Financial Information and Corporate Governance

zetes
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Contents

The consolidated financial statements for the year ended December 31, 2012 as presented in this annual report were prepared under the responsibility of the Board of Directors and authorised for issue on March 29, 2013 subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on May 29, 2013.

Consolidated income statement

	NOTES	2010	2011	2012
In ´000 €				
Sales		**216 738**	**220 562**	**214 126**
Cogs		(128 028)	(125 085)	(120 427)
Gross Margin		**88 711**	**95 477**	**93 699**
Employee expenses	2	(47 470)	(53 062)	(55 252)
Other operating expenses		(22 145)	(23 774)	(24 331)
Current EBITDA [1]		**19 096**	**18 640**	**14 117**
Non current costs	4	(408)	(987)	(1 207)
EBITDA		**18 688**	**17 653**	**12 910**
Provisions, depreciation, amortisation, impairment losses	6 / 7 / 9 / 10	(7 272)	(7 599)	(7 472)
EBIT		**11 416**	**10 055**	**5 438**
Result from the disposal of fixed assets		20	(1)	61
Financial result	4	(581)	(1 213)	(543)
Result before taxes		**10 855**	**8 841**	**4 956**
Income tax	5	(2 645)	(2 597)	(1 431)
PROFIT OF THE PERIOD		**8 210**	**6 244**	**3 526**
Non controlling interests		(164)	(65)	(152)
Net profit of the Group		8 374	6 308	3 677
Current EBIT [1]		**11 824**	**11 041**	**6 645**
Net current result [1] [3]		**8 694**	**7 005**	**4 512**

Total comprehensive income

In ´000 €			
Net profit of the Group	**8 374**	**6 308**	**3 677**
Currency translation differences	359	(10)	106
Net revaluation of hedging instruments	48	4	(13)
Other comprehensive income, net of related tax effects[*]	**407**	**(7)**	**94**
Total comprehensive income of the Group[**]	**8 781**	**6 302**	**3 771**

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

Earnings per share (€ per share)

Number of shares outstanding [2]	12	5 324 566	5 331 111	5 247 116
Net result [3]		1,57	1,18	0,70
Net current result [1] [3]		1,63	1,31	0,86
Number of shares fully diluted [2]	12	5 324 566	5 331 111	5 247 116
Net diluted result [3]		1,57	1,18	0,70

(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	2010	2011	2012
In ´000 €				
ASSETS				
Tangible assets	6	12 548	13 020	13 625
Intangible assets	7	4 690	5 636	5 433
Goodwill	7	34 970	40 125	39 878
Deferred tax assets	5	2 749	3 028	3 204
Financial assets and other non current assets	8	632	808	556
Non current assets		**55 588**	**62 616**	**62 697**
Inventories	9	15 155	15 351	15 631
Current trade and other receivables	10	65 593	62 345	57 724
Current tax assets		249	209	216
Current prepayments		7 161	8 696	9 900
Cash and cash equivalents	13	14 599	14 306	12 797
Current assets		**102 757**	**100 907**	**96 268**
Total assets		**158 346**	**163 523**	**158 964**

EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		77 526	77 270	76 461
Non controlling interests		405	1 115	1 039
Total equity	**12**	**77 930**	**78 385**	**77 501**
Non current borrowings	13	963	3 615	1 012
Non current provisions	14	579	696	771
Non current obligations	14	118	192	241
Deferred tax liabilities	5	1 686	1 994	1 854
Non current liabilities		**3 346**	**6 497**	**3 878**
Current interests bearing borrowings	13	4 021	4 345	4 921
Current provisions	14	15	387	114
Current obligations	14	17	31	33
Current trade and other payables	15	70 333	71 316	68 185
Current tax liabilities		1 403	1 609	2 617
Other current liabilities		1 280	953	1 715
Current liabilities		**77 070**	**78 641**	**77 586**
Total equity and liabilities		**158 346**	**163 523**	**158 964**

Consolidated cash flow statement

	2010	2011	2012
In ´000 €			
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE (I)	**18 140**	**14 599**	**14 306**
Cash flows from the P&L	**14 681**	**14 499**	**10 541**
Result before tax	10 855	8 841	4 956
Depreciation on fixed assets	4 633	4 944	5 033
Depreciation on development costs	1 472	1 498	1 686
Write-downs on stock & receivables	1 123	790	538
Write-downs on financial assets	-	65	26
Provisions	48	409	(19)
Net Financial charges	517	184	153
Income tax paid	(3 483)	(2 418)	(1 694)
Other increases (decreases) incl. badwill	(483)	186	(138)
Working capital	**(3 564)**	**3 675**	**1 840**
Decrease (increase) in assets	(22 102)	6 545	3 235
Increase (decrease) in liabilities	18 538	(2 870)	(1 395)
CASH FLOWS FROM THE OPERATIONS (II)	**11 117**	**18 174**	**12 381**
Acquisitions	**(10 141)**	**(13 724)**	**(7 934)**
Fixed assets	(6 715)	(4 701)	(5 361)
Subsidiaries (net of cash acquired)	(1 278)	(6 550)	(740)
Developments	(2 147)	(2 473)	(1 834)
Disposals	**93**	**186**	**201**
Fixed assets	93	186	201
Interests received (+)	**38**	**114**	**71**
CASH FLOWS RELATING TO INVESTING ACTIVITIES (III)	**(10 010)**	**(13 424)**	**(7 662)**
Proceeds from cash flows from financing	**113**	**4 890**	**105**
Capital	-	276	105
Proceeds from finance lease/bank loans	113	3 544	-
Other loans	-	1 070	-
Repayments relating to cash flows from financing	**(2 984)**	**(3 055)**	**(1 500)**
Repayment of finance lease liabilities and bank loans	(2 837)	(2 018)	(2 080)
Bank overdrafts increase (decrease)	(49)	(966)	588
Cash restricted or pledged	(98)	(71)	(8)
Financial charges	**(555)**	**(298)**	**(224)**
Dividends Paid	**(1 911)**	**(5 336)**	**(2 895)**
Own shares	**466**	**(1 267)**	**(1 685)**
NET CASH FLOWS RELATING TO FIN. ACTIVITIES (IV)	**(4 870)**	**(5 065)**	**(6 199)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (V) = (II) + (III) + (IV)	**(3 763)**	**(316)**	**(1 481)**
Effect of exchange rates (VI)	**222**	**23**	**(28)**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE (VII) = (I) + (V) + (VI)	**14 599**	**14 306**	**12 797**

Consolidated statement of changes in equity

	Issued capital	Reserves	Own shares	Currency translation reserves [2]	Hedging reserves	Total [1]	Non controlling interests	Total equity
In '000 €								
Balance at 31 December 2009	**58 311**	**13 330**	**(767)**	**(634)**	**(52)**	**70 188**	**153**	**70 341**
Net result of the period		8 374				**8 374**	(164)	**8 210**
Result directly allocated to equity				359	48	**407**		**407**
Total comprehensive income		**8 374**		**359**	**48**	**8 781**	**(164)**	**8 617**
Business Combination						**0**	404	**404**
Share-based payment		1				**1**		**1**
Dividends		(1 911)				**(1 911)**		**(1 911)**
Acquisitions / sales of own shares			466			**466**		**466**
Other variations		0				**0**	12	**12**
Balance at 31 December 2010	**58 311**	**19 794**	**(300)**	**(276)**	**(4)**	**77 526**	**405**	**77 930**
Net result of the period		6 308				**6 308**	(65)	**6 244**
Result directly allocated to equity				(10)	4	**(7)**		**(7)**
Total comprehensive income		**6 308**		**(10)**	**4**	**6 302**	**(65)**	**6 237**
Capital increase						**0**	276	**276**
Business Combination						**0**	547	**547**
Share-based payment						**0**		**0**
Dividends		(5 318)				**(5 318)**		**(5 318)**
Acquisitions / sales of own shares			(1 267)			**(1 267)**		**(1 267)**
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in change of control		28				**28**	(28)	**0**
Other variations	(4 000)	4 000				**(0)**	(20)	**(20)**
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**

(1) Attributable to equity holders of the parent company
(2) The increase of the translation reserves for an amount of 106 thousand € is mainly explained by the pound sterling's increase against the euro, and secondarily, by the decline of the rand against the euro.

Summary of principal accounting policies

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

1. Declarations of conformity

The consolidated financial statements at 31 December 2012 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 2012.

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 2012

Amendments to IAS 12	Income Taxes - Deferred Tax: Recovery of the carrying amount of an asset (1/1/2012)	1/1/2012
Amendments to IFRS 7	Financial Instruments – Disclosures – Amendment regarding derecognition (1/7/2011)	1/7/2011

The above-mentioned amendments do not impact the information to be disclosed by the Zetes Group.

b. Standards and Interpretations issued but not yet in force at 31 December 2012

IFRS 9	Financial instruments and related amendments	1/1/2015
IFRS 10	Consolidated Financial Statements	1/1/2014
IFRS 11	Partnerships	1/1/2014
IFRS 12	Disclosure of shareholdings in other entities	1/1/2014
IFRS 13	Fair value measurement	1/1/2013
IFRS 7	Financial Instruments: Disclosures - Amendment regarding the offsetting of assets and liabilities	1/1/2013
Amendements à IAS 1	Presentation of Financial Statements - Other comprehensive income	1/7/2012
Amendements à IAS 19	Employee Benefits	1/1/2013
Amendements à IAS 27	Separate Financial Statements	1/1/2014
Amendements à IAS 28	Investments in associates and joint ventures	1/1/2014
Amendements à IAS 32	Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	1/1/2014
Amendements à IFRS 1	Government Loans	1/1/2013
Amendements aux IFRS 10, 11 et 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1/1/2014
Amendements aux IFRS 10 et 12 et à IAS 27	Consolidated Financial Statements, Disclosure of Interests in Other Entities: Investment Entities	1/1/2014
IFRIC 20	Stripping Costs Incurred during the operational phase of an open pit mine	1/1/2013

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
- capitalised 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 ventures

Joint ventures are those entities over whose activities Zetes has joint control together with a third party, established by contractual agreement.

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 2012	Closing 2011	Average 2012	Average 2011
1 Euro =				
Pounds sterling	**0,8161**	0,8353	**0,8108**	0,8675
Swiss Franc	**1,2072**	1,2156	**1,2053**	1,2318
U.S. dollar	**1,3194**	1,2939	**1,2856**	1,3917
Rand	**11,1727**	10,4830	**10,5362**	10,4497

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	2 – 4 ans
Goods ID equipment for commercial use (demo stock)	2 – 4 years
Computer and office equipment	3 – 5 years
Furniture	5 – 10 years
Vehicles	4 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.

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.

In respect of tax losses acquired upon investments in subsidiaries and joint ventures, 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 realised 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.

Certain subsidiaries provide a post-employment benefit that is not a pension plan. The benefits are unfunded and 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 %	Method of consolida-tion	Change [1]	Date of change
Accuscan International Ltd	Angleterre	100	Globale		
Anvos GmvH	Allemagne	100	Globale		
Blackbird Data Systems Ltd	Irlande	100	Globale		
Burotica SA	Portugal	100	Globale		
Id-All BV	Pays-Bas	100	Globale		
IND Systeme GmbH	Allemagne	100	Globale		
Logiscan SARL	France	100	Globale		
Metaform Ltd	Israël	100	Globale		
Powersys 2000 S.L.	Espagne	100	Globale		
RASW Management Maarn BV	Pays-Bas	100	Globale		
RFIDEA SA	Belgique	100	Globale		
Zetes Auto ID Systems AG	Suisse	100	Globale		
Zetes BV	Pays-Bas	100	Globale		
Zetes Côte d'Ivoire	Côte d'Ivoire	100	Globale		
Zetes Fastrace SA	Belgique	75,9	Globale		
Zetes GmbH	Allemagne	100	Globale		
Zetes Holding GmbH	Allemagne	100	Globale		
Zetes Holding Ltd	Angleterre	100	Globale		
Zetes Industries (Israël) Ltd	Israël	70	Globale		
Zetes International GmbH	Allemagne	100	Globale		
Zetes Ireland Ltd	Irlande	100	Globale		
Zetes Ltd	Angleterre	100	Globale		
Zetes Pty Ltd	Afrique du Sud	90	Globale		
Zetes Multicom SA	Espagne	100	Globale		
Zetes NetWave SA Information Systems and Telecommunications	Grèce	58,1	Globale		
Zetes SA	Belgique	100	Globale		
Zetes SAS	France	100	Globale		
ZETES Solutions CZ s.r.o.	République tchèque	100	Globale	100%	June 2012
Zetes SRL	Italie	100	Globale		
Zetes Technologies BV	Pays-Bas	100	Globale		
Zetes Technologies SA	Belgique	50	Globale		
Zts Lda	Portugal	100	Globale		
Number of subsidiaries consolidated: 32					

(1) % of shares acquired during the year

2012 Events

Ine June 2012, Zetes acquired the company InCaptio (now known as Zetes Solutions CZ s.r.o.) in Czech Republic.

The companies Buco Card Services BV and Zetes Pass BV were placed in liquidation.

Joint ventures

In 2009, Zetes has created a joint venture with the company Pitkit Printing Enterprises. This entity, integrated in Metaform Ltd, is proportionately consolidated.

Joint venture financial position at 31.12.2012	
In '000 €	
Non current assets	1 979
Current assets	6 584
Equity	7 932
Non current liabilities	371
Current liabilities	260

NOTE 2. EMPLOYMENT

COSTS BOOKED	**2010**	**2011**	**2012**
In '000 €			
Wages and salaries	(46 439)	(51 879)	(53 803)
Defined contribution pension plan	(1 031)	(1 183)	(1 448)
Total	**(47 470)**	**(53 062)**	**(55 252)**

TOTAL IN UNITS			
Average Number of Staff	868	1 012	1 073
Total staff at the end of the year	902	1 097	1 070

TOTAL IN FTE (1)			
Average Number of Staff	842	987	1 047
Total staff at the end of the year	880	1 074	1 042

(1) FTE: Full Time Equivalent

NOTE 3. SEGMENT REPORTING

INCOME STATEMENT	2010	2011	2012
In ´000 €			
Sales			
Goods ID	155 290	170 703	171 518
People ID	61 448	49 859	42 608
Corporate	-	(0)	(0)
Total sales	**216 738**	**220 562**	**214 126**
Gross margin			
Goods ID	63 047	68 518	69 323
In % of sales	40,6%	40,1%	40,4%
People ID	25 663	26 959	24 377
In % of sales	41,8%	54,1%	57,2%
Corporate	-	-	-
Total gross margin	**88 711**	**95 477**	**93 699**
Total gross margin in % of sales	**40,9%**	**43,3%**	**43,8%**
Operating expenses			
Goods ID	(51 652)	(58 636)	(61 884)
People ID	(14 885)	(14 904)	(14 490)
Corporate	(3 077)	(3 298)	(3 209)
Total operating expenses	**(69 614)**	**(76 837)**	**(79 583)**
Current EBITDA			
Goods ID	11 395	9 882	7 439
In % of sales	7,3%	5,8%	4,3%
People ID	10 779	12 055	9 887
In % of sales	17,5%	24,2%	23,2%
Corporate	(3 077)	(3 298)	(3 209)
Total current EBITDA	**19 096**	**18 640**	**14 117**
Total current EBITDA in % of sales	**8,8%**	**8,5%**	**6,6%**
EBITDA			
Goods ID	11 002	9 258	6 285
People ID	10 764	11 693	9 879
Corporate	(3 078)	(3 298)	(3 254)
Total EBITDA	**18 688**	**17 653**	**12 910**
Current EBIT			
Goods ID	7 054	5 225	2 296
In % of sales	4,5%	3,1%	1,3%
People ID	7 865	9 131	7 641
In % of sales	12,8%	18,3%	17,9%
Corporate	(3 095)	(3 315)	(3 292)
Total current EBIT	**11 824**	**11 041**	**6 645**
Total current EBIT in % of sales	**5,5%**	**5,0%**	**3,1%**
EBIT			
Goods ID	6 661	4 601	1 142
People ID	7 850	8 769	7 634
Corporate	(3 096)	(3 315)	(3 337)
Total EBIT	**11 416**	**10 055**	**5 438**

FINANCIAL POSITION	2010	2011	2012
In ´000 €			
Goodwill			
Goods ID	31 661	36 816	36 569
People ID	3 309	3 309	3 309
Total goodwill	**34 970**	**40 125**	**39 878**
Fixed assets			
Goods ID	10 422	12 811	14 289
People ID	6 809	5 601	4 552
Corporate	7	244	218
Total fixed assets	**17 238**	**18 655**	**19 058**
Inventories			
Goods ID	8 482	12 045	11 619
People ID	6 672	3 306	4 012
Total inventories	**15 155**	**15 351**	**15 631**
Current trade and other receivables			
Goods ID	58 906	59 406	56 588
People ID	13 157	9 915	9 024
Corporate	73	87	140
Total current trade and other receivables	**72 136**	**69 408**	**65 752**
Total assets			
Goods ID	109 472	121 078	119 065
People ID	29 947	22 130	20 896
Corporate and other non allocated assets	18 927	20 315	19 003
Total assets	**158 346**	**163 523**	**158 964**
Current trade and other payables			
Goods ID	55 730	61 084	60 432
People ID	13 873	8 762	7 989
Corporate	740	952	729
Total current trade and other payables	**70 344**	**70 798**	**69 150**
Total liabilities			
Goods ID	55 730	61 084	60 432
People ID	13 873	8 762	7 989
Corporate and other non allocated liabilities	88 742	93 677	90 543
Total liabilities	**158 346**	**163 523**	**158 964**
Capital expenditures			
Goods ID	6 789	5 254	5 929
People ID	2 073	1 665	1 185
Corporate	-	255	80
Total Capital expenditures	**8 863**	**7 174**	**7 195**

Segment information

Zetes Industries applies IFRS 8 'Operating Segments'. It is organised into two activity clusters - Goods ID and People ID - that operate in different modes and with separate management control systems. The organisation of the "Goods ID" division was modified in 2012. Today it is organised into businesses, under the authority of managers whose specific responsibilities extend across all the entities of the division. The organisation by region has been abandoned.

In People ID, as previously announced, Zetes has established business development teams on the African continent (South Africa, Cote d'Ivoire). The division remains, however, highly centralised.

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

The 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	2009	2010	2011	2012	%
In '000 €					
Sales	131,646	155,290	170,703	171,518	0.5%
Gross margin	57,885	63,047	68,518	69,323	1.2%
Operating expenses	-48,019	-51,652	-58,636	-61,884	5.5%
Current EBITDA	9,866	11,395	9,882	7,439	-24.7%
Current EBITDA as % of Sales	7.50%	7.30%	5.80%	4.34%	
EBITDA	9,325	11,002	9,258	6,285	-32.1%
Current EBIT	6,170	7,054	5,225	2,296	-56.1%

Sales by the Goods ID Division rose very slightly in 2012, despite the division being confronted, at the beginning of 2012, by an uncertain economic environment, expressed by highly volatile order-taking and low profitability throughout the first half. In the second half, the division was able to return to performance levels equivalent to those of 2011. From one half to another, EBITDA multiplied by a factor of 2.3 (€ 2.2 million in H1 and € 5.2 million in H2).

On an annual basis, the performance is strongly influenced by the first half. With current EBITDA of € 7.4 million, performance is down 24.7% compared with 2011.

In order better to withstand the greater volatility of order-taking, and reduce the related difficulties of project planning and execution, Zetes has evolved its business model by focusing on its best solutions. The Division carefully analysed the economic sectors and areas of activity where mobility and automatic identification solutions are the most critical and, therefore, can potentially generate greater added value for customers. By crossing these data with Zetes' areas of expertise, 6 flagship solutions were identified.

These solutions are being converted by the Group into products in order to capitalise on the experience gained in the application softwares that meet the needs of customers in the same industry. The expected productivity gains for Zetes are substantial because all developments are focused on one product continuously enriched for each key solution. Zetes' objective is for the model to be beneficial both to clients and to the Goods ID division.

In this way, Zetes clearly defines its area of expertise in 6 solutions that meet the needs of the supply chain from the production unit through logistics and transport right up to the store.

This strategy enables Zetes to better serve certain economic sectors, targeting them with sophisticated products, while retaining the flexibility to develop specific projects at the request of its customers.

The use of a common development platform created by the Group makes it possible to support the mobile terminals of several manufacturers and most communication protocols.

Customers have clearly expressed their interest in these flagship products because access to Zetes' expertise is faster and more efficient via products than via human beings. Certain solutions, such as those hosted in the Cloud, lend themselves very well to a lease rather than a sales model. In this case Zetes provides an integrated solution (hardware, software, services) against payment per month per terminal for a fixed term of 3 to 4 years. This model is very similar to that applied for "Build and Operate" contracts in People ID, and increases the predictability of income. In some cases, the leased assets are shown in the balance sheet (see below). But, in the long run, in most cases, based on agreements with the financial institutions, the physical assets will be leased to the client by the latter.

Internal growth and currency effects

The impact of currency fluctuations is very limited in the division (positive impact of € 55,000 at the EBITDA).

Goods ID *Currency effect excluded*	**2011**	**2012**	**%**
In ´000 €			
Sales	170,703	169,889	-0.5%
Gross margin	68,518	68,714	0.3%
Gross Margin a % of Sales	*40.1%*	*40.4%*	
Operating expenses	(58,636)	(61,335)	4.6%
Current EBITDA	9,882	7,378	-25.3%
Current EBITDA as % of Sales	5.8%	4.3%	
EBITDA	9,258	6,230	-32.7%

Performance analysis on a constant scope basis (organic growth) shows an improvement of the results of the division (current EBITDA of € 7.7 million vs. € 7.4 million), which is explained by the poor performance of Zetes South Africa in 2012.

Goods ID *Pro forma 2011 and 2012 (*)*	**2011**	**2012**	**%**
In ´000 €			
Sales	160,645	153,796	-4.3%
Gross margin	64,299	62,327	-3.1%
Gross Margin a % of Sales	*40.0%*	*40.5%*	
Operating expenses	(54,930)	(54,663)	-0.5%
Current EBITDA	9,369	7,664	-18.2%
Current EBITDA as % of Sales	5.8%	5.0%	
EBITDA	8,744	6,586	-24.7%

(*): Rfidea and Zetes South Africa excluded in 2011 and 2012. Zetes Czech Republic excluded in 2012.

2. PEOPLE ID

The People ID division was able to rely on "Build and Operate" contracts to generate three-quarters of its revenues, which amounted in 2012 to € 42.6 million. These are down 14.5% compared to 2011, owing to the absence in 2012 of major "Build and Transfer" projects with their heavy hardware component. While the gross margin is down 9.6% in absolute terms to € 24.4 million, gross margin as a percentage of sales rose to 57.2% (vs. 54.1% in 2011), highlighting the added value delivered in all projects and the importance of services in the income of the Division.

People ID	**2009**	**2010**	**2011**	**2012**	**%**
In ´000 €					
Sales	35,808	61,448	49,859	42,608	-14.5%
Gross margin	18,556	25,663	26,959	24,377	-9.6%
Operating expenses	-12,120	-14,885	-14,904	-14,490	-2.8%
Current EBITDA	6,436	10,779	12,055	9,887	-18.0%
Current EBITDA as % of Sales	18.00%	17.50%	24.20%	23.20%	
EBITDA	6,365	10,764	11,693	9,879	-15.5%
Current EBIT	4,688	7,865	9,131	7,641	-16.3%

All "Build and Operate" contracts contributed to the result: eID and SIS card in Belgium, eID in Portugal and in Israel, biometric passports and visas in the Côte d'Ivoire.

"Build and Transfer" projects were undertaken in the context of electoral cycles, in Sierra Leone for the United Nations and in Togo. Other smaller projects were carried out for the banking and insurance sectors as well as for civil servant identification in Chad.

In terms of business development, the Belgian government awarded Zetes the contract for the new driving licence at the end of the year. Zetes will produce approximately 800,000 licences a year for a minimum of five years ("Build and Operate" model).

Operating expenses are down by 2.8%. It should be noted here that non-critical functions for major projects are outsourced. As there were fewer large "Build and Transfer" projects, operating costs were kept down.

The Division continues to post excellent profitability ratios thanks to its strategy of value added (gross margin) and its permanent cost control.

With current EBITDA down 18% compared with 2011 at € 9.9 million, the current EBITDA to sales ratio remained at a high at 23.2% (24.2% in 2011), a percentage explained by the very high 'services' component in the "Build and Transfer" contract sales and that the fact that "Build and Operate" contracts are capital intensive and that invoicing therefore includes an amount to cover depreciation of the investments. EBIT amounts to € 7.6 million.

3. GROUP

The cost of the Corporate Division amounted to € 3.2 million. The Zetes model is based on strong operational divisions and only a light corporate structure. The main tasks of Corporate are strategy definition, financial control, marketing and external growth.

NOTE 4. NON CURRENT COSTS / FINANCIAL RESULT

NON CURRENT COSTS	2010	2011	2012
In '000 €			
Employee offering / stock (option) plan	(1)	-	-
Restructuring costs	(359)	(893)	(1 280)
Badwill	-	-	81
Other non current costs	(47)	(94)	(8)
Total	**(408)**	**(987)**	**(1 207)**

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

FINANCIAL RESULT	2010	2011	2012
In '000 €			
Interest charges	(555)	(298)	(224)
Other financial charges	(384)	(347)	(324)
Interest revenues	38	114	71
Other financial revenues	89	24	109
Financial result excluding exchange differences	**(812)**	**(506)**	**(367)**
Exchange losses / conversion differences	(751)	(1 021)	**(564)**
Exchange gains / conversion differences	982	315	**389**
Exchange differences	**231**	**(706)**	**(175)**
Total financial result	**(581)**	**(1 213)**	**(543)**

NOTE 5. TAXES

INCOME TAX	2010	2011	2012
In ´000 €			
Current income tax expenses	3 483	2 418	1 694
Deferred tax expenses	(839)	180	(264)
Income tax	**2 645**	**2 597**	**1 431**

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX RATE			
Tax expenses using statutory rate	**3 690**	**3 005**	**1 685**
Net profit before taxes	10 855	8 841	4 956
Belgian statutory tax rate	33,99%	33,99%	33,99%
Tax effect of rates in other jurisdictions	(267)	(50)	(121)
Tax effect of notional interest deduction	(435)	(412)	(332)
Tax effect of non tax deductible expenses	443	399	560
Tax effect of current and deferred tax adjustments	(773)	(313)	(383)
Others	(14)	(31)	23
Tax expenses using effective rate	**2 645**	**2 597**	**1 431**
Effective tax rate	24,36%	29,38%	28,86%

DEFERRED TAX ASSETS	2010	2011	2012
In ´000 €			
Intangible assets	92	81	(28)
Tangible assets	45	86	157
Inventories	82	39	32
Trade receivables	115	60	34
Construction contracts	-	(4)	-
Accruals	72	38	27
Provisions	23	115	43
Tax losses carried-forward	2 320	2 614	2 939
Total deferred tax assets	**2 749**	**3 028**	**3 204**

DEFERRED TAX LIABILITIES	2010	2011	2012
Intangible assets	829	1 109	1 168
Tangible assets	280	278	277
Inventories	-	-	-
Construction contracts	452	482	374
Accruals	-	-	35
Non-recoverable tax losses	125	125	-
Total deferred tax liabilities	**1 686**	**1 994**	**1 854**

NOTE 6. TANGIBLE ASSETS

In ´000 €	Buildings	Plants and equipments	Motor vehi-cles	Fixtures and fittings	Leasehold improve-ments	Other	Assets leased to third parties	Total
Balance at 31 December 2009								
Cost	**445**	24 273	2 684	2 455	4 574	1 763		36 193
Accumulated depreciation	(209)	(18 629)	(1 739)	(2 009)	(3 212)	(1 503)		(27 300)
Opening balance 2010	237	**5 644**	**945**	**446**	**1 362**	**259**		**8 893**
Changes in 2010								
Additions	1 883	2 557	803	98	311	309		5 961
Business combination	1 300	487	26	190	-	3		2 006
Disposals / cancellations	-	(475)	(505)	(245)	(467)	(334)		(2 025)
Conversion differences	-	278	4	34	68	10		394
Reclassifications (to) from other items / other	(21)	-	(65)	-	-	35		(51)
Depreciation charge	(107)	(2 688)	(432)	(203)	(422)	(113)		(3 964)
Depreciation on business combination	-	(334)	(20)	(149)	-	-		(503)
Depreciation on disposals / cancellations	-	474	448	245	467	318		1 952
Depreciation other	21	(87)	30	(28)	(7)	(43)		(115)
Balance at 31 December 2010								
Cost	3 607	27 119	2 947	2 532	4 486	1 786		42 477
Accumulated depreciation	(294)	(21 263)	(1 713)	(2 143)	(3 174)	(1 341)		(29 929)
Closing balance 2010	**3 313**	**5 856**	**1 234**	**388**	**1 312**	**445**		**12 548**
Changes in 2011								
Additions	29	1 688	992	130	771	407		4 017
Business combination	-	1 240	173	212	-	343		1 969
Disposals / cancellations	-	(214)	(775)	(301)	(317)	(4)		(1 611)
Conversion differences	-	(155)	(7)	(6)	(4)	(29)		(200)
Reclassifications (to) from other items / other	-	(421)	(18)	58	0	-		(381)
Depreciation charge	(155)	(2 859)	(454)	(179)	(371)	(159)		(4 178)
Depreciation on business combination	-	(793)	(54)	(176)	-	(14)		(1 038)
Depreciation on disposals / cancellations	-	210	603	293	317	1		1 424
Depreciation other	-	537	21	(90)	2	(0)		470
Balance at 31 December 2011								
Cost	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**

NOTE 6. TANGIBLE ASSETS (CONTINUED)

In '000 €	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold improvements	Other	Assets leased to third parties	Total
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								
Cost	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**
Balance at 31 December 2012								
Net carrying amount of tangible assets under finance leases		68	103	2				**172**
Tangible assets acquired in 2012 under finance leases		**-**	**4**					**4**
Amount of tangible assets pledged as security for liabilities		**68**	**103**	**2**				**172**

NOTE 7. INTANGIBLE ASSETS

In '000 €	Goodwill	Development costs	Patents, trademarks and other rights	Computer software	Total
Balance at 31 December 2009					
Cost	34 421	11 323	1 096	3 365	50 206
Accumulated depreciation	-	(9 121)	(519)	(2 269)	(11 910)
Accumulated impairment losses	(1 314)	-	-	-	(1 314)
Closing balance 2009	**33 108**	**2 202**	**576**	**1 096**	**36 982**
Changes in 2010					
Additions		2 147	58	697	2 902
Business combination	1 679				1 679
Conversion differences	183	(0)	64	4	251
Other				(65)	(65)
Depreciation charge		(1 481)	(217)	(443)	(2 141)
Depreciation other		(0)	(7)	60	53

NOTE 7. INTANGIBLE ASSETS (CONTINUED)

In ´000 €	Goodwill	Development costs	Patents, trade-marks and other rights	Computer software	Total
Balance at 31 December 2010					
Cost	36 283	13 470	1 217	4 001	54 972
Accumulated depreciation	-	(10 602)	(743)	(2 653)	(13 998)
Accumulated impairment losses	(1 314)	-	-	-	(1 314)
Closing balance 2010	**34 970**	**2 868**	**474**	**1 349**	**39 660**
Changes in 2011					
Additions		2 473	42	642	3 157
Business combination	5 498	44	140	107	5 788
Conversion differences	(41)	5	(20)	8	(48)
Other	(302)	(844)	(389)	431	(1 104)
Depreciation charge		(1 543)	(227)	(493)	(2 264)
Depreciation on business combination		(40)	(132)	(71)	(243)
Depreciation other		842	381	(408)	815
Balance at 31 December 2011					
Cost	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				
Depreciation other		(1)	(2)	32	29
Balance at 31 December 2012					
Cost	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**
Net internally generated intangible assets		**3 890**			**3 890**

Comments on Goodwill

The goodwill increase of 399 thousand € is related to the acquisition of InCaptio in Czech Republic.

The cancellation of the fully depreciated goodwill of 718 thousand € is related to the liquidation of Buco Card Services BV.

Earnouts

Negative adjustments for 646 thousand € relating to the earnouts reevaluation have been booked in 2012 and are linked to the acquisitions prior to 2010 (application of IFRS 3).

Breakdown of the goodwill by segment and by CGU

The aggregation of assets for the cash-generating units was revised in 2012. The "Goods ID" activity has, since the second half of the year, been organised by businesses, each under the authority of specific managers. 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.

Until 2011, goodwill was monitored by region (North, Central and South), with each region composed of different entities working closely together.

The reorganisation into "businesses" has had the effect of eliminating the concept of "regions", implying a change in the way assets are grouped. Zetes has identified the smallest groups of assets that generate cash inflows that are largely independent.

The goodwill impairment test is now performed at the level of the Goods ID and People ID divisions, in line with the way in which Zetes manages its activities.

	2010	2011	2012	VAR.
In '000 €				
By segment				
Goods ID	31 661	36 816	36 569	(247)
People ID	3 309	3 309	3 309	-
Total goodwill	**34 970**	**40 125**	**39 878**	**(247)**
By CGU				
Goods ID - North (pro forma)	6 665	10 489	10 256	(233)
Goods ID - South (pro forma)	9 463	9 985	9 953	(32)
Goods ID - Central (pro forma)	13 799	14 920	15 319	399
Goods ID - Competence centres (pro forma)	1 734	1 423	1 041	(382)
Total Goods ID	**31 661**	**36 816**	**36 569**	**(247)**
Total People ID	**3 309**	**3 309**	**3 309**	**-**
Total Zetes Group	**34 970**	**40 125**	**39 878**	**(247)**

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 monoactivity are organised in such a way as to be able analytically to break down 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.

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 whenever indications of impairment exists.

The external impairment index used is the market capitalisation of the company. The recoverable amount of a cash-generating unit is determined on the basis of fair value, less costs of sale 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 then 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 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 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:

	2012
Discount rate	10%
Growth rate [1]	1%
Illiquidity discount	15%

(1) After the five-year period

Sensitivity analysis

The group conducts a sensitivity study, with an emphasis on the key assumptions. These are the EBITDA multiplier used to determine the fair value and growth forecasts.

The Company believes that its financing structure, without net debt, does not justify testing the impact of a change in financing costs (WACC).

The sensitivity analysis shows that a reasonably possible change in a key assumption (change in the EBITDA multiple - 20% reduction) leads to the carrying value of the Goods ID division exceeding its fair value, but without exceeding its value in use. The impact on the value in use of a 50% fall in the 5 year growth forecast (sales and operating expenses) under the constraint of a stable margin/sales ratio shows that the value in use of the division is very significantly greater than its carrying value.

NOTE 8. FINANCIAL ASSETS AND OTHER NON CURRENT ASSETS

ASSETS	2010	2011	2012
In '000 €			
Other non current financial assets	170	197	164
Non current cash restricted or pledged	462	611	392
Total	**632**	**808**	**556**

HEDGING INSTRUMENTS

In '000	Sale EUR	Purchase USD	Expiring from	Expiring to	Contract average rate	Closing rate 31/12
Contrats de change à terme EUR / USD	1 406	1 832	jan-13	feb-13	1,303	1,319

The Group has hedging instruments to hedge identified foreign exchange risks; on 31/12/2012, there are hedging contracts for an amount of 1.8 million USD against EUR to be purchased at an average rate of 1.303. The net result on hedging instruments is (13) thousand € and is mentioned in the Statement of Changes in equity.

NOTE 9. INVENTORIES

ASSETS	2010	2011	2012
In '000 €			
Gross carrying amounts	**20 406**	**20 824**	**20 382**
Goods	14 562	17 866	15 129
Production supplies	5 572	2 722	3 921
Stock in transit	271	237	1 332
Accumulated write-downs	**(5 251)**	**(5 473)**	**(4 751)**
Goods	(5 051)	(5 262)	(4 499)
Production supplies	(200)	(211)	(252)
Total net	**15 155**	**15 351**	**15 631**

INCOME STATEMENT

In '000 €			
Write-downs on stock of the year	(715)	(496)	(381)

NOTE 10. CURRENT TRADE AND OTHER RECEIVABLES

ASSETS	2010	2011	2012
In '000 €			
Trade receivables	**62 079**	**58 232**	**53 852**
Gross trade receivables	63 728	59 962	55 038
Accumulated write-downs	(1 648)	(1 730)	(1 187)
Other current receivables	**3 514**	**4 112**	**3 872**
Construction contracts	2 545	1 881	1 556
Other	969	2 232	2 317
Total	**65 593**	**62 345**	**57 724**

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 an insurance credit 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 recognised profits less losses	94 356	120 066	144 202

INCOME STATEMENT	2010	2011	2012
In '000 €			
Sales relating to the execution of construction contracts	22 187	25 710	24 137
Write-downs on bad and doubtful customers	(408)	(295)	(157)

Change in accounting estimates - construction contracts

The percentage of completion method is applied on a cumulative basis for every exercise, depending on the best estimate of the costs and revenue of the existing contracts. In 2012, the revenues estimate has been increased for three outstantding contracts.

NOTE 11. RELATED PARTIES

	2010	2011	2012
In '000 €			
Assets with related parties [1]	**192**	**155**	**46**
Liabilities with related parties	**14**	**236**	**128**
Transactions within related parties			
Total Management Committee remunerations	(902)	(1 025)	(876)
Basic compensation	(632)	(675)	(738)
Variable compensation	(270)	(350)	(138)
Total non executive directors remunerations	(52)	(63)	(74)
Total others [2]	(20)	(33)	(20)
Total services received	**(974)**	**(1 121)**	**(969)**

(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 31/12/2011	5 389 714
Number of shares issued in 2012	0
Number of shares on 31/12/2012	5 389 714

OWN SHARES	Number	In '000 €
Own shares, opening balance	97 657	1 568
2012 movements	118 112	1 685
Own shares, closing balance	**215 769**	**3 253**

In 2012, the Board of Directors decided to buy own shares, in accordance with the authorisation given by the Shareholders' General Meeting.

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 56.1 million €.
All shares are without par value.

Dividend

The Board of Directors will propose to the Ordinary General Assembly held on May 29, 2013 to pay a gross ordinary dividend of 0.38 € per share. The proposed dividend has not been recognised as a liability at the end of 2012.
An extraordinary General Assembly was also convened on April 22, 2013 to decide on a capital reduction in the form of a repayment to shareholders of 0.17 € per share.
The goal is to give a stable total payout compared with 2011.

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 €)	3 677	3 677
Weighted average number of ordinary shares outstanding	5 247 116	5 247 116
Basic earnings per share (in €)	**0,70**	**0,70**

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 2012, the outstanding number of options is 184,669. The weighted average listing price is 14.44 € (2012) ; 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 €)	3 677	3 677
Weighted average number of ordinary shares outstanding	5 247 116	5 247 116
Adjustments for options	0	0
Weighted average number of ordinary shares for diluted earnings per share	5 247 116	5 247 116
Diluted earnings per share (in €)	**0,70**	**0,70**

OPTIONS

	PLAN 2005	PLAN 2007	TOTAL
Exercise price	23,00	22,63	
Outstanding on 31/12/2011	181 869	2 800	184 669
Granted during the period			-
Exercised during the period	-		-
Cancelled during the period	-		-
Outstanding on 31/12/2012	181 869	2 800	184 669
Of which vested	181 869	2 800	184 669
Of which to be vested		-	-
Expiring date	31/12/17	31/12/19	

There were no options granted in 2012.

NOTE 13. FINANCIAL BORROWINGS

FINANCE LEASES, MINIMUM LEASE PAYMENT PAYABLE, PRESENT VALUE	2010	2011	2012
< 1 year			
Between 2 and 5 years	224	166	156
Total	454	506	215
Total	**678**	**673**	**370**

NON CANCELLABLE FUTURE MINIMUM OPERATING LEASE PAYMENTS

In ´000 €			
< 1 year	4 225	4 672	4 662
Between 2 and 5 years	4 633	5 903	5 433
> 5 years	55	-	-
Total	**8 913**	**10 574**	**10 095**

INTERESTS BEARING BORROWINGS

In ´000 €			
Bank borrowings	1 490	3 499	2 042
Finance leases	678	673	370
Bank overdrafts	2 815	2 721	3 307
Total interests bearing borrowings	**4 984**	**6 893**	**5 719**

NON-INTERESTS BEARING BORROWINGS

Other non current borrowings	-	1 067	214
Total	**-**	**1 067**	**214**

AGING PROFILE

< 1 year	4 021	4 345	4 921
Between 2 and 5 years	963	3 615	1 012
> 5 years	-	-	-
Total	**4 984**	**7 960**	**5 933**

FINANCIAL DEBTS BY CURRENCY	2010	2011	2012
EUR	4 873	6 698	4 705
GBP	34	14	202
CHF	78	14	791
ZAR	-	168	20
Total	**4 984**	**6 893**	**5 719**

FAIR VALUE OF FINANCIAL DEBTS

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

NET FINANCIAL DEBT (+) / CASH (-)

In ´000 €			
Total financial debts	4 984	6 893	5 719
Cash available	(15 061)	(14 917)	(13 189)
Net cash	**(10 076)**	**(8 024)**	**(7 471)**
Current financial debts	4 021	4 345	4 921
Cash and cash equivalents	(14 599)	(14 306)	(12 797)
Current net cash	**(10 577)**	**(9 961)**	**(7 877)**

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

In ´000 €			
Current cash restricted or pledged	462	611	392
Cash and cash equivalents	14 599	14 306	12 797
Total cash available	**15 061**	**14 917**	**13 189**

NOTE 14. PROVISIONS & OBLIGATIONS

PROVISIONS

In ´000 €	Warranty provisions	Restructuring provisions	Legal proceed-ing provisions	Onerous con-tract provisions	Total
Balance at 31 December 2009	**260**	**159**	**10**	**100**	**530**
Non current provisions	260	159	10	100	530
Additional provisions	60	14	61	77	213
Amounts used	-	(26)	-	-	(26)
Unused amounts reversed	(50)	-	-	(75)	(125)
Other	2	1	-	-	2
Balance at 31 December 2010	**272**	**148**	**71**	**103**	**594**
Non current provisions	272	133	71	103	579
Current provisions	-	15	-	-	15
Business combination	7	-	-	-	7
Additional provisions	104	324	256	56	739
Amounts used	-	(14)	(138)	(58)	(210)
Unused amounts reversed	(18)	-	(26)	-	(45)
Other	(2)	(134)	133	-	(2)
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

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 2009	**142**
Non current obligations	125
Current obligations	17
Additional provisions	15
Amounts used	(29)
Conversion differences	8
Balance at 31 December 2010	**136**
Non current obligations	118
Current obligations	17
Additional provisions	87
Amounts used	(38)
Conversion differences	(3)
Other	40
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

CONTINGENT LIABILITIES

On December 2012, 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 joint ventures. 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 contracted with external insurance companies, which have to respect minimum legal returns. The contributions to these insurance schemes are funded by payments from employees and the relevant group's companies. The payments to defined contribution plans charged as an expense in 2012 amount to 1 448 thousand €.

NOTE 15. CURRENT TRADE AND OTHER CURRENT PAYABLES

In ´000 €	2010	2011	2012
Trade payables	33 977	33 128	31 524
Advances received	22 834	23 541	23 006
Other current payables	13 517	14 646	13 638
Payables to employees	5 424	5 712	5 495
Payables to public administrations	6 705	6 808	6 508
Other	1 388	2 127	1 636
Current hedging instruments	5	-	17
Total	**70 333**	**71 316**	**68 185**

NOTE 16. DISCLOSURES ON ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In ´000 €	2010 Acquisitions	2011 Acquisitions	2012 Acquisitions
Impact of the acquisitions			
Non current assets	**2 034**	**1 197**	**167**
Tangible assets	1 503	931	42
Intangible assets	0	47	94
Deferred tax assets	377	138	30
Cash restricted or pledged	150	-	-
Other non current assets	4	81	-
Current assets	**2 167**	**5 572**	**877**
Inventories	362	1 419	178
Trade and other receivables	1 719	3 591	361
Prepayments	14	198	47
Cash and cash equivalents	71	166	290
Other current assets	-	198	-
Non-current liabilities	**995**	**522**	**-**
Interests bearing borrowings	409	514	-
Provisions	-	7	-
Deferred tax liabilities	587	-	-
Current liabilities	**3 131**	**4 582**	**331**
Interests bearing borrowings	1 925	974	-
Trade and other current payables	1 076	2 646	304
Advances received	52	943	23
Other liabilities	79	19	4
Net identifiable assets and liabilities	**74**	**1 666**	**712**
Goodwill on acquisitions and earnout	**1 679**	**5 498**	**318**
Goodwill on acquisitions	1 679	5 498	399
Badwill on acquisitions	-	-	(81)
Cash (acquired) / disposed	(71)	(166)	(290)
Net cash outflow / (inflow)	**1 682**	**6 997**	**740**
Minority interests	**404**	**547**	**-**

2012 & POST CLOSING TRANSACTIONS

Zetes acquired in 2012 the company InCaptio (Czech Republic) and the assets of the company Nitica (France).

The net assets & liabilities of these acquisitions amount to 712 thousand €. Their book value before the business combination is 851 thousand €.

The acquisition bookings done in 2012 is based on a provisional estimate of the fair values.

Except for the acquisition of Nitica, completely integrated into Zetes France (asset deal), the impact of acquisitions on

the 2012 income statement is described in the segment reporting.

There are no post closing transaction in 2013.

NOTE 17. AUDITOR'S MISSIONS

The auditor RSM Réviseurs d'Entreprises, represented by M. Laurent Van der Linden, has been appointed by the 2011 Shareholders Meeting. It will expire at the 2014 Shareholders Meeting held to approve the 2013 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 reasons.

In '000 €	**2012**
Auditor's fees	
Audit of the financial statements	84
Other missions	2
Auditor's related parties' fees	
Audit of the financial statements	4
Fiscal advices	12
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) Mobilise company employees around a common vision of the principal risks and sensitise 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 destabilise 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 specialised software and hardware on the market. In 2012 the company invested € 1.8 million. A total of € 3.9 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 stabilised, 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 committee is careful to limit the representative powers of the executive committees 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 committee, 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 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 € 12.8 million (December, 2012), 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 term which does not call for specific interest rate coverage.

ZETES INDUSTRIES

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

As required by law, we report to you on the statutory audit mandate which you have entrusted to us. This report includes our opinion on the consolidated balance sheet as at December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the explanatory notes, together with our report on other legal and regulatory requirement.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements for the year ended December 31, 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated statement of financial position shows total assets of 158.964 (thousand) EUR and the consolidated income statement shows a consolidated profit of 3.526 (thousand) EUR.

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

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

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. Those standards require that we comply with 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 auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group'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 company's officials and the board of directors 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 give a true and fair view of the group's net equity and financial position as of December 31, 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirement

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

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the context of our mandate.

Zaventem, 15 April 2013

THE STATUTORY AUDITOR,
SCCRL RSM RÉVISEURS D'ENTREPRISES
REPRESENTED BY
LAURENT VAN DER LINDEN, PARTNER

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 2012, 2011 and 2010.

1. BALANCE SHEET	2010	2011	2012
In '000 €			
ASSETS			
Fixed assets	**33 653**	**33 905**	**32 375**
Formation expenses	-	-	-
Intangible fixed assets	176	329	309
Tangible fixed assets	35	106	95
Financial fixed assets	33 443	33 471	31 971
Current assets	**37 059**	**32 714**	**31 890**
Amounts receivable after one year	1 931	1 583	1 225
Stocks and contracts in progress	129	94	13
Amounts receivable within one year	33 983	28 819	27 051
Short term deposits and own shares	367	1 634	3 319
Cash at bank and in hand	552	491	135
Deferred charges and accrued income	97	92	148
TOTAL ASSETS	**70 713**	**66 619**	**64 265**
EQUITY AND LIABILITIES			
Capital and reserves	**62 116**	**61 208**	**60 296**
Capital	60 092	56 092	56 092
Share premium account	38	38	38
Reserves	1 408	3 233	845
Unavailable reserves for own shares	367	1 634	3 319
Profit carried forward	211	211	-
Provision for liabilities and charges	**12**	**-**	**-**
Debts	**8 584**	**5 411**	**3 969**
Amounts payable after one year	233	-	-
Amounts payable within one year	8 328	5 397	3 925
Current portion of amounts payable after more than one year falling due within one year	506	303	-
Financial debts	119	6	20
Trade debts	881	1 251	1 113
Amounts payable regarding taxes, remuneration and social security	673	656	514
Other debts	6 149	3 181	2 278
Accrued charges and deferred income	**23**	**14**	**45**
TOTAL EQUITY AND LIABILITIES	**70 713**	**66 619**	**64 265**

2. INCOME STATEMENT

	2010	2011	2012
In '000 €			
Operating income	**7 536**	**6 957**	**5 744**
Turnover	6 619	6 543	5 351
Other operating income	917	414	392
Operating charges	**(6 327)**	**(5 672)**	**(5 093)**
Raw materials, consumables and goods for resale	(599)	(159)	(107)
Services and other goods	(2 689)	(3 112)	(2 942)
Remuneration, social security and pensions	(2 229)	(2 284)	(1 892)
Depreciation and amounts written off	(775)	(102)	(136)
Other operating charges	(35)	(15)	(16)
Operating profit or (loss)	**1 210**	**1 285**	**651**
Financial income	1 051	851	517
Financial charges	(208)	(135)	(81)
Profit on ordinary activities before taxation	**2 053**	**2 001**	**1 087**
Extraordinary income			
Extraordinary charges	-	-	-
Profit for the period before taxation	**2 053**	**2 001**	**1 087**
Income taxes	**-**	**(14)**	**(33)**
PROFIT OF THE YEAR	**2 053**	**1 987**	**1 054**

3. APPROPRIATION ACCOUNT

	2010	2011	2012
In '000 €			
Profit to be appropriated	**2 792**	**2 197**	**1 264**
Profit for the year available for appropriation	2 053	1 987	1 054
Profit brought forward	739	211	211
Drawdowns on capital		**4 000**	**-**
Drawdowns on reserves	**2 857**		**817**
Transfers to legal reserve	**103**	**99**	**53**
Transfers to other reserves	**-**	**2 993**	**62**
Result to be carried forward	**211**	**211**	**-**
Dividends [1]	**5 336**	**2 895**	**1 966**

(1) Amount determined on the basis of the treasury shares held at 31/12/2012 ; for 2010 and 2011, 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**
			Number	**%**	**%**
SA ZETES	Rue de Strasbourg 3 - 1130 Evere	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 Evere	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 million	50	50
SA ZETES FASTRACE	Rue de Strasbourg 3 - 1130 Evere	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 st., Neve Ne'eman B, P.O. Box 7214, Hod Hasharon 45241	Israël	10	70	
ZETES HOLDING GmbH	Waldstrasse 23 - 63128 Dietzenbach	Germany	2	100	
RFIdea SA	Rue des Chasseurs Ardennais, 5 - 4031 Angleur	Belgique	3	ns	100
ZETES COTE IVOIRE	Abidjan, 17BP 319 Abidjan 01	Côte Ivoire	190	10	90

5. STATEMENT OF CAPITAL

CAPITAL	**In '000€**	**Number of shares**
1. Issued capital		
At the end of the preceding period	56 092	
Changes during this period:	-	
At the end of the period	56 092	
2. Structure of the capital		
Registered shares, bearer and dematerialised shares		5 389 714
Registered		1 338 296
Bearer and dematerialised		4 051 418

SHAREHOLDER STRUCTURE BASED ON NOTIFICATION IN DECEMBER 2012

SHAREHOLDERS	**Number of shares**	**%**
Zephir	1 277 495	23,70
Cobepa	1 329 655	24,67
Axa Belgium	199 453	3,70
Other nominative shareholders	8 641	0,16
Public	2 358 701	43,76
Own shares	215 769	4,00
Total	**5 389 714**	**100,00**

6. AUDITORS

In ´000€	
Auditor fees	41
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	0

Statement on Corporate Governance

1. The 2009 Belgian Code on Corporate Governance

This section is based on the rules and the principles which organise 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 (http://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 2012, 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 Haren
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
Alexandre Schmitz (resigning) (Nominated by Cobepa) (Director)	31/12/2012	Rue de la Chancellerie 2 1000 Brussels
Hiram Claus (replacing Mr A. Schmitz) (Nominated by Cobepa) (Director)	2015 (***)	Rue de la Chancellerie 2 1000 Brussels
Olivier Gernay (Nominated by Zephir Corporation) (Director)	2015	Avenue Brugmann 403 1180 Bruxelles
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.

(***) To be ratified by the next General Meeting

The Board of Directors noted on 19 December 2012 Mr Alexandre Schmitz's decision to resign his directorship as from the end of 2012. The Board has co-opted Mr Hiram Claus to replace Mr Schmitz. The Board will propose to the next General Meeting that it ratify the co-opting of Mr Hiram Claus. The Board wishes the thank Mr Alexandre Schmitz most warmly for his commitment towards Zetes over the past 10 years and for his investment in the role of Chairman of the Audit Committee.

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. This firm has audited the Company's consolidated accounts since 2000. Mr Laurent Van der Linden is 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 in 2014.

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 Committee structure;
- Reviewing Executive Committee performance;
- Maintaining continuing interaction and dialogue and a climate of respect, trust and candour with the Executive Committee;
- Reviewing, evaluating and approving the remuneration policy as it relates to the Executive Committee 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 2012, the Board of Directors met 7 times. The attendance of individual directors was as follows: all members attended all meetings except for Mr Alexandre Schmitz (10 February 2012), GEMA SPRL, represented by Mr Michel Allé (30 March and 29 August 2012), Mr José-Charles Zurstrassen (21 June and 29 August 2012) and Mr Olivier Gernay (29 August 2012).

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 Committee.

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 committee 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 Committee and Board of Directors of the company, and that the expenditures of the company are incurred with their authorisation;
- provide reasonable assurance regarding the prevention or timely detection of any unauthorised acquisition, use, or transfer of assets that could have a material effect on the consolidated financial statements.

The Executive Committee 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 Committee has evaluated the effectiveness of the internal control of financial reporting as at 31 December 2012. 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 Committee was of the opinion that, as of 31 December 2012, the Company had adequate internal control of financial information.

4. Managing Directors and Executive Committee

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 Committee, which consists of all the executive directors of Zetes Industries SA, i.e. currently the two managing directors and the CFO. The Executive Committee is therefore composed of three members: the two managing directors, Alain Wirtz SA and Jean-François Jacques SA, and the CFO of the company, Mr Pierre Lambert. The Executive Committee does not constitute an 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 2012, 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), replacing Mr Alexandre Schmitz, resigning
- 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 Committee, 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 2012, 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 Committee

ZETES INDUSTRIES SA/NV - Remuneration Report 2012

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 apply for 2012 and 2013.

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 ordered an "Executive Directors' Remuneration Survey" from PriceWaterhouseCoopers to enable it to position the remuneration packages.

The survey assesses 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.

This report is dated November 2010 and still considered as up-to-date.

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
Pierre Lambert	Chief Financial Officer and Director

6.3.3 Remuneration structure

In 2012, 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 2012

Remuneration of the CEO

	2011	2012
Fixed remuneration	€ 293,657	€ 290,000
Variable remuneration	€ 150,000	€ 50,000
Total	**€ 443,657**	**€ 340,000**

Remuneration of the other members of the Executive Management

	2011	2012
Fixed remuneration	€ 381,364	€ 448, 196
Variable remuneration	€ 200,000	€ 87,784
Total	**€ 581364**	**€ 535,981**

6.3.5 Stock Options and shares

For 2012 there was no remuneration in the form of Stock Options or shares 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, has since 1 July 2012 worked under the mandatory self-employed regime since 1 July 2012. This makes it possible to align his regime with that of the other members of the Executive Committee. He enjoys an individual pension commitment, the amount of which is included in his 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 2012, the remuneration of non-executive directors broke down as follows:

	Board of Directors	Audit Committee	Total
Jean-Marie Laurent Josi (*)	€ 9,500		€ 9,500
Alexandre Schmitz (*)	€ 9,000	€ 2,500	€ 11,500
Floris Vansina BVBA	€ 9,500	€ 2,500	€ 12,000
Paul Jacques	€ 9,500	€ 2,500	€ 12,000
José-Charles Zurstrassen	€ 8,500		€ 8,500
Olivier Gernay	€ 9,000		€ 9,000
Gema Sprl	€ 8,500	€ 2,500	€ 11,000
Hiram Claus			
Total	€ 63,500	€ 10,000	€ 73,500

(*) Messrs. Jean-Marie Laurent Josi and Alexandre Schmitz 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 2012, Zetes Industries SA/NV held 215,749 own shares, leaving 5,173,945 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 2012, 181,869 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 2012, 2,800 warrants remained in circulation.

7.1. Shareholding structure

Based on the notifications received and published up till 31 December 2012, 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%
Axa Belgium	199,453	3.70%
Other registered shareholders	8,641	0.16%
Public	2,358,701	43.76%
Own shares	215,769	4.00%
TOTAL	**5,389,714**	**100%**

After exercise of the warrants

Shareholder	number of shares	%
Zephir (in concert with Cobepa)	1,277,495	22.92%
Cobepa (in concert with Zephir)	1,329,655	23.85%
Axa Belgium	199,453	3.58%
Other registered shareholders	8,641	0.16%
Employees	184,669	3.31%
Public	2,358,701	42.31%
Own shares	215,769	3.87%
TOTAL	**5,574,383**	**100%**

Except for the above mentioned information, as at 31 December 2012 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 29 May 2013 that it declare a gross ordinary dividend per share of € 0.38. An Extraordinary General Meeting has also been convened to decide on a capital reimbursement of € 0.17 per share. This, together with the dividend, gives a total payment to shareholders of € 0.55 per share, equal to the previous year's dividend.

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