

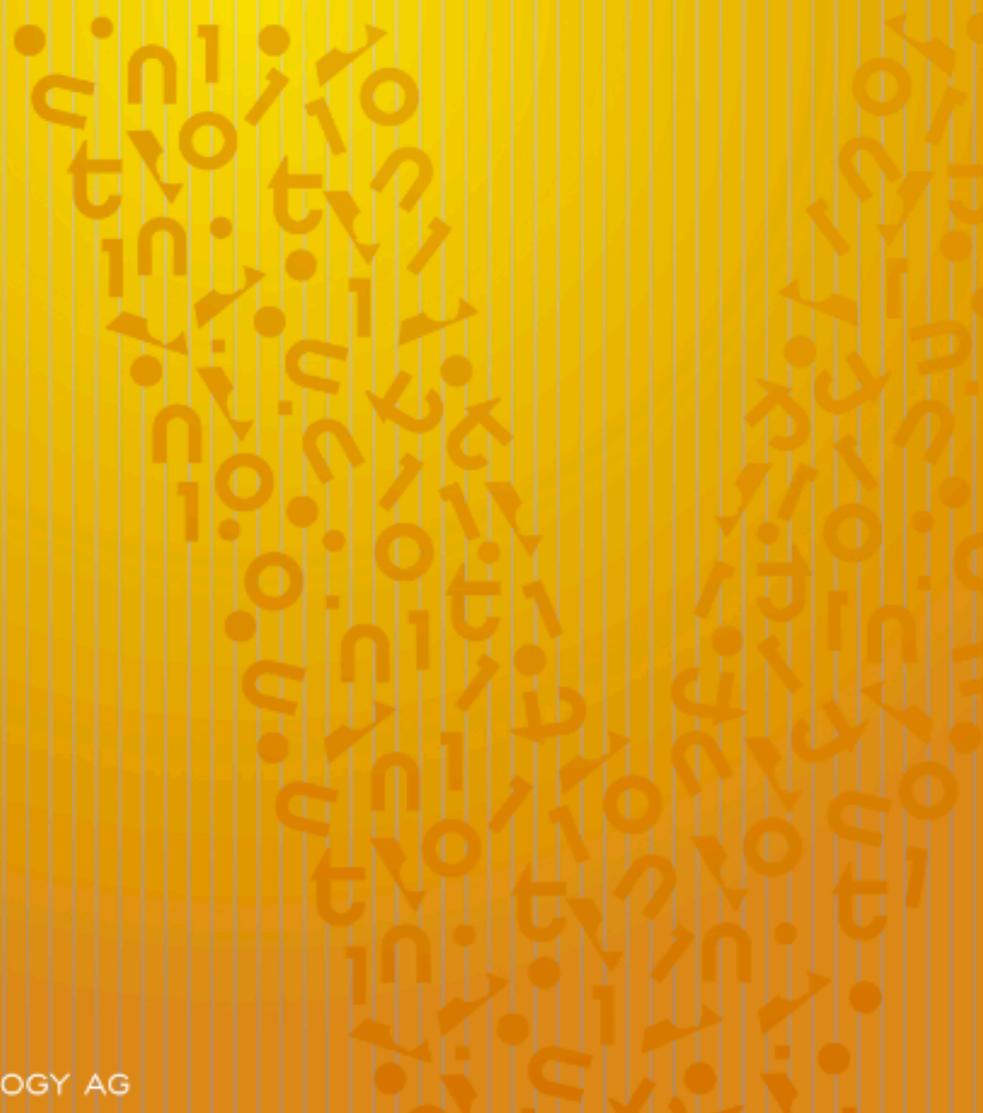


Wireless Anywhere

Q3

2012

INTERIM REPORT



Vtion Wireless Technology at a glance

		Q3			Q1-Q3		
		2012	2011	+/-%	2012	2011	+/-%
Revenues	million EUR	21.54	23.88	-10	58.73	55.87	5
Gross profit	million EUR	3.62	4.38	-17	10.73	10.50	2
Gross profit margin	%	17	18	-1PP	18	19	-1PP
EBITDA	million EUR	1.95	3.07	-36	6.19	6.24	-1
EBITDA margin	%	9	13	-4PP	11	11	0PP
EBIT	million EUR	1.80	2.95	-39	5.74	5.88	-2
EBIT margin	%	8	12	-4PP	10	11	-1PP
Net profit	million EUR	1.79	0.91	97	4.51	4.96	-9
Net profit margin	%	8	4	4PP	8	9	-1PP
Earnings per share ¹	EUR	0.12	0.06	112	0.30	0.31	-3
Net Cash flow from operations	million EUR	1.82	6.18	-71	-1.91	15.51	-112

Company profile

The Vtion Group is a leading supplier of wireless data terminals and associated services for the mobile use of computers via broadband wireless networks in the People's Republic of China. The company also offers tablet PC and other products in its mobile intelligent terminals business segment. Vtion operates its own online appstore and serves as an aggregator and distributor of Android mobile applications through its wholly-owned subsidiary, Vtion Anzhuo. Vtion was established in 2002 and currently has 241 employees, with offices in Fuzhou, Beijing, and Frankfurt.

¹ Computed on the basis of weighted average 14,443,060 shares for Q3 2012, weighted average 14,873,226 shares for 9M 2012, weighted average 15,579,719 shares for Q3 2011 and weighted average 15,817,959 shares for 9M 2011 respectively.

Content

The Company

- 4 Letter to the Shareholders
- 6 Highlights
- 7 The Share

Interim Management Report

- 10 Business and Operating Environment
- 12 Results of Operations
- 15 Balance Sheet Structure
- 18 Financial Position
- 19 Human Resource
- 19 Research and Development
- 21 Risk Report
- 21 Report on Post-Balance Sheet Date Events
- 22 Outlook

Interim Financial Statements

- 23 Consolidated Statement of Comprehensive Income
- 24 Consolidated Balance Sheet
- 25 Consolidated Statement of Changes in Equity
- 26 Consolidated Statement of Cash Flows
- 27 Selected Notes to the Consolidated Financial Statements
- 36 Responsibility Statement by the Management
- 37 Financial Calendar

DEAR FELLOW SHAREHOLDERS,

I am pleased to present you with our financial results for the first nine months of 2012. Despite continuing difficulty in our overall operating environment, we remain on track to reach our guidance for the year; I am pleased with what our team has been able to accomplish thus far.

We achieved revenues of EUR 21.54 million in Q3, an increase of 11.3% over the second quarter of this year, due primarily to strong sales results in our wireless data terminal business segment. Traditionally the third quarter has been our strongest each year, and this year we again showed strong results moving into the fall season. While our fourth quarter results may be somewhat weaker due to lost time over the national holiday, we are still on track to reach our guidance of sales revenues between EUR 80 million and 100 million. We have maintained strong profitability in a difficult market environment; our EBIT margin for the first nine months of the year of 10% is in line with our guidance. For the first nine months of the year, we achieved a net profit of EUR 4.51 million. This is down 9% from a year ago, but is primarily due to the fact that we are now taxed at the full corporate rate of 25% as opposed to 12.5% last year.

We ended the nine month period with a net cash position of EUR 114 million, unchanged from the half-year. We expect our cash flow to remain relatively flat for the rest of the year due to increased working capital requirements. Given our strong cash position, we are well-prepared to handle these requirements. Vtion has returned cash to shareholders both through a dividend, which will continue, and through share buyback programs. In the most recent share buyback program, the company repurchased 1,196,591 shares through a public tender offer at an offer price of EUR 4.15/share. We are pleased to have sufficient cash to return some to our shareholders while still maintaining sufficient capital for our operations.

In June we also announced an investment of approximately RMB 13.5 million (EUR 1.7 million) in 2012 in a network development project in cooperation with China Unicom. This project is progressing on schedule, and we should begin to see our first tangible returns from the project in 2013.

Even though our results are still primarily driven by the wireless data terminal business segment, we are seeing tangible progress in our newer business segments as well. For the nine-month period, wireless data terminal sales accounted for approximately 83% of our total revenue. In the mobile intelligent terminal space, our tablet PC products continue to rate high among our distribution partners, though increasing competition in this market segment has resulted in some pricing pressure. For the nine-month period, tablet PC sales accounted for just under 16% of all revenue. In the industry-specific computing solutions business segment, we have added two new clients while continuing to expand the quality and range of our offerings tailored specifically to the insurance industry.

Vtion Anzhuo, our wholly-owned subsidiary through which we operate our mobile applications business, now offers a total of 20,000 applications through the VMarket, Vtion's self-branded online appstore. Additionally, Vtion Anzhuo offers application downloads through a shop-in-shop model agreement with all three of China's telecom operators, and also sets up and operates appstores for device

manufacturers who lack the capacity to do so themselves. Given that most of the applications we offer are currently free downloads, we are yet to see significant revenues from Vtion Anzhuo. However, I am pleased at the extent to which we have been able to build out our infrastructure and application offerings. I also see opportunity in constructing appstores for other device manufacturers, given that the terminal market in the Android space continues to show strong growth.

I remain committed to creating greater shareholder value, and moving our stock in the direction of a fair valuation on the exchange. However, I am confident that if we continue showing strong operating results and profitability, returning cash to shareholders and expanding our new business areas, we will eventually move towards a fair valuation of the stock. I thank all of you for your continued support and confidence. My team and I are working tirelessly to ensure that faith is rewarded.

Best Regards,

Chen Guoping

CEO Vtion Wireless Technology AG

Highlights

Revenue Growth

Vtion achieved sales revenue of EUR 21.54 million in Q3 2012, an increase of 11.3% over the previous quarter. Vtion's core wireless data terminal business remains strong, while the newer tablet PC products accounted for approximately 16% of revenue for the first nine months.

Fujian Broadband Project

Early in Q3, Vtion announced plans to co-invest in a fiber optic broadband network development project with China Unicom. Vtion will invest approximately EUR 1.7 million by the end of this year, with increasing investment through 2016. The project is proceeding according to plan and the number of connections that Vtion has established is in line with original targets.

Share Buyback Program

From September 5 through 26, Vtion executed a share buyback program by means of a public tender offer. The company offered to repurchase 1,449,508 shares at a price of EUR 4.15. Vtion repurchased 1,196,591 shares through the program.

Building Up Software Capacity

Vtion has taken steps to expand its software presence, offering insurance policy formulation apps for three different operating systems to its insurance clients. Vtion Anzhuo also continues to expand its offerings, growing both its client base and number of available apps, of which there are now more than 20,000.

On Pace with Guidance

Vtion restates its guidance for the full year, which calls for revenue for the full year 2012 to be between EUR 80 million and EUR 100 million.

Outlook

Vtion expects a fourth quarter largely in line with the third. Margins should remain stable, with the majority of revenues still coming from wireless data terminals, followed by the tablet PC products. Vtion Anzhuo is expected to begin contributing significant revenue in 2013.

The Share

Improving Market Environment

Vtion's share has been buoyed by slightly improving sentiment in world capital markets over the past quarter. Though all latest developments were overshadowed by the closing of the US markets due to Hurricane Sandy, better sentiment around the Eurozone and improving indicators in the Chinese economy have left investors with a better overall outlook

Continual share price improvement over the course of Q3

The Vtion share opened 2012 Q3 at EUR 3.93, and closed the quarter 4.2% higher at EUR 4.10. The share continued its run thereafter, reaching a 52-week high shortly after the close of the quarter on, at EUR 4.47. Liquidity improved somewhat toward the end of the quarter, with 14,588 shares traded daily on average over the course of September.

Dividend and Share Buyback

During September, Vtion conducted its second share buyback program by means of tender offer, with the offer period running from September 5 through September 26. The offer price was EUR 4.15, with Vtion offering to buy 1,449,508 shares. At the conclusion of the program Vtion repurchased a total of 1,196,591 shares, which the company now carries as treasury shares. Vtion's stated policy is that it favors share buyback programs as opposed to dividends as a more tax efficient means of returning cash to shareholders, though the company intends to continue issuing a dividend consistent with past practice of a payout of 15% of annual net profit.

Sponsorship and Research Coverage

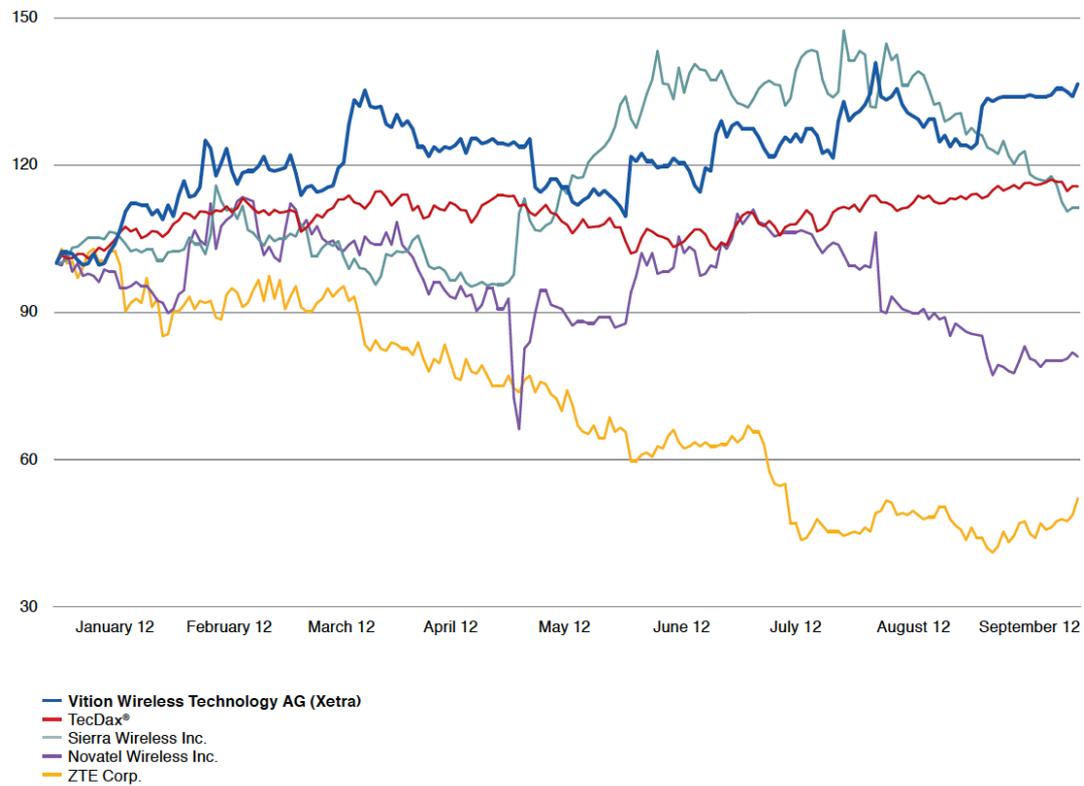
The company has had research coverage from M.M. Warburg since January 2010. Equinet AG is Vtion's market making and designated sponsoring services provider.

Investor Relations

Vtion engages in roadshows in Europe throughout the year to reach both current shareholders and new potential investors. The company presented at the Germany Equity Capital Markets Forum in Frankfurt and is a regular participant in other conferences throughout the year. The company is committed to maintaining accessibility to its investors.

VTION STOCK PRICE

1 January – 30 September 2012/in percent, indexed to 100%



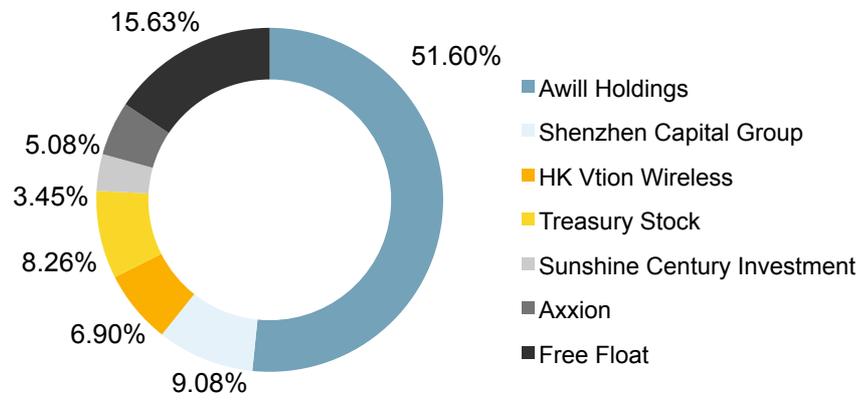
VTION MASTER DATA

as of 30 September 2012

Number of shares		14,495,086
Closing price	EUR	4.14
Market Cap.	Mio EUR	60.0
High price	EUR	4.27
Low price	EUR	3.68

VTION SHAREHOLDER STRUCTURE

as of 30 September 2012



Interim Management Report

Vtition Group is one of the leading providers of wireless data solutions for mobile computing over wide area networks in China, offering products in three major business segments: wireless data terminals, mobile intelligent terminals and mobile applications.

Business and Operating Environment

OVERVIEW

The overall slowing of China's economic growth has been a concern to companies across the globe. For Vtition this is an issue of particular interest, given that nearly all of the company's revenues are realized in the Chinese domestic market. After realizing growth of 7.8% for the first half of the year, China's GDP grew at a rate of 7.4% in the third quarter.² Though this marks the seventh consecutive quarter of slowing growth in the Chinese economy, improvement may be on the horizon given that at the end of the quarter industrial production, investment and retail sales all increased.³ The Chinese government remains confident that it can reach its stated growth target of 7.5%, while the World Bank cut its growth forecast for the full year from 8.2% to 7.7%.⁴ However, Chinese Premier Wen Jiabao remains optimistic, citing recovery in exports, growing domestic consumption and restrained inflation as reasons the economy should continue to improve.⁵

General Market Conditions and Business Development

CHINA'S TELECOM MARKET

Despite the slowdown in the overall economy, China's telecommunications market and internet sector continued to show strong growth throughout the third quarter. As of the end of September, total internet penetration in the Chinese market reached 40.7%.⁶ This remains primarily driven by growth in Eastern seaboard cities, though internet penetration in rural areas is continuing to improve.

Though some trials of the fourth generation (4G) of telecom technology are underway in select cities around the country, the transition from 2G/2.5G to 3G/3.5G remains an ongoing one in the vast majority of the country. Currently 3G users represent just 18.68% of all mobile users. The total number of 3G users reached a total of 202.64 million⁷ by the end of the third quarter. Competition among the various operators continues, with China Mobile now boasting 75.60 million⁸ 3G users, China Unicom 66.86 million⁹, and China Telecom having 59.72 million¹⁰ 3G users. The reason that the sum of all 3G users adds up to more than the total user number is that some users have accounts with multiple operators and are thus double counted.

For the remainder of the year, growth could gradually slow in the telecom space given that 4G licenses are likely to be issued next year and the operators are unlikely to invest heavily in older technologies when there is still uncertainty regarding future market development. Further, though the telecom market has continued to develop despite macroeconomic headwinds, the overall slowdown in the economy has started to affect consumer habits, meaning that the telecom operators are likely to scale back their sales and marketing effort to reduce risk in the face of waning demand.

² China National Bureau of Statistics.

³ "Silver Lining Seen as China Growth Slows"; [Financial Times Online](#). 18 October 2012.

⁴ IBID.

⁵ IBID.

⁶ http://218.249.165.50/download/31457456/39654889/3/pdf/48/203/1351676656688_715/W020121030426745592622.pdf

⁷ <http://www.miit.gov.cn/n11293472/n11293832/n11294132/n12858447/14872278.html>

⁸ <http://www.c114.net/news/118/a723904.html>

⁹ <http://www.c114.net/news/119/a723635.html>

¹⁰ <http://www.c114.net/news/117/a725012.html>

VTION'S BUSINESS DEVELOPMENT

Vtion continued to see strong demand for its core wireless data terminal products over the course of the first nine months of the year, as these products accounted for nearly 83% of total revenues for the nine-month period. Tablet PC sales, which rely primarily on third party distribution partners, remained consistent with H1 of 2012.

Vtion's software-centric business segments, industry specific solutions and mobile applications have continued to develop according to plan, but will only make significant revenue contributions in 2013. Vtion has expanded and solidified its offerings in the insurance industry computing space, while also expanding its customer base to five core clients. Though this business has been slow to generate significant revenues thus far, Vtion is devoting significant resources to its further development given that it represents a chance to move further into a software/service-based business model and generate recurring revenues. Vtion Anzhuo now offers over 20,000 applications through its online store. Though it is difficult to move users into a pay-for-download business model, the company is focusing on building revenues through a pay-for-useage business model.

Result of Operations

The following table presents income statement data of the consolidated interim financial statements of the Company under IFRS as of and for the third quarter ended 30 September 2012, with comparative information for the third quarter ended 30 September 2011 as well as three-quarter results 2012 with comparative information for the first three quarters of 2011.

INCOME STATEMENT – Group

1 Jan – 30 Sep (in kEUR)	Q3			Q1-Q3		
	2012	2011	+/-%	2012	2011	+/-%
Sales	21,543	23,884	-10	58,728	55,867	5
Cost of sales	-17,916	-19,503	-8	-47,995	-45,364	6
Gross profit	3,628	4,381	-17	10,733	10,503	2
Other operating income	3	12	-78	123	13	846
Selling and distribution expenses	-607	-365	66	-1,752	-1,456	20
Administrative expenses	-1,219	-1,078	13	-3,358	-3,174	6
Other operating expenses	-1	0	n/a	-2	-1	100
Profit from operations (EBIT)	1,804	2,951	-39	5,743	5,884	-2
Finance income	307	183	68	748	477	57
Finance costs	-6	-10	-38	-33	-42	-21
Foreign exchange gain/loss	207	-1,752	-112	-193	-368	-48
Profit before income tax	2,312	1,371	69	6,265	5,951	5
Income tax	-517	-457	13	-1,753	-991	77
Profit for the period	1,795	914	96	4,512	4,960	-9
Earnings per share ¹¹	0.12	0.06	112	0.30	0.31	-3

SALES

In the first nine months of 2012, sales amounted to EUR 58.7 million, increased by EUR 2.8 million or 5% compared with the same period in 2011 (9M 2011: EUR 55.9 million). If excluding the impact of exchange differences arising from currency translation, sales decreased by 7% in 9M 2012. This decrease in sales was primarily due to the decrease in sales of wireless data cards, electrical book, mobile trade, Data Solution Service and wireless high definition sharer named "PC to TV", which was partly offset by the increase of sales from wireless routers and VPAD.

In 9M 2012, Vtion Group had generated EUR 15.6 million from wireless router business, increased by EUR 9.5 million, or 156% compared with the same period in 2011 (9M 2011: EUR 6.1 million).

In 9M 2012, sales from VPAD amounted to EUR 9.3 million, increased by EUR 2.3 million, or 35% compared with the same period in 2011 (9M 2011: EUR 6.9 million).

In 9M 2012, Vtion Group recognized EUR 30.7 million revenue from wireless data cards, which decreased from EUR 33.5 million in 9M 2011 by EUR 2.8 million, or 8%, as a result of severe falling of demand for 3G wireless data cards due to the increasing usage of other connection to access the mobile internet.

In 9M 2012, Vtion Group had generated EUR 0.6 million from mobile trade comprising the sales of iPhone and other intelligent mobile phones, which decreased from EUR 3.7 million in 9M 2011 by EUR 3.1 million, or 84%. The decrease was due to the decrease of sales volume of iPhone package impacted by increasing suppliers and the decrease of the profit sharing ratio from phone bill.

In 9M 2012, sales from "PC to TV" amounted to EUR 2.1 million, decreased by EUR 0.1 million, or 5% compared with the same period in 2011 (9M 2011: EUR 2.2 million)

¹¹ Computed on the basis of weighted average 14,443,060 shares for Q3 2012, weighted average 14,873,226 shares for 9M 2012, weighted average 15,579,719 shares for Q3 2011 and weighted average 15,817,959 shares for 9M 2011 respectively

From 2012 on, Vtion Group has stopped the sales of electrical book, so no sales were generated from electrical book in 9M 2012 (9M 2011: EUR 2.8 million).

Since the business club has been discontinued in its current form in 2011, no revenue was generated from „Data Solution Service“ in 9M 2012 (9M 2011: EUR 0.5 million).

In the third quarter of 2012, Vtion Group had generated EUR 21.5 million from all segments, a decrease by EUR 2.4 million, or 10%, from EUR 23.9 million in Q3 2011, mainly due to the decrease of sales in VPAD, mobile trade wireless data cards and “PC to TV”, which was partly offset by the increase of sales generated from wireless routers. Compared with Q2 2012, Vtion Group’s sales from all segments increased by EUR 2.2 million in Q3 2012, mainly due to the increase of sales generated from wireless router and wireless data cards, partly offset by the decrease of sales from VPAD.

COST OF SALES

Cost of sales increased to EUR 48 million in 9M 2012 by EUR 2.6 million or 6% from EUR 45.4 million in 9M 2011. If excluding the impact of exchange differences arising from currency translation, cost of sales actually decreased by 6% compared with that in 9M 2011. This decrease was primarily due to a decrease in sales volumes of wireless data cards, iPhone package and electrical book and “PC to TV”, which was partly offset by the increase of sales volumes of wireless router and VPAD.

Cost of sales amounted to EUR 17.9 million in Q3 2012, a decrease by 8% from EUR 19.5 million in Q3 2011. If excluding the impact of exchange differences arising from currency translation, cost of sales actually decreased by RMB 34.6 million, or 19% compared with that in Q3 2011. The decrease was primarily due to a decrease in sales volumes of VPAD, iPhone package and wireless data cards, partly offset by an increase in sales volumes of wireless routers.

GROSS PROFIT

The overall gross profit margin decreased slightly to 18% in 9M 2012 (9M 2011:19%).

OTHER OPERATING INCOME

Other operating income mainly results from government grants.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased from kEUR 1,456 in 9M 2011 by kEUR 296, or 20%, to kEUR 1,752 in 9M 2012. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses increased by RMB 895 thousand or 7% compared with that in 9M 2011 in terms of RMB. Selling and distribution expenses increased from kEUR 365 in Q3 2011 by kEUR 242, or 66%, to kEUR 607 in Q3 2012. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses in Q3 2012 increased by 46% compared with that in Q3 2011 in terms of RMB. The increase was primarily due to an increase in salary and welfare and carriage expenses, partly offset by the decrease in royalty costs to copyright holders.

The ratio of selling and distribution expenses to total sales was 3.0% in 9M 2012 and 2.6% in 9M 2011

ADMINISTRATIVE EXPENSES

Administrative expenses increased from kEUR 3,174 in 9M 2011 by kEUR 184 or 6%, to kEUR 3,358 in 9M 2012. If excluding the impact of exchange differences arising from currency translation, in 9M 2012 administrative expenses actually decreased by RMB 1,789 thousand, or 6%, compared with that in 9M 2011. Administrative expenses increased from kEUR 1,078 in Q3 2011 by kEUR 141, or 13%, to kEUR 1,219 in Q3 2012. If excluding the impact of exchange differences arising from currency translation, in Q3 2012 administrative expenses actually decreased slightly by RMB 69 thousand, or 1% compared with that in Q3 2011. The decrease was primarily due to the decrease in salary and welfare, organization cost, consulting expenses, amortization of intangible assets and research and development expenses, partly offset by the increase in travel expenses, rental expenses and conference expenses.

Research and development expenses increased to kEUR 579 in 9M 2012 by kEUR 21 or 4%, from kEUR 558 in 9M 2011. If excluding the impact of exchange differences arising from currency translation, research and development expenses actually decreased by 8% in term of RMB compared with that in 9M 2011, mainly due to the decrease of software design and development expenses.

The ratio of administrative expenses to sales was 5.7% in 9M 2012 and 5.7% in 9M 2011.

OTHER OPERATING EXPENSES

Other operating expenses were immaterial in 9M 2012 and 9M 2011.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations decreased from kEUR 5,884 in 9M 2011 by kEUR 141, or 2%, to kEUR 5,743 in 9M 2012. If excluding the impact of exchange differences arising from currency translation, profit from operations decreased by 13% compared with that in 9M 2011. The decrease was largely due to the decrease of sales generated from electrical book and Data Solution Service which Vtion Group has discontinued in 2012. The decrease of gross profit from VPAD, "PC to TV" and iPhone packages in 9M 2012 was the other reason of the decrease in profit from operations, which was partly offset by the slight increase of gross profit margin of 3G wireless data cards, increase of sales from wireless routers and the decrease of administrative expenses.

EBIT MARGIN

Due to the slight decrease of overall gross profit margin, Vtion Group's EBIT margin (profit from operations divided by sales) decreased from 11% in 9M 2011 to 10% in 9M 2012.

FINANCE INCOME AND FINANCE EXPENSES

Finance income comprises interest income earned from bank deposit. Finance income increased from kEUR 477 in 9M 2011 by kEUR 271, or 57% to kEUR 748 in 9M 2012.

Finance expenses comprise bank charges and interest expenses. Finance expenses amounted to kEUR 33 in 9M 2012.

FOREIGN EXCHANGE GAIN OR LOSS

Since the functional currency of the Group is RMB, the Group recognized a foreign exchange loss kEUR 193 in 9M 2012 arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date (9M 2011: foreign exchange loss kEUR 368). As of 30 September 2012, the Euro to RMB exchange rate dropped to 8.1261 by 0.4% from 8.1588 as at 31 December 2011, which had a slight negative impact on the valuation of assets denominated in Euros.

INCOME TAX

Income tax only comprises taxation actually payable. As 50% tax exemption time expired at 31 December 2011, both Vtion IT and Vtion Software apply an effective tax rate of 25% since 2012 in accordance with the Income Tax Law of the People's Republic of China. Vtion Communication, Vtion Anzhuo and Vtion Service were exempted from the corporate income tax because of cumulative tax losses carried forward from the establishment. The Chinese companies of Vtion Group recorded an income tax charge of kEUR 1,753 in 9M 2012 based on an effective tax rate of 25% in China. Vtion Wireless Technology AG accumulated a net tax loss under German GAAP. So altogether Vtion Group recorded a net income tax expense of kEUR 1,753 in 9M 2012.

NET PROFIT AND EPS

The net profit during the first nine months of 2012 amounted to EUR 4.5 million, a decrease of 9% year-on-year. The earnings per share in 9M 2012 were EUR 0.30, reflecting a slight decrease of 3% year-on-year.¹²

NET PROFIT MARGIN

The net profit margin decreased slightly from 9% in 9M 2011 to 8% in 9M 2012. The decrease mainly resulted from the decrease in profit from operations and the increased income tax expenses occurred in 9M 2012.

¹² Computed on the basis of weighted average 14,443,060 shares for Q3 2012, weighted average 14,873,226 shares for 9M 2012, weighted average 15,579,719 shares for Q3 2011 and weighted average 15,817,959 shares for 9M 2011 respectively.

BALANCE SHEET STRUCTURE

The following table presents balance sheet data under IFRS as of ended September 30, 2012 and December 31, 2011

	30 Sep. 2012	31 Dec. 2011
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	3,055	2,360
Trade receivables	31,760	22,741
Other receivables	3,543	5,072
Short-term investment	4,900	0
Amounts due from related parties	149	1,062
Cash and cash equivalents	114,381	124,516
	157,788	155,751
Non-current assets		
Property, plant and equipment	928	1,122
Land use rights	584	592
Intangible assets	904	924
Deferred tax assets	708	668
	3,124	3,306
Total assets	160,912	159,057
LIABILITIES		
Current liabilities		
Trade payables	13,887	13,937
Other payables	5,647	5,056
Provisions	351	391
Payable for share buyback	4,966	0
Amounts due to related parties	0	12
Income tax payable	522	450
Non-current liabilities		
Deferred tax liability	0	234
Total liabilities	25,373	20,080
CAPITAL AND RESERVES		
Share capital	14,495	15,980
Treasury stock	-1,197	-748
Capital reserves	40,436	46,231
Retained earnings	57,393	53,679
Foreign exchange differences	24,412	23,835
Total equity	135,539	138,977
Total liabilities and equity	160,912	159,057
Equity to total assets ratio	84%	87%

CURRENT ASSETS**INVENTORIES**

Inventories comprise raw materials, work in progress, finished goods and advances to suppliers.

	30 Sep. 2012	31 Dec. 2011
	kEUR	kEUR
Goods and materials	3,019	1,600
Advances to suppliers	36	760
	3,055	2,360

Inventories increased from kEUR 2,360 as at 31 December 2011 by kEUR 695, or 29%, to kEUR 3,055 as at 30 September 2012. There was an increase in goods and materials, but a decrease in advances to suppliers. The increase of goods and materials was primarily due to the merchandise of upgraded version wireless data cards and wireless routers.

TRADE RECEIVABLES

Trade receivables increased from kEUR 22,741 as at 31 December 2011 by kEUR 9,019, or 40%, to kEUR 31,760 as at 30 September 2012, mainly because Vtion offers our agents a longer credit term to generate more revenue considering the fiercer competition, but the new credit term is no longer than three months. The amount of trade receivables with a maturity of less than 90 days as at 30 September 2012 represented 74% of total trade receivable as at 30 September 2012, an improvement of 2 percentage points compared with that as at 31 December 2011.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments decreased from kEUR 5,072 as at 31 December 2011 by kEUR 1,529, or 30%, to kEUR 3,543 as at 30 September 2012. The decrease mainly resulted from the decrease of prepayments to suppliers and the decrease of receivable rebates on chipsets in connection with the sales volume of wireless data cards in 9M 2012.

SHORT-TERM INVESTMENT

Short-term investment represents bank deposits of EUR 4.9 million with a maturity of more than 3 months.

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties decreased from kEUR 1,062 as at 31 December 2011 by kEUR 913 or 86%, to kEUR 149 as at 30 September 2012, primarily due to receiving the amounts due from Fujian Vtion Telecom Information Service, Co., Ltd.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to kEUR 114,381 as at 30 September 2012. The deposit on bank's acceptance bill in the full amount is pledged with the notes payable. For a description of the changes in cash in the first nine months of 2012, see the "Cash Flow Statement" section.

	30 Sep. 2012	31 Dec. 2011
	kEUR	kEUR
Cash on hand	31	32
Cash in banks	111,642	121,358
Deposit on bank's acceptance bill	2,708	3,126
	114,381	124,516

NON-CURRENT ASSETS**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment decreased from kEUR 1,122 as at 31 December 2011 by kEUR 194, or 17%, to kEUR 928 as at 30 September 2012. This mainly resulted from the depreciation charges, partly offset by the purchase of electronic equipment and office equipment and increase of construction in progress.

INTANGIBLE ASSETS

Intangible assets decreased from kEUR 924 as at 31 December 2011 by kEUR 20, or 2%, to kEUR 904 as at 30 September 2012. This was mainly due to the amortization of intangible assets, partly offset by the purchase of software applied in insurance industry, the purchase of software in Vtion Anzhuo and trademark registration fees incurred in 9M 2012.

LIABILITIES**TRADE PAYABLES AND NOTES PAYABLE**

Trade and notes payable slightly decreased from kEUR 13,937 as at 31 December 2011 by kEUR 50 to kEUR 13,887 as at 30 September 2012, mainly resulting from the payment of bank notes due in 9M 2012, partly offset by the increase in trade payables.

OTHER PAYABLES

Other payables increased from kEUR 5,056 as at 31 December 2011 by kEUR 591, or 12% to kEUR 5,647 as at 30 September 2012, mainly resulting from the increase in VAT payable and royalty costs payable to copyright holders, partly offset by the decrease in advances from customers.

PAYABLE FOR SHARE BUY-BACK

Vtion Group repurchased a total of 1,196,591 shares over the course of the public tender offer share buyback program from 5 September to 26 September 2012. As the settlement has taken place on 4 October 2012, Vtion Group recognized payable for the share buyback program amounting to kEUR 4,966 as at 30 September 2012.

EQUITY**TREASURY STOCK**

During the period from 5 September to 26 September 2012, the Company had acquired in total 1,196,591 Vtion shares via a public tender offer. Following the share buyback program, the treasury stock balance was EUR 1,196,591 as at 30 September 2012.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio decreased from 87% as at 31 December 2011 to 84% as at 30 September 2012.

Financial Position

CASH FLOW STATEMENT

The following table is extracted from the cash flow data of the Company which was derived from the Company's consolidated financial statements under IFRS for 9M 2012 and 9M 2011.

	9M 2012	9M 2011
	kEUR	kEUR
Operating cash flow before working capital changes	6,186	6,244
Cash generated from/(used in) operations	-510	15,899
Net cash generated from operating activities	-1,905	15,509
Cash flow used in investing activities	-5,106	-118
Cash flow from financing activities	-3,561	-5,278
Net increase in cash and cash equivalents	-10,572	10,113
Cash at beginning of year	124,516	98,961
Foreign exchange difference	437	2,397
Cash at the end of the period	114,381	111,471

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company recorded a negative cash flow from operating activities of kEUR 1,905 in the first nine months of 2012, representing a decrease by kEUR 17,415 compared with the net cash of kEUR 15,509 generated from operating activities in 9M 2011. The decrease was mainly due to a decrease of collection of trade receivables resulted from the longer credit term offered to agents. The effect was partly offset by the increase of profit before income tax, the increase of other payables and the decrease of amounts due from related parties. Compared with that as of 30 June 30, 2012, Vtion Group improved the cash flow from operating activities and generated positive net cash flow amounting to kEUR 1,827 in Q3 2012, which was mainly due to the significant increase of profit before income tax and trade payable, partly offset by the increase in trade receivables and income tax payments.

CASH AT THE END OF THE PERIOD

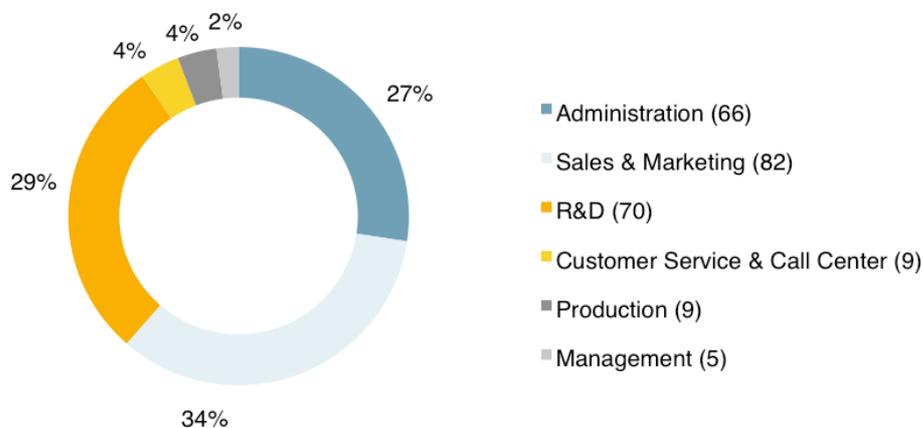
Cash at the end of the period amounted to kEUR 114,381 as at 30 September 2012, which decreased by kEUR 10,135 from the balance as at 31 December 2011. The significant decrease mainly resulted from the increase in trade receivables leading to less money collected from our agents due to a longer credit term offered in 2012, investing in term deposit and payment for share buy-back.

Human Resource

Vtion concluded Q3 2012 with 241 employees, continuing to maintain a lean cost structure. The number of R&D employees increased to 70. Sales and marketing has 82 persons, representing the largest employee group in the company. Administrative personnel have 66 persons and production has 9 employees. Staff in Vtion customer service call center decreased to 9 people. The size of the management board remains constant with 5 members. Vtion Anzhuo, which is focused on the design, integration and distribution of mobile applications for the Android platform in China, currently comprises of 51 people. Of these, 9 are administrative, 25 in R&D and 17 in sales and marketing

VTION GROUP EMPLOYEE DISTRIBUTION

as of 30 September 2012



Research and Development

Vtion's wireless data terminal R&D activities center around the development of wireless data cards, wireless routers and the company's PC to TV products. Currently, Vtion offers two models of wireless data cards for China Mobile's TD-SCDMA network, with three further products in the planning stages. Vtion offers two models for China Unicom's network. The company also has three data card prototypes for the Unicom network and an additional three products in the planning stages. For China Telecom's EVDO network the company offers three models, with four more still in the planning stages. The company also offers wireless routers for both China Unicom and China Telecom, with models available for both companies' 3G and 3.5G technology. Vtion does not currently offer a wireless router for China Mobile's network, though it will release a 4G TD-LTE router in the second half of the year when China Mobile begins rolling out and building up this network.

The strength of Vtion's wireless data terminal R&D is based on the company's understanding of telecom operators' requirements, the ability to develop specifications and the close work with suppliers to ensure quality. Though production is outsourced, Vtion's unique design capability ensures that it continues to provide products with industry-leading quality for the Chinese market in its wireless data terminal segment.

In the mobile intelligent terminal business segment, Vtion's value chain is largely the same as that of wireless data terminals, with in-house product design and specification and outsourced production. Vtion's tablet PC is a high value-for-money product as the product is designed with high quality but sold at a price level below that of major international brands. Increasing competition in the tablet PC market has resulted in pricing and margin pressure in this business segment. Vtion is continuing to evaluate how to best address these changes in the market.

In Vtion's mobile applications business segment, the company relies on a worldwide procurement model to seek out developers and applications that the company will be able to effectively distribute. However, Vtion also does mobile application development in-house, particularly the applications it has designed for the insurance industry. Vtion's on-going R&D activities in the mobile applications space involve developing new applications, optimizing existing applications and optimizing the company's online store and distribution software.

Since the end of 2011, Vtion has worked to expand its presence in the industry-specific mobile computing solutions business sector. Currently the company offers a mobile insurance policy development application for the iOS and Android operating systems. The company has further applications in development and has expanded its client base to 12 insurance companies, with agreements ranging from long-term supply agreements to ad-hoc project cooperation. For the first nine months of the year, Vtion's insurance clients generated revenue of EUR 100,721.

Risk Report

RISK AND OPPORTUNITY MANAGEMENT

Vtion Group's business relies on solid experience, clear focus on high quality products, broad product portfolio, deep market insights, and strong business relationships with existing and potential customers. As a fast growing company, Vtion Group is exposed to a variety of risks. However, success cannot be achieved without risk. Risk management helps us to exploit potential opportunities and control risks, which ultimately helps us to achieve the strategic targets and to maximize the strategic potential.

Vtion's management carefully balances opportunities and associated risks through regular strategic reviews. The company engages in risk only if it can be managed using established methods and measures within the organization and only if there is a corresponding opportunity to appropriately increase shareholders' value.

The Vtion Group deploys accounting, control, and planning tools as an integral part of the risk management process. To closely monitor business development and risks, management regularly conducts sales volume and structural analysis, gross margin analysis, liquidity analysis and monitors the development of accounts receivable. Monthly and quarterly financial reporting processes are a core tool in the management of our business and will ensure that information on business and market trends are regularly updated. As part of the company's financial control procedures, significant unfavorable variations between actual and budget figures are identified and analyzed which serves as the basis of developing corrective measures.

An internal audit department has already been set up and is working to ensure the relevant policies and procedures are in place to safeguard shareholder value. Vtion is making efforts to implement improvements on internal control systems. Following the IPO, the Vtion Group has a substantial cash position and the group has no loan exposure. Cash management will remain a high priority for the group as a whole, and within individual companies.

The largest shareholder, Mr. Chen Guoping, is the CEO of the company and involved in the day-to-day business management. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests. In addition, Vtion's Supervisory Board, Strategic Committee, auditors and other third party consultants help the company to appropriately manage and hedge against various risks to minimize the potentially negative impact on the company.

To manage risks and to capitalize on opportunities, Vtion Group pursues a forward-looking product strategy and will continue to invest in R&D, while at the same time observing current and speculating on future market trends and customer requirements, and continuously strives to develop and maintain unique selling points related to its technology.

Report on Post-Balance Sheet Date Events

PAYMENT FOR SHARE BUYBACK PROGRAM

On 4 October 2012, Vtion Group settled the transaction of share buyback program from 5 September to 26 September 2012 and totally paid out EUR 4,965,853.

SUPERVISORY BOARD MEMBER APPOINTMENT

In October 2012, professor Shu Huaying was appointed as a new member of Vtion's Supervisory Board by the local court in Frankfurt on the Main, Germany. He is a professor at the Beijing University of Posts and Telecommunications. He is also the director of the University's Service and Management Technology Institute. Outside of his roles at the Beijing University, Professor Shu Huaying belongs to the committee of the Ministry of Industry and IT, along with other Telecommunication and Economic Experts. He is further involved in the committee of Industrial Engineering at the Institute of Electronics and of the China Institute of Communications. In addition, Professor Shu Huaying is Director of the Chinese Society for Optimization, Overall Planning and Economic Mathematics.

Vtion's Supervisory Board hence now consists of six members. Professor Shu Huaying will replace Qian Yingyi, who resigned from the Board on 16 July 2012. The term of all six Vtion Supervisory Board members, including Professor Shu Huaying, will run until the company's annual general meeting, taking place in June 2013.

Outlook

Over the first nine months and the beginning of the fourth quarter 2012, Vtion's business development indicates the company is still on track to reach its guidance for the full year. For the full year of 2012, Vtion expects a revenue of EUR 80 million to EUR 100 million, the bottom end of which would imply growth of approximately 5% compared to 2011. Vtion believes a minimum of 5% revenue growth is sustainable for the next three years at a minimum, relying only on organic growth of the company businesses. Vtion's expectation for its operating margin (EBIT) is that it will remain consistent for the next two years as well, which implies a margin of approximately 10%. Vtion expects that though it will encounter pricing pressure in its hardware business, namely the wireless data terminal and mobile intelligent terminal segments, it has a strong handle on costs and will be able to offset pricing pressure to a significant extent for the next two years. Further, in the mobile applications business, operated through the subsidiary Vtion Anzhuo, the company expects to see an operating margin of 15%-18%, which will help enhance the company's overall operating margin.

Vtion expects that the wireless data terminal business segment will remain profitable for at least the next two years and contribute approximately 50% of revenues over the course of 2012. Though the company does not expect this to again become a growth driver, it views this business segment as a stable income source that generates strong cash flow and is able to support the newer growth-driving businesses. The gradual introduction of 4G technology into the Chinese market over the course of 2013 and 2014 should bolster sales in the wireless data terminal business segment, given that the majority of 4G chipsets available in the market are better suited to products such as wireless data cards as opposed to smartphones.

Vtion expects to see an EBIT margin of approximately 15% in its mobile intelligent terminal business segment, a segment that could grow to account for over 50% of total revenues within the next three years. Though there is strong competition in the consumer space for these products, Vtion expects both higher margins in comparison to the wireless data terminal products and stable sales by selling mobile computing hardware and imbedded application solutions to insurance industry clients.

Vtion Anzhuo is expected to contribute 15%-20% of total company revenue by 2015. Though its contribution in 2012 will be minimal, this is the highest-margin business for the company and one that management looks upon most favorably as a future growth driver, given the massive potential of the market. Vtion will continue to operate a business model divided into the aforementioned three major segments, and expects to maintain steady revenue growth through organic development at approximately a 10% EBIT margin for the next three years at minimum.

Frankfurt/ Main, 14 November 2012

Management Board

Chen Gouping

Zheng Hongbo

Ding Chaojie

Fei Ping

He Zhihong

Financial Statements Vtion Wireless Technology AG

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September

in EUR	Q3		Q1-Q3	
	2012	2011	2012	2011
Sales	21,543,384	23,883,896	58,728,086	55,867,004
Cost of sales	-17,915,872	-19,502,756	-47,995,374	-45,364,201
Gross Profit	3,627,512	4,381,139	10,732,712	10,502,803
Other operating income	2,746	12,278	122,512	13,081
Selling and distribution expenses	-607,162	-364,948	-1,752,124	-1,456,353
Administrative expenses	-1,218,949	-1,077,793	-3,357,892	-3,174,438
Other operating expenses	-437	-95	-1,868	-1,167
Profit from operations	1,803,710	2,950,582	5,743,340	5,883,927
Finance income	307,219	182,795	748,038	477,495
Finance expenses	-6,076	-9,734	-33,357	-42,204
Foreign exchange gain/loss	206,719	-1,752,439	-193,163	-368,068
Profit before income tax	2,311,572	1,371,204	6,264,858	5,951,150
Income tax	-516,911	-457,176	-1,753,339	-991,016
Profit for the period	1,794,661	914,028	4,511,519	4,960,134
Other comprehensive income:				
Exchange differences on translating foreign operations	-2,213,138	10,168,507	577,880	2,918,799
Other comprehensive income for the period	-2,213,138	10,168,507	577,880	2,918,800
Total comprehensive income for the period	-418,477	11,082,535	5,089,399	7,878,933
Earnings per share (basic and diluted)*	0.12	0.06	0.30	0.31

* Computed on the basis of weighted average 14,443,060 shares for Q3 2012, weighted average 14,873,226 shares for 9M 2012, weighted average 15,579,719 shares for Q3 2011 and weighted average 15,817,959 shares for 9M 2011 respectively

The profit and the total comprehensive income are completely attributable to the owners of the parent company.

Consolidated Balance Sheet

as at 30 September

	30 Sep. 2012	31 Dec. 2011
ASSETS	EUR	EUR
Current assets		
Inventories	3,054,694	2,360,143
Trade receivables	31,759,501	22,741,227
Other receivables and prepayments	3,542,844	5,071,780
Short-term investment	4,900,000	0
Amounts due from related parties	149,626	1,061,555
Cash and cash equivalents	114,380,804	124,515,642
	157,787,469	155,750,347
Non-current assets		
Property, plant and equipment	928,202	1,121,595
Land use rights	584,276	591,706
Intangible assets	903,682	924,384
Deferred tax assets	707,992	668,291
	3,124,152	3,305,976
Total assets	160,911,621	159,056,323
LIABILITIES		
Current liabilities		
Trade payables	13,887,419	13,936,526
Other payables	5,647,174	5,056,168
Provisions	350,989	391,040
Payable for share buy-back	4,965,853	0
Amounts due to related parties	0	12,257
Income tax payable	521,076	450,445
Current liabilities		
Deferred tax liability	0	233,611
Total liabilities	25,372,511	20,080,047
CAPITAL AND RESERVES		
Share capital	14,495,086	15,980,000
Treasury Stock	-1,196,591	-747,602
Capital surplus	40,435,655	46,231,087
Retained earnings	57,392,726	53,678,437
Foreign exchange difference	24,412,234	23,834,354
Total equity	135,539,110	138,976,276
Total liabilities and equity	160,911,621	159,056,323

Consolidated Statement of Changes in Equity

for the period ending 30 September 2012

in EUR	Share capital Vtion AG	Treasury stocks	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2010	15,980,000		48,162,668	51,705,264	13,538,995	129,386,927
Buy-back ordinary share		-507,669	-1,463,870			-1,971,539
Dividend distribution				-3,306,828		-3,306,828
Total comprehensive income for the period				4,960,134	2,918,799	7,878,933
Balance as at September 30, 2011	15,980,000	-507,669	46,698,798	53,358,570	16,457,794	131,987,493
Balance as at December 31, 2011	15,980,000	-747,602	46,231,088	53,678,437	23,834,354	138,976,276
Buy-back ordinary share		-1,933,903	-5,795,433			-7,729,336
Treasury stock redemption	-1,484,914	1,484,914				
Dividend distribution				-797,230		-797,230
Total comprehensive income for the period				4,511,519	577,880	5,089,399
Balance as at September 30, 2012	14,495,086	-1,196,591	40,435,655	57,392,726	24,412,234	135,539,110

Total comprehensive income for the period comprises the other comprehensive income of EUR 577,880 (9M 2011: EUR 2,918,799) due to the foreign exchange differences. The foreign exchange difference reflects a technical effect that does not affect the cash position of Vtion

Consolidated Statement of Cash Flows

for the period from 1 January to 30 September

in EUR	Q1-Q3 2012	Q1-Q3 2011
Profit before income tax	6,264,858	5,951,150
Adjustments for:		
Amortization of intangible assets and land use rights	179,945	128,252
Allowance for doubtful trade debts	–	4,268
Depreciation of property, plant and equipment	261,779	227,036
Loss on disposal of property, plant and equipment	509	983
Interest income	–748,038	–477,495
Interest expense	1,852	2,095
Bank charges	31,505	40,109
Foreign exchange gain/loss	193,163	368,068
Operating cash flow before working capital changes	6,185,573	6,244,466
Working capital changes:		
(Increase)/decrease in:		
Inventories	–686,770	325,545
Trade receivables	–8,949,119	6,909,683
Other receivables and prepayments	1,553,225	2,338,382
Amounts due from related parties	918,497	–6,264
Increase/(decrease) in:		
Trade payables	–105,452	246,679
Other payables and accruals	517,617	–338,811
Amounts due to related parties	–12,337	10,871
Income tax payable	68,991	168,376
Cash generated from/(used in) operations	–509,775	15,898,926
Interest received	561,111	424,953
Income tax paid	–1,956,591	–814,537
Net cash generated from operating activities	–1,905,255	15,509,341
Cash flow from investing activities		
Purchase of intangible assets	–141,681	–34,202
Purchase of land, property, plant and equipment	–63,884	–83,468
Increase of short term investment	–4,900,000	–
Cash flow used in investing activities	–5,105,565	–117,671
Cash flow from financing activities		
Payment in connection with share buy-back	–2,763,483	–1,971,539
Dividend paid to shareholders	–797,230	–3,306,828
Cash flow from financing activities	–3,560,713	–5,278,367
Net increase in cash and cash equivalents	–10,571,533	10,113,303
Cash at beginning of year	124,515,642	98,961,058
Foreign exchange difference	436,695	2,396,479
Cash at end of the period	114,380,804	111,470,840

Selected Notes to the Consolidated Financial Statements

for the period from 1 January to 30 September

1. Background and Basis of Preparation

1.1 BASIS OF PREPARATION

The condensed interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), and/or International Accounting Standards (IAS) as adopted by International Accounting Standards Board (IASB) and by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the balance sheet date. The condensed interim consolidated financial statements comply with all IFRSs that had to be adopted by the balance sheet date. The interim financial statements are presented in EUR, and all monetary amounts are rounded to full EUR except when otherwise stated.

The following subsidiaries of Vtion Wireless Technology AG are consolidated. In summary:

in kEUR	Share	Equity 30 Sep. 2012	Results from 1 January to 30 Sep. 2012
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	1,364	-718
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	99,184	6,126
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	18,489	-199
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	754	-129
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	789	-928
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC	100%	117	-4

Vtion Wireless Technology AG does not own directly or indirectly any shares of the Fujian Vtion Telecom Information Service, Co., Ltd., but has the power to control this company. This subsidiary is not consolidated because of the lack of economic substance.

2. Significant accounting policies

The condensed interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU at the balance sheet date. The condensed interim consolidated financial statements comply with all IFRSs that had to be adopted by the balance sheet date.

With regard to the preparation of the interim consolidated financial statements, in accordance with IAS 34 Interim Financial Reporting, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates. In the interim consolidated financial statement as of 30 September 2012, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of 31 December 2011.

3. Functional and Presentation Currency

The functional currency of the Group is Renminbi (“RMB”) as the currency of the primary economic environment in which the Group operates. Due to the German holding company, the presentation currency of the Group is EUR.

The currency rates for the translation from RMB to EUR are:

EUR	RMB	
	2012	2011
31 December	N/A	8.1588
30 September	8.1261	8.6207
average first 9 months	8.1058	9.1378

4. Impairment of Non-financial Assets, if any

In the nine months of 2012 and 2011 no non-financial asset has been impaired, except as mentioned in note 7.1. For inventory an impairment provision of kEUR 21 has been recorded as of 30 September 2012 (kEUR 20 as of 31 December 2011).

5. Segment Analysis

A) BUSINESS SEGMENT

Vtion Group’s operating businesses are organized in three business segments, namely “Wireless Data Terminals”, “Wireless Intelligent Terminals” and “All Other Segments”. Since Vtion Group has not generated deferred revenue from Data Solution Service in 2012, Data Solution Service will be an immaterial segment from 2012. As a result, the information for Data Solution Service will be presented in “All Other Segments” segment in 2012 combined with others (disclosed in “Wireless Data Terminals and others” segment in 2011). Service income from the mobile application designed for the insurance industry, which was generated from Q2 2012, was disclosed in “All Other Segments” segment in 9M 2012 combined with others. The corresponding disclosure for the previous year is also adjusted to assure comparability of the segment information.

B) GEOGRAPHICAL BUSINESS

The Vtion Group’ is principally engaged in the provision of products and services in the People’s Republic of China (“PRC”) and all of its customers are based in the PRC. In addition, all significant identifiable assets of the Group are principally located in the PRC except as mentioned in note 7.4. Accordingly, no geographical segment analysis is presented.

C) ALLOCATION BASIS

Revenue and cost of sales are directly attributable to the segments. Other operating expenses and income are allocated to the segments on a reasonable basis.

Segment assets, liabilities and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the items which cannot be allocated reasonably.

Inter-segment sales and expenses are eliminated on consolidation (intercompany relationships).

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit	
	Q1-Q3		Q1-Q3	
	2012	2011	2012	2011
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	48,499	41,843	7,291	4,776
Wireless Intelligent Terminal	9,878	13,455	477	1,456
All others	351	569	-1,425	436
Total for continuing operations	58,728	55,867	6,343	6,668
Central administration costs			-600	-784
Finance income/costs			522	67
Profit before tax (continuing operations)			6,265	5,951

6. Notes to the Income Statement

6.1 REVENUE

	Q3		Q1-Q3	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Revenue				
Sale of goods	21,543,384	23,883,896	58,728,086	55,867,004
Other operating income				
Government grant	2,478	12,201	122,135	12,736
Service income	106	78	215	346
Others	162	0	162	0
	2,746	12,278	122,512	13,081
Finance income				
Interest income	307,219	182,795	748,038	477,495
Foreign exchange gain	206,719	0	206,719	1,384,371
	513,938	182,795	954,757	1,861,866
Total income	22,060,068	24,078,969	59,805,355	57,741,951

Sale of goods represents the invoiced amount of delivered goods net of discounts, returns and valued added tax. All intra-group transactions are excluded from the revenue of the consolidated group.

Government grants represent the subsidies from the PRC government. In 2012, government grants were mainly a monetary reward by the government of Fujian province for that "Vtion" is awarded as one of "Chinese Famous Trademarks".

6.2 SPLIT-UP OF SALES

	Q3		Q1-Q3	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Split-up of Sales				
Sales to external customers				
Wireless Data Terminals	18,808,685	15,922,178	48,498,561	41,843,442
Wireless Intelligent Terminals	2,478,711	7,915,155	9,877,550	13,455,326
All other segments	255,988	46,563	351,975	568,235
	21,543,384	23,883,896	58,728,086	55,867,004

The Group is principally engaged as manufacturing entity of computer accessories, broadband servers, and wireless communication products in People's Republic of China ("PRC"). The majority of its customers are based in PRC.

6.3 AVERAGE NUMBER OF EMPLOYEES/PAYROLL COSTS

	Q1-Q3	
	2012	2011
Average number of employees		
Management and administration	86	92
Research and development	64	29
Sales	89	104
	239	225

	Q1-Q3	
	2012	2011
	EUR	EUR
Payroll costs		
Wages and salaries	1,254,787	1,207,300
Social security costs	231,023	202,913
Welfare	31,940	22,474
	1,517,750	1,432,687

6.4 AMORTIZATION OF INTANGIBLE ASSETS AND LAND USE RIGHTS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

	Q1-Q3	
	2012	2011
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	103,069	20,196
Licenses	67,041	99,331
Land use rights	9,835	8,724
	179,945	128,252
Depreciation of property, plant and equipment	261,779	227,036
Total amortization and depreciation	441,724	355,288

Except EUR 84,867 of amortization of intangible assets was booked as part of “cost of sales” for new software business operated by Vtion Anzhuo in 9M 2012, the remaining amortization of intangible assets was booked in “Administrative expenses” in 9M 2012.

6.5 FINANCE EXPENSES

	Q3		Q1-Q3	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Finance Expense				
Interest expense	1,852	9	1,852	2,095
Exchange loss	0	1,752,439	399,882	1,752,439
Bank charges	4,224	9,725	31,505	40,109
	6,076	1,762,173	433,239	1,794,643

6.6 INCOME TAX

	Q3		Q1-Q3	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Income Tax				
Current income tax (ordinary activities)	541,442	453,101	2,025,581	919,527
Deferred income tax induced by:	0	0		
tax rate change	0	0		
temporary differences	-4,093	4,006	-235,308	58,813
tax loss carry forward	-20,438	69	-36,934	12,676
Income tax recognized in profit and loss	516,911	457,176	1,753,339	991,016

6.7 APPLICABLE TAX RATE

As the 50% tax exemption time expired at 31 December 2011, both Vtion IT and Vtion Software apply an effective tax rate of 25% since year 2012 in accordance with the Income Tax Law of the People’s Republic of China.

Vtion Communication, Vtion Anzhuo and Vtion Service incurred accounting losses for the first nine months of operation, and accumulated net losses as of 30 September 2012, therefore had no taxable income in 9M 2012.

7. Notes to the Balance Sheet

7.1 INVENTORY

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Inventory		
Inventory-advances to supplier	36,285	760,602
Goods and material	3,039,664	1,620,035
Less: stock provision	-21,255	-20,494
	3,054,694	2,360,143

7.2 TRADE AND OTHER RECEIVABLES

TRADE RECEIVABLES

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Trade receivables		
Trade receivables	31,781,935	22,763,571
Allowance for trade receivables	(22,434)	(22,344)
	31,759,501	22,741,227

OTHER RECEIVABLES

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Other receivables		
Other receivables	3,469,804	4,963,417
Prepaid expenses	73,040	108,363
	3,542,844	5,071,780

All trade receivables are non-interest bearing. They are recognized at their originally invoiced amounts which represents their fair values on initial recognition.

7.3 AMOUNTS DUE FROM RELATED PARTIES

Amounts due from related parties are non-interest bearing and are repayable on demand. All related parties receivables are without collateral and are to be settled in cash. There is no allowance for doubtful debts arising from the non-trade outstanding balance.

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Related parties		
Amount due from related parties - trade	0	933,313
Amount due from related parties - non-trade	149,626	128,242
	149,626	1,061,555

7.4 CASH AND CASH EQUIVALENTS

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Cash and cash equivalents		
Cash on hand	30,962	32,282
Cash in banks	111,642,424	121,357,809
- of Mainland China	103,094,028	109,243,597
- of Germany and offshore	8,548,396	12,114,212
Deposit on bank's acceptance bill (in China)	2,707,418	3,125,552
	114,380,804	124,515,642

The deposit on bank's acceptance bill in the full amount is pledged with the notes payable.

Among the balance of cash and cash equivalents as of 30 September 2012, EUR 105,801 thousand were held in China where prior approval is required to transfer funds abroad. Nevertheless if the Group can comply with those criteria, such liquid funds can be transferred within a reasonable period of time.

7.5 DEFERRED TAX ASSETS

Vtion IT, Vtion Software and Vtion Communication recognized deferred tax assets resulting from the timing difference between the accounting profit and the taxable profit calculated in accordance with Income Tax Law of the People's Republic of China.

Vtion Wireless Technology AG ("Vtion AG") accumulated a tax loss under German GAAP till 30 September 2012. At the balance sheet date the company didn't adjust the estimation of net taxable income of the next five years which deferred tax asset was calculated based on.

7.6 TRADE AND OTHER PAYABLES AND ACCRUALS

All trade payables are non-interest bearing. The fair value of trade payables as well as other payables has not been disclosed, since, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value. The trade payables include notes payable, which amount to RMB 44 million and have decreased by RMB 7 million as compared to 31 December 2011. 50% of the funds received (kEUR 2,707) are kept as a cash deposit on bank acceptance bills. Please see "cash and cash equivalents".

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Other payables		
VAT payable	2,478,347	2,056,301
Other payable	3,041,278	2,786,526
Advances from customers	1,526	88,290
Other tax payables	126,023	125,051
	5,647,174	5,056,168

Other payable included the cumulative rebates payable to copyright holder amounting to EUR 2,845 thousand.

7.7 PROVISIONS

	30 Sep. 2012	31 Dec. 2011
	EUR	EUR
Provisions		
Accrued payroll	294,530	267,996
Other accruals	56,459	123,044
	350,989	391,040

7.8 DEFERRED TAX LIABILITIES

Due to good collection of receivables, there was no deferred tax liabilities based on different trade receivables recognized and different revenue recognized in connection with data solution service.

8. Notes - other

8.1 CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at 30 September 2012.

8.2 RELATED PARTY DISCLOSURES

SALES AND PURCHASE OF GOODS AND SERVICE

The following transactions took place between the Group and related parties during the financial year:

	Q1-Q3	
	2012	2011
	EUR	EUR
Sales and purchase of goods and service		
Sales of finished goods to a related party	0	542,631
Rental fee paid to a related party	102,149	68,944
	102,149	611,575

9. Events after Balance Sheet Date

PAYMENT FOR SHARE BUYBACK PROGRAM

On 4 October 2012, Vtion Group settled the transaction of the share buyback program from 5 September to 26 September 2012 and totally paid out EUR 4,965,853.

SUPERVISORY BOARD MEMBER APPOINTMENT

In October 2012, professor Shu Huaying was appointed as a new member of Vtion's Supervisory Board by the local court in Frankfurt on the Main, Germany. He is a professor at the Beijing University of Posts and Telecommunications. He is also the director of the University's Service and Management Technology Institute. Outside of his roles at the Beijing University, Professor Shu Huaying belongs to the committee of the Ministry of Industry and IT, along with other Telecommunication and Economic Experts. He is further involved in the committee of Industrial Engineering at the Institute of Electronics and of the China Institute of Communications. In addition, Professor Shu Huaying is Director of the Chinese Society for Optimization, Overall Planning and Economic Mathematics.

Vtion's Supervisory Board hence now consists of six members. Professor Shu Huaying will replace Qian Yingyi, who resigned from the Board on 16 July 2012. The term of all six Vtion Supervisory Board members, including Professor Shu Huaying, will run until the company's annual general meeting, taking place in June 2013.

10. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on November 11, 2012.

Frankfurt am Main 14 November 2012

Chen Guoping Zheng Hongbo Ding Chaojie Fei Ping He Zhihong

Responsibility Statement of the Management

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the shortened interim Consolidated financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the shortened interim management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main 14 November 2012

Vtition Wireless Technology AG

Management Board

Chen Guoping

Zheng Hongbo

Ding Chaojie

Fei Ping

He Zhihong

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT

This document contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Vtition. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Vtition and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Vtition's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and other involved in the marketplace. Vtition neither plans nor undertakes to update any forward-looking statements.

Credits

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Vtion Wireless Technology AG
11-12 11F Westhafen Tower
Westhafen Platz 1
60327 Frankfurt am Main
Germany
Phone: 0049-69 71 04 56 249

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Vtion Wireless Technology AG
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Investor Relations
Phone: 0049-69 71 04 56 249
Fax: 0049-69 71 04 56 248
E-mail: IR@vtion.de
Internet: <http://www.ir-en.vtion.de>

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