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CONSOLIDATED ACCOUNTS

The consolidated financial statements for the year ended December 31, 2010 as presented in this annual report were prepared under the responsibility of the Board of Directors and authorized for issue on April 1, 2011 subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on May 25, 2011.

CONSOLIDATED INCOME STATEMENT	NOTES	2008	2009	2010
In € '000				
Sales		177 636	167 471	216 738
Cogs		(100 221)	(91 014)	(128 028)
Gross Margin		77 415	76 457	88 711
Employee expenses	2	(41 864)	(43 846)	(47 470)
Other operating expenses		(20 341)	(19 006)	(22 145)
Current EBITDA ⁽¹⁾		15 211	13 606	19 096
Non current costs	4	(593)	(702)	(408)
EBITDA		14 618	12 903	18 688
Depreciation, amortization, impairment losses	6 / 7 / 9 / 10	(6 055)	(5 479)	(7 272)
EBIT		8 563	7 425	11 416
Result from the disposal of fixed assets		53	55	20
Financial result	4	(821)	(784)	(581)
Result before tax		7 795	6 696	10 855
Income tax	5	(1 791)	(1 561)	(2 645)
Profit of the period		6 004	5 135	8 210
Minority interests		7	(14)	(164)
Net profit of the Group		5 997	5 149	8 374
Current EBIT ⁽¹⁾		9 156	8 127	11 824
Net current result ^{(1) (3)}		6 468	5 673	8 694
TOTAL COMPREHENSIVE INCOME				
In € '000				
Net profit of the Group		5 997	5 149	8 374
Currency translation differences		(758)	228	359
Net revaluation of hedging instruments		21	(52)	48
Other comprehensive income, net of related tax effects ^(*)		(737)	176	407
Total comprehensive income of the Group ^(**)		5 259	5 325	8 781
(*) "Other comprehensive income" (**) "Total comprehensive income"				
EARNINGS PER SHARE (€ per share)				
	12	2008	2009	2010
Number of shares outstanding ⁽²⁾		5 386 299	5 342 394	5 324 566
Net result of the Group ⁽³⁾		1.11	0.96	1.57
Net current result of the Group ^{(1) (3)}		1.20	1.06	1.63
Number of shares fully diluted ⁽²⁾	12	5 386 299	5 342 394	5 324 566
Net diluted result of the Group ⁽³⁾		1.11	0.96	1.57

(1) "Current" excludes restructuring expenses and other non current items (badwill/vesting costs of options/other)

(2) Average number of outstanding shares

(3) Attributable to equity holders of the parent company

FINANCIAL POSITION (BEFORE APPROPRIATION)

	NOTES	2008	2009	2010
In € '000				
ASSETS				
Tangible assets	6	7 574	8 893	12 548
Intangible assets	7	3 788	3 874	4 690
Goodwill ⁽¹⁾	7	32 464	33 108	34 970
Deferred tax assets	5	1 930	1 867	2 749
Financial assets and other non current assets	8	486	414	632
Non current assets		46 243	48 155	55 588
Inventories	9	12 097	11 102	15 155
Current trade and other receivables	10	52 089	46 370	65 593
Current tax assets ⁽²⁾			591	249
Current prepayments		4 325	6 017	7 161
Cash and cash equivalents	13	12 710	18 140	14 599
Current assets		81 221	82 220	102 757
Total assets		127 464	130 376	158 346
EQUITY AND LIABILITIES				
	NOTES	2008	2009	2010
Equity attributable to equity holders of the parent		67 208	70 188	77 526
Minority interests		168	153	405
Total equity	12	67 376	70 341	77 930
Non current borrowings	13	2 854	3 049	963
Non current provisions	14	568	530	579
Non current obligations	14	158	125	118
Deferred tax liabilities	5	1 014	1 435	1 686
Non current liabilities		4 594	5 139	3 346
Current interest bearing borrowings	13	2 805	2 408	4 021
Current provisions	14	-	-	15
Current obligations	14	18	17	17
Current trade and other payables ⁽¹⁾	15	51 880	51 166	70 333
Current tax liabilities ⁽³⁾			394	1 403
Other current liabilities		790	912	1 280
Current liabilities		55 494	54 896	77 070
Total equity and liabilities		127 464	130 376	158 346

(1) The Goodwill in 2009 has been decreased for an amount of 625 thousand € in order to take into consideration the earnout adjustment of ImageID (against a debit of the other payables)

(2) In 2008, the current tax assets are included in Current trade and other receivables.

(3) In 2008, the current tax liabilities are included in Current trade and other payables.

CONSOLIDATED CASH FLOW STATEMENT

	2008	2009	2010
In € '000			
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE (I)	14 722	12 710	18 140
Cash flows from the P&L	12 867	10 850	14 681
Result before tax	7 795	6 696	10 855
Depreciation on fixed assets	3 422	3 551	4 633
Depreciation on development costs	1 356	1 233	1 472
Write-downs on stock & receivables	1 197	737	1 123
Provisions	(16)	(82)	48
Net Financial charges	236	238	517
Income tax paid	(1 117)	(1 092)	(3 483)
Other increases (decreases) incl. goodwill	(5)	(430)	(483)
Working capital	(5 837)	3 834	(3 564)
Decrease (increase) in assets	(2 822)	5 578	(22 102)
Increase (decrease) in liabilities	(3 015)	(1 744)	18 538
CASH FLOWS FROM THE OPERATIONS (II)	7 030	14 684	11 117
Acquisitions	(4 848)	(7 597)	(10 141)
Fixed assets	(3 776)	(4 323)	(6 715)
Subsidiaries (net of cash acquired)	65	(2 098)	(1 278)
Developments	(1 138)	(1 176)	(2 147)
Disposals	28	140	93
Fixed assets	28	140	93
Interests received (+)	339	216	38
CASH FLOWS RELATING TO INVESTING ACTIVITIES (III)	(4 481)	(7 241)	(10 010)
Proceeds from cash flows from financing	571	2 558	113
Proceeds from finance lease/bank loans	571	1 589	113
Other loans	-	969	-
Repayments relating to cash flows from financing	(2 063)	(1 785)	(2 984)
Repayment of finance lease liabilities and bank loans	(2 260)	(1 388)	(2 837)
Bank overdrafts increase (decrease)	204	(403)	(49)
Cash restricted or pledged	(8)	6	(98)
Financial charges	(576)	(454)	(555)
Dividends Paid	(1 940)	(1 940)	(1 911)
Own shares	(300)	(467)	466
NET CASH FLOWS RELATING TO FIN. ACTIVITIES (IV)	(4 308)	(2 088)	(4 870)
NET INCREASE IN CASH AND CASH EQUIVALENTS (V) = (II) + (III) + (IV)	(1 758)	5 354	(3 763)
Effect of exchange rates (VI)	(254)	76	222
CASH AND CASH EQUIVALENTS, CLOSING BALANCE (VII) = (I) + (V) + (VI)	12 710	18 140	14 599

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued capital	Reserves	Own shares	Currency translation reserves ⁽²⁾	Hedging reserves	Total ⁽¹⁾	Minority interests	Total equity
(In € '000)								
Balance at 31 December 2007	62 311	1 956	0	(104)	(21)	64 143	(63)	64 080
Net result of the period		5 997				5 997	7	6 004
Result directly allocated to equity				(758)	21	(737)		(737)
Total comprehensive income		5 997		(758)	21	5 259	7	5 267
Business Combinations						0	222	222
Share-based payment		46				46		46
Dividends		(1 940)				(1 940)		(1 940)
Acquisitions/sales of own shares			(300)			(300)		(300)
Other variations	(4 000)	4 000				0	2	2
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 Combinations						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

(1) Attributable to equity holders of the parent company

(2) The increase of the translation reserves for an amount of 359 thousand € is mainly due to 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 2010 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 2010.

2. Summary of changes in accounting principles

Standards and interpretations applicable from 1 January 2010 onwards

The new standards given below are mandatory for the first time for the annual financial periods beginning on the date mentioned next to the standard.

IFRS 3R	Business Combinations	1 July 2009
Amendments to standards		
IFRS 2	Group Cash-settled Share-based Payments	1 January 2010
IAS 27	Consolidated and Separate Financial Statements	1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement	1 July 2009
New interpretations		
IFRIC 12	Service Concession Arrangements	1 April 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2010
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 July 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 November 2009
IFRIC 18	Transfers of Assets from Customers	1 November 2009

Adoption of these new standards and interpretations has the following main impacts:

• IFRS 3 (Revised 2008), Business Combinations

This standard replaces IFRS 3. In particular it provides that:

- o the consideration paid to acquire a business, should be recorded at fair value at the acquisition date (including any contingent consideration),
- o subsequent adjustments to the contingent consideration resulting from post-acquisition events are recorded in profit or loss.
- o acquisition-related costs (due diligence, legal consulting fees, etc.), should be expensed immediately in profit and loss;
- o for business combinations prior to the effective date of IFRS 3R, the acquirer is required to recognize as adjustments through profit and loss all changes in recognized deferred tax assets.

Adoption of the following amendments and new interpretations does not have any material effect on the consolidated financial statements.

• IFRS 2 Share-based Payments

The amendments integrate IFRIC 8 and IFRIC 11, and expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

• IAS 27 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions involving non-controlling participating interests to be recorded in equity if there is no change in control. Consequently, such transactions will not result in goodwill or in gains and losses recognized in profit or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value at the date of loss of control, and any resulting gain or loss is recognized in profit or loss.

• IAS 39 Financial Instruments: Recognition and Measurement

This amendment deals with eligible hedged items.

• IFRIC 15 Agreements for the Construction of Real Estate

This interpretation clarifies the recognition of revenue by real estate developers for sales of units, such as apartments or houses, 'off plan', before construction is complete.

• IFRIC 16 Hedges of a Net Investment in a Foreign Operation

This interpretation clarifies that net investment hedging should relate to currency risk only and that the hedging instruments themselves may be held anywhere in the Group.

• IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation clarifies that

- o a dividend payable should be recognized when the dividend is appropriately authorized;
- o an entity should measure the dividend payable at the fair value of the net assets to be distributed.

• IFRIC 18 Transfers of Assets from Customers

This interpretation clarifies the IFRS requirements for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity then uses either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3. Basis of 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.

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 purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is calculated as the fair value of the assets given up, the shares issued and the liabilities assumed at the date of acquisition plus any costs directly attributable to the acquisition.

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
	2010	2009	2010	2009
1 Euro =				
Pound sterling	0 8608	0 8881	0 8576	0 8906
Swiss franc	1 2504	1 4836	1 3795	1 5098
US dollar	1 3362	1 4406	1 3268	1 3933

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 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. Leasehold improvements are depreciated over the shorter of estimated useful life and lease term. Other items are depreciated on a straight-line basis over the estimated useful lives as follows:

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

When inventories are sold, the carrying amount of those inventories shall be 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.

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

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

18. Derivative financial instruments

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

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

19. Borrowing costs

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

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1. CONSOLIDATED COMPANIES

SUBSIDIARY	Country	Ownership %	Method of consolidation	Change ⁽¹⁾	Date of change
Accuscan International Ltd	UK	100	Global		
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 SA	France	100	Global		
Metaform Ltd	Israel	100	Global		
Powersys 2000 S.L.	Spain	100	Global		
RASW Management Maarn BV	The Netherlands	100	Global		
Zetes Auto ID Systems AG	Switzerland	100	Global		
Zetes BV	The Netherlands	100	Global		
Zetes Côte d'Ivoire	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 (Israel) Ltd	Israel	70	Global		
Zetes International GmbH	Germany	100	Global		
Zetes Ireland Ltd	Ireland	100	Global		
Zetes Labelling Systems BV	The Netherlands	100	Global		
Zetes Ltd	UK	100	Global		
Zetes Multicom SA	Spain	100	Global		
Zetes NetWave SA Information Systems and Telecommunications	Greece	51	Global	51	Feb-10
Zetes Pass BV	The Netherlands	100	Global		
Zetes SA	France	100	Global		
Zetes SA	Belgium	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: 31					

(1) % of shares acquired during the year

2010 EVENTS

Beginning of February 2010, Zetes acquired 51% of the shares of the company NetWave SA in Greece.

Beginning of November 2010, Zetes acquired the activities of the company Phi Data BV in the Netherlands (asset deal).

POST CLOSING 2010 EVENT

End of February 2011, Zetes acquired the company anvos GmbH in Germany (see note 16).

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.

Financial position at 31.12 2010	
In '000 €	
Non current assets	3 365
Current assets	2 285
Equity	1 302
Non current liabilities	85
Current liabilities	4 262

NOTE 2. EMPLOYMENT

COSTS BOOKED	2008	2009	2010
In '000 €			
Wages and salaries	(40 989)	(42 909)	(46 439)
Defined contribution pension plan	(875)	(937)	(1 031)
Total	(41 864)	(43 846)	(47 470)
TOTAL IN UNITS			
Average Number of Staff	754	794	868
Total staff at the end of the year	769	803	902
TOTAL IN FTE ⁽¹⁾			
Average Number of Staff	734	768	842
Total staff at the end of the year	745	779	880

(1) FTE: Full Time Equivalent

NOTE 3. SEGMENT REPORTING

INCOME STATEMENT	2008	2009	2010
In € '000			
Sales			
Goods ID	148 315	131 646	155 290
People ID	29 321	35 808	61 448
Corporate	-	17	-
Total sales	177 636	167 471	216 738
Gross margin			
Goods ID	63 269	57 885	63 047
In % of sales	42.7%	44.0%	40.6%
People ID	14 147	18 556	25 663
In % of sales	48.2%	51.8%	41.8%
Corporate	-	17	-
Total gross margin	77 415	76 457	88 711
Total gross margin in % of sales	43.6%	45.7%	40.9%
Operating expenses			
Goods ID	(48 922)	(48 019)	(51 652)
People ID	(10 368)	(12 120)	(14 885)
Corporate	(2 914)	(2 713)	(3 077)
Total operating expenses	(62 204)	(62 851)	(69 614)
Current EBITDA			
Goods ID	14 346	9 866	11 395
In % of sales	9.7%	7.5%	7.3%
People ID	3 778	6 436	10 779
In % of sales	12.9%	18.0%	17.5%
Corporate	(2 914)	(2 696)	(3 077)
Total current EBITDA	15 211	13 606	19 096
Total current EBITDA in % of sales	8.6%	8.1%	8.8%
EBITDA			
Goods ID	13 819	9 325	11 002
People ID	3 778	6 365	10 764
Corporate	(2 979)	(2 787)	(3 078)
Total EBITDA	14 618	12 903	18 688
Current EBIT			
Goods ID	10 028	6 170	7 054
In % of sales	6.8%	4.7%	4.5%
People ID	2 095	4 688	7 865
In % of sales	7.1%	13.1%	12.8%
Corporate	(2 967)	(2 730)	(3 095)
Total current EBIT	9 156	8 127	11 824
Total current EBIT in % of sales	5.2%	4.9%	5.5%
EBIT			
Goods ID	9 501	5 629	6 661
People ID	2 095	4 616	7 850
Corporate	(3 032)	(2 821)	(3 096)
Total EBIT	8 563	7 425	11 416

FINANCIAL POSITION	2008	2009	2010
In € '000			
Goodwill			
Goods ID ⁽¹⁾	29 461	29 799	31 661
People ID	3 004	3 309	3 309
Total goodwill	32 464	33 108	34 970
Fixed assets			
Goods ID	6 381	5 585	10 422
People ID	4 925	7 158	6 809
Corporate	56	24	7
Total fixed assets	11 362	12 767	17 238
Inventories			
Goods ID	8 291	7 279	8 482
People ID	3 806	3 823	6 672
Total inventories	12 097	11 102	15 155
Current trade and other receivables			
Goods ID	48 059	44 590	58 906
People ID	7 583	7 512	13 157
Corporate	86	62	73
Total current trade and other receivables	55 728	52 165	72 136
Total assets			
Goods ID	92 192	87 253	109 472
People ID	19 318	21 802	29 947
Corporate and other non allocated assets	15 954	21 321	18 927
Total assets	127 464	130 376	158 346
Current trade and other payables			
Goods ID	39 697	39 406	55 730
People ID	9 609	9 304	13 873
Corporate	730	555	740
Total current trade and other payables	50 037	49 264	70 344
Total liabilities			
Goods ID	39 697	39 406	55 730
People ID	9 609	9 304	13 873
Corporate and other non allocated liabilities	78 157	81 667	88 742
Total liabilities	127 464	130 376	158 346
Investments			
Goods ID	2 914	2 238	6 789
People ID	1 902	3 250	2 073
Corporate	97	11	-
Total investments	4 914	5 499	8 863

From 2009, the figures of the company Zetes Fastrace are included in People ID (and not in Goods ID anymore); most of its business relates today to People Identification.

(1) The Goodwill in 2009 has been decreased for an amount of 625 thousand € in order to take into consideration the earnout adjustment of ImageID.

SEGMENT REPORTING

Zetes Industries has applied IFRS 8 'Operating Segments' since 1 January 2009. The company is organised in two activity clusters, Goods ID and People ID, which function differently and are followed separately.

For Goods ID, the company has introduced a pan-European structure, with a physical presence across Europe. The Goods ID activity is organized into regions (North / Central / South). Resource allocations as well as sharing out of markets and activities between the different entities of a same region are decided at regional level. The People ID activity, on the other hand, is highly centralised. Internal reporting for each activity cluster is limited to the specific analysis of sales, gross margin, operating expenses, EBITDA and depreciation. Zetes Group also has a 'corporate' structure, the expenses of which are monitored separately.

Segment results, capital expenditure, assets and liabilities include items that can be directly assigned to a segment, as well as items that can be reasonably assigned thereto. Segment assets include fixed assets, goodwill, inventory, trade receivables, construction contracts, advance payments and tax receivables. Segment liabilities include trade payables, advance payments received, and liabilities towards employees and government authorities.

Unallocated sales/results relate to the central administration (corporate).

1. GOODS ID

Goods ID	2007	2008	2009	2010	%
In € '000					
Turnover	145 526	148 315	131 646	155 290	18.0%
Gross Margin	58 701	63 269	57 885	63 047	8.9%
Oper. exp.	(45 074)	(48 922)	(48 019)	(51 652)	7.6%
Current EBITDA	13 626	14 346	9 866	11 395	15.5%
% Sales	9.4%	9.7%	7.5%	7.3%	
EBITDA	13 083	13 819	9 325	11 002	18.0%
Current EBIT	9 357	10 028	6 170	7 054	14.3%

At the end of 2010, Goods ID revenue reaches € 155.3 million, up 18.0% on 2009 (€ 131.6 million). Sales are also clearly above the highest result achieved until then, which was 2008 (€ 148.3 million). The second half was marked by strongly accelerating sales growth. More precisely, a first 2010 half in which sales revenue improved only slightly was followed by the best second half in the company's history for this sector of activity.

While business remains cautious with capital spending, regulatory constraints in terms of traceability as well as the quest for productivity gains remain the most important determining factors in Zetes' customers' investment decisions. Postal services and the pharmaceutical industry were the main growth markets in 2010. In volume terms, retailing remains the largest sector. Production industries and transport, which in 2009 slashed investments, are also beginning to invest again.

The global gross margin was € 63.0 million, up +8.9% on 2009. Growth was supported by strong equipment sales. As these obviously carry a smaller margin than secure documents and services, gross margin as a percentage of sales contracted from 44.0% in 2009 to 40.6% in 2010, while, in absolute amount, gross margin moved positively from € 57.9 million to € 63 million.

Maintenance, support services and supply of consumables remained stable compared with 2009. Both the sales revenues and margins are comparable to previous years.

Increasing costs are mainly due to ImageID (end 2009) and Netwave being consolidated too. On a constant scope basis, the increase in operating costs is limited to 3.1% (see below).

Good control of operating costs enabled the Group to generate an EBITDA amounting € 11.4 million, up 15.5%.

In conclusion, the Goods ID activity clearly rebounded in the second half of 2010. Zetes' readiness to continue investing during the crisis put it in a strong position when recovery came. The recent growth has brought sales revenues back to pre-crisis levels and feeds the reservoir of future recurring revenue.

Internal growth and currency effects

In Goods ID, the impact of currency fluctuations is limited and reflects the appreciation of the pound sterling. In terms of income, this represents about 0.7% of sales.

Goods ID	2009	2010	%
<i>Excluding currency impact</i>			
In € '000			
Turnover	131 646	154 219	17.1%
Gross Margin	57 885	62 599	8.1%
Oper. exp.	(48 019)	(51 281)	6.8%
Current EBITDA	9 866	11 318	14.7%
% Sales	7.5%	7.3%	
EBITDA	9 325	10 925	17.2%

Comparative figures for 2009 and 2010 on a constant scope basis show that sales growth (+16.0%) is mainly internal in nature. A breakdown of this internal growth reveals an unchanged situation in recurring activities, growth in services and, especially, strong revenue growth in the equipment area, mostly in the last quarter.

Goods ID	2009	2010	%
<i>Pro forma 2010 (*)</i>			
In € '000			
Turnover	131 646	152 745	16.0%
Gross Margin	57 885	61 919	7.0%
Oper. exp.	(48 019)	(49 511)	3.1%
Current EBITDA	9 866	12 408	25.8%
% Sales	7.5%	8.1%	
EBITDA	9 325	12 075	29.5%

(*): Zetes NetWave et ImageID excluded

The impact of acquisitions (Netwave and ImageID) is limited to € 2.5 million, increasing sales by just 2%. The contribution of the new business unit in Greece is slightly negative, reflecting a difficult macroeconomic situation. The introduction of a more effective and solutions-oriented team is under way. In retail, the first orders from multinational companies should be executed in 2011.

The adoption of the Image ID technology is proving slower than initially expected. In 2010, sales were insufficient to cover costs, which explains the negative contribution of around € 0.9 million. Zetes, however, continues to believe in the technological solution and the current sales cycles suggest a gradual return to equilibrium. Besides the intrinsic pertinence of the Image ID solution, the differentiation from the competition by means of a new and innovative solution also opens up the opportunity to enter markets with other solutions.

2. PEOPLE ID

2010 is the first year that the strategy implemented in People ID is reflected in the figures:

- The long-term contracts garnered over the last 8 years have all contributed to sales and to operating profitability.
- Its policy of intensive prospecting has also enabled Zetes to conclude and carry out some attractive short-term contracts.

This has resulted in sales of € 61.4 million, up 71.6%, and a current EBITDA of € 10.8 million current, up by a similar amount.

People ID	2007	2008	2009	2010	%
In € '000					
Turnover	31 575	29 321	35 808	61 448	71.6%
Gross Margin	15 260	14 147	18 556	25 663	38.3%
Oper. exp.	(10 383)	(10 368)	(12 120)	(14 885)	22.8%
Current EBITDA	4 877	3 778	6 436	10 779	67.5%
% Sales	15.4%	12.9%	18.0%	17.5%	
EBITDA	4 877	3 778	6 365	10 764	69.1%
Current EBIT	3 198	2 095	4 688	7 865	67.8%

Long-term “Build and Operate” contracts

During the second half, production of blank identification cards began for the State of Israel. By year-end, approximately 20% of the cards had been produced. The balance will be manufactured during 2011 and 2012, with personalization expected to start in the second half of 2011.

The process of renewing existing identity cards in Belgium started in 2010 and will continue in 2011. The roll-out of the Portuguese ID card is at cruising speed.

Finally, despite a troubled situation, the distribution of biometric passports has continued in Côte d'Ivoire.

These contracts for the issuance of secure documents call for major business development efforts, with sales cycles that are long and difficult to predict. Once the contract has been signed, the first years are devoted to investment and validation of the documents and processes. But once these steps have been completed, these projects offer the Division a high degree of visibility and predictability.

“Build and Transfer” contracts

Projects often related to the preparation of voter lists were delivered in 2010:

- Central biometric files for Togo at the beginning of the year, and for another West African country at the end of the year.
- Complete solution and biometric kits for the Democratic Republic of Congo. 9 500 kits were delivered in 2010. The technical assistance and training services will continue in 2011 as electoral enrolment moves forward in the Congolese provinces.
- Enrolment solution for the Congolese police forces.
- Deployment of biometric enrolment infrastructures in Belgian embassies for the issuance of Schengen zone visas.

For the second consecutive year, current EBITDA rose almost 70%, taking it from € 3.8 million in 2008 to € 10.8 million in 2010. Over the same period, sales have more than doubled, highlighting the growth potential of this market.

EBITDA margin remained stable (Current EBITDA / Sales : 17.5%) in 2010 compared with 2009 (18.0%). These margins reflect both significant investments in production infrastructure and very high entry barriers: advanced technical and technological skills, requirements for customer references, lengthy sales cycles, and the like.

The need for people identification and authentication is constantly rising with cross-border mobility, electoral processes, the fight against identity fraud in the social security area,... In the meantime, customers are increasingly demanding quality references and proven experience from potential suppliers. Zetes has succeeded over the last ten years in acquiring the necessary expertise in the design and manufacture of secure documents, using all the experience it has gained in Goods ID to design and install complete solutions

incorporating fixed and mobile biometric equipment connected by telecommunications to centralized databases. Zetes has also developed middleware solutions for communication between the electronic ID card microprocessors and government and private applications. Finally, Zetes has the highest certifications in information security (ISO 27000.1) and has accumulated excellent references in the fields of electronic identity cards, biometric passports and visas, and social security identity cards.

3. Group

The costs of the Corporate Division grew by 13.4% to € 3.1 million, well below the growth of Group sales. The Zetes model remains based on strong operating divisions and a Corporate division, which main tasks are strategy definition, financial control and external growth.

NOTE 4. NON CURRENT COSTS / FINANCIAL RESULT

NON CURRENT COSTS	2008	2009	2010
In € '000			
Employee offering / stock (option) plan	(66)	(91)	(1)
Restructuring costs	(527)	(765)	(359)
Badwill		422	
Other non current costs		(268)	(47)
Total	(593)	(702)	(408)

The restructuring costs are mainly related to France and the other non current costs are linked to acquisition costs.

FINANCIAL RESULT	2008	2009	2010
Interest charges	(576)	(454)	(555)
Exchange losses / conversion difference	(1 078)	(676)	(751)
Other financial charges	(246)	(269)	(384)
Interest revenues	339	216	38
Exchange gain / conversion difference	635	351	982
Other financial revenues	105	49	89
Financial result	(821)	(784)	(581)

NOTE 5. TAXES

INCOME TAX	2008	2009	2010
In € '000			
Income tax	1 791	1 561	2 645
Current income tax expenses	1 117	1 092	3 483
Deferred tax expenses	674	469	(839)

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX RATE	2008	2009	2010
In € '000			
Tax expense using statutory rate	2 650	2 276	3 690
Net profit before taxes	7 795	6 696	10 855
Belgian statutory tax rate	33.99%	33.99%	33.99%
Tax effect of rates in other jurisdictions	(309)	(278)	(267)
Tax effect of notional interest deduction	(556)	(540)	(435)
Tax effect of non tax deductible expenses	220	248	443
Tax effect of non taxable profits		(96)	
Tax effect of current and deferred tax adjustments	(158)	(123)	(773)
Others	(56)	73	(14)
Tax expense using effective rate	1 791	1 561	2 645
Effective tax rate	22.98%	23.31%	24.36%

In 2010, the UK entity has finished using the deferred tax assets that had been activated at the time of its acquisition (2006). Its profit outlook has made possible to activate an additional amount of deferred taxes of 0.4 million € in 2010; the profit outlook also became positive in Israel where an amount of 0.4 million € deferred tax has been activated.

Tax losses for which deferred tax assets were not recognized amount to 2.2 million GBP and 6.5 million ILS. Finally, Zetes has booked probable discontinuation of tax losses on acquisitions for an amount of 0.3 million €.

RECOGNISED DEFERRED TAX ASSETS	2008	2009	2010
In € '000			
Intangible assets	533	263	92
Tangible assets	-	18	45
Inventories	67	32	82
Trade receivables	31	36	115
Accruals	18	18	72
Provisions	3	3	23
Tax losses carried-forward	1 279	1 496	2 320
Recognised deferred tax assets	1 930	1 867	2 749

RECOGNISED DEFERRED TAX LIABILITIES	2008	2009	2010
Intangible assets	721	703	829
Tangible assets	-	31	280
Inventories	-	14	-
Construction contracts	288	675	452
Accruals	5	12	-
Non-recoverable tax losses	-	-	125
Recognised deferred tax liabilities	1 014	1 435	1 686

NOTE 6. TANGIBLE ASSETS

In € '000	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold improvements	Other	Total
Balance at 31 December 2007							
Cost	-	19 823	2 393	2 369	3 939	1 789	30 313
Accumulated depreciation	-	(15 392)	(1 358)	(1 789)	(2 602)	(1 297)	(22 438)
Opening balance 2008	-	4 431	1 035	579	1 337	492	7 874
Changes in 2008							
Additions	-	1 904	542	73	323	2	2 843
Disposals / cancellations	-	(716)	(270)	(119)	(18)	56	(1 067)
Conversion differences	-	(38)	(0)	(45)	(89)	7	(166)
Reclassifications (to) from other items / other	-	(25)	-	-	(12)	(4)	(41)
Depreciation charge	-	(2 030)	(482)	(133)	(344)	(109)	(3 098)
Depreciation on disposals / cancellations	-	711	210	119	18	34	1 092
Depreciation other	-	5	(0)	41	93	(2)	137
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 combinations	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 combinations	(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

NOTE 6. TANGIBLE ASSETS (CONTINUED)

In € '000	Buildings	Plants and equipments	Motor vehicles	Fixtures and fittings	Leasehold improvements	Other	Total
Changes in 2010							
Additions	1 883	2 557	803	98	311	309	5 961
Business combinations	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 combinations	-	(334)	(20)	(149)	-	-	(503)
Depreciation on disposals / cancellations	-	474	448	245	467	318	1 952
Depreciation other	21	(87)	30	(28)	(7)	(43)	(115)
Balance at 31 December 2010							
Cost	3 607	27 119	2 947	2 532	4 486	1 786	42 477
Accumulated depreciation	(294)	(21 263)	(1 713)	(2 143)	(3 174)	(1 341)	(29 929)
Closing balance 2010	3 313	5 856	1 234	388	1 312	445	12 548
Balance at 31 December 2010							
Net carrying amount of tangible assets under finance leases		486	136	4			626
Tangible assets acquired in 2010 under finance leases		200	64				264
Amount of tangible assets pledged as security for liabilities		486	136	4			626

NOTE 7. INTANGIBLE ASSETS

In € '000	Goodwill	Development costs	Patents, trademarks and other rights	Computer software	Total
Balance at 31 December 2007					
Cost	33 417	9 009	526	2 594	45 545
Accumulated depreciation	-	(6 533)	(480)	(1 618)	(8 630)
Accumulated impairment losses	(1 314)	-	-	-	(1 314)
Opening balance 2008	32 103	2 476	46	976	35 602
Changes in 2008					
Additions		1 138	22	820	1 980
Business combinations	347				347
Other	14		(35)	(162)	(184)
Depreciation charge		(1 356)	(32)	(292)	(1 679)
Depreciation other				32	186

NOTE 7. INTANGIBLE ASSETS (CONTINUED)

In € '000	Goodwill	Development costs	Patents, trademarks 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 combinations	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)
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 combinations	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)
Closing balance 2010	34 970	2 868	474	1 349	39 660
Net internally generated intangible assets					
		2 868			2 868

Comments

The goodwill increase of 1 679 thousand € is related to the acquisition of Zetes NetWave in Greece and Phi Data in the Netherlands. For these two acquisitions, a significant portion of goodwill corresponds to the synergies expected from the business combination; these should enable increase in sales and profit of the central region (Phi Data) and the southern region (Zetes NetWave). The conversion difference of 183 thousand € is related to the ImageID goodwill booked locally in foreign currency within Metaform. Finally, the Goodwill in 2009 has been decreased for an amount of 625 thousand € in order to take into consideration the earnout adjustment of ImageID (see below).

Breakdown of the goodwill by sector of activity

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 manager who is responsible for the resources allocation, the activities and the business sharing out within the region.

The book value of the goodwill has been allocated as follows:

	2009	2010	VAR.
In € '000			
Goods ID	29 799	31 661	1 862
People ID	3 309	3 309	-
Total goodwill	33 108	34 970	1 862

The Group checks the value of the goodwill reported 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. In this case, value in use is calculated based on projected cash flows derived from the annual budgets as adopted by the Board of Directors, as well as assumptions concerning the evolution of 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:

	2009	2010
Discount rate	10%	10%
Growth rate ⁽¹⁾	1%	1%
Illiquidity discount	15%	15%

(1) After the five-year period.

Earnouts

A negative adjustment has been recorded in 2010; it relates to the earnout estimation (contingent consideration) of ImageID.

As mentioned before, the 2009 Goodwill shown in this report has been decreased for an amount of 625 thousand € to allow the comparison between 2009 and 2010.

NOTE 8. FINANCIAL ASSETS AND OTHER NON CURRENT ASSETS

ASSETS	2008	2009	2010
In € '000			
Other non current financial assets	157	64	170
Non current cash restricted or pledged	329	350	462
Total	486	414	632

HEDGING INSTRUMENTS

In '000	Sale EUR	Purchase USD	Expiring from	Expiring to	Contracts average rate	Closing rate 31/12
Forward contracts EURO / USD	656	870	jan-11	march-11	1 326	1 336

The Group has hedging instruments to hedge identified foreign exchange risks; on 31/12/2010, there are hedging contracts for an amount of 0.9 million USD against EUR to be purchased at an average rate of 1 326.

The net result on hedging instruments is (4) thousand € and is mentioned in the note Changes in equity.

NOTE 9. INVENTORIES

ASSETS	2008	2009	2010
In € '000			
Gross carrying amounts	17 347	16 070	20 406
Merchandise	14 019	12 782	14 562
Production supplies	2 763	2 593	5 572
Stock in transit	565	695	271
Accumulated write-downs	(5 250)	(4 968)	(5 251)
Merchandise	(5 050)	(4 768)	(5 051)
Production supplies	(200)	(200)	(200)
Total net	12 097	11 102	15 155
INCOME STATEMENT	2008	2009	2010
In € '000			
Write-downs on stock	(914)	(670)	(715)

NOTE 10. CURRENT TRADE AND OTHER RECEIVABLES

ASSETS	2008	2009	2010
In € '000			
Trade receivables	47 256	40 846	62 079
Gross trade receivables	48 822	42 336	63 728
Accumulated write-downs	(1 565)	(1 490)	(1 648)
Other current receivables	4 833	5 524	3 514
Construction contracts	2 963	3 733	2 545
Other	1 869	1 791	969
Total	52 089	46 370	65 593

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 loss.

Construction contracts

Cumulative amount of contract costs incurred and recognized profits less losses	58 993	72 169	94 356
---------------------------------------------------------------------------------	--------	--------	--------

INCOME STATEMENT

	2008	2009	2010
In € '000			
Sales relating to the execution of construction contracts	13 758	13 176	22 187
Allowance for bad and doubtful debts	(282)	(67)	(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 2010, the revenues estimate has been decreased for one of the existing contracts.

NOTE 11. RELATED PARTIES

	2009	2010
In € '000		
Assets with related parties ⁽¹⁾	96	192
Liabilities with related parties	40	14
Transactions with related parties		
Basic remuneration	(648)	(632)
Variable remuneration	(180)	(270)
Total Management Committee remunerations	(828)	(902)
Total non executive directors remunerations	(54)	(52)
Total others ⁽²⁾	(26)	(20)
Total Receiving of services	(909)	(974)

⁽¹⁾ Current accounts of executive directors

⁽²⁾ Lawyers services

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

The amounts related to pension and other benefits are not significant and integrated into the basic compensation.

Zetes Industries SA is the parent company of the Zetes Group; the legal notifications linked to its control are mentioned in the Corporate Governance section of the annual report.

NOTE 12. EQUITY NOTE

MOVEMENTS IN NUMBER OF SHARES	Ordinary shares
Number of shares on 31/12/2009	5 389 714
Number of shares issued in 2010	0
Number of shares on 31/12/2010	5 389 714

OWN SHARES	Nombre	In € '000
Own shares, opening balance	51 068	767
2010 movements	(28 963)	(466)
Own shares, closing balance	22 105	300

In 2010, 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 25, 2011 to pay a gross ordinary dividend of 0.47 € and a gross extraordinary dividend of 0.53 €, for a total amount of 1€ per share.

The proposed dividend has not been recognised as a liability at the end of 2010.

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 €)	8 374	8 374
Weighted average number of ordinary shares outstanding	5 324 566	5 324 566
Basic earnings per share (in €)	1.57	1.57

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 2010, the outstanding number of options is 184 669. The weighted average listing price is 16.45 €; 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 €)	8 374	8 374
Weighted average number of ordinary shares outstanding	5 324 566	5 324 566
Adjustments for options	0	0
Weighted average number of ordinary shares for diluted earnings per share	5 324 566	5 324 566
Diluted earnings per share (in €)	1.57	1.57

OPTIONS

	PLAN 2005	PLAN 2007	TOTAL
Exercise price	23.00	22.63	
Outstanding on 31/12/2009	181 869	2 800	184 669
Granted during the period			-
Exercised during the period	-		-
Cancelled during the period	-		-
Outstanding on 31/12/2010	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 2010. During the year, 560 options have been definitively vested.

NOTE 13. FINANCIAL BORROWINGS

FINANCE LEASES, MINIMUM LEASE PAYMENT PAYABLE, PRESENT VALUE

	2008	2009	2010
In € '000			
< 1 year	415	259	224
Between 2 and 5 years	248	360	454
Total	663	619	678

NON CANCELLABLE FUTURE MINIMUM OPERATING LEASE PAYMENTS

	2008	2009	2010
In € '000			
< 1 year	3 772	3 782	4 225
Between 2 and 5 years	3 594	3 050	4 633
> 5 years	-	-	55
Total	7 366	6 831	8 913

INTERESTS BEARING BORROWING

	2008	2009	2010
In € '000			
Bank borrowings	3 438	3 682	1 490
Finance leases	663	619	678
Bank overdrafts	1 559	1 156	2 815
Total interests bearing borrowings	5 659	5 457	4 984

AGING PROFILE	2008	2009	2010
In € '000			
< 1 year	2 805	2 408	4 021
Between 2 and 5 years	2 854	3 049	963
> 5 years	-	-	-
Total	5 659	5 457	4 984

FINANCIAL DEBTS BY CURRENCY	2008	2009	2010
In € '000			
EUR	5 489	5 265	4 873
GBP	46	68	34
CHF	124	123	78
Total	5 659	5 457	4 984

FAIR VALUE OF FINANCIAL DEBTS

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

NET FINANCIAL DEBT (+) / CASH (-)	2008	2009	2010
In € '000			
Total financial debts	5 659	5 457	4 984
Cash available	(13 039)	(18 490)	(15 061)
Net cash	(7 379)	(13 033)	(10 076)
Current financial debts	2 805	2 408	4 021
Cash and cash equivalents	(12 710)	(18 140)	(14 599)
Current net cash	(9 905)	(15 732)	(10 577)

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	2008	2009	2010
In € '000			
Current cash restricted or pledged	329	350	462
Cash and cash equivalents	12 710	18 140	14 599
Total cash available	13 039	18 490	15 061

NOTE 14. PROVISIONS & OBLIGATIONS

In € '000	Warranty provisions	Restructuring provisions	Legal proceeding provisions	Onerous contract provisions	Total
Balance at 31 December 2007	312	90	127	98	626
Non current provisions	312	90	56	98	556
Current provisions	-	-	71	-	71
Additional provisions	38	70	13	-	121
Amounts used	(5)	-	(80)	(39)	(124)
Unused amounts reversed	-	(11)	(45)	-	(56)
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

The warranty provisions cover the company costs for the defective equipments not under the manufacturer guarantee.

The legal proceeding provisions mainly relate to disputes with former employees.

The onerous contract provisions cover the not-normal costs related to agreements.

In € '000	Post employment benefit obligation
Balance at 31 December 2007	174
Non current obligations	150
Current obligations	24
Additional provisions	16
Amounts used	(19)
Conversion differences	4
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)
Unused amounts reversed	-
Conversion differences	8
Balance at 31 December 2010	136
Non current obligations	118
Current obligations	17

CONTINGENT LIABILITIES

On December 2010, 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 2010 amount to 1 031 thousand €.

NOTE 15. CURRENT TRADE AND OTHER CURRENT PAYABLES

In € '000	2008	2009	2010
Trade payables	22 182	20 925	33 977
Advances received	17 641	19 007	22 834
Other current payables	12 057	11 164	13 517
Payables to employees	4 744	5 133	5 424
Payables to public administrations	5 471	4 429	6 705
Other ⁽¹⁾	1 843	977	1 388
Current hedging instruments	-	69	5
Total	51 880	51 166	70 333

(1) The other current payables in 2009 have been decreased for an amount of 625 thousand € in order to take into consideration the earnout adjustment of ImageID.

NOTE 16. DISCLOSURES ON ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In € '000	2008 Acquisitions	2009 Acquisitions	2010 Acquisitions	Post closing 2010 Acquisitions
Impact of the acquisitions				
Non current assets	4	789	2 034	11
Tangible assets	3	359	1 503	7
Intangible assets	-	409	0	4
Deferred tax assets	-	-	-	0
Other financial assets	-	-	377	-
Cash restricted or pledged	1	21	150	-
Other non current assets	-	-	4	-
Current assets	90	1 476	2 167	220
Inventories	-	444	362	64
Trade and other receivables	27	733	1 719	152
Prepayments	1	13	14	-
Cash and cash equivalents	62	285	71	0
Other current assets	-	-	-	4
Non-current liabilities	231	35	995	2
Interest bearing borrowings	38	3	409	-
Non-interest bearing borrowings	179	-	-	-
Provisions	-	-	-	2
Post employment benefit obligation	14	-	-	-
Deferred tax liabilities	-	31	587	-
Current liabilities	106	763	3 131	324
Interest bearing borrowings	-	0	1 925	81
Trade and other current payables	34	709	1 076	220
Advances received	-	-	52	-
Other liabilities	72	54	79	22
Net identifiable assets and liabilities	(244)	1 466	74	(95)

In € '000	2008 Acquisitions	2009 Acquisitions	2010 Acquisitions	Post closing 2010 Acquisitions
Goodwill on acquisitions and earnout	361	917	1 679	345
Goodwill on acquisitions	347	1 357	1 679	345
Badwill on acquisitions		(440)	-	-
Earnout adjustments	14	-	-	-
Cash (acquired) / disposed	-	(285)	(71)	(0)
Other movements	(183)	-	-	-
Net cash outflow / (inflow)	(65)	2 098	1 278	250
Minority interests	-	-	404	

2010 & POST CLOSING TRANSACTIONS

Beginning of February 2010, Zetes acquired 51% of the shares of the company NetWave SA in Greece. The minority interests at the acquisition date have been valued on the same basis than the Zetes interest in the company.

Beginning of November 2010, Zetes acquired the activities of the company Phi Data BV in the Netherlands (asset deal).

Early 2011, Zetes acquired the company anvos GmbH in Germany.

The net assets & liabilities of the acquisitions done in 2010 amount to 74 thousand €. Their book value before the business combinations is 1 663 thousand €. The acquisition bookings of NetWave, Phi Data and anvos GmbH is based on a provisional estimate of the fair values. Except for the acquisition of Phi Data, completely integrated into Zetes BV, the impact of acquisitions on the 2010 income statement is described in the segment reporting.

NOTE 17. AUDITOR'S MISSIONS

The auditor RSM Réviseurs d'Entreprises, represented by Mr.Thierry Dupont, has been appointed by the 2008 Shareholders Meeting. It will expire at the 2011 Shareholders Meeting held to approve the 2010 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	2010
Auditor's fees	
Fees for auditing the financial statements	76
Auditor's related parties' fees	
Fees for auditing the financial statements	9
Other missions	12

MANAGEMENT OF RISK 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 the 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 management to keep the risks to an acceptable level for the company.

Risk management helps to:

- a) Create and preserve the value, assets and reputation of the company
- b) Place the company's decision making and processes on a firmer basis and help it achieve its objectives
- c) Promote coherence between a company's values and actions
- d) Mobilize company employees around a common vision of the principal risks and sensitizing 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
- 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 necessary qualified human resources to make this possible 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 2010 the company invested € 2.1 million. € 2.9 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 € 14.6 million, 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 risk is that of the fluctuation of the euro against the pound sterling (about 13% of sales) and against the Swiss Franc (3% of turnover). Insofar as the charges of these entities are incurred in their own reference currencies, the currency risk is situated in their contribution to Group results.

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 2010

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, 2010, 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 158 346 (000) EUR and a total comprehensive income of 8 781 (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, 2010 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 (in which is included the declaration about corporate governance) 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, 14 April 2011



THE STATUTORY AUDITOR,
SCCRL RSM RÉVISEURS D'ENTREPRISES
REPRESENTED BY
THIERRY DUPONT, 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 at the Belgian National Bank 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 2010, 2009 and 2008.

1. BALANCE SHEET	2008	2009	2010
In € '000			
ASSETS			
Fixed assets	29 113	31 949	33 653
Formation expenses	929	438	-
Intangible fixed assets	597	303	176
Tangible fixed assets	81	47	35
Financial fixed assets	27 506	31 161	33 443
Current assets	43 509	39 647	37 059
Amounts receivable after one year	2 730	2 321	1 931
Stocks and contracts in progress	93	69	129
Amounts receivable within one year	36 841	34 578	33 983
Short term deposits and own shares	3 372	1 872	367
Cash at bank and in hand	336	717	552
Deferred charges and accrued income	136	90	97
TOTAL ASSETS	72 622	71 596	70 713
EQUITY AND LIABILITIES			
Capital and reserves	65 998	65 399	62 062
Capital	60 092	60 092	60 092
Share premium account	38	38	38
Reserves	4 163	3 793	1 408
Unavailable reserves for own shares	300	736	367
Profit carried forward	1 404	739	157
Provision for liabilities and charges	25	21	12
Debts	6 599	6 176	8 638
Amounts payable after one year	1 669	2 107	233
Amounts payable within one year	4 899	4 021	8 382
Current portion of amounts payable after more than one year falling due within one year	445	599	506
Financial debts	5	6	119
Trade debts	1 126	769	881
Amounts payable regarding taxes, remuneration and social security	448	455	673
Other debts	2 875	2 192	6 203
Accrued charges and deferred income	30	48	23
TOTAL EQUITY AND LIABILITIES	72 622	71 596	70 713

2. INCOME STATEMENT	2008	2009	2010
In € '000			
Operating income	5 231	6 065	7 536
Turnover	4 734	5 735	6 619
Other operating income	497	331	917
Operating charges	(5 647)	(5 250)	(6 327)
Raw materials, consumables and goods for resale	(21)	(76)	(599)
Services and other goods	(2 945)	(2 464)	(2 689)
Remuneration, social security and pensions	(1 773)	(1 871)	(2 229)
Depreciation and amounts written off	(903)	(832)	(775)
Other operating charges	(6)	(6)	(35)
Operating profit or (loss)	(416)	816	1 210
Financial income	2 555	758	1 051
Financial charges	(243)	(231)	(208)
Profit on ordinary activities before taxation	1 897	1 342	2 053
Extraordinary income			
Extraordinary charges	(36)	(31)	-
Profit for the period before taxation	1 861	1 311	2 053
Income taxes	-	-	-
PROFIT OF THE YEAR	1 861	1 311	2 053

3. APPROPRIATION ACCOUNT	2008	2009	2010
In € '000			
Profit to be appropriated	3 438	2 716	2 792
Profit for the year available for appropriation	1 861	1 311	2 053
Profit brought forward	1 577	1 404	739
Drawdowns on reserves			2 857
Transfers to legal reserve	93	66	103
Result to be carried forward	1 404	739	157
Dividends ⁽¹⁾	1 940	1 911	5 390

(1) For 2009, the amount of dividends has been 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.

Name	Address of the registered office	Country	RIGHTS HELD BY		
			Directly		Indirectly
			Nombre	%	%
SA ZETES	Rue de Strasbourg 3 - 1130 Evere	Belgium	170 827	100	
SA ZETES France	Bâtiment Einstein – 17/19 rue Georges Besse-92160 Antony	France	27 470	100	
SA ZETES TECHNOLOGIES	Rue de Strasbourg 3 - 1130 Evere	Belgium	1 249	49.96	0.04
ZTS Lda	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	2	100	
SA BUROTICA	Alameda Antonio Sergio 7 - 2795023 Linda-A-Velha	Portugal	10 million	50	50
SA ZETES FASTRACE	Rue de Strasbourg 3 - 1130 Evere	Belgium	2 124	34.03	41.9
ZETES INTERNATIONAL GmbH	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	

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:		
Transfer to reserves	-	-
Capital increase (public subscription)	-	
Capital increase (employees subscription)	-	
At the end of the period	60 092	
2. Structure of the capital		
Registered shares and bearer shares		5 389 714
Registered		6 241
Bearer		5 383 473

SHAREHOLDER STRUCTURE BASED ON NOTIFICATION IN DECEMBER 2010

SHAREHOLDERS	Number of shares	%
Zephir	1 277 495	23.70
Cobepa	981 702	18.21
Generali Investment RDT-DBI SA	292 000	5.42
KBC Private Equity	243 998	4.53
Axa Belgium	199 453	3.70
Other nominative shareholders	6 241	0.12
Public	2 366 720	43.91
Own shares	22 105	0.41
Total	5 389 714	100.00

6. AUDITORS

In '000 €	
Auditor fees	36
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	-

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 are available, along with the Company's coordinated articles of association, on the Zetes Industries SA/NV website (<http://www.zetes.com/en/articles/corporate/investor-relations/corporate-governance.cfm>).

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 5.2. /17 Internal audit function

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 smooth running of its internal control and risk management system.

Principle 5.2. /28 Audit Committee

For organizational reasons, the Audit Committee met only three times in 2010. From 2011, the Audit Committee will meet at least 4 times a year.

Principle 5.3. Appointments committee

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

Principle 5.4. /5 Remuneration Committee

For organizational reasons, the Remuneration Committee met only once in 2010. From 2011, the Remuneration Committee will meet at least twice a year.

Principle 7.8. Individual remuneration of non-executive directors

Contrary to the Belgian Code on Corporate Governance, the Board

of Directors has currently opted not to disclose the individual remuneration of non-executive directors, as the Board believes that this remuneration is reasonable in the light of market practice. This breakdown will be provided from the 2012 annual report onwards.

Principle 7.14. Individual remuneration of the CEO

Contrary to the Belgian Code on Corporate Governance, the Board of Directors has currently opted not to disclose the individual remuneration of the CEO due to privacy reasons and as the board believes that the CEO's remuneration is set at reasonable market standards.

Principle 8.8. The threshold at which a shareholder may submit proposals to the General Meeting cannot exceed 5% of capital

As stated in the Corporate Governance charter, shareholders representing 20% of the issued share capital may demand the convening of an Extraordinary General Meeting and place the desired items on its agenda. The Board believes that the Corporate Governance practices of the Zetes Group ensure equitable treatment of all shareholders, including minority shareholders. Zetes Industries SA/NV encourages shareholder participation in meetings and facilitates voting by proxy. Shareholders can submit questions in writing to the Company before the Meeting, during which time is always reserved for any shareholder questions. Furthermore, Zetes Industries takes care to maintain a continuous channel of communication with its shareholders. Finally, it is particularly careful to respect the rights of its minority shareholders. The Board does not believe that lowering the threshold to allow the submission of proposals to the General Meeting would significantly improve this objective.

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.

The Board of Directors is of the opinion that regarding 2010, the independent directors of Zetes Industries who directly or indirectly hold less than 10% of the shareholder voting rights, or are related to such shareholders, should be viewed as independent taking into

consideration their expertise both in Zetes Industries' sector of activity and in public companies.

As of 31 December 2010, the Board of Directors of Zetes Industries SA/NV consisted of 9 people. The Ordinary General Meeting of 25 May 2011 will decide on the appointment of all directors for their next term.

At 31 December 2010, the Board of Directors contained no legal persons. The statutory auditor of the Company is RSM Réviseurs d'Entreprises - Bedrijfsrevisoren, having its registered office at Chaussée de Waterloo 1151, 1180 Uccle, represented by Mr. Thierry Dupont. This firm has audited the Company's consolidated accounts since 2000. Mr. Thierry Dupont 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 on 25 May 2011.

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.

Name and position	Term until ⁽¹⁾	Professional Address
Alain Wirtz, CEO (Nominated by Zephir Corporation) (Executive - Non-independent Director)	2011	Rue de Strasbourg 3 1130 Brussels
Jean-François Jacques (*), Chairman (Nominated by Zephir Corporation) (Executive - Non-independent Director)	2011	Rue de Strasbourg 3 1130 Brussels
Pierre Lambert, CFO (Executive - Non-independent Director)	2011	Rue de Strasbourg 3 1130 Brussels
Jean-Marie Laurent Josi (Nominated by Cobepa) (Non-executive - Non-independent Director)	2011	Rue de la Chancellerie 2 1000 Brussels
Alexandre Schmitz (Nominated by Cobepa) (Non-executive - Non-independent Director)	2011	Rue de la Chancellerie 2 1000 Brussels
Olivier Gernay (Nominated by Cobepa) (Non-executive - Non-independent Director)	2011	Avenue Brugmann 403 1180 Brussels
Floris Vansina (Non-executive - Independent Director)	2011	Lucionplein 8 GV09 8670 Koksijde
José-Charles Zurstrassen (Non-executive - Independent Director)	2011	Avenue Général Baron Empain 41 1150 Woluwe-Saint-Pierre
Paul Jacques (*) (Non-Executive - Independent Director)	2011	Route de L'Etat 351 1380 Maransar

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

(1) 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.

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, and their publication on time;
- Supervising the performance of the external auditor;
- Appointing the Managing Directors;
- Deciding on the Executive Management structure;
- Reviewing Executive Management performance;
- Maintaining continuing interaction and dialogue and a climate of respect, trust and candour with the Executive Management;
- Reviewing, evaluating and approving the remuneration policy as it relates to the Executive Management of Zetes Industries SA/NV;
- Monitoring and reviewing the effectiveness of the Board committees.

2.4. Organisation of the Board of Directors

2.4.1. Board Meetings

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

Board meetings may also be organised by means of video- or teleconference. Each meeting is chaired by the Chairman of the Board of Directors and, in his absence, by the CEO or by an executive Director. The Board of Directors can only validly deliberate and decide

if at least half of its members are present or represented. Resolutions are taken by a simple majority of the votes cast.

In 2010, the Board of Directors met 7 times. All members attended all meeting except for Jean-François Jacques (2 November 2010), Alexander Schmitz (25 June and 2 November 2010), Floris Vansina (1 April 2010), and José-Charles Zurstrassen (1 April and 17 December 2010).

2.4.2. Agenda Items for Board Meetings

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

2.4.3. Assessment

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

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

At regular intervals the way each director has exercised his or her duties, as well as his or her role and responsibilities, will be reviewed with a view to adapting the composition of the Board to reflect intervening changes. Specific attention will be given to the evaluation of the Chairman of the Board of Directors and the Chairmen of the

Committees. When a director's term of office comes up for renewal, that director's involvement and effectiveness will be evaluated using a transparent and pre-established procedure. The Chairman of the Board will receive comments from all Directors and will report to the Board of Directors. This report will include an assessment of the Board's performance. The evaluation will focus on the Board's contribution to the company Zetes Industries SA/NV, and specifically on those areas in which the Board considers that there is room for improvement.

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

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

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

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

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

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

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

- relate to the detailed recording of transactions involving company assets;
- provide reasonable assurance that transactions are recorded in such a way as to permit preparation of financial statements in conformity with IFRS;

- provide reasonable assurance that the company's sales are made in accordance with the conditions imposed by the Executive Management and Board of Directors of the company, and that the expenditures of the company are incurred with their authorization;
- provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use, or transfer of assets that could have a material effect on the consolidated financial statements.

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

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

The Executive Management has evaluated the effectiveness of the internal control of financial reporting as at 31 December 2010. This evaluation focused on the design of the internal control of financial information and included tests of its operating efficiency.

On this basis, the Executive Management was of the opinion that, as of 31 December 2010, the Company had adequate internal control of financial information.

4. Committees of the Board of Directors

4.1 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 is no Appointments Committee.

4.2 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.

4.3 Remuneration Committee

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

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

The Remuneration Committee should consist of no less than three Directors. All members should be non-executive Directors. The majority of Committee members should be Independent Directors. On 31 December 2010, the members of the Remuneration Committee were:

- Jean-Marie Laurent-Josi (Chairman of the Remuneration Committee)
- Paul Jacques
- José-Charles Zurstrassen

4.4 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's 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 its members is independent. On 31 December 2010 the members of the Audit Committee were:

- Alexandre Schmitz (Chairman of the Audit Committee)
- Floris Vansina
- Paul Jacques

5. Managing Directors and Executive Management

The Board of Directors has appointed the Managing Directors of Zetes Industries SA/NV. The Board of Directors has empowered the Managing Directors to enable them to perform their responsibilities and duties. Taking into account the company's values, its risk appetite and key policies, the Managing Directors shall have sufficient latitude to propose and implement a corporate strategy within the legal framework. To this end, the Chief Executive Officer (CEO) (Alain Wirtz) and the Chairman of the Board (Mr. Jean-François Jacques) are both managing directors of Zetes Industries SA. The Managing Directors work together with the Executive Management, which includes all Executive Directors of Zetes Industries SA/NV, i.e. currently the two Managing Directors and the Chief Financial Officer (CFO). The Executive Management is composed of three members: the two managing directors, Mr. Alain Wirtz and Mr. Jean-François Jacques, and CFO of the company, Mr. Pierre Lambert. The Executive Management does not constitute a management committee (comité de direction/ directiecomité) within the meaning of article 524bis of the Belgian Companies Code.

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

6.1 Directors

For 2010, the total remuneration of the non-executive Directors was € 46 400. Their remuneration takes the form of a contractual lump sum, in accordance with the policy described in the Corporate Governance Charter. As members of the Audit Committee, Mr. Alexandre Schmitz and Floris Vansina also received €1 000 for each meeting of the Audit Committee in which they took part. The Audit Committee met three times and at each meeting all members were present. Directors having executive functions in the company are not remunerated specifically for their role as Directors.

Non-executive directors do not receive performance-related pay, or benefits in kind or benefits related to pension plans.

6.2 Executive Management

The total remuneration paid by the Company, directly or indirectly via the company Zéphir, which provides management services, to the three members of its Executive Management in 2010 amounted to € 901 874.

This amount includes the remuneration linked to the Company's performance which is based on the 2010 consolidated operating profit. A breakdown of the total remuneration is included in the notes to the consolidated financial statements (Note 11 Related parties).

No member of the Executive Management received in 2010 any shares, stock options or any other rights to acquire shares. Similarly, no such right was exercised or expired in 2010.

Except for amounts due according to labour law, the Company will not be required to pay any amount should it terminate the employment of an Executive Management member.

7. Capital structure

The capital of the Company is represented by 5 389 714 shares. At 31 December 2010, Zetes Industries SA/NV held 22 105 own shares, leaving 5 367 609 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 December 31, 2010, 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 December 31, 2010, 2 800 warrants remained in circulation.

7.1. Shareholding structure

Based on the notifications received and published up till 31 December 2010, 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)	981 702	18.21%
Generali Investment RDT-DBI SA	292 000	5.42%
KBC Private Equity	243 998	4.53%
Axa Belgium	199 453	3.70%
Other registered shareholders	6 241	0.12%
Public	2 366 720	43.91%
Own shares	22 105	0.41%
TOTAL	5 389 714	100%

After exercise of the warrants

Shareholder	number of shares	%
Zephir (in concert with Cobepa)	1 277 495	22.92%
Cobepa (in concert with Zephir)	981 702	17.61%
Generali Investment RDT-DBI SA	292 000	5.24%
KBC Private Equity	243 998	4.38%
Axa Belgium	199 453	3.58%
Other registered shareholders	6 241	0.11%
Employees	184 669	3.31%
Public	2 366 720	42.46%
Own shares	22 105	0.40%
TOTAL	5 574 383	100%

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

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

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

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

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

- a) Minimum number of directors - each party will vote in favour of a minimum number of candidates for directorships proposed by the other in accordance with the following rule: one candidate for every complete 7% of all the issued and outstanding shares of the Company held by Zephir Corporation or Cobepa.
- b) Pre-emption right: the parties have a pre-emption right on the shares the other party wishes to transfer according to defined rules. However, 25% of the shareholdings owned by both parties immediately after the IPO are free of this pre-emption right.

7.3. Measures to prevent insider trading

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

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 25 May 2010 that it declare a gross ordinary dividend per share of € 0.47. The Board has also decided to propose the payment of an extraordinary gross dividend of € 0.53 per share, giving a total gross pay-out of € 1.00 per share.

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