

## Developments & milestones 2009 (unaudited)

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### **From recession to recovery**

In 2008 the world economy fell into one of the deepest recessions since the Second World War. The recession has proved to be the deepest, longest and most broadly based recession impacting the world economy. Only determined and concerted policy action taken by governments all over the world avoided both a systemic meltdown and an outright depression.

The EU economy reached a turning point in the autumn of 2009. As of then signs of improvement in the economic situation and outlook became increasingly apparent. Forecasts were being revised up and Gross domestic Product (GDP) growth was turning positive again. While there are indicators that the recession may be nearing its end and several financial stress indicators are back at pre crisis levels, it is not obvious that the recovery will last. Especially the banking sector remains fragile. Possible further losses are ahead for banks, there is a further need for deleveraging of households and firms and capital costs are set to remain structurally higher. These factors will constitute a hurdle for near future investment and consumption growth. Additionally, the fact that global demand still strongly depends on government support and the high indebtedness of certain EU member economies (e.g. Greece) result in a high volatility of the markets and uncertainty about the sustainability of the recovery.

### **Equens: the stable factor**

Given these circumstances, like last year, we are very pleased to report that Equens has been able to remain a stable and reliable factor in these turbulent times. High quality payments and cards processing services were delivered to our clients on a continuous basis, achieving further transaction volume growth and new record volumes on the peak days of the year without any problems.

Also from a financial perspective during 2009, Equens showed that its business model is solid and sustainable even in times of financial crisis. As in previous years, Equens managed to deliver again a solid financial performance with EBIT margin levelling at 12.5% (excluding PaySquare 14.5%), invested significant amounts in new technology, products and markets and ended the year with a solid financial position.

### **Equens is ready for the European market**

In the last years Equens has made substantial steps to grow internationally through the merger between Transaktionsinstitut für Zahlungsverkehrsdienstleistungen in Germany and Interpay in 2006 as well as the first phase of the integration of Equens Italia as a 50% Joint Venture with ICBPI in 2008 with a full integration (100% subsidiary) at the latest in 2011. Equens made major investments to become fully SEPA (Single Euro Payments Area) compliant for cards and payments. After the successful implementation of SEPA Credit Transfers (SCT) in 2008, SEPA Direct Debits (SDD) have been implemented on time in November 2009. Through EACHA (European Automated Clearing House Association), links have been established with most of the major European clearing houses. Next to this, Equens invested in building up a new application and infrastructure to process cross-border currency payments, an area where it expects to attract new customers and thus further grow in the future. On the cards side a new acquiring back-office system has been implemented to process amongst others Maestro, which ensures that we follow already existing and upcoming international market requirements. The hardware infrastructure for both cards (HP, 2008) and payments (SUN, 2009) has been fully renewed to meet future capacity requirements and moved to external data centres. Also sites have been consolidated further. In Frankfurt Equens moved

to a new building in May 2009, office space in Utrecht will be substantially reduced as well as renovated and consolidated in 2010 and 2011. Certifications under SAS 70 Type II, ISO 27001, BS 25999 have been obtained and renewed. Integration projects between Germany, Italy and the Netherlands have progressed well, delivered expected synergies and will continue as planned.

As a consequence, the past years have therefore been characterized by high investments to build up a reliable, state-of-the-art and future-proof infrastructure. It is expected that investments can and will be successively reduced in the following years.

On the revenue side existing contracts have been extended, substantially securing a major part of the revenues for the next years.

Equens has thus built a sound basis to continue to play a strong role in the consolidating European market.

## **General developments**

Equens SE is operating in the payments and cards industry, markets which are subject to substantial change largely as a result of increasing international standardization and regulation. The realization of SEPA leads to increased competition at a European level, resulting in a need for further consolidation. Further international growth, cost-effective operations and European reach are paramount in order to be able to provide future-proof payment and processing solutions at competitive rates. This dynamic playing field strongly dominated Equens' activities in 2009. In 2009, Equens continued to further realize its European ambitions by continuing to follow its European growth strategy and has thus further improved its positioning in this challenging market.

### *Interoperability - EACHA bilateral agreements signed*

Equens is an active and driving member in the EACHA (European Automated Clearing House Association) organization which represents more than twenty European Automated Clearing Houses. Next to the already existing agreements, bilateral agreements regarding interoperability for the exchange of SEPA payments were signed with SECB (Swiss Euro Clearing Bank GmbH) and with the Austrian ÖNB (Österreichische Nationalbank) in 2009. The inter-CSM agreement with VocaLink for SCT was extended to also include SDD payments. These developments resulted in an extensive international Clearing and Settlement Mechanism (CSM) community covering most European countries. This was a major step in the further implementation of the EACHA framework announced in October 2007 and a setup to provide interoperability between banks and European CSMs at a European level. Bilateral exchange of payments between CSMs enables the simple and efficient exchange of SEPA payments between CSM communities and other participants (such as banks and their customers) in the payment chain.

### *Interoperability - Participation IPF*

In order to stay ahead and keep abreast of new developments, Equens actively participates in several relevant platforms. In this respect Equens participates in the International Payments Framework Association (IPFA), a multi-national association with the objective to provide rules, standards, operating procedures and guidelines to improve the processing of cross-border currency payments. The IPFA has members in Africa, Europe, North America and South America and strives to achieve interoperability between existing domestic or regional payment systems, the ability to exchange transactions across multiple currencies, and settlement leveraging existing practices. For Equens this is an important next step with regard to interoperability and demonstrates that we are not only looking for interoperability solutions within, but also beyond Europe.

## *Interoperability - Strategic partnership Federal Reserve Banks*

On 9 April 2009 the Federal Reserve Banks (US) and Equens signed a Memorandum of Understanding regarding the processing of payments from the US to Europe and vice versa. Starting mid 2010, both parties will offer banks a cost-efficient channel for processing cross-border payments in multiple currencies, including the US dollar and the euro. Compared to the number of domestic transactions, cross-border payments are characterized by relatively low transaction volumes and high associated fixed costs. The cross-border service offering from the Federal Reserve Banks and Equens will support banks in further reducing their processing cost base and in strengthening their competitive position in the market. The strategic partnership between the Federal Reserve Banks and Equens is based on an increasing market demand for efficient processing of low-value cross-border currency payments on a global level. Both organizations are also members of the International Payments Framework Association (IPFA).

## *Transaction volumes 2009*

The payment transaction processing market is extremely appealing to specialized service processors with large volumes and flexible IT systems. The continuing increase in the use of electronic means of payment, such as consumer use of debit cards and electronic banking in both the consumer and business markets, again resulted in an increase in the number of transactions and continues a clear long-term trend. In 2009, the numbers of payment and card transactions processed by Equens (including Equens Italia) again increased compared to the previous year to a total of 9.4 billion payments (2008: 8.9 billion) and 3.4 billion card transactions (2008: 3.2 billion) processed.

## *New transaction records*

During the days before Christmas Equens again processed a record number of electronic card payments in the Netherlands. On Wednesday 23 December 2009 a total number of 10,867,903 debit and credit card payments were processed. Last year's daily record, which dated from Wednesday 24 December 2008, amounted to 9,783,925 transactions. The new daily record thus exceeds the old record by more than 11%. The existing peak record has also been broken. On Thursday 24 December 2009 our systems processed an average of 408 transactions per second between 14:00 - 14:30. This means an increase of almost 8% in comparison with the existing record of 378 transactions per second, which dated from Wednesday 24 December 2008. The new peak record lies far beneath Equens' maximum system capacity.

Also in Germany a new transaction record has been established. On 4 January 2010 the ZVS™ system in Germany processed as much as 89,094 logical files with 57,108,173 payments in total, which is a new record in both disciplines. The number of payments includes all types of payments such as German domestic payments, EU Regulation payments and SEPA payments. This new daily record exceeds the existing record which dated from 2 January 2009 by 3.3%.

## *Securing future volumes*

During the past years Equens already succeeded in securing a major share of the payments and cards revenues through long-term contracts and continuing the long-term relationships with its customers by extending significant existing contracts especially on the cards side, partially until 2013. The contracts that were closed with the most important customers include the complete range of debit issuing, acquiring and payment services. These contracts make a significant contribution to the safeguarding of the domestic market and are of great importance for Equens' European ambitions. Equens also succeeded in convincing a significant number of current and new customers to select Equens as their partner for SEPA payments and their future cards proposition.

## *(SEPA) Payments*

With respect to payments processing the business was mainly dominated by the European consolidation process that is underway in relation to the formation of SEPA, the Single Euro Payments Area. SEPA started at a European level on 1 January 2008 with the SEPA cards framework and on 28 January 2008 with the going live of the SEPA Credit Transfer (SCT) format. Equens successfully processed its first SEPA Direct Debit (SDD) payments on 2 November 2009, the starting date of SDD. This demonstrates that our systems are fully in line with the international agreements of the European Payment Council (EPC) on this subject, and comply with the requirements of the Single Euro Payments Area (SEPA). Our SDD solutions range from a comprehensive, full-STP, tailor-made back-office solution to an easy-to-implement low-cost solution.

It is likely that the uncertainty about the speed of the actual take-up and acceptance of the SEPA standard for payments (credit transfer and direct debit) in the market and thus the resulting fate of the current national standards and formats will prevail in the payments market for some time to come. However at the same time, the already existing pressure on rates and efficiency, resulting from European standardization and increased international competition, will continue. While further investments will be needed to adapt to the further developments in the SEPA world as well as to enter potentially new emerging business, Equens is well prepared to meet the challenges of the European payments market. Since Equens is able to process a variety of different formats over one single platform, Equens customers benefit from the resulting scale benefits achieved irrespective of the actual take-up of SEPA formats.

## *(SEPA) Cards*

While in payments processing the primary uncertainty is now seen as timing, developments in the debit card landscape are less clear. The existing cards schemes in different countries still differ significantly. European integration efforts about creating a truly European solution are being undertaken, but have not, at least until end of first quarter 2010, progressed substantially.

## *EPASOrg - Interoperability in card payments*

On 27 October 2009 the international non-profit organization EPASOrg was established for promoting, developing and maintaining card payments protocols. EPASOrg promotes the widespread acceptance of the EPAS protocols, a series of standards to ensure interoperability between card acceptance acquiring solutions as well as integrated retail and terminal management systems. Card payment stakeholders are currently confronted with various non-interoperable message technologies, which hinder the current convergence process in payments and lead to higher development and maintenance costs. EPAS initially started as a project in which Equens participated from the very beginning. EPASOrg includes major international cards related hardware and software providers and processors amongst its members.

## *SEPA-FAST - Common standard for payment terminals*

In 2009, major players in the European cards payments industry joined together to deliver the first common standard for payment terminals. This innovation offers new opportunities for retailers and acquirers across Europe. It is the next step to making the Single Euro Payments Area (SEPA) a reality for card payments. SEPA-FAST is the first technical specification which is fully in line with the European Payments Council (EPC), SEPA Cards Standardization 'Volume'.

## *Equens named 'Best Card Processor of the Year'*

On 18 June, Equens was named 'Best Card Processor of the Year' at the Cards International Global Awards of VRL Financial News. It was presented the award at the Cards & Payments Europe event held in Prague on 18 and 19 June. Equens received the award for being a leader in the development and implementation

of card payment processing services for SEPA/pan-European purposes and because of the establishment of Equens Italia, our joint venture with the Italian ICBPI Group, which has further substantially strengthened our position as a key player in the SEPA era.

## *E-invoicing*

Next to continuously developing its current service offering in the cards and payments domain, Equens is continuously active in the review and development of related innovative and emerging services. Based on the experiences of the e-invoice cross-border pilot Equens conducted in 2008, it continued its activities in the e-invoicing market. In 2009 Equens developed the Value Document Switch, which interconnects banks and billing service providers by using a standardized approach. This e-invoice solution is an extension of the existing Equens service portfolio and fully in line with our core business and core competencies: routing, switching, reporting and providing extensive reach for banks and billing service providers. The reach is provided without the need for bilateral connections. A number of service providers are connected and we are in (close) consultation with several others.

Equens is also actively involved in relevant bodies to set European standards and pave the way for a legal framework allowing for an efficient use of e-invoicing in Europe.

## **Corporate structure**

Compared to the last year the corporate structure of Equens did not change significantly. On 31 December 2009 the Equens Group primarily consisted of the following main entities:

- Equens SE (with operative units in the Netherlands and in Germany as well as a permanent establishment in Finland), focusing on the processing of electronic payments and cards transactions;
- Equens Italia S.p.A., a joint venture of Equens SE and ICBPI, with a similar product portfolio as Equens SE;
- DZ Service GmbH (a 100% subsidiary of Equens SE), which focuses on processing of paper-based payment documents;
- InterEGI B.V. (in the past Interpay Elektronische Geldinstelling B.V. and renamed in 2009, a 100% subsidiary of Equens SE), which focuses on the issuing of prepaid payment cards;
- PaySquare B.V. (a 100% subsidiary of Equens SE) focusing on commercial cards acquiring and issuing.

Other participating interests are not considered to be material.

## ***Equens SE***

Equens offers a complete service portfolio covering the full value chain of both payments and cards processing services. This allows customers to benefit from the convenience of one-stop-shopping and the integrated and therefore highly efficient services. From data conversion, validation/pre-processing, clearing processing, cards processing to exception processing: its complete and modular service portfolio gives customers everything to cater for a borderless payment market on a pan-European scale.

## ***Payment Services***

Equens carries out the payment transactions for its bank clients as a back-office business process insourcer as well as a CSM (Clearing Settlement Mechanism). To this end it provides a full range of processing and clearing & settlement services for payment transactions, including individual and bulk payments, recurring and one-off direct debit transactions as well as regular and urgent credit transfers. Services provided cover all domestic payments as well as cross-border payments in euro and currencies for low and high-value payments. SEPA Credit Transfers have been provided since 28 January 2008 and

we have multiple SEPA Direct Debit solutions in place since November 2009. The products provided cover the entire value chain and include data delivery and conversion (connectivity, electronic and paper-based), validation, clearing, settlement preparation, booking information and collection notifications, lot settlement as well as additional services such as data conversion, balance and transaction information, reconciliation, claims and transaction assessment, archiving, data mining, statistics and reports. Equens supports all relevant clearing channels including bilateral clearing, EACHA, CSM, EBA, Step 1, Step 2 and correspondent banking.

In 2009 Equens processed a total of 8.3 billion payments transactions (2008: 7.9 billion). The total transaction value processed amounts to EUR 13,122 billion, which is above the GDP of the European Union in 2009. Together with Equens Italia, Equens processed a total of 9.4 billion payments transactions in 2009 (2008: 8.9 billion).

#### *Acquiring Services: processing of electronic payments for acquirers*

On the cards acquiring side, Equens processes electronic payments via POS services and ATM services for acquirers of domestic and international card products including debit cards, credit cards and prepaid debit in the Netherlands. Equens also offers an extensive merchant services portfolio. It is equipped to process all products and provide all types of delivery, for example online, offline, mail order, telephone order, fax, on paper and via the internet. Equens' cards acquiring is multi-brand, multi-currency, multi-device and multi-protocol. It is EMV and SEPA-compliant and provides connectivity with all important international card schemes.

In 2009 Equens processed a total of 1.9 billion PIN transactions (2008: 1.8 billion), 177 million Chipknip transactions (2008: 176 million), had more than 244,000 payment terminals (2008: 235,000) and more than 10,700 ATMs connected (2008: 9,800) and processed 233 million ATM transactions (2008: 219 million). Including Equens Italia, Equens processed 3.4 billion card transactions (2008 pro forma: 3.1 billion) and had a total of 584,000 POS terminals (2008: 509,000) as well as more than 20,600 ATMs (2008: 19,400) connected.

#### *Issuing Services*

From card creation and delivery to payment transaction authorization, Equens provides a comprehensive range of card issuing services. Equens issues both bank cards as well as prepaid debit cards according to its clients' specifications and in accordance with domestic and international standards. Clients can choose from a wide range of cards featuring a chip and/or a magnetic stripe for all major debit card schemes. Equens also manages the cards in circulation. This involves providing support to the banks and consumers using the bank cards and credit cards, as well as production, key management and delivery, card management, managed issuing services, switching, authentication and authorization.

Furthermore, Equens issues prepaid debit cards ('Chipknip') through its 100% subsidiary InterEGI B.V. which has the legal status of an electronic money institute following EU Directive 2000/461EU.

On Wednesday 23 December Equens issued the 15,000,000th debit card in 2009, an important milestone. The number of cards in Equens' database in 2009 amounts to 24 million (2008: 20.1 million). Including Equens Italia, Equens managed a total of 52 million cards.

#### *Emerging Services*

Our business solutions allow a wide range of industries to benefit from our experience in fast, secure and accurate transaction processing. From tracking product movements to instant customer identification, we

can help our clients to improve your operational efficiency with easy, cost-efficient transaction services and products. In this respect we can provide services and added value in mobile payments, contactless payments, biometrics and e-invoicing.

## ***Equens Italia S.p.A.***

2009 was the first full year of business of Equens Italia. In 2008, the joint venture between the Italian ICBPI Group and Equens SE, Equens Italia S.p.A., was established by contributing the relevant payments and cards processing business from ICBPI and the ICBPI subsidiary KeyClient into the newly established entity Equens Italia. ICBPI and Equens each hold 50% of the shares in the new company. Equens Italia has been consolidated proportionally for 50% in the Equens consolidated figures. It is agreed that ICBPI will contribute its remaining 50% stake in Equens Italia into Equens against issuance of new shares in Equens at the latest in September 2011.

Equens Italia provides full services for payments, debit and credit card processing as well as data center services. ICBPI and Equens agreed on a plan to successively integrate processing activities in order to capture substantial synergies. Despite the payment systems market being affected by the financial crisis, the company in 2009 has more than achieved the economic and functional goals of the ICBPI Group-Equens SE strategic agreement for the setup of Equens Italia.

In addition, PCI-DSS certification according to the requirements of the international card schemes was renewed under the new version 1.2 as well as the renewal of the UNI EN ISO 9001:2000 standard Quality Certification for its operating procedures was obtained.

## ***DZ Service GmbH***

Through its 100% subsidiary DZ Service GmbH (DZ Service), Equens also processes paper-based payment orders on behalf of a substantial number of primarily co-operative banks in Germany. This includes in particular the scanning and conversion of paper based payment documents into electronically processable formats as well as the provision of the resulting booking information. Although the total number of documents for processing in this market in Germany falls by approximately 5%-6% each year, this activity remains an important process and cost item in payment transactions processing. Consequently, there are excellent business opportunities available to DZ Service, given that its services can provide banks with significant cost savings. Since only approximately 50% of co-operative banks in Germany have outsourced their paper-based payments processing activities to industrial service providers, the market share and the number of documents processed is expected to grow further in the near future. Last year the average total number of processed 'images' (payment documents) per day was 356,000 (2008: 329,000). In 2008 DZ Service concluded an agreement with the German IT provider Beta Systems to replace its core processing system. The migration is expected to be completed in 2010.

## ***PaySquare B.V.***

The core activities of the 100% subsidiary PaySquare B.V. are the management and operation of international brands and products such as MasterCard, Maestro and Visa as a commercial acquirer as well as an issuer. In addition, PaySquare arranges license services for banks related to the MasterCard license for international debit products.

PaySquare ensures that merchants can accept all major card products used in the Benelux. At the moment the card acceptance offered encompasses MasterCard, Visa, JCB, CUP and Maestro. PaySquare is the only provider in the Benelux offering merchants all these products under one roof.

PaySquare is a specialized issuer of MasterCard and Visa products for the travel & entertainment segment and for niche markets, and offers issuing services for banks who do not wish to specialize in cards themselves. All cards issued are EMV cards.

The market in which PaySquare operates is dominated by strong competition between providers, significant change and uncertainty in the regulatory environment such as the unclear development of the fate of the multilateral interchange and the open question regarding the development of cards schemes in the context of SEPA. As a result, margins in this area are under significant pressure.

## **Risk Management and Compliance**

A well functioning internal control, risk management and compliancy system are for Equens' among the most important critical success factors. These areas are covered through an internal risk management department also providing services to Equens clients and an internal audit function working in adherence and submission to national and international audit standards. Equens is voluntarily under the supervision of the Dutch National Bank. This 'Oversight' is expected to change into full Supervision as soon as the Financial Supervisory Act (*Wet Financieel Toezicht*) is amended, expected in the course of the year 2010.

In 2009, Equens implemented a new sophisticated fraud detection system in order to analyze and combat cards fraud at an early stage.

Regarding risk management, business and operating risks are identified on a regular basis. Measures to manage these are defined on an ongoing basis. Management is responsible for taking effective measures and further improving them.

Compliance and certification is a continuous process and core business for Equens. Equens strives to remain abreast of new standards that provide added value to the confidentiality, integrity, availability and continuity of our services. In 2009 the Dutch and German operations of Equens obtained its report for the Statement on Auditing Standard No. 70 (SAS-70) Type II. The statement gives assurance that proper and thorough controls of the actual performance are defined as well as operational. To ensure the existence and functioning of security controls to protect information assets, Equens is certified according to ISO standard 27001. The ISO/IEC 27001:2005 certificate relates to the quality of management control over the security of payments and card processing services. The standard specifies requirements for determination, implementation, execution, control and assessment of documented Information Security Management. Equens obtained the certificate for the Netherlands and Germany. The certificate is valid for three years and has been subject to a successful surveillance audit in 2009 for the Netherlands and Germany. Due to the utmost importance of business continuity to Equens, Equens was audited according to the British Standards Institute BS25999 regarding business continuity management. The Dutch operations have been BS25999 certified since August 2008, the certification was successfully prolonged in 2009.

Equens adopted the ten Core Principles of the ECB for ZVS™ and CSS as systemically important payment processing systems.

## **Staff**

On 31 December 2009 Equens SE (including DZ Service GmbH) employed a total of 1,217 FTEs (full-time equivalents) including both internal and external employees.

While in order to face declining margins a clear focus on an adequate staff level continues to be an attention point for management, Equens has a significant number of vacancies requiring highly qualified

and skilled staff in essentially all areas of the organization in order to pursue its European growth ambitions. In 2009 Equens managed to fill a substantial number of vacancies thereby reducing its reliance on external staff substantially by attracting highly qualified internal staff.

Equens is a knowledge-based organization requiring highly professional staff. This is why Equens will continue to invest time and money in further expanding the knowledge and skills of its employees in the coming years. Investing in these items also means that Equens will remain an attractive employer for professionals who are keen to continuously develop themselves. The systematic internal development program entitled 'Equens Academy' launched in 2008 was therefore further developed in 2009. The aim is to give employees access to the needed knowledge, training and education opportunities.

Early 2009 Equens conducted an employee satisfaction survey in Germany and the Netherlands, indicating that the level of satisfaction of Equens staff in both countries is at a high level both in absolute terms as well as relative to the market. In June 2009 Equens received the hallmark 'TOP ICT Employer Netherlands 2009 award' as a result of fully meeting high standards regarding conditions of employment, training and education, promotional opportunities, work climate, company culture and innovation.

As in previous years, Equens had excellent relations with its works councils in both Germany and the Netherlands as well as the SE Works Council established in the context of turning Equens into a Societas Europaea in June 2008. Equens management and co-determination bodies succeeded in constructively resolving all co-determination relevant items.