furniture	5 – 10 years
Vehicles	4 – 5 years

9. Intangible assets

a. Research & development

Zetes does not perform any fundamental research activities. Development expenditure is recognised as an intangible asset, only when (among other criteria) it can be demonstrated that the product resulting from the development is likely to generate economic benefits and when the expenditure incurred on the development can be measured reliably. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the related asset, which is expected to be 3 years.

b. Other intangible assets

Expenditure to acquire computer software and other licenses are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life, not exceeding 5 years.

c. Goodwill

Goodwill arising on acquisition of subsidiaries and joint ventures represents the excess of the cost of the acquisition over Zetes' share in the net fair value of the identifiable assets liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and is initially measured at cost. Subsequently its carrying value may be reduced by accumulated impairment losses (application of an impairment test).

10. Current assets and liabilities

a. Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of raw materials and consumables, cost is accounted for according to the weighted average price. The cost of goods purchased for re-sale is the individual purchase price of each individual item or the weighted average price. Work in progress and finished goods are valued at manufacturing cost, which includes all direct production costs.

b. Inventory write-down

The amount of write-down is estimated by an analysis of stock rotation (sales/product), with a distinction made between finished goods and repair parts/equipment.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any reversal of inventory write-downs owing to an increase in the net realisable value is accounted for as a reduction in the amount of inventory charged to the period in which the reversal takes place.

c. Trade receivables

Trade receivables are recognised and carried at original invoice amount (nominal value). Allowances are recognised when collection of the full amount is no longer probable.

d. Trade payables

Trade payables are stated at their nominal value.

11. Cash and cash equivalents

Cash and cash equivalents are carried at nominal value in the balance sheet. They comprise cash at bank and in hand, as well as short-term deposits with banks and commercial paper with a term of three months or less, that are readily convertible to cash and that are not subject to significant risks of changes in value.

12. Leases

a. Financial leases

Leases, in which Zetes obtains the right to use assets, are classified as finance leases if substantially all the risks and rewards incident to ownership of the leased item are transferred to Zetes. Finance leases are capitalised at the fair value of the leased item at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease debt as to achieve a constant rate of interest on the remaining balance of the debt. Finance charges are charged directly against the income statement.

Depreciation

Assets held under financial leases are depreciated on a straight-line basis over the useful life of the asset. If there is no reasonable certainty that Zetes will be the owner of an asset at the end of a lease, the asset is 100% depreciated over the shorter of the length of the lease or the useful life of the asset.

b. Operating leases

Leases that do not meet the criteria of finance leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

13. Income taxes

Income tax expense is recognised in the income statement.

a. Current tax

Current tax is the estimated tax payable on the taxable income for the year, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b. Deferred tax

Deferred tax is provided using the balance sheet method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill amortisation.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised (selected horizon: 5 years).

In respect of tax losses acquired upon investments in subsidiaries and joint operations, deferred tax assets are recognised only to the extent that it is probable that the taxable profit against which the tax loss can be utilised will be generated within five years after the acquisition.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

14. Equity – capital increase

The transaction costs linked to any capital increases are accounted for as a deduction from equity, net of any related income tax benefit.

15. Dividends payable

Dividends declared after the balance sheet date are not recognised as a liability at the reporting date but are directly deducted from equity when paid.

16. Provisions

A provision is recognised when (i) Zetes has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount can be made. Where Zetes expects an amount for which a provision has been charged to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Commitments resulting from restructurings are recognised when announced to the persons concerned.

17. Pension benefit plans and other post-employment benefits

Zetes operates various post employment benefit plans in accordance with the local conditions and practices of the countries in which it operates.

Costs relating to defined contribution pension plans are recognised when due. There are currently no pension plans of the defined benefit type in place at Zetes. In Belgium, however, legislation requires that the employer to guarantee a return on employer and employee contributions, thereby creating a potential liability for the Group. Given this guaranteed return, Belgian defined contribution schemes could be viewed as defined benefit schemes.

Certain subsidiaries provide a post-employment benefit that is not a pension plan. The benefits represent a legal obligation consisting of defined payments when employees leave the Company. The related provision is determined separately for each employee (present value of the estimated future cash outflows).

18. Derivative financial instruments

Derivative financial instruments utilised by Zetes are principally forward exchange contracts and currency options for hedging purposes. Any changes in fair value are taken directly to equity.

No derivative instrument is held or has been issued for trading purposes.

19. Borrowing costs

Borrowing costs, including interest on borrowings and bank overdrafts, as well as ancillary costs incurred in connection with the arrangement of borrowings, are recognised as an expense in the period in which they are incurred.

Notes to the consolidated accounts

NOTE 1. CONSOLIDATED COMPANIES

SUBSIDIARY	Country	Ownership %	Consolidation Method	Change [1]	Date of change
Accuscan International Ltd	UK	100	Global		
Blackbird Data Systems Ltd	Ireland	100	Global		
Burotica SA	Portugal	100	Global		
Id-All BV	The Netherlands	100	Global		
IND Systeme GmbH	Germany	100	Global		
Logiscan SARL	France	100	Global		
Metaform Ltd	Israel	100	Global		
Powersys 2000 S.L.	Spain	100	Global		
RASW Management Maarn BV	The Netherlands	100	Global		
RFIDEA SA	Belgium	100	Global		
Zetes Austria GmbH	Austria	100	Global	100	September 2014
Zetes Auto ID Systems AG	Switzerland	100	Global		
Zetes BV	The Netherlands	100	Global		
Zetes Côte d'Ivoire	Côte d'ivoire	100	Global		
Zetes Fastrace SA	Belgium	75.9	Global		
Zetes Gambia Ltd	Gambia	100	Global	100	January 2014
Zetes GmbH	Germany	100	Global		
Zetes Holding GmbH	Germany	100	Global		
Zetes Holding Ltd	UK	100	Global		
Zetes Industries (Israël) Ltd	Israel	100	Global	15	April 2014
Zetes International GmbH	Germany	100	Global		
Zetes Ireland Ltd	Ireland	100	Global		
Zetes Ltd	UK	100	Global		
Zetes Multicom SA	Spain	100	Global		
Zetes NetWave SA Information Systems and Telecommunications	Greece	58.1	Global		
Zetes Pty Ltd	South Africa	90	Global		
Zetes SA	Belgium	100	Global		
Zetes SAS	France	100	Global		
Zetes Senegal SARL	Senegal	100	Global		
ZETES Solutions CZ s.r.o.	Czech Republic	100	Global		
Zetes SRL	Italy	100	Global		
Zetes Technologies SA	Belgium	50	Global		
Zts Lda	Portugal	100	Global		

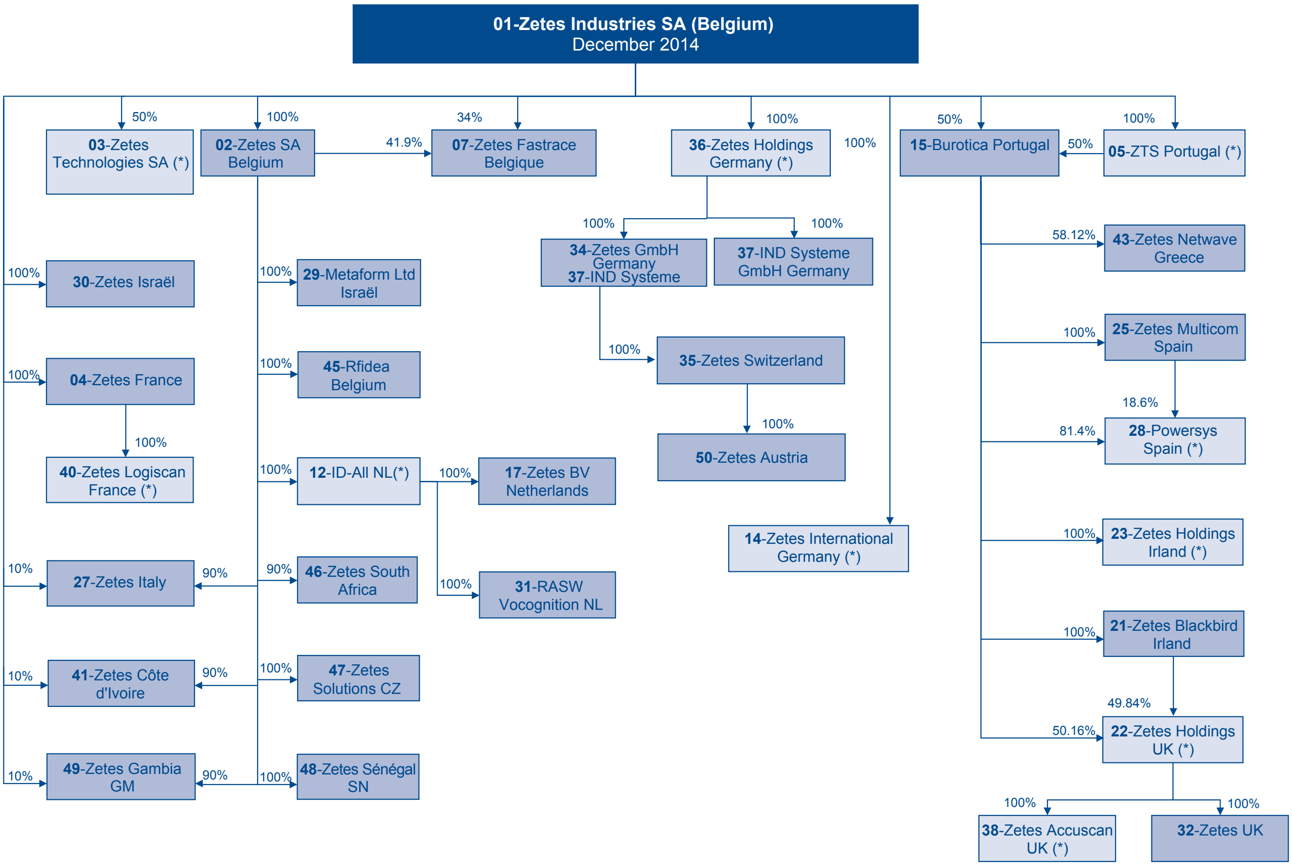
Number of consolidated subsidiaries: 33

Zetes Industries directly or indirectly owns 100% of the capital of the majority of the Group's operating companies ;

Zetes Industries financially supports its subsidiaries through investmenst (capital) or loans. On 31/12/2014, Zetes Industries had non-trade receivables due by Group companies for an amount of 25.5 million €.

Zetes Industries guarantees on a case-by-case basis the commitments of its subsidiaries towards various banks, customers and suppliers (cf. note 14 - contingent liabilities).

(1) % of shares acquired during the year



(*): limited or no operations

2014 Events

The subsidiary Zetes Gambia Ltd (Gambia), in formation at the end of 2013, has been included in the 2014 consolidated financial statements (start of the operations in December).

Early in 2014, Zetes acquired the remaining 15% of the shares of Zetes Industries (Israel) Ltd.

In September 2014, Zetes established a new subsidiary in Austria (Zetes Austria GmbH).

The company Zetes Technologies BV (The Netherlands) merged with Zetes BV in The Netherlands.

Joint arrangements

In 2009, Zetes created a partnership with the company Pitkit Printing Enterprises.

The analysis carried out according to IFRS 11 has highlighted the assets, liabilities, commitments, income and result attributable to each partner.

On this basis, and in a consistent way with the accounting treatment adopted by the Pitkit Printing Enterprises, this partnership is considered in the consolidated financial statements as a joint operation.

Group's interests in the joint arrangement on 31.12.2014	
In '000 €	
Non current assets	882
Current assets	3,510
Equity	4,135
Non current liabilities	226
Current liabilities	31

NOTE 2. EMPLOYMENT

COSTS BOOKED	2012	2013	2014
In '000 €			
Wages and salaries	(53,803)	(52,789)	(56,055)
Defined contribution pension plan	(1,448)	(1,461)	(1,461)
Total	**(55,252)**	**(54,250)**	**(57,516)**

TOTAL IN UNITS			
Average Number of Staff	1,073	1,096	1,148
Total staff at the end of the year	1,070	1,118	1,173

TOTAL IN FTE [1]			
Average Number of Staff	1,047	1,071	1,118
Total staff at the end of the year	1,042	1,095	1,142

(1) FTE: Full Time Equivalent

NOTE 3. SEGMENT REPORTING

INCOME STATEMENT	2012	2013	2014
In '000 €			
Sales			
Goods ID	171,518	171,187	190,639
People ID	42,608	40,285	54,630
Corporate	-	-	-
Total sales	**214,126**	**211,472**	**245,270**
Gross margin			
Goods ID	69,323	68,334	74,760
In % of sales	40.4%	39.9%	39.2%
People ID	24,377	23,112	28,819
In % of sales	57.2%	57.4%	52.8%
Corporate	-	-	-
Total gross margin	**93,699**	**91,446**	**103,579**
Total gross margin in % of sales	**43.8%**	**43.2%**	**42.2%**
Operating expenses			
Goods ID	(61,884)	(59,226)	(62,613)
People ID	(14,490)	(15,433)	(18,265)
Corporate	(3,209)	(3,252)	(3,496)
Total operating expenses	**(79,583)**	**(77,911)**	**(84,374)**
Current EBITDA			
Goods ID	7,439	9,108	12,147
In % of sales	4.3%	5.3%	6.4%
People ID	9,887	7,679	10,554
In % of sales	23.2%	19.1%	19.3%
Corporate	(3,209)	(3,252)	(3,496)
Total current EBITDA	**14,117**	**13,535**	**19,205**
Total current EBITDA in % of sales	**6.6%**	**6.4%**	**7.8%**
EBITDA			
Goods ID	6,285	8,415	11,186
People ID	9,879	7,552	10,552
Corporate	(3,254)	(3,251)	(3,547)
Total EBITDA	**12,910**	**12,715**	**18,190**
Current EBIT			
Goods ID	2,296	3,201	6,217
In % of sales	1.3%	1.9%	3.3%
People ID	7,641	6,159	8,266
In % of sales	17.9%	15.3%	15.1%
Corporate	(3,292)	(3,429)	(3,686)
Total current EBIT	**6,645**	**5,931**	**10,798**
Total current EBIT in % of sales	**3.1%**	**2.8%**	**4.4%**
EBIT			
Goods ID	1,142	2,508	5,255
People ID	7,634	6,033	8,264
Corporate	(3,337)	(3,429)	(3,736)
Total EBIT	**5,438**	**5,111**	**9,783**

FINANCIAL POSITION	2012	2013	2014
In '000 €			
Goodwill			
Goods ID	36,569	36,615	36,724
People ID	3,309	3,309	3,309
Total goodwill	**39,878**	**39,924**	**40,033**
Fixed assets			
Goods ID	14,289	14,660	14,210
People ID	4,552	7,667	8,581
Corporate	218	205	84
Total fixed assets	**19,058**	**22,531**	**22,875**
Inventories			
Goods ID	11,619	10,032	12,105
People ID	4,012	4,269	5,041
Total inventories	**15,631**	**14,302**	**17,146**
Current trade and other receivables			
Goods ID	56,588	56,975	66,053
People ID	9,024	10,361	13,304
Corporate	140	99	313
Total current trade and other receivables	**65,752**	**67,434**	**79,670**
Total assets			
Goods ID	119,065	118,282	129,093
People ID	20,896	25,605	30,235
Corporate and other non allocated assets	19,003	19,299	25,146
Total assets	**158,964**	**163,187**	**184,474**
Current trade and other payables			
Goods ID	60,432	58,294	72,134
People ID	7,989	6,171	9,452
Corporate	729	769	1,403
Total current trade and other payables	**69,150**	**65,234**	**82,989**
Total liabilities			
Goods ID	60,432	58,294	72,134
People ID	7,989	6,171	9,452
Corporate and other non allocated liabilities	90,543	98,722	102,887
Total liabilities	**158,964**	**163,187**	**184,474**
Capital expenditures			
Goods ID	5,929	5,827	5,091
People ID	1,185	4,821	3,341
Corporate	80	95	-
Total Capital expenditures	**7,195**	**10,743**	**8,432**

Segment information

Zetes Industries applies IFRS 8 'Operating Segments'. The company is organized into two activity clusters - Goods ID and People ID - that operate in different ways and with distinct management and organizational structures.

The Goods ID division is highly decentralized, with a local presence responding to a need to be close to Zetes customers. The company has introduced an international structure, with physical locations across Europe, Israel and South Africa (16 countries).

In contrast, the People ID activity is highly centralized. However, with the conclusion of "build and operate" contracts, Zetes has proceeded to set up secure document production units in different countries. Zetes also has business development teams operating on the African continent.

Internal reporting is limited to the specific analysis of sales, gross margin, operating expenses, EBITDA and depreciation/ amortization for each cluster. Zetes has also a 'corporate' structure, the expenses of which are monitored separately.

Earnings results, investments, assets and liabilities for each segment include items directly attributable to a segment as well as items that can reasonably be allocated to it. Segment assets include fixed assets, goodwill, inventories, trade receivables, construction contracts, advance payments and taxes receivable. Segment liabilities include trade payables, advance payments received, and debts to employees and government bodies.

Non-allocated sales/results relate to the central administration (corporate).

1. GOODS ID

Goods ID	**2011**	**2012**	**2013**	**2014**	**%**
In '000 €					
Sales	170,703	171,518	171,187	190,639	11.4%
Gross margin	68,518	69,323	68,334	74,760	9.4%
Operating expenses	(58,636)	(61,884)	(59,226)	(62,613)	5.7%
Current EBITDA	9,882	7,439	9,108	12,147	33.4%
Current EBITDA as % of Sales	5.80%	4.34%	5.32%	6.37%	
EBITDA	9,258	6,285	8,415	11,186	32.9%
Current EBIT	5,225	2,296	3,201	6,217	94.2%

2013 closed on an uptrend, which continued throughout 2014. Order taking was good, with customers showing great interest in the Group's solutions. In addition to the retail sector, which is historically very important to Zetes, postal services and logistics showed strong interest in mobility solutions. Growth is spread over most European countries and supported by a small number of large projects in Belgium, England, Switzerland and Germany, especially for the retail sector. It is these projects that explain the decline in Gross Margin/Sales ratio, as large hardware deliveries are traditionally at lower margins; in absolute terms, gross profit was up sharply. Certain major contracts were only partially implemented in 2014 and will continue to influence divisional performance in 2015. In absolute terms, the division recorded a historic high (current EBITDA) in H2,2014.

Goods ID	**1H 2014**	**2H 2014**	**2014**
In '000 €			
Sales	87,826	102,813	190,639
Gross margin	35,520	39,240	74,760
Gross Margin as % of Sales	*40.4%*	*38.2%*	*39.2%*
Operating expenses	(31,371)	(31,242)	(62,613)
Current EBITDA	4,149	7,998	12,147
% Sales	4.7%	7.8%	6.4%
EBITDA	3,835	7,351	11,186

Zetes' specialization on its 6 solutions and its unique service offering (life cycle management) for multinational corporations is enabling it to differentiate and counter the impact of margin erosion on mobile terminals, caused by the high concentration of equipment manufacturers and competition from lower-end mobile terminals, which are cheaper but more fragile. Once again, cost control linked to internal productivity gains allows Zetes to improve its performance.

In general, interest in the 6 key solutions continues and especially for the mobility platform on which the different market-specific applications can be run.

The current EBITDA/sales ratio rose by 1.05% from 5.32% in 2013 to 6.37% in 2014. Readers are reminded that this ratio was still at 4.34% in 2012.

Exchange rates have had little overall impact at divisional level, with the unfavourable development of the South African rand-euro exchange rate offset by favourable development of the GBP-euro rate. At constant exchange rates, revenue and gross profit both increased by a further 0.2%. The impact on current EBITDA is around € 0.1 million.

Goods ID *Currency effects excluded*	**2013**	**2014**	**%**
In '000 €			
Sales	171,187	190,996	11.6%
Gross margin	68,334	74,920	9.6%
Gross Margin as % of Sales	*39.9%*	*39.2%*	
Operating expenses	(59,226)	(62,890)	6.2%
Current EBITDA	9,108	12,030	32.1%
% Sales	5.3%	6.3%	
EBITDA	8,415	11,066	31.5%

As in 2013, there was no significant change to consolidation scope in 2014. The only acquisition relates, in the second half, to the acquisition of assets and the taking over of the team - a dozen people - of the company Rodata, in Austria. The division remains focused on implementing its 6 solutions strategy, which is generating internal growth.

2. PEOPLE ID

If 2013 was marked by the winning of long-term contracts in Belgium (e-passport), Senegal (biometric visa) and Gambia (e-passport), as well as the pre-execution preparation work, 2014 can be marked by the revenues these contracts generated. Zetes also benefited from its successful business development activity, with the delivery of a large batch of biometric registration kits to the Electoral Commission in Uganda (first half 2014) and preparation of the register of electors in Togo (second half of 2014 and first half of 2015).

Gross margin as a percentage of sales is logically lower, because electoral projects, with their high hardware component, carry a lower gross margin than long-term contracts. In absolute terms however, gross margin is up very significantly at € 28.8 million (+ 24.7%). Operating expenses increased by 18.3%, with the implementation of new long-term contracts.

The People ID Division maintains a close watch for all market opportunities, and seeks to maintain strong geographical diversification and a good balance between long and short-term contracts.

People ID	2011	2012	2013	2014	%
In '000 €					
Sales	49,859	42,608	40,285	54,630	35.6%
Gross margin	26,959	24,377	23,112	28,819	24.7%
Operating expenses	-14,904	-14,490	-15,433	-18,265	18.3%
Current EBITDA	12,055	9,887	7,679	10,554	37.4%
Current EBITDA as % of Sales	24.20%	23.20%	19.1%	19.3%	
EBITDA	11,693	9,879	7,552	10,552	39.7%
Current EBIT	9,131	7,641	6,159	8,266	34.2%

The roll-out of ePassports contracts in Belgium (May 2014) and Gambia (December 2014) went ahead as planned. These will generate revenues for the next 5 years at least. To satisfy these so-called "Build and Operate" contracts initially, Zetes needs to invest in development and in the IT and industrial infrastructure. Thereafter, the Company receives income each time a document is issued for the duration of the contract. These new contracts, along with the biometric visa contracts for Senegal and the Côte d'ivoire, increase company visibility and structurally increase future business prospects for the division.

People ID	1H 2014	2H 2014	2014
In '000 €			
Sales	30,875	23,755	54,630
Gross margin	14,550	14,269	28,819
Gross Margin as % of Sales	*47.1%*	*60.1%*	*52.8%*
Operating expenses	(9,083)	(9,182)	(18,265)
Current EBITDA	5,467	5,087	10,554
% Sales	17.7%	21.4%	19.3%
EBITDA	5,467	5,085	10,552

The half year breakdown highlights the impact of the different contract types on divisional income. If sales were significantly lower in the second half, gross margin was down just € 0.3 million in absolute terms. This is related to the impact of limited margin sales (delivery of hardware equipment) in the first half and the rising importance of long-term contracts, in particular with the start of Belgian passports personalization from May 2014 (100% impact on the second half). Current EBITDA as a percentage of sales was more than 20% in the second half (19.3% over the year), in line with the types of contract undertaken.

3. GROUPE

The cost of the Corporate Division amounted to € 3.7 million (+ 7.5% on 2013). Its missions continue to be the definition of strategy, financial control, marketing and acquisitions.

Group sales revenue amounted to €245.3 million. Recurring revenues continue to grow, supported by "rental" solutions, maintenance contracts and consumables sales in Goods ID. In People ID, growth originates from the long-term contracts, the size of which increased further in 2014. Together, these recurring revenues cover around 40% of consolidated revenue.

Non-recurring charges amounted to a net € 1.0 million (€ 0.8 million in 2013). These relate mainly to restructuring in the Goods ID to align the division with its software strategy.

Investments in fixed assets totalled € 5.5 million, up compared to 2013 (€ 4.9 million). This increase relates entirely to the growth of long-term contracts in People ID. Valuation adjustments on inventory (€ 0.4 million) and trade receivables (€ 0.1 million) are in line with the previous year. Amortization of capitalized development costs are up significantly at € 2.3 million, compared with € 1.7 million in 2013. The increase in these development costs, which are amortized over 3 years, reflects efforts made in recent years by the Group.

EBIT reached € 9.8 million (€ 5.1 million in 2013), 65% of which was generated in the second half.

NOTE 4. NON CURRENT COSTS AND INCOME / FINANCIAL RESULT

NON CURRENT COSTS AND INCOME	2012	2013	2014
In '000 €			
Restructuring costs	(1,280)	(693)	(567)
Badwill	81	-	-
Other non current costs and income	(8)	(127)	(448)
Total	**(1,207)**	**(820)**	**(1,015)**

The restructuring costs aim to adjust the local structures and to put in place the new organization (strategy of converting bespoke solutions into software products).

The other non current costs consist mainly of employee expenses without economic counterparty (-285 thousand €), the share base payment cost (2014 employees benefit plan / -51 thousand €), as well as the settlement of a dispute with a sub-contractor (-132 thousand €).

The other non current income relates to the exercise of an option for a building (43 thousand €).

FINANCIAL RESULT	2012	2013	2014
In '000 €			
Interest charges	(224)	(256)	(277)
Other financial charges	(324)	(357)	(299)
Interest income	71	27	100
Other financial income	109	83	21
Financial result excluding exchange differences	**(367)**	**(503)**	**(455)**
Exchange losses / conversion differences	(564)	(742)	(623)
Exchange gains / conversion differences	389	469	512
Exchange differences	**(175)**	**(273)**	**(111)**
Total financial result	**(543)**	**(776)**	**(566)**

NOTE 5. TAXES

INCOME TAX	2012	2013	2014
In '000 €			
Current income tax expenses	1,694	1,504	3,429
Deferred tax expenses	(264)	(569)	(378)
Income tax	**1,431**	**935**	**3,051**

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX RATE	2012	2013	2014
In '000 €			
Tax expenses using statutory rate	**1,685**	**1,473**	**3,143**
Net profit before taxes	4,956	4,333	9,247
Belgian statutory tax rate	33.99%	33.99%	33.99%
Tax effect of rates in other jurisdictions	(121)	(193)	(447)
Tax effect of notional interest deduction	(332)	(160)	(249)
Tax effect of non tax deductible expenses / double taxed income	560	179	581
Tax effect of current and deferred tax adjustments	(383)	(409)	(76)
Others	23	45	99
Tax expenses using effective rate	**1,431**	**935**	**3,051**
Effective tax rate	28.86%	21.59%	33.00%

DEFERRED TAX ASSETS	2012	2013	2014
In '000 €			
Intangible assets	(28)	(50)	(60)
Tangible assets	157	126	131
Inventories	32	127	103
Trade receivables	34	28	37
Accrued charges	27	19	29
Provisions	43	42	77
Tax losses carried-forward	2,939	4,093	4,566
Total deferred tax assets	**3,204**	**4,385**	**4,885**

DEFERRED TAX LIABILITIES	2012	2013	2014
In '000 €			
Intangible assets	1,168	1,395	1,490
Tangible assets	277	275	292
Inventories	-	-	20
Trade receivables	-	-	39
Construction contracts	374	497	429
Deferred charges	35	383	428
Total deferred tax liabilities	**1,854**	**2,550**	**2,698**

Recoverable tax losses

The economic and fiscal environments of the various consolidated entities as well as the Business Plan of the Group have been reviewed to assess the recoverability of deferred tax assets. Based on the 2015-2019 BP, management was able to validate that the activated amount was recoverable. In very few cases, more than 5 years were necessary to recover the tax loss; on the other hand, some entities had a greater earnings capacity than the one taken into account, which could have led to additional assets. The management uses the Business Plan for validation purposes. This avoids an over-automatic application of the rule - i.e. the activation of recoverable losses is estimated based on the Business Plan over the next five years. Zetes remains alert to take into account the specificities of the different entities, whether economic or fiscal, as well as the additional resources available that are not necessarily integrated in the Business Plan.

NOTE 6. TANGIBLE ASSETS

In '000 €	Buildings	Plants and equip-ments	Motor vehicles	Fixtures and fittings	Leasehold improve-ments	Other	Assets leased to third parties	Total
Balance at 31 December 2011								
Gross carrying amount	3,637	29,257	3,313	2,623	4,937	2,504	-	46,271
Accumulated depreciation	(449)	(24,169)	(1,598)	(2,296)	(3,226)	(1,513)	-	(33,252)
Closing balance 2011	**3,188**	**5,089**	**1,715**	**327**	**1,710**	**990**	**-**	**13,020**
Changes in 2012								
Additions	11	1,688	756	220	222	137	1,751	4,786
Business combination	-	206	0	17	-	31	-	254
Disposals / cancellations	-	(304)	(567)	(47)	(85)	(16)	-	(1,019)
Conversion differences	-	(13)	(3)	(4)	13	(28)	-	(34)
Reclassifications (to) from other items / other	-	(732)	(25)	(91)	-	(167)	-	(1,016)
Depreciation charge	(155)	(2,295)	(578)	(139)	(320)	(266)	(252)	(4,006)
Depreciation on business combination	-	(167)	(0)	(14)	-	(31)	-	(212)
Depreciation on disposals / cancellations	-	300	436	47	85	10	-	878
Depreciation other	-	777	24	91	(3)	84	-	974
Balance at 31 December 2012								
Gross carrying amount	3,648	30,099	3,350	2,718	5,088	2,461	1,751	49,114
Accumulated depreciation	(604)	(25,550)	(1,590)	(2,311)	(3,465)	(1,717)	(252)	(35,489)
Closing balance 2012	**3,043**	**4,549**	**1,760**	**408**	**1,623**	**743**	**1,499**	**13,625**
Changes in 2013								
Additions	-	3,951	989	300	702	291	646	6,878
Business combination	-	11	-	2	-	-	-	12
Disposals / cancellations	-	(243)	(569)	(24)	-	(67)	(221)	(1,125)
Conversion differences	-	(69)	(14)	(31)	4	(117)	(15)	(242)
Reclassifications (to) from other items / other	-	(6)	(37)	(2)	-	5	-	(39)
Depreciation charge	(156)	(1,689)	(672)	(152)	(349)	(296)	(622)	(3,935)
Depreciation on business combination	-	-	-	-	-	-	-	-
Depreciation on disposals / cancellations	-	238	415	24	-	37	41	755
Depreciation other	-	(149)	42	15	(5)	40	0	(57)
Balance at 31 December 2013								
Gross carrying amount	3,648	33,743	3,679	2,958	5,794	2,572	2,161	54,554
Accumulated depreciation	(760)	(27,150)	(1,765)	(2,419)	(3,819)	(1,937)	(832)	(38,681)
Closing balance 2013	**2,888**	**6,593**	**1,914**	**539**	**1,974**	**636**	**1,329**	**15,873**

NOTE 6. TANGIBLE ASSETS (CONTINUED)

In '000 €	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold improve-ments	Other	Assets leased to third parties	Total
Changes in 2014								
Additions	2	3,647	605	324	512	153	186	5,429
Business combination	-	5	3	1	-	-	-	8
Disposals / cancellations	-	(208)	(432)	(1)	-	(26)	(1)	(668)
Conversion differences	-	70	6	13	35	17	30	172
Reclassifications (to) from other items / other	(207)	(185)	-	(0)	-	-	185	(207)
Depreciation charge	(154)	(2,168)	(703)	(195)	(422)	(287)	(704)	(4,632)
Depreciation on disposals / cancellations	-	207	307	1	-	24	1	540
Depreciation other	163	(109)	(3)	(10)	(12)	(12)	(145)	(128)
Balance at 31 December 2014								
Gross carrying amount	3,443	37,071	3,818	3,295	6,341	2,716	2,561	59,244
Accumulated depreciation	(752)	(29,220)	(2,119)	(2,623)	(4,253)	(2,212)	(1,679)	(42,858)
Closing balance 2014	**2,691**	**7,852**	**1,699**	**672**	**2,088**	**504**	**882**	**16,386**

Balance at 31 December 2014								
Net carrying amount of tangible assets under finance leases		587	342					929
Tangible assets acquired in 2014 under finance leases		141	186					327
Amount of tangible assets pledged as security for liabilities		587	342					929

NOTE 7. INTANGIBLE ASSETS

In '000 €	Goodwill	Development costs	Patents, trademarks and other rights	Computer software	Total
Balance at 31 December 2011					
Gross carrying amount	41,439	15,148	989	5,190	62,765
Accumulated depreciation	-	(11,344)	(722)	(3,625)	(15,691)
Accumulated impairment losses	(1,314)	-	-	-	(1,314)
Closing balance 2011	**40,125**	**3,804**	**267**	**1,565**	**45,761**
Changes in 2012					
Additions		1,834	49	526	2,409
Business combination	399	-	11	206	617
Conversion differences	0	4	2	7	13
Cancellation	(718)		-	-	(718)
Other	(646)	-	-	(31)	(678)
Depreciation charge		(1,752)	(229)	(735)	(2,716)
Depreciation on business combination		-	-	(124)	(124)
Depreciation cancelled	718				718
Depreciation other		(1)	(2)	32	29

NOTE 7. INTANGIBLE ASSETS (CONTINUED)

In '000 €	Goodwill	Development costs	Patents, trade-marks and other rights	Computer software	Total
Balance at 31 December 2012					
Gross carrying amount	40,473	16,986	1,051	5,897	64,407
Accumulated depreciation	-	(13,096)	(954)	(4,451)	(18,501)
Accumulated impairment losses	(595)	-	-	-	(595)
Closing balance 2012	**39,878**	**3,890**	**97**	**1,446**	**45,311**
Changes in 2013					
Additions		2,756	140	968	3,864
Business combination	46	-	-	132	177
Conversion differences	-	(3)	14	(75)	(65)
Other	(0)	-	-	(4)	(4)
Depreciation charge		(1,779)	(76)	(885)	(2,740)
Depreciation other		1	(14)	52	39
Balance at 31 December 2013					
Gross carrying amount	40,519	19,738	1,205	6,918	68,380
Accumulated depreciation	-	(14,874)	(1,043)	(5,284)	(21,202)
Accumulated impairment losses	(595)	-	-	-	(595)
Closing balance 2013	**39,924**	**4,864**	**161**	**1,633**	**46,583**
Changes in 2014					
Additions		2,582	45	376	3,003
Business combination	109	-	-	-	109
Conversion differences	-	11	6	73	90
Other	-	-	-	(169)	(169)
Depreciation charge		(2,319)	(50)	(824)	(3,193)
Depreciation other		(11)	(6)	116	99
Balance at 31 December 2014					
Gross carrying amount	40,628	22,331	1,256	7,198	71,413
Accumulated depreciation	-	(17,204)	(1,099)	(5,992)	(24,296)
Accumulated impairment losses	(595)	-	-	-	(595)
Closing balance 2014	**40,033**	**5,127**	**156**	**1,206**	**46,522**
Net internally generated intangible assets	**-**	**4,864**			**4,864**

Comments on Goodwill

The goodwill increase of 109 thousand € is related to the asset deal of the company Rodata in Austria.

Breakdown of the goodwill by segment

The goodwill is allocated according to the segment where the acquisitions have been done: Goods ID or People ID.

Zetes Group organizes its activity by businesses, each under the authority of a specific manager. It is at this level that strategy, resource allocation, solutions and priority markets are determined. It is also at this level that performance is analysed.

	2012	2013	2014	VAR.
In '000 €				
By segment				
Goods ID	36 569	36 615	36,724	109
People ID	3 309	3 309	3,309	-
Total goodwill	**39 878**	**39 924**	**40,033**	**109**

For each entity, the Group identifies whether it is a "mono-activity" or not. A "mono-activity" is considered to be a separate CGU. Those that are not mono-activity are organised in such a way as to be able to break down analytically their activities, including the assets and liabilities attached thereto.

Each analytical unit then constitutes a CGU. CGUs are then grouped into groups of CGUs that make up the Goods ID and People ID divisions.

The goodwill is allocated to these groups of CGUs.

Assets constituting a cash-generating unit are tested for impairment before undertaking an impairment test at the level of the group of CGUs to which the goodwill is allocated.

The Group examines the value of the goodwill shown in the statement of financial position at each annual closing date, or more often whether indications of impairment exists.

The external impairment index used is the market capitalization of the company. The recoverable amount of a cash-generating unit is determined on the basis of fair value, less costs of sales or, where insufficient in respect of goodwill, of value in use. The fair value is calculated based on valuations effective in the industry, namely a multiple of EBITDA adjusted for net cash position.

The cost of sales is estimated at 5% of the value of the entity under review. The value in use is calculated based on projected cash flows derived from the annual budgets as adopted by the Board of Directors, as well as assumptions concerning the evolution of the business over a five-year period.

Cash flows beyond the range of the projections are extrapolated using estimated average growth rates, as indicated below.

Estimated cash flows do not include incoming and outgoing cash flows from financing activities or related to income taxes.

Past flows are compared to estimated projections.

The key assumptions used in the tests are the same for all CGUs. The weighted average cost of capital before taxes applied by the Group to all CGUs is compared with different sources and is updated periodically, but not whenever an impairment test is carried out. Between each update, the Group verifies that the key variables used in determining the WACC (applied in its activity segment) have not changed significantly.

Key assumptions used in calculating value in use:

	2014
Discount rate	10%
Growth rate [1]	1%
Illiquidity discount	15%

(1) After the five-year period

Sensitivity analysis

The Group conducts a sensitivity analysis, with an emphasis on the key assumptions; these are the EBITDA multiplier used to determine the fair value and the growth forecasts used to determine the value in used (elaboration of different scenarios).

The analysis done in 2014 shows that the carrying value of both divisions is lower than their fair value and their value in use.

NOTE 8. FINANCIAL ASSETS AND OTHER NON CURRENT ASSETS

ASSETS	2012	2013	2014
In '000 €			
Other non current financial assets	164	213	117
Non current cash restricted or pledged	392	351	390
Long term trade receivables		2,141	1,559
Total	**556**	**2,705**	**2,066**

NOTE 9. INVENTORIES

ASSETS	2012	2013	2014
In '000 €			
Total gross carrying amounts	**20,382**	**19,186**	**22,022**
Goods	15,129	15,273	17,671
Production supplies	3,921	3,644	4,091
Stock in transit	1,332	269	260
Accumulated write-downs	**(4,751)**	**(4,884)**	**(4,876)**
Goods	(4,499)	(4,772)	(4,688)
Production supplies	(252)	(113)	(188)
Total net	**15,631**	**14,302**	**17,146**

INCOME STATEMENT	2012	2013	2014
In '000 €			
Write-downs on inventories of the year	(381)	(638)	(354)

NOTE 10. CURRENT TRADE AND OTHER RECEIVABLES

ASSETS	2012	2013	2014
In '000 €			
Trade receivables	**53,852**	**54,183**	**63,974**
Gross trade receivables	55,038	55,560	65,115
Accumulated write-downs	(1,187)	(1,376)	(1,140)
Other current receivables	**3,872**	**3,802**	**3,648**
Construction contracts	1,556	2,356	2,065
Hedging instruments	-	-	81
Other	2,317	1,446	1,503
Total	**57,724**	**57,986**	**67,623**

The credit risk is not significant at the Group level. The risk is spread on lots of different customers and markets. It is partly covered by a credit insurance company. If not, a credit risk analysis is performed allowing to reduce the risk of the counterparty.

Construction contracts			
Cumulative amount of contract costs incurred and recognized profits less losses	144,202	166,716	30,939

The decrease in 2014 relates to the fact the IAS 11 is applicable to a fewer number of contracts (People ID division).

INCOME STATEMENT	2012	2013	2014
In '000 €			
Revenue relating to the execution of construction contracts	24,137	22,513	5,717
Write-downs on bad and doubtful customers	(157)	(185)	(62)

HEDGING INSTRUMENTS

In ´000	Sale EUR	Purchase USD	Expiring from	Expiring to	Contract average rate	Closing rate 31/12
Forward contracts EUR / USD	1,577	2,012	Jan-15	Fév-17	1.276	1.214

The Group has hedging instruments to hedge identified foreign exchange risks; on 31/12/2014, there are hedging contracts for an amount of 2.0 million USD against EUR to be purchased at an average rate of 1.276. The net result on hedging instruments is 60 thousand € and is mentioned in the Statement of Changes in equity.

NOTE 11. RELATED PARTIES

	2012	2013	2014
In ´000 €			
Assets with related parties [(1)]	**46**	**46**	**50**
Liabilities with related parties	**128**	**234**	**570**
Transactions within related parties			
Total Management Committee remunerations	(876)	(967)	(1,521)
Basic compensation	(738)	(756)	(781)
Variable compensation	(138)	(211)	(740)
Total non executive directors remunerations	(74)	(82)	(74)
Total others [(2)]	(20)	(20)	(20)
Total services received	**(969)**	**(1,068)**	**(1,615)**

(1) Current accounts of executive directors
(2) Lawyers services

All transactions with companies related to directors have been made at arm's length.

The remuneration report is available in the "Corporate Governance" section of the annual report.

NOTE 12. EQUITY NOTE

MOVEMENTS IN NUMBER OF SHARES	Ordinary shares
Number of shares on 31/12/2013	5,389 714
Number of shares issued in 2014	0
Number of shares on 31/12/2014	5,389 714

OWN SHARES	Number	In '000 €
Own shares, opening balance	234,322	3,502
Employees benefit plan	(38,550)	(633)
Purchases 2014	71,164	1,564
Own shares, closing balance	**266,936**	**4,433**

In 2014, the Board of Directors decided to buy own shares, in accordance with the authorization given by the Shareholders' General Meeting. During the first semester, an employee benefit plan was decided on. In this context, 38,550 shares were sold at a price of € 16.43 (two-year blocking period).

Other informations

All issued shares are fully paid. The articles of association authorise the Board of Directors to increase the issued capital for an amount of maximum € 51.7 million. All shares are without par-value.

Dividend

The Board of Directors will propose to the Ordinary General Assembly held on 27 May 2015 to pay a gross ordinary dividend of € 0.63 per share, compared with € 0.55 in respect of 2013.
The proposed dividend has not been recognised as a liability at the end of 2014.

EARNINGS PER SHARE CALCULATION	Continuing operations	Total

Net profit (basic)

The net profit per share is calculated by dividing the net result of the Group by the weighted average number of ordinary shares outstanding during the year.

Net profit of the Group (in '000 €)	6,237	6,237
Weighted average number of ordinary shares outstanding	5,162 665	5,162 665
Basic earnings per share (in €)	**1.21**	**1.21**

Net profit (diluted)

For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to take into account the conversion of all dilutive equity instruments. At the end of 2014, the outstanding number of options is 168.871. The weighted average listing price is 21.19 € (2014) ; because it does not exceed the exercise prices, the options are not taken into account to compute the dilution effect.

Net profit of the Group (in '000 €)	6,237	6,237
Weighted average number of ordinary shares outstanding	5,162 665	5,162 665
Adjustments for options	-	-
Weighted average number of ordinary shares for diluted earnings per share	5,162 665	5,162 665
Diluted earnings per share (in €)	**1.21**	**1.21**

OPTIONS

	PLAN 2005	PLAN 2007	TOTAL
Exercise price	23.00	22.63	
Outstanding on 31/12/2013	181,869	2,800	184,669
Granted during the period	-	-	-
Exercised during the period	-	-	-
Cancelled	(15,798)	-	(15,798)
Outstanding on 31/12/2014	166,071	2,800	168,871
Of which vested	166,071	2,800	168,871
Of which to be vested	-	-	-
Expiring date	21/11/17	22/06/19	

There were no options granted in 2014. In accordance with the decision of the Extraordinary General Assembly held on 28 May 2014, the Board of Directors may decide, at its discretion, to assign to the beneficiaries, for any exercise of options, either existing shares (own shares) or new shares.

31/12/2014 SHAREHOLDERS STRUCTURE (WITHOUT EXERCISE OF OPTIONS)

Shareholders	Number of shares	%
Zephir (concert with Cobepa)	1 277 495	23.70%
Cobepa (concert with Zephir)	1 329 655	24.67%
Ratio Capital Management BV	210 000	3.90%
Axa Belgium	199 453	3.70%
Other nominative shareholders	8 041	0.15%
Employees	38 550	0.72%
Public	2 059 584	38.21%
Own shares	266 936	4.95%
Total	**5 389 714**	**100.00%**

NOTE 13. FINANCIAL BORROWINGS

FINANCE LEASES, MINIMUM LEASE PAYMENT PAYABLE, PRESENT VALUE	2012	2013	2014
In '000 €			
< 1 year	156	239	308
Between 2 and 5 years	215	221	792
Total	**370**	**460**	**1,100**

NON CANCELLABLE FUTURE MINIMUM OPERATING LEASE PAYMENTS	2012	2013	2014
In '000 €			
< 1 year	4,662	4,627	4,982
Between 2 and 5 years	5,433	5,457	5,472
Total	**10,095**	**10,084**	**10,454**

INTERESTS BEARING BORROWINGS	2012	2013	2014
In '000 €			
Bank borrowings	2,042	3,975	2,700
Finance leases	370	460	1,100
Bank overdrafts	3,307	9,469	11,199
Total	**5,719**	**13,904**	**15,000**

NON-INTERESTS BEARING BORROWINGS	2012	2013	2014
In '000 €			
Other non current borrowings	214	-	-
Total	**214**	**-**	**-**

AGING PROFILE	2012	2013	2014
In '000 €			
< 1 year	4,921	10,983	14,208
Between 2 and 5 years	1,012	2,921	792
Total	**5,933**	**13,904**	**15,000**

FINANCIAL DEBTS BY CURRENCY	2012	2013	2014
In '000 €			
EUR	4,705	13,495	14,963
GBP	202	-	-
CHF	791	400	-
ZAR	20	9	36
Total	**5,719**	**13,904**	**15,000**

FAIR VALUE OF FINANCIAL DEBTS

For floating rate financial debts, the fair value is equal to the face value.

NET CASH	2012	2013	2014
In '000 €			
Total financial debts	5,719	13,904	15,000
Cash available	(13,189)	(10,936)	(16,680)
Net cash (-) / net financial debt (+)	**(7,471)**	**2,968**	**(1,680)**
Current financial debts	4,921	10,983	14,208
Cash and cash equivalents	(12,797)	(10,585)	(16,290)
Current net cash (-) / current net financial debt (+)	**(7,877)**	**397**	**(2,083)**

The net cash is the difference between the total financial debts and the cash available.
The current net cash is the difference between the current financial debts and the cash and cash equivalents.

CASH AVAILABLE	2012	2013	2014
In '000 €			
Current cash restricted or pledged	392	351	390
Cash and cash equivalents	12,797	10,585	16,290
Total cash available	**13,189**	**10,936**	**16,680**

NOTE 14. PROVISIONS & OBLIGATIONS

PROVISIONS

In ´000 €	Warranty provisions	Restructuring provisions	Legal proceeding provisions	Onerous contract provisions	Total
Balance at 31 December 2011	**363**	**324**	**296**	**100**	**1 083**
Non current provisions	363	-	233	100	696
Current provisions	-	324	63	-	387
Additional provisions	115	193	10	56	374
Amounts used	-	(324)	-	-	(324)
Unused amounts reversed	(12)	-	(109)	-	(121)
Other	0	(4)	(125)	-	(128)
Balance at 31 December 2012	**467**	**188**	**73**	**156**	**885**
Non current provisions	467	74	73	156	771
Current provisions	-	114	-	-	114
Additional provisions	20	0	-	127	148
Amounts used	-	(114)	(33)	-	(147)
Unused amounts reversed	(42)	(39)	-	-	(81)
Other	4	(9)	-	-	(5)
Balance at 31 December 2013	**449**	**27**	**40**	**284**	**800**
Non current provisions	449	27	40	284	800
Additional provisions	28	1	180	100	308
Amounts used	-	(23)	(39)	-	(62)
Unused amounts reversed	(128)	-	-	-	(128)
Other	3	-	-	-	3
Balance at 31 December 2014	**351**	**6**	**181**	**383**	**921**
Non current provisions	351	6	181	383	921

The warranty provisions cover the company costs for the defective equipments not under the producer guarantee.
The legal proceeding provisions mainly relate to disputes with former employees. The onerous contract provisions cover the not-normal costs related to agreements.

OBLIGATIONS

In '000 €	Post employment benefit obligation
Balance at 31 December 2011	**222**
Non current obligations	192
Current obligations	31
Additional provisions	90
Amounts used	(38)
Conversion differences	0
Balance at 31 December 2012	**274**
Non current obligations	241
Current obligations	33
Additional provisions	18
Amounts used	(76)
Conversion differences	1
Balance at 31 December 2013	**217**
Non current obligations	192
Current obligations	24
Additional provisions	11
Amounts used	(24)
Conversion differences	0
Balance at 31 December 2014	**204**
Non current obligations	179
Current obligations	26

CONTINGENT LIABILITIES

On 31/12/2014, the Group has contingent liabilities with uncertainty on timing and/or amount, arising in the course of the business. The contingent liabilities relate to possible obligations in respect of certain warranties given to bankers, customers, suppliers and partnerships. The possibility of an outflow of resources embodying economic benefits is remote.

DEFINED CONTRIBUTION PLANS

Zetes operates various post employment benefit plans in accordance with the local conditions and practices of the countries in which it operates. Those plans are predominantly contracted with external insurance companies. The contributions to these insurance plans are funded by payments from employees and the relevant group's companies. In Belgium, the legislation provides that the employer must guarantee a return for the contributions of the employer and the employee, which creates a potential liability for the Group. Because of this guaranteed return, the Belgian defined contribution plans can be considered as defined benefit plans. In accordance with market practice, Zetes uses the "intrinsic value" method to estimate its obligations in this regard; they are equivalent to the difference between mathematical reserves (acquired) and guaranteed amounts based on the minimum legal returns. On 31/12/2014, the acquired reserves cover the guaranteed amounts. The payments to defined contribution plans charged as an expense in 2014 amount to € 1.461 thousand.

NOTE 15. CURRENT TRADE AND OTHER CURRENT PAYABLES

In ´000 €	2012	2013	2014
Trade payables	31,524	28,957	37,859
Advances received	23,006	22,758	28,513
Other current payables	13,638	14,144	14,973
Payables to employees	5,495	5,535	6,095
Payables to public administrations	6,508	6,696	6,795
Other	1,636	1,913	2,083
Current hedging instruments	17	47	-
Total	**68,185**	**65,905**	**81,346**

NOTE 16. ACQUISITIONS ET CESSIONS DE FILIALES

Impact of acquisitions	2012	2013	2014
In ´000 €			
Non current assets	**167**	**144**	**8**
Tangible assets	42	12	8
Intangible assets	94	132	-
Deferred tax assets	30	-	-
Current assets	**877**	**6**	**3**
Inventories	178	6	3
Trade and other receivables	361	-	-
Prepayments	47	-	-
Cash and cash equivalents	290	-	-
Current liabilities	**331**	**46**	**-**
Trade and other current payables	304	46	-
Advances received	23	-	-
Other current liabilities	4	-	-
Net identifiable assets and liabilities	**712**	**104**	**11**
Goodwill on acquisitions and earnouts	**318**	**46**	**109**
Goodwill on acquisitions	399	46	109
Badwill on acquisitions	(81)	-	-
Cash (acquired) / disposed	(290)	-	-
Net cash outflow / (inflow)	**740**	**150**	**120**
Minority interests	**-**	**-**	**-**

2014 & POST CLOSING TRANSACTIONS

Zetes acquired in 2014 the assets of the company Rodata which is fully integrated into Zetes Austria. The net assets & liabilities of this acquisition amount to 11 thousand €. Their book value before the business combination is the same. There are no post closing transactions in 2015.

NOTE 17. AUDITOR'S MISSIONS

The auditor RSM Réviseurs d'Entreprises, represented by M. Laurent Van der Linden and M. Thierry Dupont, has been appointed by the 2014 Shareholders Meeting. It will expire at the 2017 Shareholders Meeting held to approve the 2016 accounts.

The mission and powers of the auditor are those granted by the law.

The Auditor may not be revoked by the Shareholders' Meeting other than for good reason.

In '000 €	2012	2013	2014
Auditor's fees			
Audit of the financial statements	84	84	86
Other missions	2	-	-
Auditor's related parties' fees			
Audit of the financial statements	4	-	-
Fiscal advices	12	6	8
Other missions	-	-	-

Management of risks and uncertainties

Introduction

Risk taking is inherent in any business enterprise. There is no growth or value creation in a company without taking risks. If not properly managed and controlled, these risks may affect the Company's ability to achieve its objectives. By continuing to foresee and manage risks, risk management and internal control systems play a key role in conducting and monitoring various business activities.

Risk is the possibility of an event occurring that will have consequences that may affect the company's employees, assets, environment, objectives or reputation.

Risk management is the responsibility of all players in the company. It aims to be comprehensive and cover all activities, processes and assets of the company.

Risk management is a dynamic system of the company, which it defines and implements under its responsibility.

Risk management comprises a set of tools, behaviours, procedures and actions adapted to the characteristics of each company, that allows senior management to keep the risks to an acceptable level.

Risk management helps to:

a) Create and preserve the value, assets and reputation of the company

b) Place the company's decision making and processes on a firmer basis and help it achieve its objectives

c) Promote coherence between a company's values and actions

d) Mobilize company employees around a common vision of the principal risks and sensitize them to the risks inherent in their business.

Description of the risks

The Board of Directors presents below its assessment of the risks to which the company is exposed

By the nature of its commercial activities, the company is exposed to the uncertainties attached to the development of the economy and to the situation of its customers and its competitors. Each of the risks listed below can have a negative impact on the overall condition of the company and its results. For this reason any forward-looking statements must be analysed in the light of this presentation. Besides the risks mentioned here, there may be other risks the company is not aware of, or which are not reported as such, but which could also have an adverse effect on the company.

Litigation risks

Zetes is, has already been, and could again be involved in legal action which is part of the normal course of business. Such legal action can relate to :

- warranty / product quality / installation issues
- conflicts with employees
- conflicts with the selling shareholders in the context of business combinations
- claims by Zetes against suppliers
- third party claims for patent infringement

The above list is not exhaustive. Where necessary, provisions are set up for such risks. Although these are estimated based on the company's best understanding of the situation, court judgements could expose the company to unexpected costs.

Risks related to human resources

Zetes seeks to be at the sharp edge of technology. Finding the human resources with which to remain there is a major challenge. Zetes' good name and its commercial and operational successes significantly reduce this risk.

Environmental risks

Zetes strictly respects all laws and regulations governing the protection of the environment. Even so, certain exceptional circumstances or accidents could potentially expose the company to litigation. The group is not involved in any environmental dispute at the present time.

Risks related to exceptional events

By its very nature the company is open to such risks. A fire or flood could always affect a production site, and with it the company's financial situation. Although Zetes insures against risks, there is no such thing as "zero" risk. More generally, there are natural and political risks that could destabilize the economic system, and hence Zetes' activity.

Risks attached to acquisitions

Zetes' strategy involves acquiring other companies. Despite the care with which management goes about these acquisitions and, in particular, the due diligence audits that are made, specific risks always exist. The most serious are linked to the process of integrating newly acquired companies into the group, to their activities before joining Zetes, to their real growth potential (over-estimation) and to the value of the technological know-how acquired. In certain cases, these risks could engender a loss of goodwill value.

Risks attached to new products

Zetes specialises in identification. To maintain its competitive advantage, Zetes carries out specific development and places specialized software and hardware on the market. In 2014 the company invested € 2.6 million. A total of € 5.1 million of development expenses are capitalised on the balance sheet. The risks associated with these developments are:

- over-ambitious sales objectives, insufficient profitability, owing to unsuitable functionalities, or the existence of less expensive competing products
- the placing on the market of products that are not yet stabilized, bringing a loss of credibility and/or additional, unanticipated expenses to resolve the problem
- the use of external components of insufficient quality.

Technological risk

For Zetes, technological risk is linked to the time at which a new technology is adopted. This risk is managed by a specific team, which acts as a technology watch units. This team concentrates expertise and knowledge as long as the technology is not yet ready for market. It also helps disseminate know-how and competencies once a decision to go to market has been taken by Group management.

Risk of fraud

The risk of fraud is inherent in all human activity. The company is attentive to appoint people of trust to key positions. This trust is considered the cornerstone of the fight against fraud. The company seeks, where the size of the subsidiary permits, to establish a separation of duties. Thus, persons in charge of procurement will not be responsible for paying bills. Limits on signing authority are also set according to the activity level of the companies concerned. Finally, the group Executive Management is careful to limit the representative powers of the Executive Managements of the subsidiaries to day-to-day operations. It is also careful to ensure an appropriate division of powers within their management structures. To this end, direct communication channels exist with the group Executive Management, both for local financial managers, who report both to their Country Managers and CFO, and for country managers, who are responsible for their performance to both the Group CEO and the Group CFO.

Price risk

This risk is covered principally by agreements with our main suppliers; price reviews are built into our contracts with them.

Credit risk

This risk is covered by a credit insurance company (around 50% of sales). Otherwise, an internal analysis of the credit risk is carried out, which reduces the counterparty risk. The multiplicity of clients, both geographical and sectoral, and their general quality also significantly reduce the Group's credit risk.

Liquidity and treasury risk

Zetes' liquidity and treasury risk is limited. In addition to a cash position of € 16.3 million (December 2014), the company retains a significant borrowing potential based on an agreement signed with its three main bankers to finance projects, additional working capital needs or, partially, acquisitions.

Foreign exchange risk

The consolidated accounts are in euros. This means that the accounts of those group entities whose reference currency is not the euro need to be converted into euros on consolidation. To the extent that currencies fluctuate against one another this can negatively impact the accounts. The greatest risks are those of the fluctuation of the euro against the pound sterling, the Swiss franc, the rand and the shekel. At the operating level, and insofar as the charges of these entities are incurred in their own reference currencies, the currency risk lies essentially in their contribution to Group results. A risk also exists on loans/borrowings (repayment or revaluation). A potential risk also exists in the parity between the CFA and the euro.

In terms of buying, procurement is essentially in euros. There does exist, however, a US dollar risk for certain specific equipment that is purchased in this currency. Significant sales / purchase contracts in foreign currencies are normally hedged specifically. Zetes' financial department has a preference for forward foreign exchange contracts and, to a lesser extent, currency options, for hedging foreign exchange risk.

In People ID, some of Zetes' competitors use other currencies than the euro as their reference currency. Currency fluctuations may either strengthen Zetes' competitive advantage or weaken it against those competitors whose revenues (and costs) are collected (and incurred) in other monetary areas

Interest rate risk

The interest rate risk is limited to the extent that the company has net positive treasury position. A rise in either short or long term rates would not significantly affect results. On top of this, bank debt serves mainly to fund short term working capital needs of subsidiaries. The occasional longer term debts for financing acquisitions or investments have a short average duration which does not call for specific interest rate coverage.

ZETES INDUSTRIES SA

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2014

As required by law and the by-laws, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidate financial statements comprise the consolidated statement of financial position as at 31st December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on 31st December 2014 and the explanatory notes.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of the company for the year ended on 31st December 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of € 184.474 (000) and a consolidated statement of comprehensive income showing a consolidated profit for the year of € 6.474 (000).

Responsibility of the board of Directors for the preparation of the consolidated financial statements

The board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the company's internal control relevant to the preparation of consolidated financial statements that give a true and fair view, 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 the board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company give a true and fair view of the group's equity and financial position as at 31st December 2014, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of Directors is responsible for the preparation and the content of the Director's report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which do not modify the scope of our opinion on the consolidated financial statements:

- The Director's report the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 16 April 2015

RSM RÉVISEURS D'ENTREPRISES -
BEDRIJFSREVISOREN CVBA-SCRL
REPRESENTED BY

LAURENT VAN DER LINDEN THIERRY DUPONT

Statutory Accounts

In accordance with article 105 of the Company Code, the current Annual Report offers an abbreviated version of the statutory annual accounts of Zetes Industries SA. Zetes Industries SA's Annual Report and the annual accounts, together with the Auditor's Report, will be deposited and will also be available at the Company's registered office and on the Company Web site www.zetes.com.

The Company Auditor has signed a statement of unqualified approval of the statutory annual accounts of Zetes Industries SA for the years ended 2014, 2013 and 2012.

1. BALANCE SHEET	2012	2013	2014
In '000 €			
ASSETS			
Fixed assets	**32,375**	**32,249**	**32,860**
Formation expenses	-	-	-
Intangible fixed assets	309	427	273
Tangible fixed assets	95	149	213
Financial fixed assets	31,971	31,673	32,374
Current assets	**31,890**	**33,297**	**35,737**
Amounts receivable after one year	1,225	1,256	1,173
Stocks and contracts in progress	13	84	51
Amounts receivable within one year	27,051	28,159	28,760
Short term deposits and own shares	3,319	3,569	4,479
Cash at bank and in hand	135	123	936
Deferred charges and accrued income	148	105	339
TOTAL ASSETS	**64,265**	**65,546**	**68,597**
EQUITY AND LIABILITIES			
Capital and reserves	**60,303**	**57,996**	**59,369**
Capital	56,092	51,676	51,676
Share premium account	38	38	38
Reserves	783	2,707	3,027
Unavailable reserves for own shares	3,319	3,569	4,479
Profit carried forward	69	5	148
Provision for liabilities and charges	**-**	**-**	**-**
Debts	**3,962**	**7,550**	**9,228**
Amounts payable after one year	-	2,700	-
Amounts payable within one year	3,918	4,800	9,094
Current portion of amounts payable after more than one year falling due within one year falling due within one year	-	-	-
Financial debts	20		3,025
Trade debts	1,113	1,126	1,372
Amounts payable regarding taxes, remuneration and social security	514	503	1,317
Other debts	2,271	3,172	3,381
Accrued charges and deferred income	**45**	**50**	**134**
TOTAL EQUITY AND LIABILITIES	**64,265**	**65,546**	**68,597**

2. INCOME STATEMENT	2012	2013	2014
In '000 €			
Operating income	**5,744**	**5,797**	**7,713**
Turnover	5,351	5,369	7,100
Other operating income	392	428	613
Operating charges	**(5,093)**	**(5,575)**	**(6,475)**
Raw materials, consumables and goods for resale	(107)	(79)	(103)
Services and other goods	(2,942)	(3,551)	(4,030)
Remuneration, social security and pensions	(1,892)	(1,766)	(2,079)
Depreciation and amounts written off	(136)	(166)	(256)
Other operating charges	(16)	(12)	(7)
Operating profit or (loss)	**651**	**222**	**1,238**
Financial income	517	1,396	3,821
Financial charges	(81)	(103)	(132)
Profit on ordinary activities before taxation	**1,087**	**1,515**	**4,927**
Extraordinary income	-	-	-
Extraordinary charges	-	(47)	-
Profit for the period before taxation	**1,087**	**1,468**	**4,927**
Income taxes	**(33)**	**(3)**	**(327)**
PROFIT OF THE YEAR	**1,054**	**1,466**	**4,601**

3. APPROPRIATION ACCOUNT	2012	2013	2014
In '000 €			
Profit to be appropriated	**1,264**	**1,535**	**4,606**
Profit for the year available for appropriation	1,054	1,466	4,601
Profit brought forward	211	69	5
Drawdowns on reserves	**817**	**1,400**	**-**
Transfers to legal reserve	**53**	**73**	**230**
Transfers to other reserves	**69**	**(0)**	**1,000**
Result to be carried forward	**-**	**5**	**148**
Dividends (1)	**1,959**	**2,857**	**3,227**

(1) Amount determined on the basis of the treasury shares held at 31/12/2014 ; for 2013 it is the amount of dividends adjusted to take into account the own shares held at the Ordinary General Meeting.

4. INVESTMENTS AND SOCIAL RIGHTS HELD IN OTHER COMPANIES

Are to be mentioned hereafter, the companies in which the company holds a direct investment in the sense of the Royal Decree of October 8, 1976 as well as the other companies in which the company holds shares in case these shares represent at least 10% of the subscribed capital.

				RIGHTS HELD BY	
Name	**Address of the registered office**	**Country**		**Directly**	**Indirectly**
			Nombre	**%**	**%**
SA ZETES	Rue de Strasbourg 3 - 1130 Bruxelles	Belgium	170 827	100	
SA ZETES France	Bâtiment Einstein - 17/19 rue Georges Besse- 92160 Antony	France	27 470	100	
SA ZETES TECHNOLOGIES	Rue de Strasbourg 3 - 1130 Bruxelles	Belgium	1 249	49.96	0.04
ZTS Lda	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	2	100	
SA BUROTICA	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	10 millions	50	50
SA ZETES FASTRACE	Rue de Strasbourg 3 - 1130 Bruxelles	Belgium	2 124	34.03	41.9
ZETES INTERNATIONAL GmbH	Flughafenstraße 52 b, 22335 Hamburg	Germany	4	100	
ZETES SRL	Lungobisagno Dalmazia 71/16 - 16141 Genova	Italy	10	10	90
ZETES INDUSTRIES (Israel) Ltd	1 Hanagar street - 45241 Hod Hasharon	Israël	1 000	100	
ZETES HOLDING GmbH	Waldstrasse 23 - 63128 Dietzenbach	Germany	2	100	
RFIdea SA	Rue des Chasseurs Ardennais, 5 - 4031 Angleur	Belgium	3	ns	100
ZETES COTE IVOIRE	Lot N° 124, Vridi Cité, Port-Bouët, Abidjan	Côte d'ivo-ire	190	10	90

5. STATEMENT OF CAPITAL

Capital	**In '000 €**	**Number of shares**
1. Issued capital		
At the end of the preceding period	51,676	
Changes during this period:	-	
At the end of the period	51,676	
2. Structure of the capital		
Registered shares, bearer and dematerialized shares		5,389 714
Registered		1,337 696
Bearer and dematerialized		4,052 018

SHAREHOLDER STRUCTURE BASED ON NOTIFICATION IN DECEMBER 2014

Shareholders	**Number of shares**	**%**
Zephir	1,277 495	23.70
Cobepa	1,329 655	24.67
Ratio Capital Management BV	210,000	3.90
Axa Belgium	199,453	3.70
Other nominative shareholders	8,041	0.15
Employees	38,550	0.72
Public	2,059 584	38.21
Own shares	266,936	4.95
Total	**5,389 714**	**100.00**

6. AUDITORS

In '000 €	2014
Auditor fees	43
Fees relating to extraordinary services or specific missions rendered to Zetes Industries SA	-
Fees relating to extraordinary services or specific missions rendered to Zetes Industries SA by parties related to the auditor	5
Other certification missions	-
Tax advices	5
Other missions out of certification	-

Statement on Corporate Governance

1. The 2009 Belgian Code on Corporate Governance

This section is based on the rules and the principles which organize the corporate governance of Zetes Industries SA/NV (the Company). These are listed exhaustively in the Company's Corporate Governance Charter as approved by the Board of Directors of the Company and available, along with the Company's coordinated articles of association, on the Zetes Industries SA/NV website (www.zetes.com/en/investor-relations/corporate-governance).

The Company's Board of Directors intends to comply with the 2009 Belgian Code on Corporate Governance, but believes that certain deviations from its provisions are justified in view of the Company's particular situation.

Principle 2.9. Secretary of the Company

Given the size of the Company, the Board of Directors does not plan to appoint a Company secretary.

Principle 5.3. Appointments Committee

None of the principles relating to the Appointments Committee are applicable.

Principle 5.2. /17 Internal audit

The company does not have an independent internal audit function. Taking into account the nature, size and complexity of the company, executive management has established rules and procedures and has divided up responsibilities between different people in order to ensure the proper functioning of its internal control and risk management system.

2. BOARD OF DIRECTORS:

2.1. Composition, appointment and termination of the Board of Directors

In accordance with article 15 of the articles of association, the Company is managed by a six members minimum Board of Directors consisting of legal or physical persons, who do not have to be shareholders.

Pursuant to the articles of association, the Directors are appointed by the General Meeting of Shareholders for a term of maximum 6 years and are re-eligible. Their terms of office expire at the end of the Ordinary General Meeting following the last year of their term.

As of 31 December 2014, the Board of Directors of Zetes Industries SA/NV consisted of 10 persons. The Ordinary General Meeting of 27 May 2015 will decide on the appointment of all directors for their next term.

Name and position	Term until(**)	Professional Address
Alain Wirtz SA **Represented by Mr Alain Wirtz** **Chief Executive Officer (CEO)** (Nominated by Zephir Corporation) (Executive Director)	2015	Rue de Strasbourg 3 1130 Brussels
Jean-François Jacques SPRL **Represented by Mr Jean-François Jacques** **Chairman of the Board(*),** (Nominated by Zephir Corporation) (Executive Director)	2015	Rue de Strasbourg 3 1130 Brussels
Pierre Lambert **Chief Financial Officer (CFO)** (Executive Director)	2015	Rue de Strasbourg 3 1130 Brussels
Jean-Marie Laurent Josi (Nominated by Cobepa) (Director)	2015	Rue de la Chancellerie 2 1000 Brussels
Hiram Claus (Nominated by Cobepa) (Director)	2015	Rue de la Chancellerie 2 1000 Brussels
Olivier Gernay (Nominated by Zephir Corporation) (Director)	2015	Avenue Brugmann 403 1180 Brussels
Floris Vansina BVBA **Represented by Mr Floris Vansina** (Director)	2015	Charles Woestelaan 147 1090 Jette
José-Charles Zurstrassen (Independent Director)	2015	Avenue Général Baron Empain 41 1150 Woluwe-Saint-Pierre
Paul Jacques (*) (Independent Director)	2015	Rue du Ham 20 1180 Brussels
GEMA SPRL **Represented by Mr Michel Allé** (Independent Director)	2015	Place Constantin Meunier 17 1190 Brussels

(*) Mr Paul Jacques and Mr Jean-François Jacques are unrelated.

(**) The term of office of directors ends immediately after the Annual General Meeting of shareholders held in the year mentioned next to the director's name.

The statutory auditor of the Company is RSM Réviseursd'Entreprises - Bedrijfsrevisoren, having its registered office at Chaussée de Waterloo 1151, 1180 Uccle, represented by Mr Laurent Van der Linden and Mr Thierry Dupont. This firm has audited the Company's consolidated accounts since 2000, while introducing a rotation of its representatives. Mr Laurent Van der Linden and Mr Thierry Dupont are responsible for auditing the Company's statutory (unconsolidated) and consolidated accounts. The three-year mandate of the statutory auditor will expire at the General Shareholders' meeting that will be held of 21 May 2017.

2.2. Role of the Board of Directors

The Board of Directors is the decision-making body of Zetes Industries SA/NV, (i) with the exception of matters reserved to the shareholders by law or on the basis of the articles of association, and (ii) with the exception of the management powers delegated to the Managing Directors.

The Board of Director's role is to pursue the long-term success of Zetes Industries SA/NV and the Zetes Group by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors decides on Zetes Industries SA/NV's values and strategy, its risk appetite and key policies. The Board of Directors ensures that the necessary financial and human resources are in place for Zetes Industries SA/NV to meet its objectives.

2.3. Responsibilities of the Board of Directors

The key responsibilities of the Board of Directors include:

- Reviewing, evaluating and approving, on a regular basis, long range plans and strategy for Zetes Industries SA/NV and the Zetes Group;
- Reviewing periodically Zetes Industries SA/NV's corporate objectives and policies;
- Monitoring and evaluating the performance of Zetes Industries SA/NV and the Zetes Group against strategic goals, plans and budgets;
- Reviewing, evaluating and approving the overall corporate organisational structure;
- Reviewing, evaluating and approving major resource allocations and capital investments (including acquisitions and divestments);
- Reviewing the financial and operating results;
- Reviewing, evaluating and approving budgets and forecasts;
- Taking all necessary measures to ensure the correctness and the timely publication of financial reports and other significant financial and non-financial information;
- Supervising the performance of the external auditor;
- Appointing the Managing Directors;
- Deciding on the Executive Management structure;
- Reviewing Executive Management performance;
- Maintaining continuing interaction and dialogue and a climate of respect, trust and candour with the Executive Management;
- Reviewing, evaluating and approving the remuneration policy as it relates to the Executive Management of Zetes Industries SA/NV;
- Monitoring and reviewing the effectiveness of the Board committees.

2.4. Organisation of the Board of Directors

2.4.1. Board Meetings

Regular Board meetings are held, at least approximately six times a year, with special meetings convened as necessary by the Chairman of the Board of Directors or two Directors.

Board meetings may also be organised by means of video- or teleconference. Each meeting is chaired by the Chairman of the Board of Directors and, in his absence, by the CEO or by an executive Director. The Board of Directors can only validly deliberate and decide if at least half of its members are present or represented. Resolutions are taken by a simple majority of the votes cast.

In 2014, the Board of Directors met 6 times. The attendance of individual directors was as follows: all members attended all meetings except for ALAIN WIRTZ SA, represented by Mr Alain Wirtz (27 August 2014), Mr Olivier Gernay (13 February and 27 August 2014), Mr Hiram Claus (23 June 2014), Mr Jean-Marie Laurent Josi (1 April and 19 December 2014) and Mr José-Charles Zurstrassen (18 March, 23 June and 27 August 2014).

2.4.2. Agenda Items for Board Meetings

The Chairman of the Board of Directors establishes the agenda for each Board meeting. At the beginning of the year the Chairman of the Board of Directors establishes a schedule of the main topics to be discussed during the year. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions are provided to the Directors five calendar days prior to each Board meeting. The agenda lists the topics to be discussed and specifies whether they are for information, for deliberation or for decision-making purposes. Directors review these materials in advance of the meeting. Each Director is free to suggest the inclusion of items on the agenda. Subject to any applicable notice requirements, Directors who have suggestions for topics to be included in the agenda are required to advise the Chairman of the Board of Directors well in advance of such meetings.

2.4.3. Assessment

Under the leadership of its Chairman, the Board of Directors will conduct regular self-assessments to determine whether it and its committees are functioning effectively. The evaluation will have the following objectives:

- Evaluating how well the Board operates;
- Checking that important issues are adequately discussed and prepared;
- Evaluating the content of each Director's contributions, his or her presence at Board and Committee meetings and the constructive nature of his or her involvement in discussions and decisions;
- Checking the actual composition of the Board against the desired composition; with the non-executive Directors regularly evaluating their interaction with the Executive Management.

At regular intervals the way each director has exercised his or her duties, as well as his or her role and responsibilities, will be reviewed with a view to adapting the composition of the Board to reflect intervening changes. Specific attention will be given to the evaluation of the Chairman of the Board of Directors and the Chairmen of the Committees. When a director's term of office comes up for renewal, that director's involvement and effectiveness will be evaluated using a transparent and pre-established procedure. The Chairman of the Board will receive comments from all Directors and will report to the Board of Directors. This report will include an assessment of the Board's performance. The evaluation will focus on the Board's contribution to the company Zetes Industries SA/NV, and specifically on those areas in which the Board considers that there is room for improvement.

The Board will react to the results of performance analysis by recognizing its strengths and correcting weaknesses. When required, this will involve the appointment of new members, the non-reappointment of existing members or the taking of any action that seems appropriate for the effective functioning of the Board of Directors.

The Board will ensure that measures are taken for the orderly reappointment of Board members. It will ensure that any new appointment and any renewal, of both executive and non-executive Directors, will maintain an appropriate balance of required skills within the Board of Directors.

3. Internal control and risk management as regards the preparation of financial information

Internal control relevant to the preparation of financial reporting is a structural component of the company, defined and implemented under its responsibility, which seeks to ensure the reliability of financial information and the compliance of the financial statements with IFRS (International Financial Reporting Standards).

The Board of Directors is responsible for defining the measures necessary to ensure the integrity and timely publication of the financial statements and of other significant financial information provided to shareholders.

The Executive Management is responsible for establishing and monitoring internal controls based on the reference framework approved by the Board of Directors as well as for preparing the financial statements and other significant financial information of the company.

Internal control of financial information includes more specifically rules and procedures that:

- relate to the detailed recording of transactions involving company assets;
- provide reasonable assurance that transactions are recorded in such a way as to permit preparation of financial statements in conformity with IFRS;
- provide reasonable assurance that the company's sales are made in accordance with the conditions imposed by the Executive Management and Board of Directors of the company, and that the expenditures of the company are incurred with their authorization;
- provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use, or transfer of assets that could have a material effect on the consolidated financial statements.

The Executive Management is responsible for the exercise of internal control over financial reporting. This control includes the evaluation of significant risks, identifying malfunctioning, shortcomings and difficulties of implementation, and monitoring of measures taken to correct deficiencies identified.

Given its limitations, internal control of financial information may be unable to prevent or detect false declarations. In addition, it is difficult to anticipate how effective such control will be in future periods: controls could potentially become inadequate because of changing conditions or because they fail to keep pace with evolving policies or procedures.

The Executive Management has evaluated the effectiveness of the internal control of financial reporting as of 31 December 2014. This evaluation focused on the design of the internal control of financial information and included tests of its operating efficiency.

On this basis, the Executive Management was of the opinion that, as of 31 December 2014, the Company had adequate internal control of financial information.

4. Managing Directors and Executive Management

The Board of Directors has appointed the managing directors of Zetes Industries SA/NV. The Board of Directors has granted authority to the managing directors to enable them to fulfil their responsibilities and duties. They will have sufficient room to propose and implement, within the legal framework, a corporate strategy that reflects the company's values, risk appetite and key policies. To this end, the Chief Executive Officer (CEO) (Alain Wirtz SA) and the Chairman of the Board (Jean-François Jacques SPRL) are both managing directors of Zetes Industries SA/NV. The managing directors work together with the Executive Management, which consists of all the executive directors of Zetes Industries SA, i.e. currently the two managing directors and the CFO. The Executive Management is therefore composed of three members: the two managing directors, Alain Wirtz SA and Jean-François Jacques SPRL, and the CFO of the company, Mr Pierre Lambert. The Executive Management does not constitute a management committee (comité de direction) within the meaning of article 524bis of the Belgian Companies Code.

5. Committees of the Board of Directors

5.1 Role

A substantial portion of the preparatory analysis and work of the Board of Directors is done by standing Board Committees. The decision-making, however, remains within the collegial responsibility of the Board of Directors, with the Committees only having an advisory function (but not excluding the possibility of ad hoc delegations). They assist the Board of Directors in specific areas, which they cover in appropriate detail and upon which they make recommendations to the Board of Directors. The Board of Directors will have at all times an Audit Committee and a Remuneration Committee. The Board of Directors may, from time to time, establish or maintain additional Committees as necessary or appropriate.

5.2 Composition and appointment

Committee members shall be appointed by the Board of Directors. The Chairman of the Board of Directors shall ensure that the Board of Directors appoints Committee members and a Chairman for each of these Committees. Each Committee is composed of at least three members. Appointment shall not be for a term exceeding that of Board membership. In deciding on the specific composition of a Committee, consideration shall be given to the needs and qualifications required for the optimal functioning of that Committee. The designation of Committee members is based on (i) their specific competences and experience, in addition to the general competence requirements for Board members, and (ii) the requirement that each Committee, as a group, possesses the competences and experience needed to perform its tasks.

5.3 Audit Committee

The Audit Committee assists the Board of Directors in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the external auditor's qualifications and independence, and (iv) the performance of the Company' internal controls and risk management and its external auditors' accomplishment of their mission.

The responsibilities of the Audit Committee are described in detail in the Corporate Governance Charter.

The Audit Committee is composed exclusively of non-executive Directors. At least one of them is an independent director. At 31 December 2014, the members of the Audit Committee were:

- Gema SPRL, represented by Mr Michel Allé (Chairman of the Audit Committee, independent director)
- Mr Hiram Claus (non-executive director),
- Floris Vansina BVBA, represented by Mr Floris Vansina (non-executive director)
- Mr Paul Jacques (independent director)

5.4 Remuneration Committee

The role of the Remuneration Committee is to assist the Board of Directors in all matters relating to the remuneration of Board members (executive and non-executive) and of those Zetes Industries SA/NV employees that report directly to the Executive Management, and in those matters regarding the governance of the group on which the Board of Directors or the Chairman of the Board of Directors wishes to receive the Committee's advice.

The responsibilities of the Remuneration Committee are described in detail in the Corporate Governance Charter.

The Remuneration Committee should consist of no less than three Directors. All members should be non-executive Directors. The majority of Committee members should be Independent Directors. At 31 December 2014, the members of the Remuneration Committee were:

- Jean-Marie Laurent-Josi (Chairman of the Remuneration Committee, non-executive director)
- Paul Jacques (independent director)
- José-Charles Zurstrassen (independent director)

6. Report on the remuneration of Directors and the Executive Management

ZETES INDUSTRIES SA/NV - Remuneration Report 2014

6.1 General Principles of the Remuneration Policy

This section describes the general principles of Zetes Industries' remuneration policy.

The aim of the remuneration policy within the Zetes Group is to reward individual and collective performance, to align the interests of the senior managers, directors and shareholders of Zetes Industries, while taking due account of the differences between the Group's operating companies. This policy has been applied consistently for many years.

With respect for good corporate governance, compensation is consistent with the standards for the industry, and a bonus system, directed at the performance and the values of the Company, exists to motivate the Zetes Industries executive management and the managers of the Group to work towards the lasting growth of the value of the Company.

The remuneration guidelines and the bonus systems of the Zetes Group seek to ensure the Executive Management of Zetes Industries and to Group executives of appropriate remuneration for their activities and their levels of responsibility, taking into account the economic situation and the success and the prospects of the Zetes Group.

In this way the total remuneration package of executive directors of Zetes Industries as well as heads of the operational and functional units consists is made up as follows:

1. fixed components independent of the results,
2. bonuses dependent on both the results for one financial year and the respect of quality criteria directly related to an alignment between the long-term strategy of the Company and the interests of its shareholders

These general principles already applied in 2013 and continued to do so in 2014.

6.2 With regard to the market conformity of remuneration

In order to assess objectively the remuneration of the Executive Management, the Remuneration Committee has ad hoc studies enabling it to position said remuneration.

The surveys assess the amount and the structuring of compensation. This has allowed the Remuneration Committee to ensure that the remuneration of Executive Mangement is in line with that practised by publicly traded Belgian and European companies of similar structure, size and activity.

6.3. Remuneration of the executive directors:

This section describes the remuneration programme for executive directors. It contains a description of the structure of their remuneration and also clarifies the relationship between performance and pay levels.

6.3.1 Principles

The contractual arrangements and remuneration of members of the Executive Management are adopted and audited annually by the Remuneration Committee appointed by the Board. With respect to variable remuneration, the Remuneration Committee sets the objectives of the Executive Management and assesses how far these have been fulfilled.

6.3.2 Beneficiaries

The Executive Management of the Company is composed of the following companies and persons:

Alain Wirtz SA represented by Mr Alain Wirtz	CEO and Managing Director
Jean-François Jacques SPRL represented by Mr Jean-François Jacques	Chairman of the Board and Managing Director
Mr Pierre Lambert	Chief Financial Officer and Director

(*) e.a. "Executive remuneration in Belgium 2013", E&Y

6.3.3 Remuneration structure

In 2014, members of the Executive Management received remuneration consisting of a fixed salary and variable compensation dependent on both Zetes Group's consolidated financial results and the respect of qualitative targets including a concept of long-term growth in the enterprise value.

The criteria taken into account in determining variable compensation are:

- The achievement of the budget objectives of the reference year as adopted by the Board at the end of the previous year;
- The reactivity and adaptability of Executive Management to economic changes during the reference year;
- The ability to propose external growth operations and to integrate them successfully into the Group.

Moreover, taking into consideration the constant readiness demonstrated by the Executive Management of Zetes Industries over the last twenty years to manage the business in a long-term perspective, the Compensation Committee intends to propose to the General Assembly that it waives, by specific approval, the prescriptions of Article 520ter of the Companies Act.

6.3.4 Summary of the total compensation paid in 2014

	2014
Fixed remuneration	305,000 €
Variable remuneration	300,000 €
Total	**605,000 €**

Remuneration of the other members of the Executive Management

	2014
Fixed remuneration	476,190 €
Variable remuneration	440,000 €
Total	**916,190 €**

6.3.5 Stock Options and shares

Members of the Executive Management took part in the employee share plan introduced in the first half of 2014. Each of them subscribed 2.500 shares at € 16.43, the subscription price being determined based on the average closing price of the share for the 30 days preceding the offer. A discount of 16.67 was applied to the average price, in return for which the shares are blocked for a two-year period.

There is no remuneration in the form of Stock Options either for the CEO or for the other members of Executive Management.

6.3.6 Pension plan

No pension plan is established for the companies Alain Wirtz SA and Jean-Francois Jacques SPRL.

Mr Pierre Lambert, in his capacity as Chief Financial Officer and director of Zetes Industries SA, works under the self-employed mandated agent regime. He enjoys an individual pension commitment, the amount of which is included in his fixed remuneration.

6.3.7 Severance indemnities

In the event of the revocation of their appointments, other than dismissal for serious offence, Alain Wirtz SA and Jean-François Jacques SPRL will each receive an indemnity equal to twelve months' compensation (annual base salary and variable pay); that of Mr Lambert, as a self-employed mandatary, will be equivalent to eighteen months.

In the event that Alain Wirtz SA and/or Jean-François Jacques SPRL resign from their directorships, they undertake to provide, at the request of the Board, various support, consultancy and transfer of know-how activities on an exclusive basis for a period of twelve months on the same financial terms (annual base salary and variable pay). Mr Lambert's undertaking is for nine months.

There is no provision for any special severance payment in case of takeover ('golden parachutes').

6.3.8 Right of recovery of variable remuneration

Other than as provided by law, there is no specific contractual provision concerning the recovery of the variable remuneration attributed on the basis of incorrect financial information.

6.4. Remuneration of non-executive directors and members of Board committees

The non-executive directors of the Company receive for their Services

a) a fixed annual amount, decided by the General Meeting of Shareholders and set at € 6.000 and

b) an amount of € 500 for each attendance at a Board of Directors meeting.

The non-executive members of the Audit Committee receive an amount of € 1.250 for each meeting of the Audit Committee in which they participate.

The Company does not provide non-executive directors with any remuneration, benefits or other incentives, other than remuneration, for their services as directors of the company. Non-executive directors do not receive any variable remuneration linked to results or other performance criteria. They are not entitled to stock options, or to any extra-legal pension scheme.

At 31 December 2014, the remuneration of non-executive directors broke down as follows:

	Board of Directors	Audit Committee	Total
Jean-Marie Laurent Josi (*)	8,000 €		8,000 €
Floris Vansina BVBA	9,000 €	3,750 €	12,750 €
Paul Jacques	9,000 €	3,750 €	12,750 €
José-Charles Zurstrassen	7,500 €		7,500 €
Olivier Gernay	8,000 €		8,000 €
Gema Sprl	9,000 €	3,750 €	12,750 €
Hiram Claus (*)	8,500 €	3,750 €	12,250 €
Total	**59,000 €**	**15,000 €**	**74,000 €**

(*) Messrs. Jean-Marie Laurent Josi and Hiram Claus surrender their directors' fees in favour of SA Cobepa.

7. Capital structure

The capital of the Company is represented by 5.389.714 shares. At 31 December 2014, Zetes Industries SA/NV held 266.936 own shares, leaving 5.122.778 shares in circulation at the same date. In 2005, the Board of Directors issued 191.894 warrants for the benefit of its employees, directors or persons having management assignments at Zetes Industries SA/ NV subsidiaries. Each warrant was granted free of charge and entitled its holder to one share, exercisable at € 23 per share. Under the conditions of the share option plans, these warrants became exercisable from June 2009. At 31 December 2014, 166.071 warrants remained in circulation.

In 2007, the Board of Directors also issued 23.800 warrants for the benefit of its employees, directors or persons having management assignments at Zetes Industries SA/NV subsidiaries. Each warrant was granted free of charge and entitled its holder to one share, exercisable at € 22.63 per share. At 31 December 2014, 2.800 warrants remained in circulation.

7.1.Shareholding structure

Based on the notifications received and published up till 31 December 2014, the shareholding structure is as follows:

Without exercise of the warrants

Shareholder	number of shares	%
Zephir (in concert with Cobepa)	1,277 495	23.70%
Cobepa (in concert with Zephir)	1,329 655	24.67%
Ratio Capital Management BV	210,000	3.90%
Axa Belgium	199,453	3.70%
Other registered shareholders	8,041	0.15%
Employees	38,550	0.72%
Public	2,059 584	38.21%
Own shares	266,936	4.95%
TOTAL	**5,389 714**	**100%**

After exercise of the warrants and delivery of the existing 168.871 own shares.

Shareholder	number of shares	%
Zephir (in concert with Cobepa)	1,277 495	23.70%
Cobepa (in concert with Zephir)	1,329 655	24.67%
Ratio Capital Management BV	210,000	3.90%
Axa Belgium	199,453	3.70%
Other registered shareholders	8,041	0.15%
Employees	38,550	0.72%
Public	2,228 455	41.35%
Own shares	98,065	1.82%
TOTAL	**5,389 714**	**100%**

Pursuant to the decision of the Board of Directors of 28 May 2014, the Board of Directors decided, on 18 March 2015, to allot own shares in the event of exercise of the options.

Except for the above mentioned information, as at 31 December 2014 the Company has not received any other notification of any ownership of shares of more than 3% in compliance with the articles of association.

7.2. Notification Art. 74 of the Law of 1 April 2007

According to article 74 of the Law of 1 April 2007 on takeover bids, Zetes Industries SA/NV has received notifications from the following shareholders. These notifications include all legally required statements and mention in particular that, acting in concert with other people since 21 November 2005, these shareholders held more than 30% of the voting securities issued by the company:

a) Zephir Corporation SA, a corporation organised under the laws of Belgium acting in concert with Copeba SA.

b) Copeba SA, a corporation organised under the laws of Belgium acting in concert with Zephir Corporation SA.

Under the terms of their agreement, Zephir Corporation and Cobepa have agreed (among other matters) the following:

a) Minimum number of directors - each party will vote in favour of a minimum number of candidates for directorships proposed by the other in accordance with the following rule: one candidate for every complete 7% of all the issued and outstanding shares of the Company held by Zephir Corporation or Cobepa.

b) Pre-emption right: the parties have a pre-emption right on the shares the other party wishes to transfer according to defined rules. However, 25% of the shareholdings owned by both parties immediately after the IPO are free of this pre-emption right.

7.3. Measures to prevent insider trading

The Zetes Group's code of conduct to prevent insider trading is included in the Corporate Governance Charter. This is published on the website (www.zetes.com/en/investor-relations/corporate-governance).

8. Policy for the appropriation of the results

The intention of the Company is to pay out dividends for an amount of about one third of its net profit before goodwill impairment. Any proposal to pay dividends will also be based upon the Company's financial situation, its capital requirements and other factors considered important by the Company.

In accordance with this policy, the Board of Directors will propose to the General Shareholders' Meeting on 27 May 2015 that it declare a gross ordinary dividend per share of € 0.63, up 14.5% on the previous year's amount.

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