FINANCIAL INFORMATION AND
CORPORATE GOVERNANCE

2011

contents

The consolidated financial statements for the year ended December 31, 2011 as presented in this annual report were prepared under the responsibility of the Board of Directors and authorized for issue on March 30, 2012 subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on May 30, 2012.

CONSOLIDATED INCOME STATEMENT

	NOTES	2009	2010	2011
In ´000 €				
Sales		**167,471**	**216,738**	**220,562**
Cogs		(91,014)	(128,028)	(125,085)
Gross Margin		**76,457**	**88,711**	**95,477**
Employee expenses	2	(43,846)	(47,470)	(53,062)
Other operating expenses		(19,006)	(22,145)	(23,774)
Current EBITDA (1)		**13,606**	**19,096**	**18,640**
Non current costs	4	(702)	(408)	(987)
EBITDA		**12,903**	**18,688**	**17,653**
Provisions, depreciation, amortisation, impairment losses	6 / 7 / 9 / 10	(5,479)	(7,272)	(7,599)
EBIT		**7,425**	**11,416**	**10,055**
Result from the disposal of fixed assets		55	20	(1)
Financial result	4	(784)	(581)	(1,213)
Result before taxes		**6,696**	**10,855**	**8,841**
Income tax	5	(1,561)	(2,645)	(2,597)
PROFIT OF THE PERIOD		**5,135**	**8,210**	**6,244**
Non controlling interests		(14)	(164)	(65)
Net profit of the Group		5,149	8,374	6,308
Current EBIT (1)		**8,127**	**11,824**	**11,041**
Net current result (1) (3)		**5,673**	**8,694**	**7,005**

TOTAL COMPREHENSIVE INCOME

	2009	2010	2011
In ´000 €			
Net profit of the Group	**5,149**	**8,374**	**6,308**
Currency translation differences	228	359	(10)
Net revaluation of hedging instruments	(52)	48	4
Other comprehensive income, net of related tax effects	**176**	**407**	**(7)**
Total comprehensive income of the Group	**5,325**	**8,781**	**6,302**

EARNINGS PER SHARE (€ PER SHARE)

	NOTES	2009	2010	2011
Number of shares outstanding (2)	12	5,342,394	5,324,566	5,331,111
Net result (3)		0.96	1.57	1.18
Net current result (1) (3)		1.06	1.63	1.31
Number of shares fully diluted (2)	12	5,342,394	5,324,566	5,331,111
Net diluted result (3)		0.96	1.57	1.18

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

CONSOLIDATED FINANCIAL POSITION (BEFORE APPROPRIATION)

	NOTES	2009	2010	2011
In '000 €				
ASSETS				
Tangible assets	6	8,893	12,548	13,020
Intangible assets	7	3,874	4,690	5,636
Goodwill	7	33,108	34,970	40,125
Deferred tax assets	5	1,867	2,749	3,028
Financial assets and other non current assets	8	414	632	808
Non current assets		**48,155**	**55,588**	**62,616**
Inventories	9	11,102	15,155	15,351
Current trade and other receivables	10	46,370	65,593	62,345
Current tax assets		591	249	209
Current prepayments		6,017	7,161	8,696
Cash and cash equivalents	13	18,140	14,599	14,306
Current assets		**82,220**	**102,757**	**100,907**
Total assets		**130,376**	**158,346**	**163,523**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		70,188	77,526	77,270
Non controlling interests		153	405	1,115
Total equity	**12**	**70,341**	**77,930**	**78,385**
Non current borrowings	13	3,049	963	3,615
Non current provisions	14	530	579	696
Non current obligations	14	125	118	192
Deferred tax liabilities	5	1,435	1,686	1,994
Non current liabilities		**5,139**	**3,346**	**6,497**
Current interests bearing borrowings	13	2,408	4,021	4,345
Current provisions	14	-	15	387
Current obligations	14	17	17	31
Current trade and other payables	15	51,166	70,333	71,316
Current tax liabilities		394	1,403	1,609
Other current liabilities		912	1,280	953
Current liabilities		**54,896**	**77,070**	**78,641**
Total equity and liabilities		**130,376**	**158,346**	**163,523**

CONSOLIDATED CASH FLOW STATEMENT

	2009	2010	2011
In ´000 €			
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE (I)	**12,710**	**18,140**	**14,599**
Cash flows from the P&L	10,850	14,681	14,499
Result before tax	6,696	10,855	8,841
Depreciation on fixed assets	3,551	4,633	4,944
Depreciation on development costs	1,233	1,472	1,498
Write-downs on stock & receivables	737	1,123	790
Write-downs on financial assets	-	-	65
Provisions	(82)	48	409
Net Financial charges	238	517	184
Income tax paid	(1,092)	(3,483)	(2,418)
Other increases (decreases) incl. badwill	(430)	(483)	186
Working capital	**3,834**	**(3,564)**	**3,675**
Decrease (increase) in assets	5,578	(22,102)	6,545
Increase (decrease) in liabilities	(1,744)	18,538	(2,870)
CASH FLOWS FROM THE OPERATIONS (II)	**14,684**	**11,117**	**18,174**
Acquisitions	**(7,597)**	**(10,141)**	**(13,724)**
Fixed assets	(4,323)	(6,715)	(4,701)
Subsidiaries (net of cash acquired)	(2,098)	(1,278)	(6,550)
Developments	(1,176)	(2,147)	(2,473)
Disposals	**140**	**93**	**186**
Fixed assets	140	93	186
Interests received (+)	**216**	**38**	**114**
CASH FLOWS RELATING TO INVESTING ACTIVITIES (III)	**(7,241)**	**(10,010)**	**(13,424)**
Proceeds from cash flows from financing	**2,558**	**113**	**4,890**
Capital	-	-	276
Proceeds from finance lease/bank loans	1,589	113	3,544
Other loans	969	-	1,070
Repayments relating to cash flows from financing	**(1,785)**	**(2,984)**	**(3,055)**
Repayment of finance lease liabilities and bank loans	(1,388)	(2,837)	(2,018)
Bank overdrafts increase (decrease)	(403)	(49)	(966)
Cash restricted or pledged	6	(98)	(71)
Financial charges	**(454)**	**(555)**	**(298)**
Dividends Paid	**(1,940)**	**(1,911)**	**(5,336)**
Own shares	**(467)**	**466**	**(1,267)**
NET CASH FLOWS RELATING TO FIN. ACTIVITIES (IV)	**(2,088)**	**(4,870)**	**(5,065)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (V) = (II) + (III) + (IV)	**5,354**	**(3,763)**	**(316)**
Effect of exchange rates (VI)	**76**	**222**	**23**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE (VII) = (I) + (V) + (VI)	**18,140**	**14,599**	**14,306**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In '000 €	Issued capital	Reserves	Own shares	Currency translation reserves (2)	Hedging reserves	Total (1)	Non controlling interests	Total equity
Balance at 31 December 2008	**58,311**	**10,058**	**(300)**	**(862)**	**0**	**67,208**	**168**	**67,376**
Net result of the period		5,149				**5,149**	(14)	**5,135**
Result directly allocated to equity				228	(52)	**176**		**176**
Total comprehensive income		**5,149**		**228**	**(52)**	**5,325**	**(14)**	**5,311**
Share-based payment		62				**62**		**62**
Dividends		(1,940)				**(1,940)**		**(1,940)**
Acquisitions / sales of own shares			(467)			**(467)**		**(467)**
Other variations		(0)				**(0)**	**(1)**	**(1)**
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**

(1) Attributable to equity holders of the parent company
(2) The decrease of the translation reserves for an amount of 10 thousand € is explained by 2 factors offsetting each other:
- the decline of the rand against the EUR between the rate at the entry into consolidation scope and the year-end rate
- the CHF and the GBP increase against the EUR.

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 2011 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 2011.

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 1 January 2011

	Amendments to standards	
	Improvements to IFRS (2009-2010)	1/1/2011
IAS 24	Information on Related Parties	1/1/2011
IAS 32	Financial instruments: presentations	1/2/2010
	New interpretations	
IFRIC 19	Extinguishing financial liabilities with equity instruments	1/7/2010
IFRIC 14	Defined benefit assets	1/1/2011

The application of the aforementioned standards, interpretations and amendments had no significant impact on the consolidated financial statements.

b. Standards and Interpretations issued but not yet in force at 31 December 2011

IFRS 9	Financial instruments and related amendments	(1/1/2015)
IFRS 10	Consolidated Financial Statements	(1/1/2013)
IFRS 11	Partnerships	(1/1/2013)
IFRS 12	Disclosure of shareholdings in other entities	(1/1/2013)
IFRS 13	Fair value measurement	(1/1/2013)
IFRS 7	Financial Instruments: Disclosures	
	- Amendment regarding derecognition	(1/7/2011)
	- Amendment regarding the offsetting of assets and liabilities	(1/1/2013)
Amendments to IAS 1	Presentation of Financial Statements - Other comprehensive income	(1/7/2012)
Amendments to IAS 12	Income Taxes - Deferred Tax: Recovery of the carrying amount of an asset(	(1/1/2012)
Amendments to IAS 19	Employee Benefits	(1/1/2013)
Amendments to IAS 27	Separate Financial Statements	(1/1/2013)
Amendments to IAS 28	Investments in associates and joint ventures	(1/1/2013)
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	(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
- capitalized tax loss carry-forwards
- where appropriate, the forecast evolution in results

4. Basis of consolidation

a. Subsidiaries

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

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

b. Joint 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	Closing	Average	Average
	2011	**2010**	**2011**	**2010**
1 Euro =				
Pounds sterling	**0.8353**	0.8608	**0.8675**	0.8576
Swiss Franc	**1.2156**	1.2504	**1.2318**	1.3795
U.S. dollar	**1.2939**	1.3362	**1.3917**	1.3268
Rand	**10.4830**		**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. 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 (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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

14. Equity – capital increase

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

15. Dividends payable

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

16. Provisions

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

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

17. Pension benefit plans and other post-employment benefits

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

Costs relating to defined contribution pension plans are recognised when due. There are currently no pension plans of the defined benefit type in place at Zetes.

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

18. Derivative financial instruments

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

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

19. Borrowing costs

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

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1. CONSOLIDATED COMPANIES

SUBSIDIARY	Country	Ownership %	Method of consolidation	Change [1]	Date of change
Accuscan International Ltd	UK	100	Global		
Anvos GmbH	Germany	100	Global	100%	February 2011
Blackbird Data Systems Ltd	Ireland	100	Global		
Buco Card Services BV	The Netherlands	100	Global		
Burotica SA	Portugal	100	Global		
Id-All BV	The Netherlands	100	Global		
IND Systeme GmbH	Germany	100	Global		
Logiscan SARL	France	100	Global		
Metaform Ltd	Israel	100	Global		
Powersys 2000 S.L.	Spain	100	Global		
RASW Management Maarn BV	The Netherlands	100	Global		
RFIDEA SA	Belgium	100	Global	100%	May 2011
Zetes Auto ID Systems AG	Switzerland	100	Global		
Zetes BV	The Netherlands	100	Global		
Zetes Côte d'Ivoire SRL	Ivory Coast	100	Global		
Zetes Fastrace SA	Belgium	75.9	Global		
Zetes GmbH	Germany	100	Global		
Zetes Holding GmbH	Germany	100	Global		
Zetes Holding Ltd	UK	100	Global		
Zetes Industries (Israël) Ltd	Israel	70	Global		
Zetes International GmbH	Germany	100	Global		
Zetes Ireland Ltd	Ireland	100	Global		
Zetes Ltd	UK	100	Global		
Zetes Pty Ltd (formerly Proscan Systems Pty Ltd)	South Africa	90	Global	90%	June 2011
Zetes Multicom SA	Spain	100	Global		
Zetes NetWave SA Information Systems and Telecommunications	Greece	58.1	Global	7.1%	June 2011
Zetes Pass BV	The Netherlands	100	Global		
Zetes SA	Belgium	100	Global		
Zetes SAS	France	100	Global		
Zetes SRL	Italy	100	Global		
Zetes Technologies BV	The Netherlands	100	Global		
Zetes Technologies SA	Belgium	50	Global		
Zts Lda	Portugal	100	Global		
Number of subsidiaries consolidated: 33					

(1) % of shares acquired during the year

2011 EVENTS

In January 2011, the company Zetes Labelling Systems BV has been merged with the company Zetes BV.

In February 2011, Zetes acquired the company Anvos GmbH in Germany.

In May 2011, Zetes acquired the company RFIDea SA in Belgium.

In June 2011, Zetes' ownership in its subsidiary NetWave in Greece increased by 7% (capital increase).

In July 2011, Zetes acquired the company Proscan Systems Pty Ltd in South Africa. It is consolidated for 90% due to the future enforcement of the south african regulation B.E.E.

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 31/12/2011	
In '000 €	
Non current assets	2,119
Current assets	3,006
Equity	4,540
Non current liabilities	245
Current liabilities	341

NOTE 2. EMPLOYMENT

COSTS BOOKED	2009	2010	2011
In '000 €			
Wages and salaries	(42,909)	(46,439)	(51,879)
Defined contribution pension plan	(937)	(1,031)	(1,183)
Total	**(43,846)**	**(47,470)**	**(53,062)**
TOTAL IN UNITS			
Average Number of Staff	794	868	1,012
Total staff at the end of the year	803	902	1,097
TOTAL IN FTE [1]			
Average Number of Staff	768	842	987
Total staff at the end of the year	779	880	1,074

(1) FTE: Full Time Equivalent

NOTE 3. SEGMENT REPORTING

INCOME STATEMENT	2009	2010	2011
In '000 €			
Sales			
Goods ID	131,646	155,290	170,703
People ID	35,808	61,448	49,859
Corporate	17	-	-
Total sales	**167,471**	**216,738**	**220,562**
Gross margin			
Goods ID	57,885	63,047	68,518
In % of sales	44.0%	40.6%	40.1%
People ID	18,556	25,663	26,959
In % of sales	51.8%	41.8%	54.1%
Corporate	17	-	-
Total gross margin	**76,457**	**88,711**	**95,477**
Total gross margin in % of sales	**45.7%**	**40.9%**	**43.3%**
Operating expenses			
Goods ID	(48,019)	(51,652)	(58,636)
People ID	(12,120)	(14,885)	(14,904)
Corporate	(2,713)	(3,077)	(3,298)
Total operating expenses	**(62,851)**	**(69,614)**	**(76,837)**
Current EBITDA			
Goods ID	9,866	11,395	9,882
In % of sales	7.5%	7.3%	5.8%
People ID	6,436	10,779	12,055
In % of sales	18.0%	17.5%	24.2%
Corporate	(2,696)	(3,077)	(3,298)
Total current EBITDA	**13,606**	**19,096**	**18,640**
Total current EBITDA in % of sales	**8.1%**	**8.8%**	**8.5%**
EBITDA			
Goods ID	9,325	11,002	9,258
People ID	6,365	10,764	11,693
Corporate	(2,787)	(3,078)	(3,298)
Total EBITDA	**12,903**	**18,688**	**17,653**
Current EBIT			
Goods ID	6,170	7,054	5,225
In % of sales	4.7%	4.5%	3.1%
People ID	4,688	7,865	9,131
In % of sales	13.1%	12.8%	18.3%
Corporate	(2,730)	(3,095)	(3,315)
Total current EBIT	**8,127**	**11,824**	**11,041**
Total current EBIT in % of sales	**4.9%**	**5.5%**	**5.0%**
EBIT			
Goods ID	5,629	6,661	4,601
People ID	4,616	7,850	8,769
Corporate	(2,821)	(3,096)	(3,315)
Total EBIT	**7,425**	**11,416**	**10,055**

FINANCIAL POSITION	2009	2010	2011
In '000 €			
Goodwill			
Goods ID	29,799	31,661	36,816
People ID	3,309	3,309	3,309
Total goodwill	**33,108**	**34,970**	**40,125**
Fixed assets			
Goods ID	5,585	10,422	12,811
People ID	7,158	6,809	5,601
Corporate	24	7	244
Total fixed assets	**12,767**	**17,238**	**18,655**
Inventories			
Goods ID	7,279	8,482	12,045
People ID	3,823	6,672	3,306
Total inventories	**11,102**	**15,155**	**15,351**
Current trade and other receivables			
Goods ID	44,590	58,906	59,406
People ID	7,512	13,157	9,915
Corporate	62	73	87
Total current trade and other receivables	**52,165**	**72,136**	**69,408**
Total assets			
Goods ID	87,253	109,472	121,078
People ID	21,802	29,947	22,130
Corporate and other non allocated assets	21,321	18,927	20,315
Total assets	**130,376**	**158,346**	**163,523**
Current trade and other payables			
Goods ID	39,406	55,730	61,084
People ID	9,304	13,873	8,762
Corporate	555	740	952
Total current trade and other payables	**49,264**	**70,344**	**70,798**
Total liabilities			
Goods ID	39,406	55,730	61,084
People ID	9,304	13,873	8,762
Corporate and other non allocated liabilities	81,667	88,742	93,677
Total liabilities	**130,376**	**158,346**	**163,523**
Capital expenditures			
Goods ID	2,238	6,789	5,254
People ID	3,250	2,073	1,665
Corporate	11	-	255
Total Capital expenditures	**5,499**	**8,863**	**7,174**

SEGMENT INFORMATION

Zetes Industries applies IFRS 8 'Operating Segments'. It is organized into two activity clusters – Goods ID and People ID ¬– that operate in different modes and with separate management control systems.

For Goods ID, the company has established a pan-European structure, with physical locations across Europe. The Goods ID activity is organized by region (North / Central / South). It is at this regional level that the allocations of resources and the distribution of activities and markets are decided between the various entities. The People ID activity, on the other hand, is highly centralized. 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 sector 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	2008	2009	2010	2011	%
In '000 €					
Sales	148,315	131,646	155,290	170,703	9.9%
Gross margin	63,269	57,885	63,047	68,518	8.7%
Operating expenses	(48,922)	(48,019)	(51,652)	(58,636)	13.5%
Current EBITDA	14,346	9,866	11,395	9,882	-13.3%
Current EBITDA as % of Sales	9.7%	7.5%	7.3%	5.8%	
EBITDA	13,819	9,325	11,002	9,258	-15.9%
EBIT Courant	10,028	6,170	7,054	5,225	-25.9%

For 2011, sales of the Goods ID sector totalled € 170.7 million, up a further 9.9% from the record year of 2010 (€ 155.3 million).

Demand in Goods ID continues to be driven by the quest for productivity gains and regulatory requirements for per-item traceability of objects (serialization).

Most projects completed since 2009 have been deployed in existing facilities, either to replace less productive equipment, or to extend existing solutions. Having the necessary critical mass, Zetes has been able to organize itself into vertical markets, with consultants in every field of activity. They know customers' critical processes and are able to offer them automatic identification and mobility solutions to meet the challenges they face.

Retail remains the most important sector across Europe. Productivity gains, efficiency and reducing error rates in warehouses are driving activity in this sector. The fact of proposing solutions combining multiple identification technologies (voice, barcode, RFID) allows the customer to rely on a single supplier, which in turn ensures the cohesion and proper functioning of the entire solution.

Proof of delivery solutions are proving highly popular in the transport and logistics segment. These combine identification and mobility competences and can go as far as mobile payment, for which Zetes has developed a European solution.

Finally, the pharmaceutical and luxury goods sectors are continuing to invest in unit-based marking and traceability solutions.

The global gross margin is € 68.5 million, up 8.7% on 2010. Growth was supported by the acquisitions made in 2011 (see below). Gross margin as a percentage of sales contracted slightly to 40.1% of sales against 40.6% in 2010.

In the Central region, the integration of the activity of Phi Data NL with that of Zetes Netherlands is bearing fruit and has enabled Zetes to win market share in a competitive market. The Swiss subsidiary has also grown strongly, driven by the postal services and rail transportation markets.

The South region, despite a very difficult macroeconomic situation, achieved modest sales growth and a 2 percentage point improvement in its gross margin on sales by developing value-added solutions for the pharmaceutical and transport sectors.

Finally, the North region suffered considerably from decreased activity in the UK, reflecting both a wait-and-see economic situation and the end of major deployments by existing retail customers. Pending the conclusion of new large-scale contracts, a cost reduction exercise was undertaken in the second half. This effort was able, however, to only partially compensate the loss of gross margin. Without this counter-performance in the UK, and at constant scope, the Goods ID Division would have experienced organic growth of its sales revenue and modest EBITDA growth. The improvement effort is continuing in 2012 in order to return to performance levels that match the division's objectives.

Internal growth and currency effects

Goods ID *Currency effect excluded*	**2010**	**2011**	**%**
In '000 €			
Sales	155,290	169,835	9.4%
Gross margin	63,047	68,293	8.3%
Operating expenses	(51,652)	(58,515)	13.3%
Current EBITDA	11,395	9,778	-14.2%
Current EBITDA as % of Sales	7.3%	5.8%	
EBITDA	11,002	9,151	-16.8%

In Goods ID, the impact of currency fluctuations is essentially due to the variation of the Swiss franc. This favourable impact at the sales and gross margin level is offset by a proportional movement of operating expenses. The impact is therefore very limited at the EBITDA level.

Goods ID *Pro forma 2011 (*) - constant scope*	**2010**	**2011**	**%**
In '000 €			
Sales	155,290	159,709	2.8%
Gross margin	63,047	63,814	1.2%
Operating expenses	(51,652)	(54,526)	5.6%
Current EBITDA	11,395	9,288	-18.5%
Current EBITDA as % of Sales	7.3%	5.8%	
EBITDA	11,002	8,663	-21.3%

(*): Excluding Anvos, Rfidea and Zetes in South Africa

Comparing the figures in 2010 and 2011 at constant scope shows that sales growth is a mixture of organic growth (+2.8%) and external growth (7.1%). The breakdown of this organic growth by region highlights the impact of the slowdown in UK, with the growth of the Central and South regions offsetting the lower turnover in this country. This offsetting effet is also seen in gross margin but only partially in operating result, which explains the deterioration in EBITDA.

The contribution in the second half of the new business unit in South Africa is positive, and in line with expectations. Thanks to the support that the Group can provide, particularly through the Competence Centres, Zetes in South Africa will be expanding its portfolio of solutions and will soon be in a position to propose them to all its major South African corporate clients.

In conclusion, the Goods ID activity has evolved in a differentiated manner from one region to the next. With the prospect of a more uncertain 2012, Zetes has sought to adapt its structure and especially to improve and multiply its proprietary solutions, so as to increase its added value in identification solutions. The company is also paying attention to generate a recurring revenue stream, in terms of both maintenance and consumables.

2. PEOPLE ID

The People ID Division continues to reap the benefits of its strategy to combine long-term recurring contracts and shorter-term operations.

The main change between 2010 and 2011 is the distribution over time of revenue from 'Build and Transfer' contracts. The execution of these shorter term contracts normally includes delivery of a large hardware component (fixed or mobile registration kits) and the performance of services (project management, training, maintenance). 2010 was marked by very large deliveries while 2011 saw a sharp increase in services.

It is therefore logical to see a contraction of sales revenues while gross profit grew slightly in absolute terms and by more than 12 points in relative value.

The other aspect of the strategy is the 'Build and Operate' contracts. All these long-term contracts contributed to the result. They provide a very predictable sales and margin base for the future.

After the unrest in the early months of the year in the Côte d'Ivoire, the production of biometric passports resumed a normal pace in the second half. The outlook for this project remains positive.

In Portugal and Belgium, the electronic ID card projects are delivering the expected volumes.

Finally, in Israel, the production of blank eID documents continued. Around two-thirds of the cards have already been produced and the last third will be delivered in 2012. Card personalization should begin in 2012 and continue in the following years.

This good balance between short and long-term contracts makes it possible to cover the cost of business development and R & D efforts. Innovative solutions (biometric enrolment kiosks, e-voting solutions) have been developed and are already proposed in certain tenders. Finally, investment in business development remains important in order to make known Zetes' capabilities and experience in countries which are preparing projects related to identity documents or electoral processes.

People ID	2008	2009	2010	2011	%
In '000 €					
Sales	29,321	35,808	61,448	49,859	-18.9%
Gross margin	14,147	18,556	25,663	26,959	5.0%
Operating expenses	(10,368)	(12,120)	(14,885)	(14,904)	0.1%
Current EBITDA	3,778	6,436	10,779	12,055	11.8%
Current EBITDA as % of Sales	12.9%	18.0%	17.5%	24.2%	
EBITDA	3,778	6,365	10,764	11,693	8.6%
EBIT Courant	2,095	4,688	7,865	9,131	16.1%

Operating expenses in People ID remain well under control thanks to the organization structure which is in place, whereby all critical functions like business analysts, IT specialists and project managers are available in-house, while non-critical implementation functions are outsourced and recruited as a function of the projects to be undertaken on a project-by-project basis. Increasingly, the People ID division is availing of the resources of Goods ID for undertaking certain large projects, taking advantage of this division's critical mass and expertise.

Recurring EBITDA has risen for the fourth consecutive year to € 12.1 million, which is 11.8% more than in 2010.

Gross margin was strongly reinforced by the services component of the 'Build and Transfer' contracts. This non-structural development explains the exceptionally high EBITDA to sales margin of 24.2%.

3. GROUP

The cost of the Corporate Division amounted to € 3.3 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	2009	2010	2011
In '000 €			
Employee offering / stock (option) plan	(91)	(1)	-
Restructuring costs	(765)	(359)	(893)
Badwill	422	-	-
Other non current costs	(268)	(47)	(94)
Total	**(702)**	**(408)**	**(987)**

The restructuring costs aim to adjust the local structures, to make the Competence Centres more efficient and to improve the organisation of the business development in People ID.

The other non current costs are mainly linked to acquisition costs.

FINANCIAL RESULT	2009	2010	2011
In '000 €			
Interest charges	(454)	(555)	(298)
Other financial charges	(269)	(384)	(347)
Interest revenues	216	38	114
Other financial revenues	49	89	24
Financial result excluding exchange differences	**(459)**	**(812)**	**(506)**
Exchange losses / conversion differences	(676)	(751)	**(1,021)**
Exchange gains / conversion differences	351	982	**315**
Exchange differences	**(325)**	**231**	**(706)**
Total financial result	**(784)**	**(581)**	**(1,213)**

NOTE 5. TAXES

INCOME TAX	2009	2010	2011
In '000 €			
Current income tax expenses	1,092	3,483	2,418
Deferred tax expenses	469	(839)	180
Income tax	**1,561**	**2,645**	**2,597**

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX RATE	2009	2010	2011
In '000 €			
Tax expenses using statutory rate	**2,276**	**3,690**	**3,005**
Net profit before taxes	6,696	10,855	8,841
Belgian statutory tax rate	33.99%	33.99%	33.99%
Tax effect of rates in other jurisdictions	(278)	(267)	(50)
Tax effect of notional interest deduction	(540)	(435)	(412)
Tax effect of non tax deductible expenses	248	443	399
Tax effect of non taxable profits	(96)	-	-
Tax effect of current and deferred tax adjustments	(123)	(773)	(313)
Others	73	(14)	(31)
Tax expenses using effective rate	**1,561**	**2,645**	**2,597**
Effective tax rate	23.31%	24.36%	29.38%

Tax losses for which deferred tax assets were not recognized amount to 2.0 million GBP.

DEFERRED TAX ASSETS	2009	2010	2011
In '000 €			
Intangible assets	263	92	81
Tangible assets	18	45	86
Inventories	32	82	39
Trade receivables	36	115	60
Construction contracts	-	-	(4)
Accruals	18	72	38
Provisions	3	23	115
Tax losses carried-forward	1,496	2,320	2,614
Total deferred tax assets	**1,867**	**2,749**	**3,028**

DEFERRED TAX LIABILITIES	2009	2010	2011
Intangible assets	703	829	1,109
Tangible assets	31	280	278
Inventories	14	-	-
Construction contracts	675	452	482
Accruals	12	-	-
Non-recoverable tax losses	-	125	125
Total deferred tax liabilities	**1,435**	**1,686**	**1,994**

NOTE 6. TANGIBLE ASSETS

In ´000 €	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold im-provements	Other	Total
Balance at 31 December 2008							
Cost	-	20,936	2,636	2,278	4,142	1,850	**31,841**
Accumulated depreciation	-	(16,695)	(1,601)	(1,763)	(2,835)	(1,374)	**(24,267)**
Opening balance 2009	-	**4,240**	**1,036**	**515**	**1,308**	**476**	**7,574**
Changes in 2009							
Additions	-	3,177	464	55	438	(69)	**4,065**
Business combination	445	229	-	39	0	-	**714**
Disposals / cancellations	-	(76)	(322)	(6)	(11)	(17)	**(433)**
Conversion differences	-	18	0	14	24	(0)	**56**
Reclassifications (to) from other items / other	-	(11)	(27)	75	(19)	-	**18**
Depreciation charge	(13)	(1,813)	(451)	(209)	(359)	(173)	**(3,019)**
Depreciation on business combination	(195)	(152)	-	(8)	-	-	**(355)**
Depreciation on disposals / cancellations	-	74	245	1	11	17	**348**
Depreciation other	-	(42)	(0)	(29)	(30)	27	**(75)**
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)**
Opening balance 2011	**3,313**	**5,856**	**1,234**	**388**	**1,312**	**445**	**12,548**

NOTE 6. TANGIBLE ASSETS (CONTINUED)

In '000 €	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold improvements	Other	Total
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**
Balance at 31 December 2011							
Net carrying amount of tangible assets under finance leases		152	157	3			**312**
Tangible assets acquired in 2011 under finance leases			173				**173**
Amount of tangible assets pledged as security for liabilities		152	157	3			**312**

NOTE 7. INTANGIBLE ASSETS

In '000 €	Goodwill	Development costs	Patents, trade-marks and other rights	Computer software	Total
Balance at 31 December 2008					
Cost	33,778	10,147	513	3,251	**47,689**
Accumulated depreciation	-	(7,888)	(480)	(1,755)	**(10,123)**
Accumulated impairment losses	(1,314)	-	-	-	**(1,314)**
Opening balance 2009	**32,464**	**2,259**	**33**	**1,496**	**36,253**
Changes in 2009					
Additions		1,176	155	103	**1,434**
Business combination	732		409		**1,141**
Conversion differences	64		19	8	**91**
Other	(153)			4	**(150)**
Depreciation charge		(1,233)	(39)	(506)	**(1,778)**
Depreciation other			(0)	(9)	**(9)**

NOTE 7. INTANGIBLE ASSETS (CONTINUED)

In ´000 €	Goodwill	Development costs	Patents, trade-marks 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)**
Opening balance 2010	**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**
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)**
Opening balance 2011	**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**
Net internally generated intangible assets		**3,804**			**3,804**

Comments on Goodwill

The goodwill increase of 5,498 thousand € is related to the 2011 acquisitions: Proscan Systems in South Africa, RfIdea in Belgium, Anvos in Germany and Integra in Italy (asset deal). For these acquisitions, a significant portion of goodwill corresponds to the synergies expected from the business combination.

The conversion difference of -41 thousand € is related to the ImageID goodwill booked locally (in foreign currency) within Metaform.

Earnouts

Negative adjustments for 302 thousand € relating to the earnouts reevaluation have been booked in 2011.

Breakdown of the goodwill by segment and by CGU

The goodwill is allocated to the cash-generating units of the Group, estimating that they will benefit from the business combination.
For the « Goods ID » activity, the allocation is done at the regional level (North / Central / South), each including a number of interrelated entities. These entities are placed under the authority of a single manager who is responsible for the resources allocation, the activities and the business repartition within the region. The book value of the goodwill has been allocated as follows:

	2009	2010	2011	VAR.
In '000 €				
By segment				
Goods ID	29,799	31,661	36,816	5,155
People ID	3,309	3,309	3,309	-
Total Zetes Group	**33,108**	**34,970**	**40,125**	**5,155**
By CGU				
Goods ID - North	6,665	6,665	10,489	3,823
Goods ID - South	8,124	9,463	9,985	522
Goods ID - Central	13,459	13,799	14,920	1,121
Goods ID - Competence centres	1,550	1,734	1,423	(311)
Total Goods ID	**29,799**	**31,661**	**36,816**	**5,155**
Total People ID	**3,309**	**3,309**	**3,309**	**-**
Total Zetes Group	**33,108**	**34,970**	**40,125**	**5,155**

The Goodwill related to the Competence Centres is tested at the Goods ID segment level (non attributable to the CGU Regions on a non-arbitrary basis).

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 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.

Key assumptions used in calculating value in use:

	2011
Discount rate	10%
Growth rate [1]	1%
Illiquidity discount	15%

(1) After the five-year period.

Sensitivity analysis

The sensitivity analysis shows that a reasonably possible change in a key assumption does not lead to the carrying amount of the CGU exceeding their recoverable amount. The change in assumption that has been tested is the impact on the fair value of a change in the multiple of EBITDA (20% decrease). The company also tested the impact on the value in use of a 50% drop in the five-year growth forecast (turnover and operating costs) under the constraint of a stable margin/sales ratio. Finally, the company believes that its financing structure, which is considered as favorable, does not justify to test the impact of a variation on the cost of financing (WACC).

NOTE 8. FINANCIAL ASSETS AND OTHER NON CURRENT ASSETS

ASSETS	2009	2010	2011
In ´000 €			
Other non current financial assets	64	170	197
Non current cash restricted or pledged	350	462	611
Total	**414**	**632**	**808**

HEDGING INSTRUMENTS

In ´000	Sale EUR	Purchase USD	Expiring from	Expiring to	Contracts average rate	Closing rate 31/12
Forward contracts EURO / USD	34	45	janv-12	févr-12	1.303	1.294

The Group has hedging instruments to hedge identified foreign exchange risks ; on 31/12/2011, there are no significant outstanding hedging contracts (result on hedging instruments not significant).

NOTE 9. INVENTORIES

ASSETS	2009	2010	2011
In ´000 €			
Gross carrying amounts	**16,070**	**20,406**	**20,824**
Goods	12,782	14,562	17,866
Production supplies	2,593	5,572	2,722
Stock in transit	695	271	237
Accumulated write-downs	**(4,968)**	**(5,251)**	**(5,473)**
Goods	(4,768)	(5,051)	(5,262)
Production supplies	(200)	(200)	(211)
Total net	**11,102**	**15,155**	**15,351**

INCOME STATEMENT

In ´000 €			
Write-downs on stock of the year	(670)	(715)	(496)

NOTE 10. CURRENT TRADE AND OTHER RECEIVABLES

ASSETS	2009	2010	2011
In ´000 €			
Trade receivables	**40,846**	**62,079**	**58,232**
Gross trade receivables	42,336	63,728	59,962
Accumulated write-downs	(1,490)	(1,648)	(1,730)
Other current receivables	**5,524**	**3,514**	**4,112**
Construction contracts	3,733	2,545	1,881
Other	1,791	969	2,232
Total	**46,370**	**65,593**	**62,345**

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 recognized profits less losses	72,169	94,356	120,066

INCOME STATEMENT	**2009**	**2010**	**2011**
In '000 €			
Sales relating to the execution of construction contracts	13,176	22,187	25,710
Write-downs on bad and doubtful customers	(67)	(408)	(408)

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 2011, the revenues estimate has been increased for one of the outstantding contracts.

NOTE 11. RELATED PARTIES

	2009	**2010**	**2011**
In '000 €			
Assets with related parties (1)	**96**	**192**	**155**
Liabilities with related parties	**40**	**14**	**236**
Transactions within related parties			
Total Management Committee remunerations	(828)	(902)	(1,025)
Basic compensation	(648)	(632)	(675)
Variable compensation	(180)	(270)	(350)
Total non executive directors remunerations	(54)	(52)	(63)
Total others (2)	(26)	(20)	(33)
Total services received	**(909)**	**(974)**	**(1,121)**

(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 31/12/2010	5,389,714
Number of shares issued in 2011	0
Number of shares on 31/12/2011	5,389,714

OWN SHARES	Number	In '000 €
Own shares, opening balance	22,105	300
2011 movements	75,552	1,267
Own shares, closing balance	**97,657**	**1,568**

In 2011, the Board of Directors decided to buy own shares, in accordance with the authorization 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 60.1 million €.
All shares are without par value.
The Board of Directors will propose to the Ordinary General Assembly held on May 30, 2012 to pay a gross ordinary dividend of 0.55 € per share.
The proposed dividend has not been recognised as a liability at the end of 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 €)	6,308	6,308
Weighted average number of ordinary shares outstanding	5,331,111	5,331,111
Basic earnings per share (in €)	**1.18**	**1.18**

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 2011, the outstanding number of options is 184.669. The weighted average listing price is 17.02 € ; because it does not exceed the exercise prices, the options are not taken into account to compute the dilution effect.

Net profit of the Group (in '000 €)	6,308	6,308
Weighted average number of ordinary shares outstanding	5,331,111	5,331,111
Adjustments for options	0	0
Weighted average number of ordinary shares for diluted earnings per share	5,331,111	5,331,111
Diluted earnings per share (in €)	**1.18**	**1.18**

OPTIONS

	PLAN 2005	PLAN 2007	TOTAL
Exercise price	23.00	22.63	
Outstanding on 31/12/2010	181,869	2,800	184,669
Granted during the period			-
Exercised during the period	-		-
Cancelled during the period	-		-
Outstanding on 31/12/2011	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 2011.

NOTE 13. FINANCIAL BORROWINGS

FINANCE LEASES, MINIMUM LEASE PAYMENT PAYABLE, PRESENT VALUE	2009	2010	2011
In '000 €			
< 1 year	259	224	166
Between 2 and 5 years	360	454	506
Total	**619**	**678**	**673**

NON CANCELLABLE FUTURE MINIMUM OPERATING LEASE PAYMENTS

In '000 €			
< 1 year	3,782	4,225	4,672
Between 2 and 5 years	3,050	4,633	5,903
> 5 years	-	55	-
Total	**6,831**	**8,913**	**10,574**

INTERESTS BEARING BORROWINGS

In '000 €			
Bank borrowings	3,682	1,490	3,499
Finance leases	619	678	673
Bank overdrafts	1,156	2,815	2,721
Total interests bearing borrowings	**5,457**	**4,984**	**6,893**

NON-INTERESTS BEARING BORROWINGS

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

AGING PROFILE	2009	2010	2011
In '000 €			
< 1 year	2,408	4,021	4,345
Between 2 and 5 years	3,049	963	3,615
> 5 years	-	-	-
Total	**5,457**	**4,984**	**7,960**

FINANCIAL DEBTS BY CURRENCY			
In '000 €			
EUR	5,265	4,873	6,698
GBP	68	34	14
CHF	123	78	14
ZAR	-	-	168
Total	**5,457**	**4,984**	**6,893**

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	5,457	4,984	6,893
Cash available	(18,490)	(15,061)	(14,917)
Net cash	**(13,033)**	**(10,076)**	**(8,024)**
Current financial debts	2,408	4,021	4,345
Cash and cash equivalents	(18,140)	(14,599)	(14,306)
Current net cash	**(15,732)**	**(10,577)**	**(9,961)**

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	350	462	611
Cash and cash equivalents	18,140	14,599	14,306
Total cash available	**18,490**	**15,061**	**14,917**

NOTE 14. PROVISIONS & OBLIGATIONS

PROVISIONS

In '000 €	Warranty provisions	Restructuring provisions	Legal proceeding provisions	Onerous contract provisions	Total
Balance at 31 December 2008	**345**	**149**	**15**	**59**	**568**
Non current provisions	345	149	15	59	**568**
Additional provisions	18	26	-	59	**103**
Amounts used	-	-	-	(31)	**(31)**
Unused amounts reversed	(103)	(16)	(5)	-	**(123)**
Other	-	-	-	13	**13**
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**

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 2008	**176**
Non current obligations	158
Current obligations	18
Additional provisions	8
Amounts used	(23)
Unused amounts reversed	(17)
Conversion differences	(2)
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

CONTINGENT LIABILITIES

On December 2011, 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 2011 amount to 1,183 thousand €.

NOTE 15. CURRENT TRADE AND OTHER CURRENT PAYABLES

In '000 €	2009	2010	2011
Trade payables	20,925	33,977	33,128
Advances received	19,007	22,834	23,541
Other current payables	11,164	13,517	14,646
Payables to employees	5,133	5,424	5,712
Payables to public administrations	4,429	6,705	6,808
Other	977	1,388	2,127
Current hedging instruments	69	5	-
Total	**51,166**	**70,333**	**71,316**

NOTE 16. DISCLOSURES ON ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In '000 €	2009 Acquisitions	2010 Acquisitions	2011 Acquisitions
Impact of the acquisitions			
Non current assets	**789**	**2,034**	**1,197**
Tangible assets	359	1,503	931
Intangible assets	409	0	47
Deferred tax assets	-	-	-
Other financial assets	-	377	138
Cash restricted or pledged	21	150	-
Other non current assets	-	4	81
Current assets	**1,476**	**2,167**	**5,572**
Inventories	444	362	1,419
Trade and other receivables	733	1,719	3,591
Prepayments	13	14	198
Cash and cash equivalents	285	71	166
Other current assets	-	-	198
Non-current liabilities	**35**	**995**	**522**
Interests bearing borrowings	3	409	514
Non-interests bearing borrowings	-	-	-
Provisions	-	-	7
Post employment benefit obligation	-	-	-
Deferred tax liabilities	31	587	-
Current liabilities	**763**	**3,131**	**4,582**
Interests bearing borrowings	0	1,925	974
Trade and other current payables	709	1,076	2,646
Advances received	-	52	943
Other liabilities	54	79	19
Net identifiable assets and liabilities	**1,466**	**74**	**1,666**

In '000 €	2009	2010	2011
Goodwill on acquisitions and earnout	**917**	**1,679**	**5,498**
Goodwill on acquisitions	1,357	1,679	5,498
Badwill on acquisitions	(440)	-	-
Cash (acquired) / disposed	(285)	(71)	(166)
Net cash outflow / (inflow)	**2,098**	**1,682**	**6,997**
Minority interests	**-**	**404**	**547**

2011 & POST CLOSING TRANSACTIONS

As reminder, Zetes did the following acquisitions in 2011 : Anvos (Germany), Integra (Italy) , RfIdea (Belgium) et Proscan (South Africa).

The net assets & liabilities of these acquisitions amount to 1,666 thousand €. Their book value before the business combination is 1,849 thousand €. The acquisition bookings done in 2011 is based on a provisional estimate of the fair values. Except for the acquisition of Integra, completely integrated into Zetes Italy (asset deal), the impact of acquisitions on the 2011 income statement is described in the segment reporting.

There are no post closing transaction in 2011.

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 €	2011
Auditor's fees	
Audit of the financial statements	79
Other missions	1
Auditor's related parties' fees	
Audit of the financial statements	12
Fiscal advices	4
Other missions	19

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.

The risk is the possibility of an event occurring that will have consequences that may affect the company's people, 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, which allows senior management to keep the risks to an acceptable level for society.

Risk management helps to:

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

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

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

d) Mobilize company employees around a common vision of the principal risks andsensitizing them to 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 these risks might 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 recognized 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 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 judgments could expose the company to unexpected costs.

Risks related to human resources

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

Environmental risks

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

Risks related to exceptional events

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

Risks attached to acquisitions

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

Risks attached to new products

Zetes specialises in identification. To maintain its competitive advantage, Zetes carries out specific development and places specialized software and hardware on the market. In 2011 the company invested € 2.5 million. A total of € 3.8 million of development expenses are capitalized on the balance sheet. The risks associated with these developments are:

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

Technological risk

For Zetes, technological risk is linked to the time at which a new technology is adopted. This risk is managed by the Competence Centres, which are centralized and act as technology watch units. These Competence Centres concentrate expertise and knowledge as long as the technology is not yet ready for market. They also help 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 careful to appoint trustworthy people to key positions. This trust is seen as 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. Signing limits are also set according to the levels of activity of the companies concerned. Finally, the Group's 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 within 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). Failing this, 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. Apart from a cash position of € 14.3 million (31/12/2011), 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. A potential risk also exists in the parity between the CFA and the euro. At operating level, insofar as the charges of these entities are incurred in their own reference currencies, the currency risk lies essentially in their contribution to Group result . A risk also exists on loans / borrowings (revaluation or redemption).

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 the 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 hedging.

ZETES INDUSTRIES

STATUTORY AUDITOR'S REPORT TO THE GENERAL ASSEMBLY OF SHAREHOLDERS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

In accordance with the legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended December 31, 2011, prepared in accordance with International Financial Reporting Standards IAS, as adopted by the European Union, and with the legal and statutory requirements applicable in Belgium which show a balance sheet total of 163.523 (000) EUR and a total comprehensive income of 6.302 (000) EUR. The financial statements of the foreign companies included in the consolidated financial statements were audited by other auditors and our opinion is based on the report of the other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error.

In accordance with those standards, we have taken into account the organisation of the Association from the administrative and accounting point of view, as well as the procedures of internal control. We have obtained from the Board of Directors and the responsible officers the explanations and information necessary for executing our audit procedures. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of consolidated financial statements, taken as a whole. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements as of December 31, 2011 give a true and fair view of the group's net worth, financial position, results of operations and cash-flows in accordance with the International Financial Reporting Standards, as adopted by the European Union.

Additional comments

The preparation and the assessment of the information that should be included in the director's report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to supplement our report with the following additional comments which do not modify the scope of our opinion on the financial statements:

- The director's report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious contradictions with the information of which we became aware during our mandate.

Zaventem, 18 April 2012

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 2011, 2010 and 2009.

1. BALANCE SHEET	2009	2010	2011
In ´000 €			
ASSETS			
Fixed assets	**31,949**	**33,653**	**33,905**
Formation expenses	438	-	-
Intangible fixed assets	303	176	329
Tangible fixed assets	47	35	106
Financial fixed assets	31,161	33,443	33,471
Current assets	**39,647**	**37,059**	**32,714**
Amounts receivable after one year	2,321	1,931	1,583
Stocks and contracts in progress	69	129	94
Amounts receivable within one year	34,578	33,983	28,819
Short term deposits and own shares	1,872	367	1,634
Cash at bank and in hand	717	552	491
Deferred charges and accrued income	90	97	92
TOTAL ASSETS	**71,596**	**70,713**	**66,619**
EQUITY AND LIABILITIES			
Capital and reserves	**65,399**	**62,116**	**61,139**
Capital	60,092	60,092	56,092
Share premium account	38	38	38
Reserves	3,793	1,408	3,163
Unavailable reserves for own shares	736	367	1,634
Profit carried forward	739	211	211
Provision for liabilities and charges	**21**	**12**	**-**
Debts	**6,176**	**8,584**	**5,481**
Amounts payable after one year	2,107	233	-
Amounts payable within one year	4,021	8,328	5,467
Current portion of amounts payable after more than one year falling due within one year	599	506	303
Financial debts	6	119	6
Trade debts	769	881	1,251
Amounts payable regarding taxes, remuneration and social security	455	673	656
Other debts	2,192	6,149	3,250
Accrued charges and deferred income	**48**	**23**	**14**
TOTAL EQUITY AND LIABILITIES	**71,596**	**70,713**	**66,619**

2. INCOME STATEMENT

2. INCOME STATEMENT	2009	2010	2011
In ’000 €			
Operating income	**6,065**	**7,536**	**6,957**
Turnover	5,735	6,619	6,543
Other operating income	331	917	414
Operating charges	**(5,250)**	**(6,327)**	**(5,672)**
Raw materials, consumables and goods for resale	(76)	(599)	(159)
Services and other goods	(2,464)	(2,689)	(3,112)
Remuneration, social security and pensions	(1,871)	(2,229)	(2,284)
Depreciation and amounts written off	(832)	(775)	(102)
Other operating charges	(6)	(35)	(15)
Operating profit or (loss)	**816**	**1,210**	**1,285**
Financial income	758	1,051	851
Financial charges	(231)	(208)	(135)
Profit on ordinary activities before taxation	**1,342**	**2,053**	**2,001**
Extraordinary income			
Extraordinary charges	(31)	-	-
Profit for the period before taxation	**1,311**	**2,053**	**2,001**
Income taxes	**-**	**-**	**(14)**
PROFIT OF THE YEAR	**1,311**	**2,053**	**1,987**

3. APPROPRIATION ACCOUNT

3. APPROPRIATION ACCOUNT	2009	2010	2011
In ’000 €			
Profit to be appropriated	**2,716**	**2,792**	**2,197**
Profit for the year available for appropriation	1,311	2,053	1,987
Profit brought forward	1,404	739	211
Drawdowns on capital			**4,000**
Drawdowns on reserves		**2,857**	
Transfers to legal reserve	**66**	**103**	**99**
Transfers to other reserves	**-**	**-**	**2,923**
Result to be carried forward	**739**	**211**	**211**
Dividends [1]	**1,911**	**5,336**	**2,964**

(1) For 2009 and 2010, 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 Bruxelles	Belgium	170,827	100	
SAS ZETES France	Bâtiment Einstein – 17/19 rue Georges Besse-92160 Antony	France	27,470	100	
SA ZETES TECHNOLOGIES	Rue de Strasbourg 3 - 1130 Bruxelles	Belgium	1,249	49.96	0.04
ZTS Lda	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	2	100	
SA BUROTICA	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	10 million	50	50
SA ZETES FASTRACE	Rue de Strasbourg 3 - 1130 Bruxelles	Belgium	2,124	34.03	41.9
ZETES INTERNATIONAL GmbH	Langenhorner Chaussee 42 - 22335 Hambourg	Germany	4	100	
ZETES SRL	Via LB Allberti 10 - 20149 Milano	Italy	10	10	90
ZETES INDUSTRIES (Israel) Ltd	2 Hahagana Street - 47203 Ramat-Hasharon	Israël	10	70	
ZETES HOLDING GmbH	Waldstrasse 23 - 63128 Dietzenbach	Germany	2	100	
RFIDea SA	Rue des Chasseurs Ardennais, 4 - 4031 Angleur	Belgique	3	ns	100
ZETES COTE D'IVOIRE	Abidjan, 17BP 319 Abidjan 01	Côte d'Ivoire	190	10	90

5. STATEMENT OF CAPITAL

CAPITAL	**In '000€**	**Number of shares**
1. Issued capital		
At the end of the preceding period	60,092	
Changes during this period:	(4,000)	
At the end of the period	56,092	
2. Structure of the capital		
Registered shares, bearer and dematerialized shares		5,389,714
Registered		8,641
Bearer and dematerialized		5,381,073

SHAREHOLDER STRUCTURE BASED ON NOTIFICATION IN DECEMBER 2011

SHAREHOLDERS	Number of shares	%
Zephir	1,277,495	23.70
Cobepa	989,313	18.36
KBC Private Equity	243,998	4.53
Axa Belgium	199,453	3.70
Other nominative shareholders	8,641	0.16
Public	2,573,157	47.74
Own shares	97,657	1.81
Total	**5,389,714**	**100.00**

6. AUDITORS AND RELATED PARTIES

In '000€	
Auditor fees	40
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	2

STATEMENT ON CORPORATE GOVERNANCE

1. The 2009 Belgian Code on Corporate Governance

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

Given the size of the Company, the Board of Directors does not plan to create an Appointments Committee.

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 2011, 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** (Nominated by Zephir Corporation) (Managing Director)	2015	Rue de Strasbourg 3 1130 Brussels
Jean-François Jacques SPRL **Represented by Mr Jean-François Jacques (*)** (Nominated by Zephir Corporation) (Managing Director)	2015	Avenue de l'Automne 23 1410 Waterloo
Pierre Lambert, (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 (Nominated by Cobepa) (Director)	2015	Rue de la Chancellerie 2 1000 Brussels
Olivier Gernay (Nominated by Zephir Corporation) (Director)	2015	Avenue Brugmann 403 1180 Brussels
Floris Vansina BVBA **Represented by Mr Floris Vansina** (Director)	2015	Charles Woestelaan 147 1090 Jette
José-Charles Zurstrassen (Independent Director)	2015	Avenue Général Baron Empain 41 1150 Woluwe-Saint-Pierre
Paul Jacques (*) (Independent Director)	2015	Rue du Ham 20 1180 Brussels
GEMA SPRL **Represented by Mr Michel Allé** (Independent Director)	2015	Place Constantin Meunier 17 1190 Brussels

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

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

The statutory auditor of the Company is RSM Réviseursd'Entreprises - Bedrijfsrevisoren, having its registered office at Chaussée de Waterloo 1151, 1180 Uccle, represented by Mr Laurent Van der Linden. 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 2011, the Board of Directors met 8 times. All members attended all meetings except for Jean-Marie Laurent Josi (18 March and 29 August 2011) and Olivier Gernay (22 June 2011).

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 authorization;
- provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use, or transfer of assets that could have a material effect on the consolidated financial statements.

The Executive 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 2011. 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 2011, 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. Due to the size of the Company, there will be no Appointments Committee.

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 2011, the members of the Audit Committee were:

- Mr Alexandre Schmitz (Chairman of the Audit Committee, non-executive director)
- Floris Vansina BVBA, represented by Mr Floris Vansina (non-executive director)
- Mr Paul Jacques (independent director)
- Gema SPRL, represented by Mr Michel Allé (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 2011, 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 2011

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 will remain in force for the next two years.

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.

6.3. Remuneration of the executive directors:

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

6.3.1 Principles

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

6.3.2 Beneficiaries

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

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

6.3.3 Remuneration structure

In 2011, 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 2011

	2011
Fixed remuneration	293,657 €
Variable remuneration	150,000 €
Total	**443,657 €**

It should be noted that until 1 July 2011 the remuneration of Alain Wirtz SA was invoiced by Zephir Corporation SA to be immediately reinvoiced to the latter by Alain Wirtz SA.

Remuneration of the other members of the Executive Management

	2011
Fixed remuneration	381,364 €
Variable remuneration	200,000 €
Total	**581,364 €**

It should be noted that until 1 July 2011 the remuneration of Jean-François Jacques SPRL was invoiced by Zephir Corporation SA to be immediately reinvoiced to the latter by Jean-François Jacques SPRL.

6.3.5 Stock Option

For 2011 there is no remuneration in the form of Stock Options for 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, being under a Contract of Employment signed in 2000, enjoys the legal provisions in this area, as well as group insurance, the cost of which is included in the Remuneration of other Members of the Executive Management.

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).

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 Pierre Lambert, in his capacity as Chief Financial Officer, being under a Contract of Employment signed in 2000 benefits from the legal provisions here.

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

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 2011, the remuneration of non-executive directors broke down as follows:

	Board of Directors:	Audit Committee	Total
Jean-Marie Laurent Josi (*)	9,000 €	-	9,000 €
Alexandre Schmitz (*)	10,000 €	3,750 €	13,750 €
Floris Vansina (janvier à mai 2011)	4,500 €	1,250 €	5,750 €
Floris Vansina BVBA (juin à décembre 2011)	5,500 €	2,500 €	8,000 €
Paul Jacques (**)	7,125 €	-	7,125 €
José-Charles Zurstrassen	10,000 €	-	10,000 €
Olivier Gernay	9,500 €	-	9,500 €
Gema Sprl (décembre 2011)	-	-	-
Total	55,625 €	7,500 €	63,125 €

(*) Messrs. Jean-Marie Laurent Josi and Alexandre Schmitz pass their directors' fees on to SA Cobepa.

(**) the Director's fee of Mr. Paul Jacques is limited, at his request, to the amount mentioned above.

7. Capital structure

The capital of the Company is represented by 5.389.714 shares. At 31 December 2011, Zetes Industries SA/NV held 97.657 own shares, leaving 5.292.057 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 2011, 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 2011, 2.800 warrants remained in circulation.

7.1. Shareholding structure

Based on the notifications received and published up till 31 December 2011, 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)	989,313	18.36%
KBC Private Equity	243,998	4.53%
Axa Belgium	199,453	3.70%
Other registered shareholders	8,641	0.16%
Public	2,573,157	47.74%
Own shares	97,657	1.81%
TOTAL	**5,389,714**	**100%**

Avec exercice des warrants

Shareholder	number of shares	%
Zephir (in concert with Cobepa)	1,277,495	22.92%
Cobepa (in concert with Zephir)	989,313	17.75%
KBC Private Equity	243,998	4.38%
Axa Belgium	199,453	3.58%
Other registered shareholders	8,641	0.16%
Employees	184,669	3.31%
Public	2,573,157	46.16%
Own shares	97,657	1.75%
TOTAL	**5,574,383**	**100%**

Except for the above mentioned information, as at 31 December 2011 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 (Exhibit J). 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 30 May 2012 that it declare a gross ordinary dividend per share of € 0.55.

ZETES

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