ANNUAL REPORT 2011

wirecard

WIRECARD

AT THE PULSE OF THE FUTURE

KEY FIGURES

WIRECARD GROUP

		2011	2010
Sales revenues	TEUR	**324,797**	271,619
EBITDA	TEUR	**84,398**	73,264
EBIT	TEUR	**75,913**	67,423
Earnings after taxes	TEUR	**61,186**	53,973
Earnings per share (diluted)	EUR	**0.60**	0.53
Shareholder’s equity	TEUR	**340,887**	289,844
Total assets	TEUR	**707,059**	549,859
Cash flow on ordinary transactions*	TEUR	**61,033**	60,900
Employees		**498**	500
of which part-time		**128**	128

*adjusted by transaction volume of transitory nature

SEGMENTS

			2011	2010*
Payment Processing & Risk Management	Sales revenues	TEUR	**263,359**	256,722
	EBITDA	TEUR	**66,260**	49,460
Acquiring & Issuing	Sales revenues	TEUR	**98,139**	95,562
	EBITDA	TEUR	**18,166**	23,663
Call Center & Communication Services	Sales revenues	TEUR	**4,267**	4,453
	EBITDA	TEUR	**139**	141
Consolidation	Sales revenues	TEUR	**(40,968)**	(85,118)
	EBITDA	TEUR	**(167)**	0
Total	Sales revenues	TEUR	**324,797**	271,619
	EBITDA	TEUR	**84,398**	73,264

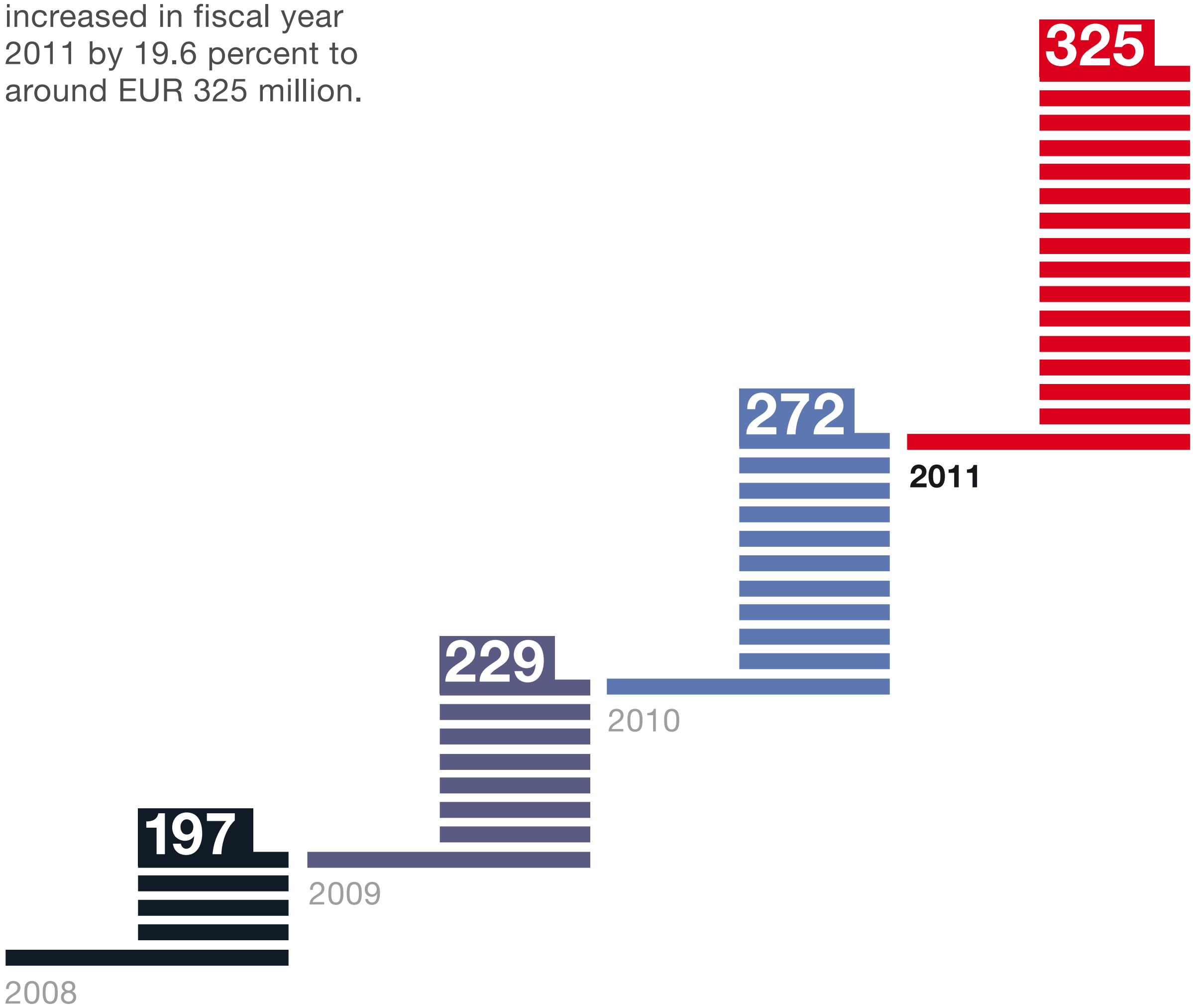
* limited comparability (see segment report)

“The current fiscal year is characterized by dynamic growth in eCommerce. The increasing convergence of bricks-and-mortar and bricks-and-clicks trading means that there is no longer a clear difference between these two channels. This will add additional impetus to the market for payment services.”

Dr. Markus Braun
CEO

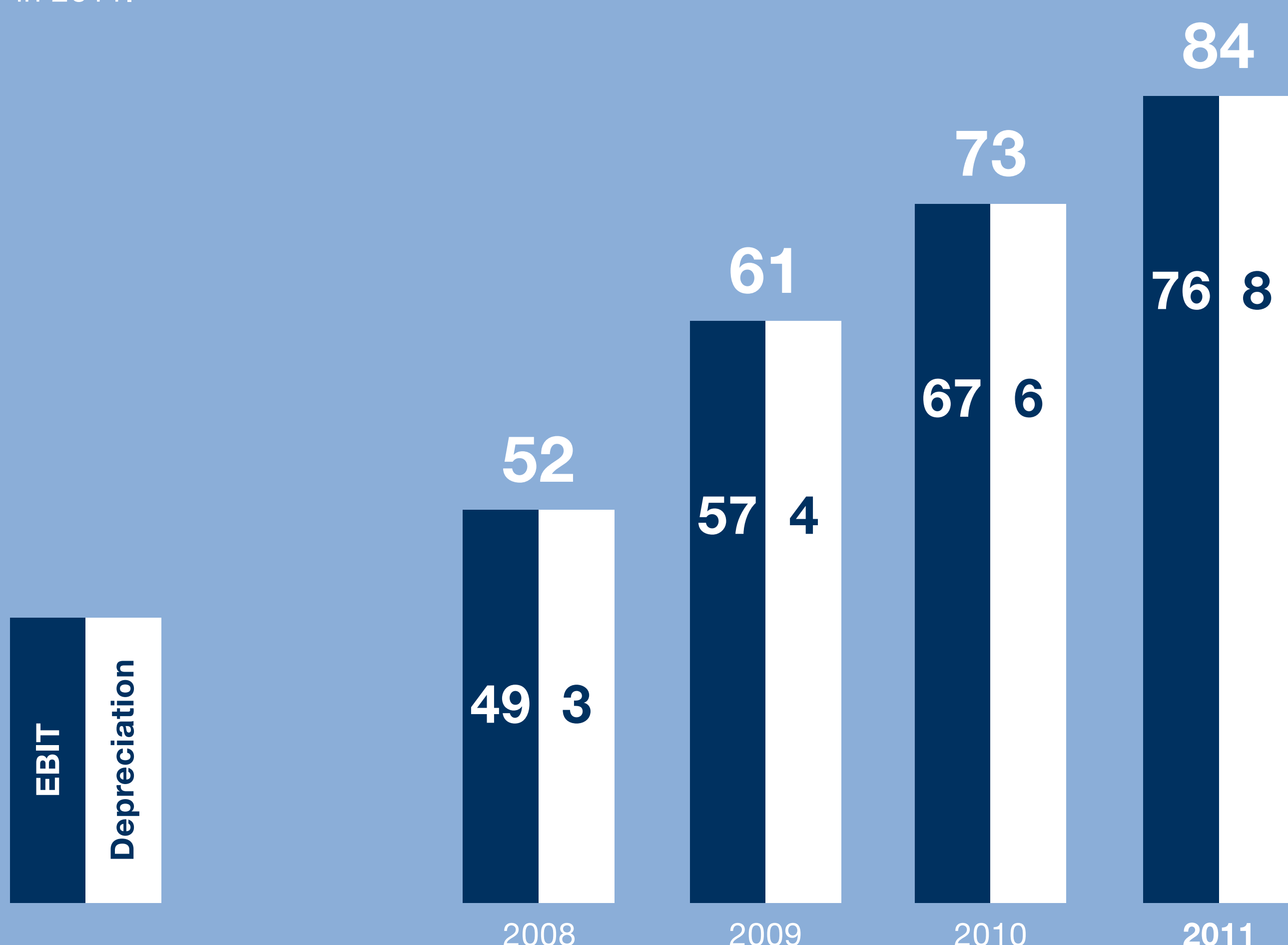
Sales
(Million Euros)

Consolidated revenues increased in fiscal year 2011 by 19.6 percent to around EUR 325 million.



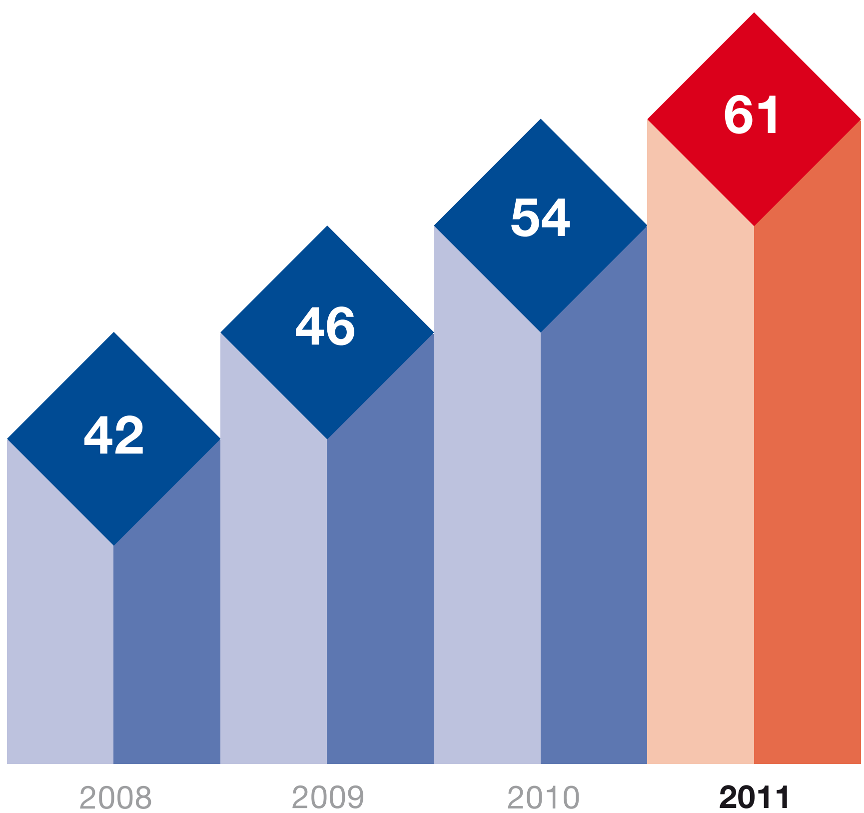
EBITDA
(Million Euros)

Without the one-off extraordinary expenses, adjusted EBITDA would have lifted by 22 percent in 2011.



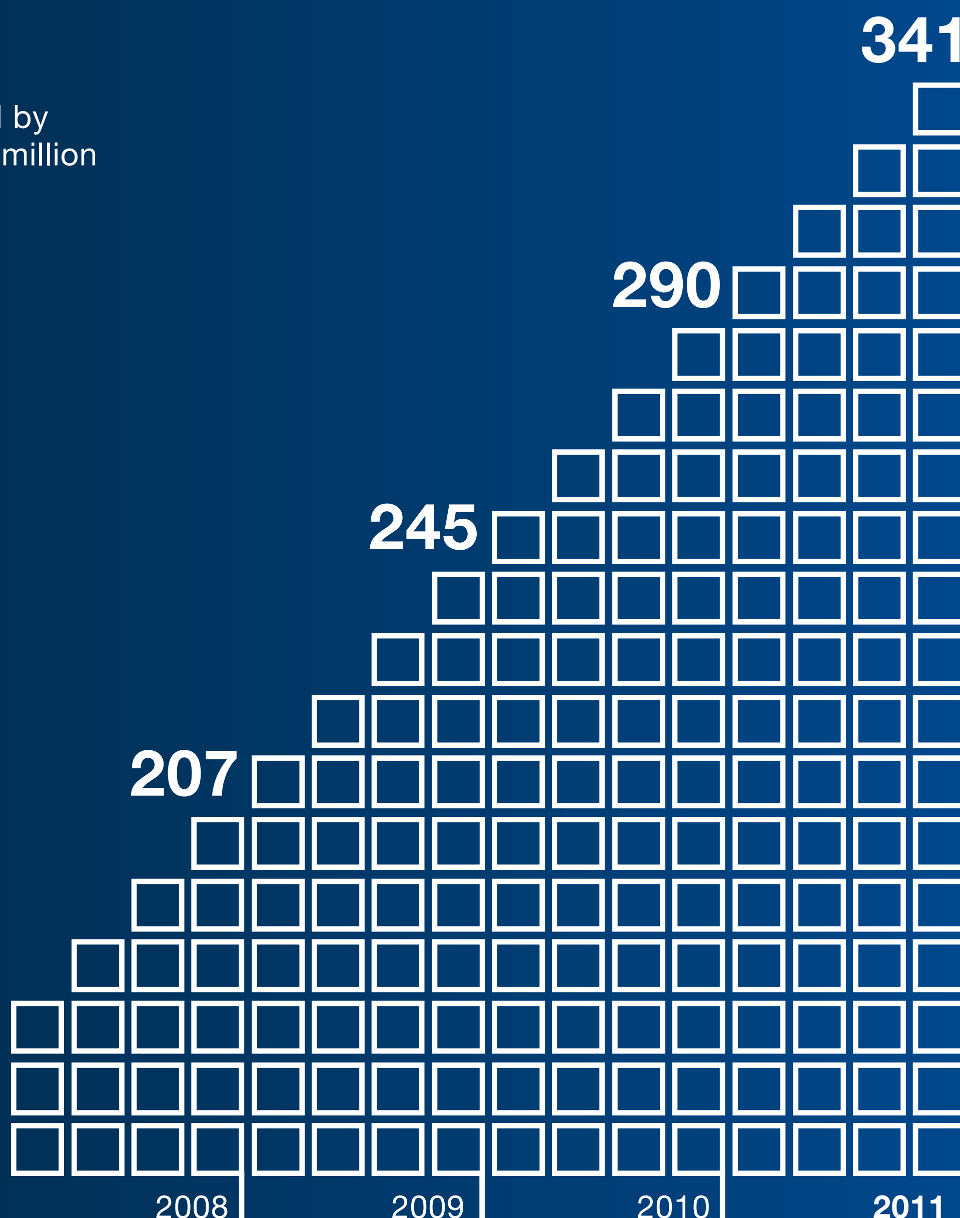
Net income
(Million Euros)

Net income in
2011 increased
by 13.4 percent.



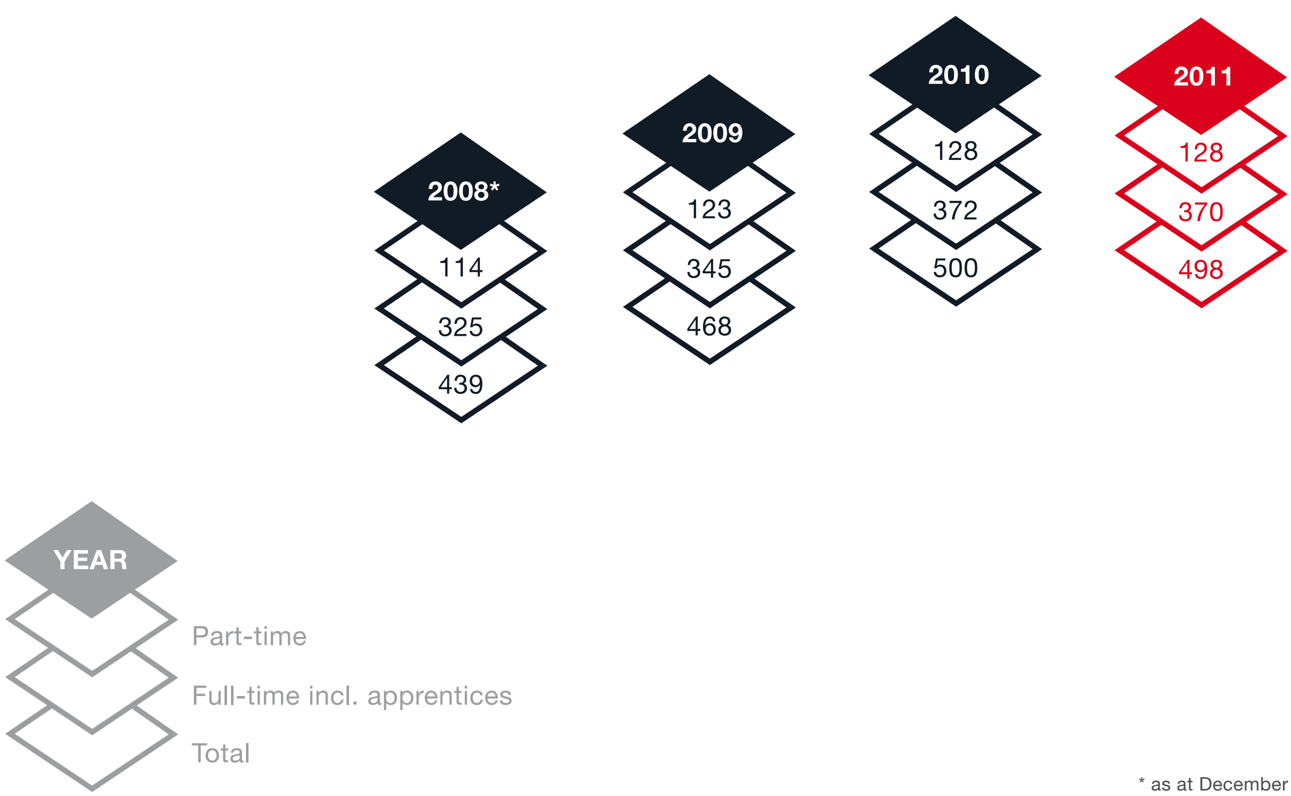
Shareholder’s equity
(Million Euros)

Equity increased by approx. EUR 50 million in 2011.



Employees
as an annual average

In 2011 we had an average of 498 employees at our various locations.



* as at December 31

Global eCommerce is following more and more new rules and trends at an ever-increasing pace. If you want to enjoy international success as a payment partner in this digitalized world, you have to understand your target industries and maintain permanent dialog at eye-level.

CONTENT

Dr. Markus Braun,
CEO, CTO

Dear shareholders,

This year's annual report deals with the increasing pace at which new technologies are being created in the digital age - with the title *At the pulse of the future*. Wirecard AG has been characterized by its ability to turn this increasing pace into a success factor since the company was formed.

As a result of our successful business in 2011 we have been able to lift our revenues by 19.6 percent to EUR 324.8 million. Our EBITDA was up by 15.2 percent to EUR 84.4 million. Without the extraordinary expenses recorded in the first half of 2011 of EUR 5.2 million, our EBITDA would even have been up by 22.2 percent to EUR 89.6 million.

These expenses are due to our relocation to our new integration that has been fast-tracked in Asia. This resulted in Wirecard Bank being the first non-Chinese bank to obtain an online acquiring license from China UnionPay.

Looking back at 2011

We met the targets we had set ourselves in the past fiscal year. We increased our transaction volume in our core business – comprising electronic payment processing, card acceptance and risk management – by 23 percent year-on-year. A volume of EUR 15.5 billion was processed using the Wirecard platform in 2011.

Wirecard Bank is now a licensed contractual partner for all of the world's leading card organizations for payment acceptance, and also for many mostly non-card based or eCash methods. The latter also include methods that only play a role in specific regions.

The constant expansion of our portfolio of services is a key objective in our corporate strategy. During the year under review many payment methods were integrated into our platform, from Asia, South America and Europe, including Boleto Bancario (Brazil), Maybank2you (Malaysia) or PL24 (Poland). Our technical links to well-known banks around the world mean that we are already the perfect partner for global companies.

We have expanded our risk management solution, the Fraud Prevention Suite, in order to prevent fraudulent online transactions. Extensive analysis tools give our customers even better control of cases of fraud which may arise, for example to assess the effectiveness of the risk management strategy which they employ.

During the past fiscal year, Wirecard AG has made significant acquisitions of new customers – in all of the key industries on the Internet. The customer portfolio, ranging from eCommerce service providers through to retail companies or tourism or transport companies, is composed of a growing number of medium and large-sized companies. This is coupled with new contracts being concluded for online shops for the manufacturing industry, which markets products to commercial customers (B2B).

Our issuing business has enjoyed very positive growth, in particular for prepaid cards for consumers. Since summer 2011 the mywirecard2go Visa card has been available throughout Germany at gas stations and shops via the Lekkerland program.

Acquiring activities

We have expanded our core business in Asia, placing us a substantial step ahead thanks to our acquisition of the payments provider Systems@Work with its TeleMoney brand. Singapore is the gateway to Eastern Asia, and is an excellent location with a prospering economy. The Systems@Work customer portfolio comprises companies in the commercial sector, from tourism and from the world of digital business. These include companies which belong to the Singapore government, such as the Singapore Land Transport Authority. In addition, our customer portfolio now includes additional banks and telecommunications providers, for whom we provide payment processing services. We have gained experience of the local market from processing mobile payments for the country's largest fleet of taxis, and we will be able to use this experience in Europe.

We have acquired the prepaid portfolio from Newcastle Building Society in the United Kingdom. This portfolio comprises approx. 1.5 million prepaid cards in six European countries and we aim to use it to drive our still young Issuing division. The card programs that we have acquired cover the entire range of prepaid offerings: debit cards, gift cards for the commercial sector and various MasterCard payment cards. This will allow us to place our prepaid card products on a broader European basis in future. At the same time, we are also reinforcing the strategic position of our core business in the United Kingdom.

Outlook

Based on forecasts from various market research institutes, we are expecting the European eCommerce market to grow by around 11 percent in 2012. I am convinced that we are still at the start of sustained growth in eCommerce in Europe. In addition, over the next two years we will also benefit from our constant internationalization and our expansion in Asia.

The current fiscal year is characterized by dynamic growth in eCommerce. The increasing convergence of bricks-and-mortar and bricks-and-clicks trading means that there is no longer a clear difference between these two channels. This will add additional impetus to the market for payment services.

This dynamic pace and the emerging convergence between the online and offline worlds are opening up excellent opportunities for Wirecard AG. We offer merchants all services from a single source, both for internationalization and also for the harmonization of back office processes.

This year, another focal point will be on expanding our European prepaid card business. The experience and competence that we have built up via our prepaid card platform in the past few years means that we are also talking to market participants regarding the development of new mobile payment solutions. Their direct relationship with customers and the far-reaching expertise for smartphones, including SIM cards, mean that mobile telecommunications providers are a key link between mobile payment services and merchants. Wirecard bundles technical competence and innovative products along the entire transaction value chain, and as a result, as an independent service provider, we can control processes in the background and, for example, provide end-to-end white-label solutions via our prepaid platform.

In view of the opportunities set out above, we are sticking with our strategy of organic growth on our target markets of Europe and Asia. The pace of consolidation in our competitive environment is higher at the moment, and as a result we recently performed a capital increase to allow us to react flexibly to attractive opportunities for acquisitions.

At the end of January 2012, and including the overall economic risks, the Managing Board of Wirecard AG already set its forecast for EBITDA of between EUR 103 and 115 million.

My colleagues on the Management Board and I would like to thank our employees for the successful fiscal year 2011. Their tremendous dedication has allowed us to continue the Wirecard AG success story.

We would also like to thank our customers and partners for the excellent cooperation.

We would like to thank our shareholders for their trust in our activities and targets. We intend to also allow them to participate in a share of Wirecard AG's profits this year. As a result, the Management and Supervisory Boards will propose a dividend of EUR 0.10 per share to this year's General Meeting.

Yours sincerely

Dr. Markus Braun
CEO, Wirecard AG

Burkhard Ley,
CFO

Jan Marsalek,
COO

Wulf Matthias,
Chairman of the
Supervisory Board

Report on the activities of the Supervisory Board

In the year under review, the Supervisory Board of Wirecard AG dealt intensively with the situation and prospects of the Wirecard Group, along with various topics of a special nature. It exercised its assigned tasks in accordance with the law and the Company's articles of incorporation, advising and supervising the Management Board as laid down by the German Corporate Governance Code. The Supervisory Board was directly engaged in all material decisions made by the Company. In addition, the Management Board consulted the Supervisory Board with regard to additional individual matters in which the Supervisory Board was required to cooperate in approving by law, on the basis of the articles of incorporation or the Management Board's rules of procedure.

To exercise its control function, the Supervisory Board cooperated intensively with the Management Board, which briefed the Supervisory Board orally and in writing on a timely basis with regard to all relevant business transactions and strategic approaches adopted. Furthermore, at each meeting the Supervisory Board dealt with the reports of the Management Board on risk management activities and on the risks to the Wirecard Group identified by the Management Board. Issues requiring approval, investment projects as well as fundamental issues of corporate policy and strategy were dealt with in particular detail and decided on the basis of extensive documentation and queries addressed to the Management Board. The Management Board briefed the Supervisory Board in monthly reports on the key financials and provided it with quarterly finance reports as well as the half-year report in good time prior to publication.

In the year under review, the Supervisory Board held six meetings, holding at least one meeting in each quarter. In addition, between meetings, important or urgent information was exchanged on numerous occasions, either in writing or in telephone conferences.

Resolutions for the approval of corporate acquisitions and credit agreements were passed after in-depth oral and written discussion by the Management Board either in writing or by telephone. All of the members of the Supervisory Board attended all of the meetings and participated in all of the resolutions passed by telephone or in writing. The Chairman of the Supervisory Board was in close contact with the Management Board between meetings.

The Supervisory Board of Wirecard AG did not set up any committees.

Focal points of discussions

In the year under review, the Supervisory Board dealt intensively with the Company's business development and risk management at all meetings held. Moreover, various focal topics were discussed during the individual meetings.

The focal topics dealt with at the meetings of the Supervisory Board in January 2011 were the preliminary results for fiscal year 2010, the Business Plan for 2011, the adoption of the budget for 2011 as well as the Group's investment strategy for fiscal year 2011.

In its meeting in March 2011 the Supervisory Board dealt, in particular, with strategic alliance projects and the group's strategic objectives in the Asian region. In its March meeting it also dealt with Corporate Governance, as was also the case in previous years. During this meeting, the Supervisory Board also dealt with the future composition of the Supervisory Board and the target of diversity. As a result of these consultations, in March 2011 after previously discussing this in depth with the Management Board, the Supervisory Board issued the published Declaration of Conformity.

At its meeting in April 2011, the Supervisory Board discussed the annual and consolidated financial statements as at December 31, 2010. The external auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, also participated in this meeting.

At its meeting in June 2011, the Supervisory Board discussed, in particular, the forthcoming Annual General Meeting as well as the development of various legal issues.

A focal point of the Supervisory Board meeting in September 2011 was discussing the new focal points for service and the strategic orientation for mobile payment solutions.

At its final meeting in November 2011, the Supervisory Board discussed the Company's performance in fiscal year 2011, the acquisitions made and (at that time) pending acquisitions, as well as the integration status for the Asian subsidiaries.

In addition, in its meeting in November 2011, the Supervisory Board met its obligation to review the Management Board's variable remuneration for fiscal year 2010 according to the contractual criteria with regard to the sustained impact of the activities by the Management Board. Considering the relevant contractually defined criteria for sustainable corporate management it then passed a resolution on the final amount of Variable Remuneration II 2010. With regard to Variable Remuneration II for the Management Board for fiscal year 2011, based on the Management Board's performance in 2011, which promised to have a sustainable impact, the Supervisory Board resolved, in line with the contract, to provisionally grant the Management Board this remuneration in the amount set out in the Remuneration Report up to the contractually agreed, final review at the end of 2012.

In its November meeting, the Supervisory Board also discussed, in detail, extending the period of office for three of the members of the Management Board going beyond December 31, 2011, and the conditions of such an extension. In so doing, the Supervisory Board was aware of the diversity target when filling positions in management bodies, however it was of the opinion that successful continuity in corporate management was a greater priority and it thus agreed that, in the first instance, the current members of the Management

Board should be made an offer to continue their activities. The Supervisory Board then discussed, in great detail, the current variable remuneration system for the Management Board. The members of the Supervisory Board agreed that variable remuneration based on the share price was advantageous for all of the interest groups to be considered by the Supervisory Board, in particular for shareholders and employees.

After the Management Board members and the Supervisory Board had mostly agreed the contractual conditions in December 2011, in a telephone meeting on December 22, 2011 the Supervisory Board resolved to reappoint the three members of the Management Board from January 1, 2012 for a period of three years.

At the start of 2012 the Supervisory Board resolved on the conclusion of employment contracts with the three members of the Management Board.

Capitalization activities

The Company‘s subscribed capital as at December 31, 2011 totaled EUR 101,803,139.00 and comprises 101,803,139 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share. There was no change to the subscribed capital year-on-year. As a result of the increase in the share capital entered in the commercial register on March 9, 2012, the Company‘s subscribed capital now totals EUR 111,983,452.00 and comprises 111,983,452 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share.

Corporate Governance Code/declaration on corporate governance

During the period under review the Supervisory Board dealt with and continues to deal with content of the Corporate Governance Code in preparing the declaration of conformity in accordance with Section 161 of the *Aktiengesetz* (AktG - German Stock Corporations Act). For information on corporate governance within the company and a detailed report on the extent and structure of remuneration paid to the Supervisory Board and the Management Board, please refer to the Corporate Governance Report/declaration on corporate governance. In their meeting of April 16, 2012 the Management and Supervisory Boards adopted a resolution to submit the declaration of conformity dated March 28, 2012 in accordance with Section 161 of the AktG, which was made permanently accessible to the Company’s shareholders on the Company’s Web site. The declaration of conformity is reproduced in full in the Corporate Governance Report/the report on the Company’s management.

Separate and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the separate financial statements of Wirecard AG as of December 31, 2011, the consolidated financial statements as of December 31, 2011 as well as the management report and group management report, and issued them with an unqualified audit opinion. The separate financial statements were prepared according to the *Handelsgesetzbuch* (HGB – German Commercial Code), the consolidated financial statements according to IFRS.

The above-mentioned documents, the proposal for the appropriation of profits and reports of the auditors were made available to all members of the Supervisory Board in time for the meeting of the Supervisory Board held on April 16, 2012. The auditors attended this meeting and reported on the material findings of their audit and were available to provide the members of the Supervisory Board with additional information. They also explained their findings on the company's control and risk management system in relation to the accounting methods used. In addition, the auditors furnished proof of their independence and information on services they performed in addition to auditing the financial statements in fiscal year 2011. Following a careful review of its own, the Supervisory Board came to the conclusion that the annual financial statements, the combined management report for the company and the Group, the consolidated financial statements and the reports by the auditors gave rise to no objections. In its resolution of April 16, 2012, the Supervisory Board approved the annual financial statements of the Wirecard AG prepared by the company in March 2012 and the consolidated financial statements prepared by the company in March 2012 in accordance with IAS/IFRS for fiscal year 2011. Accordingly, the annual financial statements have been confirmed in accordance with Section 173 of the AktG.

The Management Board plans to propose a dividend of EUR 0.10 per share to be disbursed to shareholders. The Supervisory Board concurs with this proposal.

Change of control clause

From 2006, the Enabling Act with regard to Takeover Directives *(Übernahmerichtlinie-Umsetzungsgesetz)* has required companies listed on the stock markets to disclose in their management report any compensation agreements with members of the Management Board or employees in the event of a takeover. The Supervisory Board adopted a resolution on December 27, 2006 to lay down special compensation rules for the Management Board and the employees in the event of a change of control and the 30 percent limit being exceeded. All value-related factors are listed in detail in the Notes in the chapter on the Management Board.

Personnel-related details and conflicts of interest

There were no changes in the membership of the executive bodies in fiscal year 2011.

In the year under review, the Supervisory Board was not aware of conflicts of interest affecting any of its members.

Outlook

On account of the anticipated trend relating to overall demand in Europe and Asia and the ongoing migration from what was previously POS sales to the Internet, the company is expected to record solid growth in 2012. The Group's latest developments for mobile payment solutions will also contribute to this growth. The expansion of the Issuing branch and the further growth in mobile payment solutions will also act as additional drivers for the group's growth in 2012.

The Supervisory Board would like to express its recognition and thanks to the Management Board and to the workforce for their immense dedication and commitment in fiscal year 2011.

Aschheim, April 2012

Wulf Matthias
Chairman of the Supervisory Board

Wirecard stock

The stock markets in 2011 were characterized by the European debt crisis – international stock markets reacted to this with what were, in some cases, massive fluctuations. The German lead index DAX, which recorded a high for the year of 7,527.64 points in May, and bottomed out in September with a low of 5,072.33 points. By the end of the year it had lost 14.7% and closed what was a turbulent year on the stock markets at 5,898.35 points.

In view of this nervous market environment, the mid-cap index MDAX also fell by 12.1% by the end of the year. The TecDAX index, which includes shares of Wirecard, even lost 19.5%, and closed the year at 685.06 points.

After closing 2010 at EUR 10.25, shares of Wirecard lifted to a high for the year of EUR 13.06 on July 8, 2011 in volatile trading. However, at the start of the second half of the year the shares were not able to escape the negative mood on the market, and closed at EUR 9.97 on August 8, which was also the share's lowest price in 2011. During the remainder of the year, the share performed well in view of the company's positive business growth, and the shares closed the fiscal year at EUR 12.42 on December 30, 2011. As a result, Wirecard's shares were up 21.2% compared to the closing price in 2010 (December 30), and thus ranked among the absolute top performers in the TecDAX in 2011. Market capitalization on the last day of trading for the year totaled EUR 1.26 billion.

Shares of Wirecard were included in the Stoxx Europe 600 index on November 19, 2011. This index maps 600 large, mid and small-cap companies from 18 European countries. The inclusion in the Stoxx Europe 600 should bring shares of Wirecard into the sights of additional international investors.

Investor Relations

The increasing number of transactions for online retail around the world are making Wirecard's shares more and more interesting for investors, and as a result the Management Board and Investor Relations specialists also attended a large number of investors' conferences in Germany and abroad in 2011. In addition, Wirecard AG is in constant dialog with its investors via telephone conferences and individual discussions. These discussions focused, in particular, on Wirecard AG's growth strategy and its acquisitions in 2011.

On the balance sheet date, as was also the case in the previous year, twelve analysts from well-known banks reported on Wirecard AG's shares. You can find the various analysts' current opinions online at www.wirecard.com in the "Investor Relations" segment, in the "Wirecard Stock" section.

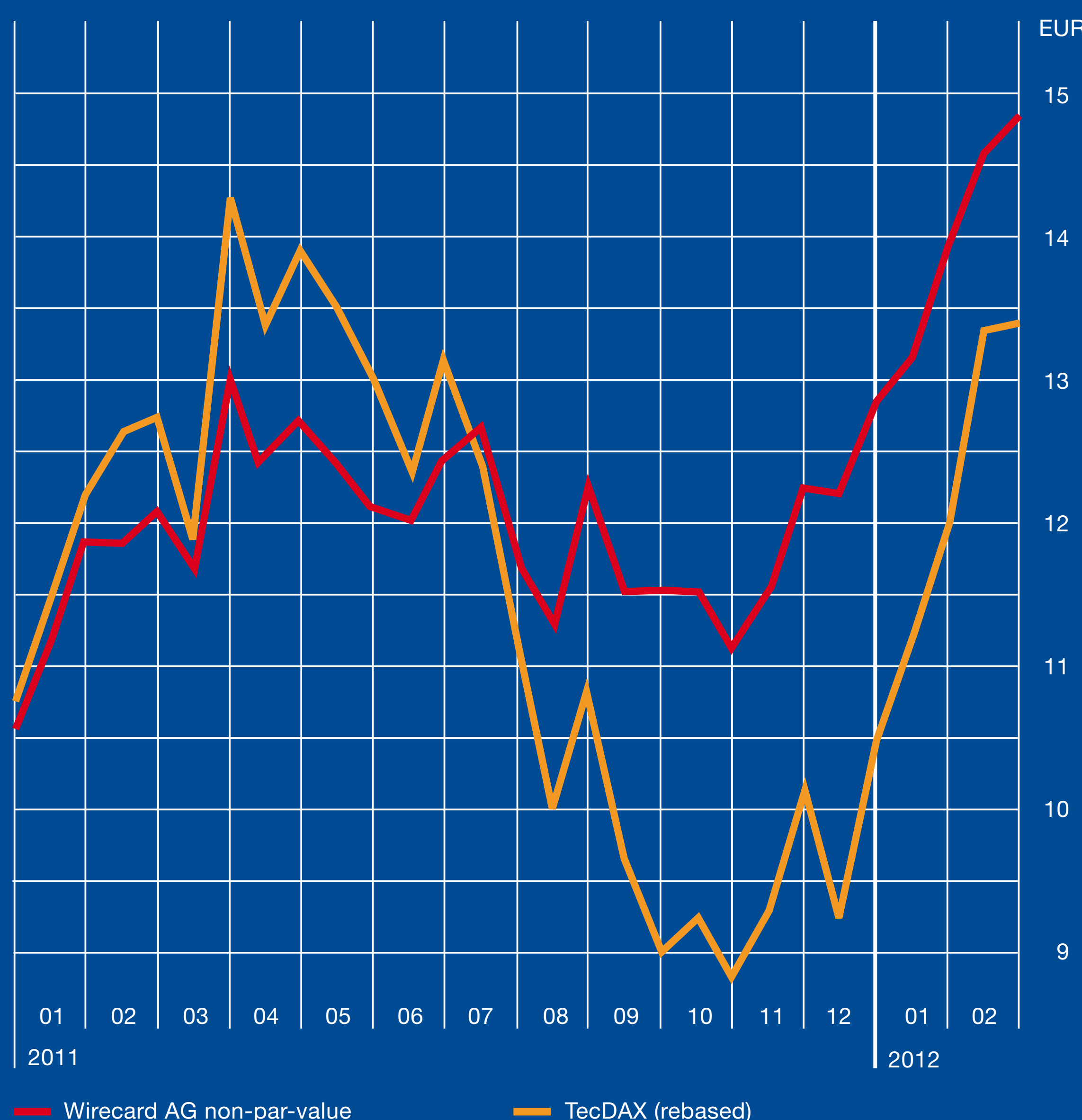
Shareholder structure

The majority of the free float of 92.4 percent continues to comprise institutional investors from the UK/USA and Europe.

The Management and Supervisory Boards of Wirecard AG undertake to comply with the principles of the German Corporate Governance Code and endorse the principles of transparent and sustained corporate governance. In this regard special measures include listing in the Prime Standard and reporting according to IAS/IFRS.

Performance of the Wirecard stock

January 1, 2011 to February 29, 2012



KPIs FOR WIRECARD'S SHARES

		2011	2010
Number of shares (Dec. 31) – all dividend-entitled		**101,803,139**	101,803,139
Share capital	EUR	**101,803,139,00**	101,803,139.00
Market capitalization (Dec. 31)	EUR million	**1,264**	1,043
Closing price (Dec. 31)	EUR	**12.42**	10.25
Highest price	EUR	**13.06**	11.31
Lowest price	EUR	**9.97**	6.35
Earnings per share (basic)	EUR	**0.60**	0.53
Earnings per share (diluted)	EUR	**0.60**	0.53
Cash flow from operating activities (adjusted) per share	EUR	**0.60**	0.60
Equity per share (basic)	EUR	**3.35**	2.85
Dividend per share	EUR	**0.10**	0.09
Total disbursement	EUR	**10,180,313.90**	9,162,282.51

Share price data: Xetra closing prices

Capitalization activities in the year under review

The Company's subscribed capital as at December 31, 2011 totaled EUR 101,803,139.00 and comprises 101,803,139 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share. No capitalization activities were performed in the year under review.

General Meeting/dividend resolution

Wirecard AG's Ordinary General Meeting was held in Munich on June 22, 2011. The agenda items were all passed with a large majority. Details of the results of voting are available online at: http://www.wirecard.com/investorrelations/agm

Resolutions passed at the General Meeting included carrying forward EUR 8,842,506.86 to new account from the disclosed net retained profits for fiscal year 2010 of EUR 19,022,820.76, and paying a dividend of EUR 0.10. Earnings per share for the past fiscal year totaled EUR 0.60. The Management and Supervisory Boards will propose a dividend of EUR 0.10 to our shareholders at this year's General Meeting, which will be held on June 26, 2012 in Munich, allowing them to participate in our pleasing business growth.

BASIC INFORMATION ON WIRECARD'S SHARES

Year of formation	1999	
Market segment	Prime Standard	
Index	TecDAX	
Shares type	No-par value bearer shares	
Stock market symbol	WDI; Reuters: WDIG.DE; Bloomberg: WDI GY	
German Securities Code (WKN)	747206	
ISIN	DE0007472060	
Admitted capital (qty)	101,803,139	
Consolidated accounting	Exempting IAS/IFRS consolidated financial statements	
End of fiscal year	Dec. 31	
Total share capital on Dec. 31 2011	EUR 101,803,139.00	
Start of stock market listing	Oct. 25, 2000	
Management Board	Dr. Markus Braun	CEO, CTO
	Burkhard Ley	CFO
	Jan Marsalek	CSO
Supervisory Board	Wulf Matthias	Chairman
	Alfons W. Henseler	Deputy Chairman
	Stefan Klestil	Member
Shareholder structure on Dec. 31, 2011	(shareholders, holding more than 3% of voting rights)	
	7.60 % MB Beteiligungsgesellschaft mbH	
	6.26 % Jupiter Asset Management Ltd. (UK)	
	5.00 % Alken Fund Sicav (LU)	
	3.10 % Wasatch Holdings, Inc. (US)	
	3.08 % Columbia Wanger AM LLC (US)	
	3.04 % Ameriprise Financial Inc. (US)	
	92.4 % Free float	
	(Alken, Ameriprise, Columbia Wanger, Jupiter and Wasatch are allocated to the free float in line with Deutsche Börse's definition)	

AT THE PULSE OF THE FUTURE

THE DIGITAL HEART IS BEATING FASTER

The world is changing – and the markets are changing with it. That's nothing new. However what is new is the speed and quality of the change. Although innovation cycles could still be planned or in some cases even predicted several years ago, the picture today is radically different. In the automotive, energy, or consumer goods industries, for retailers, producers or service providers: Top managers are being faced with a breathtaking pace for innovations. New competitors are forcing their way into the market. New technologies are making new solutions to problems possible – and necessary at the same time. Consumers have new values and needs, and that calls for new products and services. This is coupled with constant new media, platforms, and communication channels. All of these are examples for the large number of dynamic drivers behind what are often far-reaching changes on the market. If you look away for an instant, you have already missed the next developmental leap. And if your company wants to head the pack, you don't just have to know what it comes down to, but you have to also implement this expertise very fast. Speed is increasingly becoming a central factor for success. Who will develop the solution with the "right fit" first? Who will make it onto the market ahead of the competition? And time and time again: who will find the decisive information first?

History shows: Success is often very directly linked to being a front runner. Looking back: Nathan Mayer Rothschild, a 19th century English banker, owed a substantial fortune to a simple information advantage. Thanks to a carrying pigeon, he was the first financial speculator to find out about the outcome of the battle of Waterloo. He was able to base his securities strategy on this information faster than other bankers, and thus turn this knowledge into capital. Today, sometimes just a millisecond decides on many thousands of dollars – not just in the world of sport. High tech listed companies in a datacenter in Chicago pay around US$ 50,000 per square meter, thus catapulting the office building to the top of the world's most expensive office buildings. Why? The Chicago stock exchange is located just a few meters away from this building, were speed-optimized algorithms trade using the traders' vamped up computers. The direct, very short cable connection to the stock exchange means that the data reaches the datacenter several fractions of a second faster than in the rest of the world – this is often a decisive competitive advantage in high-frequency, state-of-the-art trading.

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zettabyte of data will be transferred using IP networks through to 2015. That is the equivalent of six billion DVDs per minute

Cisco

The rapid change has thus not only reached the options, contracts and derivatives business, but also the world of traditional trading. New technologies are bringing about new trends faster and ever faster. Consumers' requirements and expectations are also changing at an increasingly dynamic pace. Goods and services should be available everywhere, 24/7. In any currency. In any language. Offline and online have become one in communication, and the Internet has long-since conquered the point of sale. Desktop shopping is no longer the crux of the issue. Now, mobility is the way to go and it rules – or even dominates – today's constantly networked society. Millions of Internet users have become ever-ready disseminators and recipients, connected to the World Wide Web all the time and everywhere, or to use the language of the digital generation: "always on".

So what does this mean for eCommerce? For example for the tourism industry, consumer goods retailing or sellers of digital offerings? New opportunities? New risks? Both. There are alluring new international sales markets, that can be penetrating with increasing ease via the Internet. In addition, the tolerance shown by the customer generation 2.0 and thus also the latitude for providers' errors is falling. No matter whether this concerns digital natives, who grew up with computers, or digital immigrants, who have adjusted to the new technology: it is becoming increasingly obvious

Statement 1

"Everything around us changes. Constantly. This, of course, is nothing new. This is the order of things. What did change is our perception of change. We are more much more aware of it through the technology that we use today. Facebook is not only a social network, it is also becomes our memory in the cloud. The way our brain works will change over time and we feel it, we sense it. This makes many people – especially those who are not involved into the trends as much as others – very anxious about things. And it should. Without the literacy to address their concerns technological progress will create new forms of injustice and opportunity."

"We are more much more aware of changes through the technology that we use today."

Igor Schwarzmann
is one of the founders of the Berlin based strategy consulting company Third Wave. Third Wave analyzes how digital technologies change our life and our behaviors. The company works for clients in five countries include Deutsche Welle, Deutsche Welthungerhilfe, DLD Conference, MTV Networks, NEXT Conference or Postbank.

for end customers to look for perfect service. This relates to the presentation of the offering and also to the depth of information in communication, and it has long since related to the so-called check-out process – the critical moment in which the interested target groups actually become buyers.

Break-off rates in the purchase process have been causing the most headaches for eCommerce specialists world wide. Conversion optimization – or increasing the buy rate – has advanced to become the key competitive advantage. More conversion means more sales and transactions. However more conversion can also mean more risk. The brave new world of eCommerce thus also poses traders with major challengers. Their customers expect the right type of payments in the check-out process. Of course this includes all of the national payment options. And of course this has to be in the right language. In the best case, without having to waste time and effort entering addresses, card details or bank account details. And of course everything should be high speed. Experienced traders know that every second that is lost between selecting the products through to checking out the basket can cost customers. However they also know that every online transaction bears risks. That means that they have to protect themselves from payment defaults in real time. Innovative fraud protection and risk management strategies thus play a key role in the success of a Web shop.

40%

of global growth will stem from 400 medium-sized cities in emerging nations over the next 15 years

McKinsey

There’s no arguing that wherever payment processes are becoming increasingly fast, more relevant and complex, made-to-fit activities have to be put in place to ensure security and payment processing. Simple solutions just don’t do it any more, they no longer meet the higher requirements. Today, state-of-the-art terminals, computer screens and payment pages hide a whole bunch of expertise and concentrated high technology. What is more: systems now, more than ever, have to be tailored to the concrete, constantly changing needs in a wide variety of industries. Payment solution providers have to know the requirements of their target industries and the relevant developments in eCommerce like the inside of their waistcoat pocket. Only the companies who already anticipate tomorrow’s requirement and have solutions available in plenty of time and that can be adjusted individually to individual customers will be able to participate successfully in the lucrative payment market, which is enjoying international growth. Where is the eCommerce journey heading? What trends are dominating development? What are the key factors?

Statement 2

Aaron Dignan
is a founding partner of the digital strategy firm Undercurrent and based in New York, he advises global brands and complex organizations like GE, PepsiCo, Ford, and Estée Lauder on their future in an increasingly technophilic world.

"The frenzy over digital is at an all time high, and business leaders know that they've got to do something. We hear the same cry from executives across companies and industries, "We've got to get out there and engage with the customer!" And so, a fickle and frenzied arms race has commenced, in which every brand is in a hurry to be present in every setting, on every device, and in every conversation."

"Every brand is in a hurry to be present in every setting, on every device, and in every conversation."

The megatrends: Mobile everything and social media.

Today's consumers are enlightened, incredibly well informed and ready for everything, 24/7. Thanks to smartphones and tablet PCs, no matter where they are consumers can buy consumer goods from all over the world, book services, enjoy entertainment on their mobile terminals. And they don't want to lose any time. What is normally lost time spent waiting is now used sensibly: shopping, listening to music, or playing games. A trend which is being used, for example, in the subway in Korea. It has been possible to go food shopping in virtual supermarkets using smartphones in various subway stations. Scanners are used to put everything into the basket of goods on the display at the touch of a button. Of course, the app required is simply downloaded from the Internet onto the terminal.

52%

of all US children under eight have access to state-of-the-art mobile devices

CommonSense Media

Trend researchers regard consumers in 2012 as being well off and intellectual, sophisticated and highly developed. And this not only refers to people in traditional industrialized nations, but also inhabitants of the booming Asia/Pacific region and the Middle East. In addition to their basic needs, their desires for the exotic and the exciting are also growing, and their wishes should not be met next week, but right now, if possible. So it's hardly surprising that mobile end terminals are among their constant companions - and that they are used more and more frequently as their entry to the border-free world of online shopping. 79% of all smartphone owners already use their smartphones to make purchases online.

Another trend: Social media with the f-factor. There are fans, friends and followers wherever you look. It's easy for today's consumers and users to express themselves publicly. They can post their opinions quickly and easily using blogs, like buttons and personal comments in social networks around the globe. The so-called f-factor is a force to be reckoned with in eCommerce. Both positively and negatively. It is clear to see that brands and companies can often benefit from the f-factor. However this also bears risks. Just one single dissatisfied customer could have a fatal effect. If they post their displeasure with a shopping experience online, this could, in a worst case scenario, result in a distinct viral effect with the negative message spreading like wildfire. That is why customer satisfaction is the top priority for shop operators and service providers in the Internet. And of course customer satisfaction also relates to payment processing.

Statement 3

Ben Hammersley
is a British internet technologist, journalist, author, broadcaster, and diplomat, currently based in London, England. As of 2011 he is the UK Prime Minister's Ambassador to East London Tech City, Editor at Large of Conde Nast's Wired UK magazine, and a member of the European Commission High Level Expert Group on Media Freedom. He is also a freelance reporter for the BBC, and a consultant to the Foreign and Commonwealth Office.

"For many, a functioning internet is a sign of civilization itself."

"We can bitch about it, but Facebook, Twitter, Google and all the rest are, in many ways the very definition of modern life in the democratic west. For many, a functioning internet with freedom of speech, and a good connection to the social networks of our choice is a sign not just of modernity, but of civilisation itself. This is not because people are "addicted to the video screen", or have some other patronising psychological diagnosis. But because the internet is where we live. It's where we do business, where we meet, where we fall in love. It is the central platform for business, culture, and personal relationships. There's not much else left."

What are the key factors? Going global, security, payment options.

Going global is not as relevant anywhere else, nor has it progressed as far as in Internet trading. 85% of the world's population already has a wireless connection, and is thus potentially able to communicate and consume in real time. And this figure will increase further in the coming years. That means that there are substantial opportunities for Internet retailers to sell their goods and services world wide. With no borders in sight. Or are there? How should they deal with the language problem? Or currencies? Two parameters that could restrict global online retailing. Truly border-free transactions make multilingualism, various currencies and country-specific settings for shipment and payments must haves in order to be present on the key markets.

Security is another top priority, because the anonymity of the Internet seems to attract people with criminal energy like a magnet. For example social networks and, in particular, the mobile Internet are the realm of "cyber-spies", who aim to access sensitive data. So-called phishers fish for information such as user names and passwords on the Internet. Others use false addresses or credit card numbers for their own gain. These are just some examples

46

years – that's how long it took McDonalds to sell 100 billion hamburgers. Google's Android Market will hit 100 billion app downloads in 2012 – four years after its launch

Sybase

150

times: that's how often people look at their smartphone on average

NielsenWire

of the numerous types of fraud that Internet retailers have to effectively protect themselves against. This is coupled with the risk of possible payment defaults, for example if the ordering party's creditworthiness is not sufficient.

A wide variety of possible payment methods are also a key factor for online success. Many online retailers still only offer very restricted payment options. However, this is not a very clever solution, because it excludes customer groups and restricts opportunities for sales. The best solution is to find the ideal mix of all opportunities in each case. The range is huge – credit cards, direct debits, SEPA direct debits, immediate bank transfers, payment after invoicing and various country-specific payment methods. In this regard, a key factor is knowing what factors are important in the various industries and countries. In an ideal world, the traders consult solution partners for payment processes, who can offer banking services and innovative payment technologies from a single source. The best approach is to combine this with effective risk management, supplemented by processing the requisite alliances with international banks. Today there is no doubt: Putting ePayment solutions into professional hands is not a voluntary exercise in eCommerce, but has long been a mandatory requirement in order to use major opportunities and to minimize risks – which should not be underestimated.

Every industry is different: tourism, consumer goods, digital goods.

Supporting various customers in smooth, secure business as an ePayment partner calls for intelligent, tailor-made solutions for payment processing and risk management. This requires a high level of financial and technological competence, end-to-end knowledge of the respective industry and paying careful attention to trends. This is the only way to meet the high requirements of various market segments. At the end of the day, eCommerce is not always eCommerce. And mail order, tourism and digital goods all follow their own special laws.

What is of central importance for one customer only takes second or even third place for another. What solutions are required, for example, by an airline with more than 50,000 passengers every day and more than 100 destinations around the world? Of course multilingualism plays a major role here. Customers such as airlines, hotels or travel agents also rely, more than others, on centralized sales channels and payment processes, smooth processing for international direct debit transactions, and virtual terminals.

83%

of all consumers would visit a Web site if a friend recommended it on Facebook

Channel adviser

Mail order focuses on different issues, with its broad range of consumer goods – from books and electronics through to end-to-end home furnishings and furniture. Suitable payment methods, global payment solutions, risk management and avoiding fraud are the top priorities here. Business with intangible goods over the Internet also has its own special rules. Songs, games, video clips and entire films entertain the nations. All over the world, and thanks to mobile terminals they are available 24/7, wherever you go. This calls for concepts for international solutions. Reliability and speed are the top priorities. Doing business with data and clicks often depends on just a few milliseconds.

Wirecard: close to customers and the pulse of the digital future.

eCommerce is going through enormous transition – it is following new rules and trends at an increasing velocity. If you are looking for success in the digital world, you have to stay right up to date and not only keep pace with the incredible speed of the markets, you also have to set the tempo for and drive the change. It all comes down to developing forward-looking, innovative solutions that offer the maximum possible customer benefits. In so doing, Wirecard consistently uses customer proximity and is in constant, in-depth dialog with its own target industries. Its pioneering payment technologies, banking services that meet customer demands and highly efficient risk management systems mean that in the future Wirecard will also participate in the high-growth eCommerce market to an above average extent, and it will continue to expand its leading position in the payments segment, which is becoming increasingly exciting, at a dynamic pace.

GROUP MANAGEMENT REPORT

The Group's portfolio of technology and banking services

Payment, risk management and issuing platform	
Wirecard Enterprise Portal (WEP)	– Administrative application for merchants including transaction management, statistics and reports
Online payment services	– Credit card transactions via the international credit card and bank network – Alternative payment methods including giropay, iDEAL, eps, paysafecard, Alipay, direct debit, payment guarantee, SEPA direct debit, eKonto, Moneta.ru, Mercado Pago, POLi, processing of local methods in other countries
Acquiring services/payment acceptance	– Card acceptance for Visa, MasterCard, Maestro, China UnionPay, American Express, Discover/Diners Club and JCB – Payment acceptance for local methods in other countries
POS Payment processing	– Clearing via POS card terminals for all conventional card-based payment methods, including ec-Cash (PIN), Maestro and credit cards
Issuing of innovative card-based payment solutions	– Supplier and Commission Payments (SCP) – Payout cards
Issuing of prepaid cards	– mywirecard.com (mywirecard 2go Visa and mywirecard MasterCard) – Prepaid Trio (online bank account, girocard/Maestro and Visa card) – Co-branded cards
Risk management	– Decision-making strategies for cash control, fraud identification (Fraud Prevention Suite), new and portfolio customer assessment and others – Authentication schemes for online payments including 3-D Secure™, CUP-Secure – Specialized partners: Experian, Quova, and others – Credit status check: CEG Consumer Rating, BÜRGEL, arvato infoscore, Deltavista and many more
Connection of sales channels via XML and/or front-end interface	– Internet/call centers/mail order: access to more than 85 payment and risk management methods – Point-of-sale processing of payments via stationary and mobile terminals
Extended industry-specific integration options	– Shop software modules for all leading shop providers (e.g., integrated into Magento, Oxid eSales, xt:Commerce, PrestaShop, osCommerce, Websale, PowerGap, CosmoShop, OpenCart, Virtuemart, Gambio GX) – Tourism: integration into leading booking systems (CRS, GDS: e.g., Sabre, Amadeus, SITA, AirKiosk, Rezgateway), software systems (IBE: e.g., 2e-Systems, Partners Software GmbH), mid-offices systems (e.g., Midoco, Bosys, DCS GmbH, TravelTainment, ETACS, Ypsilon.Net AG) and BSP
Other services	
Banking	– Account and currency management – Business and private customer accounts
Call center services	– Stationary, virtual and hybrid/multilingual help desk 24/7

1. BUSINESS, GENERAL CONDITIONS AND PERFORMANCE

1.1. Business activities and products

Wirecard AG is a software and IT specialist for outsourcing and white label solutions for payment processing and issuing products.

Wirecard ranks among the world's leaders when it comes to processing online payment transactions, checking these for risks and performing international processing. Since 1999 Wirecard has been supporting companies in accepting electronic payments from all sales channels. Wirecard bundles international payment methods for eCommerce using call centers and computers or mobile terminals. Wirecard helps companies by providing effective solutions to prevent fraud and payment defaults. Wirecard uses its own bank to offer international credit card and payment acceptance.

The companies in the Wirecard group are pursuing one common goal: mitigating the complexity and challenges of payment processing for merchants, either national or global, and to cut the costs of payment default.

Products and solutions

Success in eCommerce also depends on the ability to accept a wide range of national and international payment methods. A large number of complementary products and solutions focusing on risk management ensure extensive protection against payment defaults. The core of the Wirecard portfolio of services is a central platform combining all distribution channels via a common interface, which offers savings in costs and processing effort for the customer. Outsourcing their financial processes allows our customers to focus on what's important: running their own businesses. To be able to meet industry and customer-specific requirements, Wirecard AG offers flexible approaches to solutions. Electronic payment processing is backed by customized risk management tools. Banking services like credit card acceptance or dedicated currency management complement the outsourcing of these financial processes. Additional products for point-of-sale and call-center services complement the range of solutions from a single source.

Payment platform - global gateway

Its modular and service-oriented software architecture means that Wirecard is able to adjust business processes at any time in line with the market's needs, and thus to react fast to new customer requirements. At the same time, the Internet-based architecture of the platform makes it possible to run individual work processes in a centralized way from a single location or, alternatively, to distribute them across the various companies within the Group and run them at different locations around the world.

The Wirecard payment platform offers merchants various options for integration, in order to select the type of connection which perfectly fits their own individual needs:

- Virtual terminal - a Web-based application to input the consumer's card or payment data using a PC (mostly used in call centers)
- Wirecard Payment Page - a payment page hosted by Wirecard which provides merchants with rapid, secure and PCI-conform payment data processing
- Realtime Processing API - an interface based on XML technology to all payment and risk management processes, outsourcing solution as SaaS (software as a service)
- Batch Processing API - fully automated batch processing for payment and risk management transactions using various file formats and encrypted data transfer
- Point of Sale - Payment processing for bricks-and-mortar retail using terminal hardware

Through our partnerships, or interfaces, with industry-specific service providers such as Amadeus, SITA, Accelya, Experian and e-velopment, we can provide real "end-to-end" industry solutions that support downstream business processes with interfaces to the ERP/merchandise management/logistics/debtor management or accounting systems of our customers. In addition, we also supply standardized sector-independent shop system solutions.

Risk management systems and activities to prevent fraud effectively protect merchants against fraud and payment defaults when using any of the standard opportunities for payment. Individually adjusted and merchant-specific testing methods take decisions in real time as to whether payments should be accepted or rejected. Fully automated processes with modular structures can be quickly and individually adjusted to the merchant's respective requirements. Business Intelligence Tools enable merchants to analyze the rule-based fraud prevention process in a structured and well-arranged manner using transparent graphs. This allows, for example, fraud parameters such as charge-back or the fraud rate to be pursued over time. In addition, the tools also offer an overview of transactions being classified as fraudulent by issuing banks. End-to-end reports and statistics support merchants to optimize fraud prevention.

We deploy state-of-the-art encryption technologies to safeguard the exchange of data. Transmission protocols such as XML, SOAP, SFTP and HTTPS ensure data security and connection flexibility using the very latest technologies. The Wirecard Enterprise Portal (WEP) is a Web-based application for managing transactions, reports and statistics for use by merchants.

Compared with buying and running a payment processing software package, working with Wirecard AG reduces operating expenses substantially, so that merchants are supported in their efforts to cut costs. In parallel, Wirecard AG advises its customers on structuring settlement and accounting processes or support on decisions regarding the risk management methods to be used. The decision is based on criteria such as the risk profile for the individual payment method or the merchant's target markets.

Merchants are facing a large number of challenges. Compared with brick-and-mortar trade, online or call-center sales are running in different time zones. A range of different currencies, the risk of fraud or payment default and the sheer number of different payment methods, some of which are only available in certain countries—these all raise issues that most merchants will be able to resolve only by outsourcing payment processing to an experienced partner.

Alternative payment methods

Alternative payment methods are used to refer to all of the mostly non-card based payment methods such as payment services, wallets, voucher systems and bank-account based or prepaid methods. They also include country-specific payment methods, which are popular with consumers and are generally linked to their bank accounts. As a result, the acceptance of alternative payment methods such as giropay in Germany, Przelewy24 (P24) in Poland, Alipay in China or MercadoPago in Brazil are gaining importance for eCommerce merchants. By offering these methods, merchants also address new target groups and some of these, for example, do not have credit or debit cards. At the same time, thanks to its wide ranging offering of local payment methods, Wirecard also supports companies in the cost-efficient internationalization of their business.

Also SEPA direct debit payments can be processed by the Wirecard platform. SEPA, the Single Euro Payments Area, is an initiative of the European Payment Council designed to make cross-border payments within Europe simpler, faster and more secure. The system allows merchants to process national or cross-border direct-debit payments under the same conditions, within a uniform legal framework and according to standardized procedural rules. The SEPA region is made up of the 27 EU member states plus Iceland, Liechtenstein, Monaco, Norway, and Switzerland.

In addition, the Wirecard Group is constantly expanding its existing extensive portfolio of alternative payment methods in order to continue to be able to effectively support its customers in developing new markets and customer groups.

Each payment method available on the market has different requirements for the merchants' systems and internal processes. These include, for example, smooth integration into back-office processes or the allocation of bookings (reconciliation). Wirecard supports retailers in implementing and integrating the desired payment methods. As a result, seamless workflows are created with regard to systems and processes. “Everything from a single source,” is the Wirecard approach.

Merchant services – collection

No matter whether an online merchant, airline or travel platform: Being able to accept payments using credit or debit cards depends on having a card acceptance agreement with a bank (acquiring bank). This has to be licensed by the respective card organization.

As a credit-card acquirer, Wirecard Bank also has agreements with providers of alternative online payment methods, which authorize it, as a payment acceptance agent, to collect amounts and to pay these directly to merchants after deducting transaction fees.

Wirecard Bank has contracts with the leading card organizations and can thus also conclude card acceptance agreements for their credit and debit card brands.

- Visa and MasterCard: Principal Member – acquiring and issuing (issue of own cards)
- JCB International (Japan Credit Bureau): Full member - acquiring and issuing
- Discover International/Diners Club – acquiring
- American Express – online merchant acquiring
- China UnionPay – online merchant acquiring

For a large number of alternative payment methods integrated in the Wirecard payment platform, such as direct debits, SEPA direct debits, giropay, iDEAL or Debito Bradesco, Wirecard Bank secures not only technical processing of the payment, but also provides payment acceptance. The continual expansion of the acceptance portfolio is planned for this area as well.

As a credit card acquirer, the Wirecard Bank can offer over 100 transaction currencies and 18 payout currencies in 69 countries worldwide. Moreover, the Wirecard Bank's membership in SWIFT (Society for Worldwide Interbank Financial Telecommunication) enables it to provide its business customers operating with a global reach a large number of supplementary services in the field of foreign payment transactions and forex management services.

Banking services

In addition, Wirecard Bank also provides an extensive range of banking services. These include business and foreign currency accounts, and also treasury and forex management. The issue of innovative payment cards as part of co-branding and customer loyalty projects (prepaid or co-branded cards) allows technology and banking services to be linked in the Wirecard Group.

Card issuing

Several issuing products are available in the SEPA region (Single Euro Payments Area):

– The Supplier and Commission Payments (SCP) product is an industry-specific automated solution that is particularly suitable for tourism operators, offering speedy, secure processing and settlement of global payouts at exact costs. A virtual, credit balance-based MasterCard, Visa card, Visa Electron, Maestro or UATP card is created in real time for each individual booking.

– The issuing product line also includes payout cards. This MasterCard, Visa or Maestro prepaid card offers employers an alternative solution for paying wages to temporary, seasonal or casual workers. Companies can top up payout cards cheaply and quickly and then use them for payouts to workers. This product is available throughout the SEPA region.

– Companies use co-branded cards as marketing instruments. From the individual conception and management of credit card projects through to innovative software solutions for managing customer loyalty programs to comprehensive services, Wirecard Bank AG ensures the continuing success of each of its card projects. The prepaid card platform mywirecard is available as a white label solution. It will then be possible to implement individual co-branded card concepts for prepaid cards with minimum lead time as all of the processes are standardized. As a result, not only the card but also the online user interface is set up with the respective company's desired design or corporate identity. The wide range of products also meets the wide variety of users' needs. The card programs are available for several areas of use: they can be virtual or physical, available for sale in stores such as mywirecard 2go Visa or ordered online such as the mywirecard MasterCard. The product range is supplemented by Maestro and Visa Electron cards for special areas of use.

The mywirecard consumer brand complements the core business of the Wirecard Group. Two credit-balance based cards are available:

- mywirecard 2go Visa is a non-personalized card that can also be used as a gift card. It is available at gas stations and kiosks throughout Germany and can be topped up during purchases directly in more than 18,000 stations in stores. Once the user activates the mywirecard 2go Visa via SMS or over the Internet, the balance paid in is available immediately. Customers who don't plan to recharge their cards are not required to provide any personal information. Mywirecard 2go Visa cards can be activated for recharging in just a few simple steps in the Internet.
- The mywirecard MasterCard was conceived as a virtual card aimed at consumers who don't have a credit card or who don't want to use their existing credit cards on the Internet. Online registration is completed in a matter of seconds at www.mywirecard.com; as soon as the card has a credit balance the user receives the entire card data needed to make online purchases: a card number, expiry date and card verification number. And while the mywirecard MasterCard is a virtual product, it can also be topped up with cash at a point of sale. Mywirecard MasterCard can optionally also be ordered as a plastic card.
- With the Prepaid Trio, Wirecard Bank offers private customers an online current account together with a girocard/Maestro card and a VISA prepaid card, each on a non-borrowing basis. Thanks to the prepaid principle, not only can users make secure payments, but they can keep an eye on their finances at all times.

Mobile Payments

Mobile payments mean payments for a digital or physical good or service using a mobile phone. The introduction of smartphones has given a massive boost to the growth of mobile payments on global markets. Since the end of 2011, Wirecard AG has positioned itself as an end-to-end solution and service provider for the technical processing of multifunctional mobile payment solutions. In addition to, for example, NFC stickers, which are used as bridging technology for mobile devices that do not yet have near field communication (NFC) technology, Wirecard offers the issue and provisioning of virtual cards in NFC-enabled mobile phones. The Wirecard Group, which has its own bank in the Group, has the licenses required for finance transactions in order to issue virtual or contact-free cards that are based on eMoney coupon cards, MasterCard or Visa. The range of services is supplemented by the acceptance and processing of card payments, account management, couponing and loyalty solutions, commercial network operations and additional banking services.

Point of sale services

Wirecard Retail Services GmbH is a service provider for payment solutions at the point of sale for card acceptance, terminals, clearing and reporting. Clearing via PoS card terminals is available for all conventional card-based payment methods, including ec-Cash (PIN), Maestro and credit cards. PoS customers who process their Visa, MasterCard or Maestro card acceptance transactions via Wirecard Bank are given access to the Wirecard Enterprise Portal (WEP). This central, web-based management application provides customers with an up-to-date record of their terminal transactions. Statistics and reporting functions further facilitate the necessary administrative processes. The portfolio covers the latest generation of stationary, portable and mobile phone-enabled card readers. In addition, integration with primary systems, including those that are combined with customer loyalty programs, is standard fare.

Call center services

Wirecard Communication Services GmbH provides a favorably priced customer contact center. Thanks to its hybrid structure, it is possible to achieve effective peak level management for inbound customers. At Wirecard Communication Services, communication by conventional means such as telephone and fax is broadened to include transmission of information via e-mail, tickets, chat rooms and forums, and the maintenance of knowledge databases. At present, all key communications channels are being serviced in 16 foreign languages (by native speakers). Agents are activated on demand and are thus also available to customers even at short notice.

1.2. General economic conditions

Global economic conditions

The International Monetary Fund (IMF) recorded global economic growth of 3.8 percent for 2011. According to initial forecasts by Eurostat (statistics office for the European Union), gross domestic product (GDP) in the eurozone will increase by 1.4 percent in the eurozone, and by 1.5 percent in the EU-27.

Industry-specific underlying conditions

In 2011 the European eCommerce market grew by around 13 percent. This figure summarizes the anticipated percentage growth figures from various market research institutes for commerce, tourism and digital goods in Western European countries.

More than two billion Internet users worldwide

The statistics service Internet World Stats reported almost 2.3 billion Internet users as of December 31, 2011. In terms of the total market, the percentage of Asian users is thus 44.8 percent, with 12 percent in North America and 22.1 percent in Europe. However just 26.2 percent of the entire population of Asia are Internet users. In comparison, the percentage of Internet users in North America is much higher at 78.6 percent, and 61.3 percent in Europe.

Company growth in the period under review

Wirecard AG is a technology and service company enjoying dynamic growth, and it can look back on a highly successful fiscal year in 2011. We were able to achieve the targets we had set ourselves and either drive our technological developments forward or bring them to a close. Moreover, we expanded the number of our new customers as planned. More than 13,000 business customers now rely on Wirecard AG's solution portfolio.

During the period under review, demand for internationally oriented eCommerce projects increased. As a result, many companies changed their strategy and are looking for solutions to process payments internationally using a homogeneous infrastructure.

Transaction volume in 2011

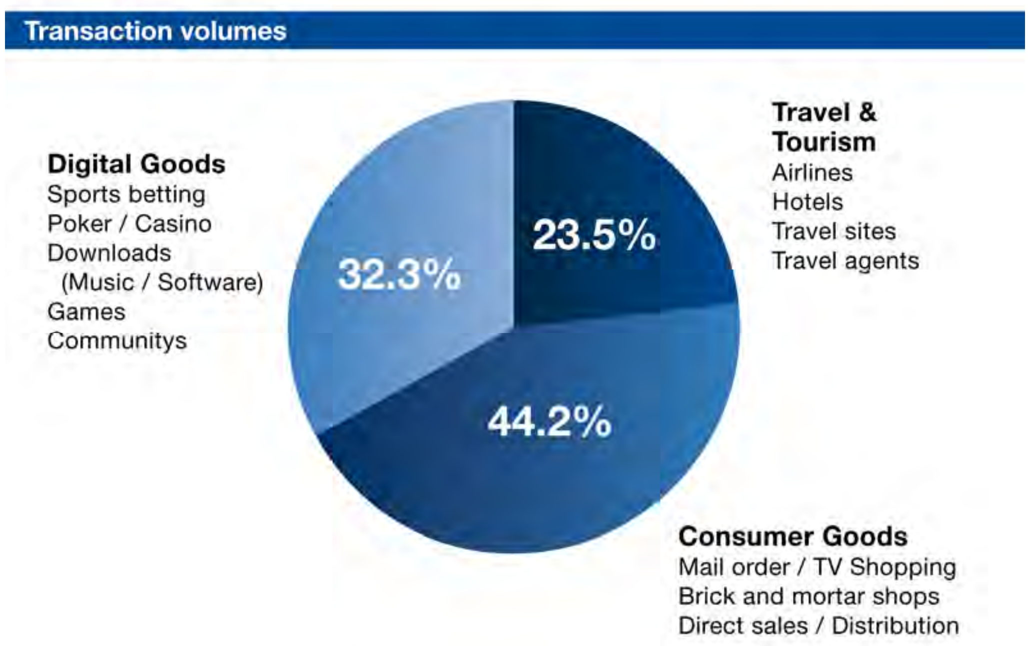
Wirecard's key USPs include the combination of software technology and banking products, the global orientation of its payment platform and innovative solutions to be able to process online payments efficiently and securely for its customers.

The lion's share of Group sales revenues is generated on the basis of business relations with retailers or service providers on the Internet, who outsource their payment processes to Wirecard AG. As a result, settlement and risk analysis of payment transactions performed by a payment services provider and the credit card acceptance performed by Wirecard Bank AG are closely linked.

The ongoing profitability of Wirecard AG during the last financial year was based on the positive market growth and the trend towards outsourcing and internationalization.

Economies of scale are inherent in the technical platform, due to the growing proportion of business customers who increase the transaction volume thanks to acquiring bank services as well as new product offerings.

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally dependent on the transaction volume processed. In fiscal year 2011 the transaction volume amounted to EUR 15.5 billion (previous year: EUR 12.6 billion). On average, the breakdown according to



our target industries in fiscal year 2011 was as follows:

1.3. Business by target industry

With direct sales distributed across target industries, its technological expertise and product depth, in 2011 Wirecard AG continued its operational growth and at the same time broadened its customer base and international network of cooperation and distribution partners.

A particular unique selling point of the Wirecard Group is the centralization of payment transactions from many and various distribution and procurement channels on a single platform. In addition to new business involving the assumption of payment processing, risk management and credit card acceptance in combination with ancillary and downstream banking services, significant cross-selling opportunities are developing in business with existing portfolio customers, contributing to consistent growth in the course of business relations expanding.

The business activities of the Wirecard Group are classified into three key target industries, and these are addressed by means of cross-platform, industry-specific solutions and services as well as various integration options:

- Consumer goods
- Digital goods
- Tourism

Approximately 48 percent of consolidated revenues were generated in the consumer goods segment in the year under review (previous year: 52 percent). Digital goods have a share of revenues of 31 percent (previous year: 34 percent), and the tourism industry accounts for 21 percent of consolidated revenues (previous year: 14 percent).

Consumer goods

Our clientele includes retailers and producers from many and various business sizes and industries, such as clothing, footwear, and sports equipment; books and DVDs; entertainment electronics; computers and IT peripherals; gifts; furniture and interior decorating; musical instruments; tickets; cosmetics; pharmaceuticals; and many more.

New customers were recruited from a wide variety of industries during the year under review. For example, in April 2011 Wirecard AG took over payment processing for Medion AG's European online shops.

The successful strategic alliance for prepaid cards with Lekkerland Deutschland GmbH & Co. KG has been expanded by a payment processing mandate for this convenience wholesaler's new B2B online shop.

SISTIC, Singapore's leading ticket marketer for shows and events, has been offering Chinese citizens direct purchases for online tickets since the middle of 2011 via UnionPay Online. This has been made possible by the strategic alliance between China UnionPay and Wirecard Bank.

Many of our existing customers have extended their offerings by adding additional payment solutions, and have opted to use additional risk management methods and also banking services, such as forex management. The customer relationship with Villeroy & Boch AG for risk management services which has been in place since 2005 has been expanded to include payment processing. Customers in eleven European countries are offered products from this premium brand for online purchases.

Digital goods

The target industry of digital goods comprises business models such as Internet portals, providers of console, PC and online games, online dating platforms, internet telecommunications services, and games of chance such as sport bets and poker.

New customers in fiscal year 2011 include providers of online games or software distribution services as well as livestreams for digital media content. Services to prevent fraud, as offered by the Fraud Prevention Suite, were a key factor behind additional contracts that were concluded with online dating platforms.

New customers stem from, for example, the fastest growing segments with digital business models, that are mostly based on software as a service, such as PhotoDeck, a platform for the distribution of digital media content, or Socilyzer, a provider of professional analysis tools for content from social networks.

Tourism

Customers in the tourism sector mostly comprise airlines, hotel chains, travel portals, travel operators, cruise lines, and travel agents.

In 2011 Wirecard was able to acquire a large number of new customers in the tourism industry, including with Thomas Cook AG, an additional well-known travel operator. Additional online travel portals have elected to use the Supplier and Commission Payments (SCP), a B2B settlement system. This solution simplifies payout processes for service providers.

Agreements concluded with the airlines airberlin and Air Mauritius are based on factors including the international harmonization of payment flows and fraud prevention activities.

1.4. Business with banking services and issuing

Within the Group, Wirecard Bank generates the bulk of its revenues via its sister companies' distribution structures. This spans banking services for companies via payment and card acceptance agreements or business or foreign currency accounts.

Forex management services are also increasingly being provided for airlines or eCommerce providers, which book payment receipts in various currencies as a result of their international business. This gives companies a safe calculation basis in 33 different currencies, whether for settlement of merchandise and services in foreign currency or when receiving foreign currencies from concluded transactions.

The Issuing division enjoyed very positive growth during the year under review. The wirecard2go Visa card was launched throughout Germany in the summer of 2011. This prepaid card is available via the Lekkerland Deutschland GmbH & Co. KG distribution network in petrol stations and shops. This Visa prepaid card can be used in stores and also online, with more than 24 million acceptance points in bricks-and-mortar retail. In Germany, wirecard2go Visa card holders can recharge their cards at more than 20,000 gas stations and shops.

The prepaid card platform mywirecard has also been available as a white label solution since the spring of 2011. This enables the implementation of individual co-branded card concepts for prepaid cards with minimum lead time as all of the processes are standardized. Accordingly, not only the card but also the online user interface is set up with the respective company's desired design or corporate identity. The wide range of products also meets the wide variety of users' needs.

The card programs are available for several areas of use: they can be virtual or physical, available for sale in stores such as mywirecard 2go Visa or ordered online in real time such as the mywirecard MasterCard. The product range is complemented by Maestro and Visa Electron cards for special areas of use.

The possibility of marketing own prepaid cards as well as an increasingly dense network for charging prepaid cards with cash represents a key prerequisite for the sales-related expansion of the co-branded card offerings via a white-label platform. More and more companies are discovering co-branded cards as a marketing instrument. In the world of payments, co-branding—really a kind of brand partnership—means that a credit card organization or an authorized bank jointly issues a card together with a company for cashless payment transactions. These co-branded cards not only include information on the credit card provider in question (e.g. VISA or MasterCard). What is special about these cards is that they use the corporate design of the company in question.

During the year under review, for example, the co-branding project was implemented for the digital PCI-certified coupon platform BONAYOU. Offered by Munich-based company PL Gutscheinsysteme GmbH, BONAYOU has been set up as a coupon platform for retail, gastronomy and wellness offerings throughout Germany. The coupon card is based on a prepaid MasterCard, which can be charged on one occasion only.

1.5. Call Center & Communication Services Division

Wirecard Communication Services GmbH primarily focuses on on providing core services for the Wirecard Group.

The hybrid call center structure, i.e. the bundling of virtual call centers with stationary ones, also enables third-party customers to benefit from “premium expert services” in the following segments:

- Financial services
- First & Second Level User Helpdesk (specifically in the field of console and PC games as well as commercial software)
- Direct Response TV (DRTV) and targeted customer service in the outbound sector

During the past fiscal year, Wirecard Communication Services was able, for example, to expand its strategic alliance with an HR service provider for customer service helplines. A leading specialist for navigation software, has decided to use international customer support from Wirecard Communication for one of its successful products.

1.6. Reporting segments

Wirecard AG reports on its business development in three segments.

Payment Processing & Risk Management (PP&RM)

This reporting segment includes the business activities of Wirecard Technologies AG, Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH, Wirecard Central Eastern Europe GmbH, Wirecard UK and Ireland Ltd., Wirecard Asia Group (Singapore), comprising Wirecard Asia Pte. Ltd. (Singapore) and its subsidiaries , Procard Services FZ LLC with its registered office in in Dubai, United Arab Emirates, Systems@Work Pte. Ltd. with its registered office in Singapore and its subsidiaries.

Business activities of Wirecard Bank AG are reported in a separate, independent reporting segment. Branches and companies of the Wirecard Group located outside Germany serve primarily to promote regional sales and localization of the products and services of the Group as a whole.

Business activities of the companies in the Payment Processing & Risk Management-segment comprise only products and services associated with the acceptance and execution of downstream processing of electronic payment transactions, and related processes.

By means of a uniform technical platform that covers our various products and services, we provide our customers with access to a large number of payment and risk management schemes.

Acquiring & Issuing (A&I)

This reporting segment includes the entire current business activities of Wirecard Bank AG, the newly formed Wirecard Solutions Ltd. and Wire Card Beteiligungs GmbH. In addition to acceptance (acquiring) and issuing of credit and prepaid cards, it includes account and payment transaction services for business and private clients.

The “Acquiring & Issuing” segment also accounts for interest earned by the Wirecard Bank on financial investments and gains made from exchange rate differences when processing transactions in foreign currencies.

Call Center & Communication Services (CC&CS)

This reporting segment comprises all products and services of Wirecard Communication Services GmbH dealing with call center-supported support of corporate and private customers. Apart from its primary function of supporting the two main segments mentioned above, this reporting segment also has an independent customer portfolio.

2. EARNINGS, FINANCIAL AND ASSET POSITION

2.1. Earnings

In the fiscal year 2011, Wirecard AG once again substantially boosted both its sales revenues and operating result.

Revenue growth

Consolidated sales revenues were up by 19.6 percent in fiscal year 2011, from EUR 271,619K to EUR 324,797K.

According to the license for the provision of financial services that is valid from April 30, 2011, there was a transition in accounting for acquiring and payment processing. This is based on the EU Payment Services Directive (PSD), which was implemented in local law in the member countries.

The Wirecard Group performs the contractual services to an unchanged extent, both at present and in future. This change has had no impact on the Wirecard Group's financial position and results of operations. Payment services now have to be invoiced by Wirecard Bank AG. The local subsidiaries will provide technical services and support customers as before.

As a result, revenues from external customers that were previously carried in the PP&RM segment have been carried in the A&I segment since May 2011.

Revenues in other segments within the group (consolidations) have thus also changed. The changes have led to lower revenues in the PP&RM segment and higher revenues in the A&I segment. This change does not affect consolidated revenues and the profitability of the Group and the individual segments.

The revenues recorded in the core Payment Processing & Risk Management segment from risk management services and processing online payment transactions in fiscal year 2011 increased from EUR 256,722K by 2.6 percent to EUR 263,359K. With an assumed corresponding change from the EU Payment Service Directive and the associated contractual regulations in the previous year revenues for fiscal year 2011 in the PP&RM segment would have been raised by EUR 37,833K.

The share of consolidated revenues accounted for by the Acquiring & Issuing segment and thus by Wirecard Bank AG increased in fiscal year 2011 by 2.7 percent to EUR 98,139K (2010: EUR 95,562K). With an assumed corresponding change from the EU Payment Service Directive and the associated contractual regulations in the previous year revenues for fiscal year 2011 in the A&I segment would have been lower by - 10.1 percent.

In the past fiscal year 2011 the Wirecard Bank's revenues primarily comprised commission income from the Acquiring & Issuing division, interest from cash investments and income from processing payment transactions and from exchange rate differences when processing foreign currency transactions. In so doing, the customer funds to be invested by Wirecard Bank (December 31, 2011: EUR 105,042K; December 31, 2010: EUR 118,745K) were exclusively invested as demand deposits, overnight deposits or fixed-term deposits and bearer debentures with or from other banks, which meet high credit standards of the group-owned risk assessments and – if external ratings are available – that have a minimal credit risk according to well-known ratings agencies. In addition Wirecard Group has established its own risk assessment of the counterparty.

Wirecard Bank's interest income recorded in fiscal year 2011 totaled EUR 2,424K (2010: EUR 2,121K) and is carried as revenues in the financial statements for Wirecard Bank. This is thus not included in the Group's financial result, but is also carried here as revenues. It comprises interest income from the investment of own funds and customer funds (deposits and acquiring fees) from external banks.

The Call Center & Communication Services segment generated EUR 4,267K in revenues in the year under review, compared with EUR 4,453K in fiscal year 2010.

The consolidation effects were also reduced as a result of the EU Payment Service Directive and the associated contractual regulations. In fiscal year 2011 these totaled EUR 40,968K, compared with EUR 85,118K in fiscal year 2010. With an assumed corresponding change from the EU Payment Service Directive and the associated contractual regulations in the previous year consolidation effects in fiscal year 2010 would have totaled EUR 67,578K.

Changes in key expense items

Other own work capitalized consists primarily of the continued development of the core system for payment processing activities. In this regard, the only own work that is capitalized is what is subject to mandatory capitalization in accordance with IFRS accounting principles. In fiscal year 2011 the total amount capitalized amounted to EUR 7,442K (previous year: EUR 6,211K). It is corporate policy to value assets conservatively and to capitalize them only if this is required in terms of international accounting standards.

The Group's cost of materials increased in the past fiscal year to EUR 189,141K compared to EUR 152,545K in the previous year. In particular, the cost of materials includes commissions payable to banks issuing credit cards (Interchange) as well as charges payable to credit card companies.

At the Wirecard Bank, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as primarily Interchange, as well as processing costs of external services providers, production, personalization and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts. In fiscal year 2011 the cost of materials for Wirecard Bank, without considering consolidation effects, totaled EUR 66,161K compared to EUR 62,797K in the previous year.

Gross earnings (sales revenues including other own work capitalized less cost of materials) increased in fiscal year 2011 by 14.2 percent, amounting to EUR 143,099K (previous year: EUR 125,285K). 2011 Wirecard Bank accounted for gross earnings of EUR 31,978K (previous year: EUR 32,765K), without considering consolidation effects.

Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognized and included under cost of materials if the payment is in connection with customer funds; if not, it is reported under other operating expenses/income. Gains or losses from the translation of foreign currency receivables and liabilities in fiscal year 2011 amounted to EUR 650K (previous year: EUR 466K).

In 2011, personnel expenses in the Group increased to EUR 28,240K and were thus up year-on-year by 1.5 percent (previous year: EUR 27,833K). In comparison with the growth of gross earnings by 14.2 percent, this reflects the high scalability of Wirecard AG's business model. The consolidated personnel expenses ratio fell by 1.6 percentage points year-on-year to 8.7 percent. Personnel expenses at Wirecard Bank in fiscal year 2011 totaled EUR 3,042K (previous year: EUR 2,763K).

Other operating expenses mostly include expenses for sales and marketing, operating equipment and leasing, consulting-related and consulting costs and also office costs. In 2011 in the Wirecard Group these totaled EUR 31,750K (previous year: EUR 26,392K). They thus amounted to 9.8 percent (previous year: 9.7 percent) of revenues. Of this amount, without considering consolidation effects, Wirecard Bank accounted for EUR 11,371K (previous year: EUR 6,818K).

Expense items also include the one-off extraordinary expenses incurred in fiscal year 2011 for the relocation of the company's headquarters and the costs of the fast-track expansion in Asia.

2011 amortization and depreciation totaled EUR 8,485K (previous year: EUR 5,840K) and were mostly formed for investments in products for the payment platform. The share of the amortization/depreciation formed in 2011 at Wirecard Bank amounted to EUR 78K (previous year: EUR 76K).

Other operating income primarily comprises income from the reversal of provisions and impairment and in fiscal year 2011 at a group level this totaled EUR 1,289K compared to EUR 2,204K in the previous year. Of this amount, without consolidation effects, Wirecard Bank accounted for EUR 1,015K (previous year: EUR 478K).

Changes in EBITDA

The pleasing growth in income is due to the increase in the volume of transactions processed by the Wirecard Group with existing and new customers, from economies of scale from the transaction-oriented business model and from the increased use of our banking services.

Consolidated EBITDA increased in 2011 despite the one-off expenses from the relocation of the Group's headquarters and the fast-tracked expansion in Asia by 15.2 percent from EUR 73,264K in the previous year to EUR 84,398K. The EBITDA margin in fiscal year 2011 26.0 percent (previous year: 27.0 percent).

Financial result

In fiscal year 2011 the financial result totaled EUR - 1,993K (previous year: EUR - 1,518K).

In 2011 financial expenses in the Group totaled EUR 2,379K (previous year: EUR 2,114K), and mostly resulted from drawing down loans for corporate acquisitions and the revaluation of financial assets. The consolidated financial result does not include interest income for Wirecard Bank, which is booked as revenue according to IFRS accounting.

Taxes

As a result of the international orientation of the business and the use of Wirecard Bank's loss carried forward, the cash tax rate in 2011 (without deferred taxes) amounted to 15.1 percent (previous year: 13.3 percent). With deferred taxes the tax rate totaled 17.2 percent (previous year: 18.1 percent). As a result of the relocation of major parts of the company from Grassbrunn to Aschheim the Company has a higher trade tax rate of 11.55 percent (in Grasbrunn: 10.15 percent). Deferred taxes were already adjusted to the higher tax rate in the previous year.

Net income

Consolidated revenues were up in fiscal year 2011 - from EUR 53,973K up 13.4 percent to EUR 61,186K.

Earnings per share

The number of shares issued remained unchanged at 101,803,139 shares. In fiscal year 2011 earnings per share increased from EUR 0.53 in the previous year to EUR 0.60 (diluted) or from EUR 0.53 to EUR 0.60 (basic).

2.2. Net Assets and Financial Analysis

Principles and objectives of finance management

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. The Treasury department monitors the hedging of currency risks. Following individual inspections, risks are restricted by additional deployment of financial derivatives. As in the previous year, forward exchange transactions and currency options were deployed as financial derivatives to hedge sales in foreign currencies in the year under review. It has been stipulated throughout the Group that no speculative transactions are entered into with financial derivatives (cf. Chapter 7.7. Financial Risks).

Capital and financing analysis

Wirecard AG reports equity of EUR 340,887K (previous year: EUR 289,844K). Due to the nature of our business, the highest liabilities exist vis-à-vis merchants in the field of credit card acquiring and customer deposit-taking as part of banking operations. These have a substantial effect on the equity ratio. The commercial banks, which, as of December 31, 2011, granted Wirecard AG loans amounting to EUR 86,024K at interest rates ranging from 3.0 to 5.7 percent, do not include these items in the loan agreement concluded in 2011 in equity capital calculations due to the facts and circumstances associated with this particular business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual situation. These banks determine the equity ratio of Wirecard AG by dividing the amount of liable equity by total assets. Liable equity is determined by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these should also be deducted. Total assets are determined by subtracting customer deposits, the acquiring funds of the Wirecard Bank and the reduced level of equity from the audited balance sheet total, which is then added back to leasing commitments. This calculation gives an equity ratio of 57.3 percent for Wirecard AG (previous year: 75.13 percent).

Investment analysis

The criteria for investment decisions in the Wirecard AG Group are: the capital employed the securing of a comfortable inventory of cash and cash equivalents, the results of an intensive analysis of both potential risks and the opportunity/risk profile, and finally the type of financing (purchase or leasing). Depending on the type and size of the investment, the chronological course of investment return flows is taken fully into account. In the period under review, investments were essentially made in further expansion and internationalization. An investment was made in the acquisition of Procard Services FZ LLC, Dubai in the amount of EUR 670K, and as part of the acquisition of Systems@Work Pte. Ltd., an investment was made in the amount of EUR 32,929K, moreover the final part of the variable purchase price for the E-Credit Group of EUR 2,212K was paid. EUR 8,999K was invested in Wirecard Card Solutions Ltd's prepaid portfolio in 2011. In addition, EUR 2,132K was invested in property, plant and equipment, mostly due to the relocation. Further investments were made in components for the operational payment platform. An investment of EUR 4,831K was made in externally developed and EUR 7,442K in internally created software. In this context, please refer to the statements in Chapter 3 of the Management Report, “Research and Development”. In addition, please refer to the schedule of fixed asset movements in the Annual Report.

Liquidity analysis

Current customer deposits are reported under Other liabilities (customer deposits) on the liabilities side of Wirecard's consolidated balance sheet. These customer funds are comparable in economic terms with short-term (bank) current account loans or overdraft facilities. For customer deposits (on December 31, 2011 totaling EUR 105,042K; December 31, 2010: EUR 118,745K) separate accounts have been set up on the assets side which cannot be used for other business purposes. In this regard, securities (so-called collared floaters and short-term interest-bearing securities) are held in the amount of the total amount of customer deposits with a nominal value in the amount of EUR 33,549K (December 31, 2010: EUR 45,427K), deposits with the central bank, demand and short-term fixed deposits with banks in the amount of EUR 71,493K (December 31, 2010: EUR 73,318K). These are reported in the Wirecard Group under the balance sheet item cash and cash equivalents, under non-current financial and other assets and under current interest-bearing securities. However, they are not included in the financial resource fund. On December 31, 2011 this amounted to EUR 141,910K (previous year: EUR 112,036K).

In addition, in considering the liquidity analysis, it should be borne in mind that liquidity is influenced by balance sheet date effects because of the company's particular business model. The liquidity that Wirecard receives through the credit card revenues of its merchants, and which it will pay out to the same merchants in future, is available to the Group for a transitional period. To enhance the level of transparency and illustrate the influence on cash flow, in addition to its usual presentation of cash flows in the ordinary course of business, Wirecard AG reports a further cash flow account to eliminate items that are of a merely transitory nature. These addenda will make it easier to identify and depict the cash-relevant portion of the Company's business figures.

The cash flow from operating activities, adjusted for the volume of transactions of a transitory nature in the amount of EUR 61,033K clearly shows that Wirecard AG has a comfortable level of its own liquidity at all times, allowing it to meet its payment obligations. For the acquisition of Systems@Work Pte., Singapore and the prepaid card portfolio of Newcastle Building Society a long-term loan of EUR 86,024K was taken out with banks.

The interest-bearing liabilities are mostly non-current and were transferred to a long-term master credit agreement in the second quarter of 2011. This was provided for M&A transactions that had been performed and for possible future transactions. As a result, the Group's interest-bearing liabilities to banks increased by EUR 64,023K to EUR 86,024K (December 31, 2010: EUR 22,001K). In addition EUR 17,117K were drawn by guarantee credits.

Moreover, a resolution was adopted at the Annual General Meeting of Wirecard AG to pay out a dividend in the period under review Accordingly, for fiscal year 2010 shareholders received a dividend of EUR 0.10 per no-par-value share. As a result, a total of EUR 10,180K was paid on the 101,803,139 no-par value shares entitled to a dividend.

Net assets

Assets reported in the balance sheet of Wirecard AG increased in fiscal year 2011 by EUR 157,200K, from EUR 549,859K to EUR 707,059K. In this regard, in the period under review both non-current assets and also current assets increased from EUR 314,636K to EUR 411,075K. The changes are mostly due to capital expenditure last year and also reflect the growth in the operating business.

In addition to the assets reported in the balance sheet, the Wirecard Group also includes a volume of unreported intangible assets, such as software components, customer relationships, human and supplier capital and others.

2.3. Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in fiscal year 2011. With after-tax earnings of EUR 61,186K, earnings per share of EUR 0.60 (diluted) and EUR 0.60 (basic) and an equity ratio of 48.2 percent, the Wirecard Group has a solid financial and accounting basis for the current fiscal year. Thanks to a higher long-term credit framework and a substantial inflow of funds from current operations, the Wirecard Group has a comfortable liquidity position.

The perspectives for continued growth on the commerce market in Europe and Asia are still excellent, despite the continued tense situation on the global economy. In this regard we must note that the forecast published in January of recording EBITDA of EUR 103 to 115 million in 2012 already considered the underlying economic conditions.

In 2012, the Wirecard Group intends to continue its return-oriented on-track growth. After all, with an increasing number of customer relationships and a rising transaction volume, additional economies of scale are expected to arise from the transaction-oriented business model along with substantial synergies with our banking services.

2.4. Disclosures of relevance under the law relating to mergers & acquisitions

Subscribed capital

As at December 31, 2011, Wirecard AG's equity amounted to EUR 340,887K compared with EUR 289,844K at the same time a year earlier.

The Company's subscribed capital as at December 31, 2011 amounted to EUR 101,803,139.00 and was divided up into 101,803,139 no-par value bearer shares based on a notional capital stock of EUR 1.00 per share. Each share confers one vote.

Contingent and authorized capital; purchase of treasury shares

Conditional capital 2004/I on the balance sheet dated totaled EUR 997,927.25. By way of a resolution by the General Meeting on June 22, 2011, Conditional Capital 2008/I in the amount of EUR 3,053,700.00 (December 31, 2010: EUR 3,053,700.00) was cancelled.

By way of a resolution by the General Meeting on June 18, 2009, the Management Board is authorized to raise the share capital against cash and/or non-cash contributions with the approval of the Supervisory Board in the period until June 18, 2014 on one or several occasions by up to EUR 37,299,652.00 by issuing new no-par value bearer shares (Authorized Capital 2009/I). By way of a resolution by the General Meeting on June 22, 2011 these regulations were augmented. Employee shares may now also be issued.

The Management Board is authorized to acquire own shares worth up to 10 percent of Wirecard AG's capital stock existing on the date of the resolution's adoption. The Management Board did not make use of its authority to acquire and use own (treasury) shares by December 31, 2011. For further details on capital, please refer to the Notes.

Notification of voting rights

The Company has received no reports that any stockholder holds a direct or indirect share of voting rights in excess of 10 percent. The Company's Board of Management is not aware of any restrictions relating to voting rights or the transfer of stocks.

Statutory regulations regarding changes to the Articles of Incorporation and the Management Board

The statutory rules and regulations apply to the appointment and dismissal of the members of the Management Board. Accordingly, the Supervisory Board is generally responsible for such appointments and dismissals. The statutory rules and regulations apply to amendments to the Articles of Incorporation. Amendments to the Articles of Incorporation are adopted at the Annual General Meeting pursuant to Section 179 of the German Stock Corporation Act (AktG). The resolution at the Annual General Meeting calls for a majority equivalent to at least three quarters of the capital stock represented at the time of the resolution's adoption.

Arrangement in the event of a change of control

Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to Sections 21, 22 Whig (German Securities Trading Act) is received or should have been received by the Company to the effect that 30 percent or more of the Company's voting rights as contemplated by Sections 21, 22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or a body of persons. In the event of a change of control each member of the Board of Management has an entitlement to receive special bonus, which is dependent to the company`s business value. The amount of the special bonus for Dr. Markus Braun and Mr. Burkhard Ley is 0.4 percent of the company`s business value and for Mr. Jan Marsalek 0.25 percent of the company`s business value. In the event of such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a special bonus shall apply only if the change of control is effected on the basis of an offer to all shareholders of the Company, or if such change of control is followed by an offer to all shareholders. The enterprise value of the Company is defined as the offer in euros per share of the Company, multiplied by the total number of all shares issued at the time of publication of the offer. The special bonus shall be payable only if the enterprise value determined in the process reaches at least EUR 500 million. An enterprise value in excess of EUR 2 billion shall not be taken into account in calculating the special bonus. Such special bonus payments are payable in three equal installments.

The Board of Management and Supervisory Board have adopted a resolution to the effect that employees of Wirecard AG and of subsidiaries may be awarded a special bonus on similar terms and conditions as for the Management Board. To this end, a total of 0.8 percent of the Company's enterprise value has been made available. The Management Board may give assurances regarding special bonus payments to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for such a special bonus payment is that the employee must be employed at the time the change of control occurs. Such special bonus payments shall also be made in three installments.

3. RESEARCH AND DEVELOPMENT

3.1. Orientation of research and development activities

The Wirecard Group's development activities aim to constantly expand the existing portfolio of products and services in order to increase the added value offered to customers. In so doing, the company aims to use technologically superior, state-of-the-art platforms to provide products and solutions that put it well ahead of the competition. Wirecard AG focuses on a market and customer-oriented innovation policy to sustainably secure and develop new sales potential. This policy makes a major contribution to the products' success. In so doing, it cooperates with, for example, market research institutes, in order to keep its products in sync with developments on the market.

The extensive geographical reach of its distribution and partner network supports the Wirecard Group companies in their efforts to develop a deep understanding of the dynamics of the market environment. This not only allows fundamental market trends to be identified at an early stage, it also makes it possible to actively shape such trends.

Combining agile development methodologies with market and product-oriented organizational structures, results in efficient deployment of resources in a highly dynamic environment. Its modular software-as-a-service (SaaS) approach enables Wirecard AG to flexibly offer its customers individual solutions along the entire payment value chain.

3.2. Capital expenditure for research and development

Expenditure on research and development increased to EUR 14.5 million in fiscal year 2011 (2010: EUR 11.1 million). The R&D ratio, i.e., the share of total sales revenues accounted for research and development costs, was 4.5 percent in the period under review (2010: 4.1 percent).

The individual expenditure items are included in the personnel expenses of the respective departments (Payment & Risk, Issuing Services, etc.), in the advisory costs as well as in intangible assets.

3.3. Employees in research and development

The high priority that the Wirecard Group assigns to research and development, and the substantial contribution they make to the success of the business are reflected in the personnel and product-oriented organizational structure. Personnel capacities in Product and Project Management, Architecture, Development and Quality Assurance averaged 140 employees last year (2010: 128 employees). This represents a share of 28 percent of the total workforce (2010: 26 percent).

The success of the research and development activities in the Wirecard Group is based mainly on the qualifications of the staff in the above-mentioned areas. The experience, innovative strength and commitment of our employees are critical to our success in safeguarding our technological lead over the competition.

A comprehensive internal basic and advanced training program as well as access to third-party vocational training facilities, help maintain and further increase the consistently high-to-very-high standard of qualifications of the staff that we employ in research and development. The Wirecard Group protects itself against the loss of key employees by relying on a proactive human resources policy, an attractive working environment, and competitive remuneration and incentive models.

3.4. Research and development results

Wirecard AG's research and development activities last fiscal year focused on growing the portfolio along the value chain that the company covers, in addition to constant further development.

Expanding alternative payment solutions and the associated increase in the size of the international footprint for payment acceptance were core issues last year. A significant number of payment methods were added to the offering during the course of the year, such as the Australian POLi (Pay OnLine), Przelewy24 in Poland, Boleto Bancario or MercadoPago in Brazil. This thus opens up additional payment opportunities for merchants and their customers.

Far-reaching analysis and business intelligence tools were added to the Fraud Prevention Suite, the risk management solution, last year, with the result that merchants now have even more information and transparency in order to be able to manage their own risk management.

In addition, additional sector and industry solutions, such as integrating the Amadeus interface Open Travel Alliance (OTA) were put in place. This has allowed us to greatly simplify the integration of payment services for our customers in the tourism sector.

Implementing and introducing “tokenization” for credit cards offers merchants new possibilities to adjust their systems to PCI DSS Compliance, and yet to retain legacy processes. In tokenization, the card number is replaced by a clear key, which is given a format in line with the customer’s wishes and the existing system.

The mywirecard brand has been online since February 2011, offering intuitive user guidance and a new design. Our Visa card and MasterCard product world for prepaid cards provides consumers with simple, fast and secure entry to card-based payments both online and in bricks-and-mortar retail.

In parallel to the launch of the mywirecard.com platform, the implementation of technical solutions for all aspects of co-branded cards as a white-label platform was completed in 2011. We serve the market for innovative customer loyalty instruments with tailor-made card products for companies in their respective corporate design. Wirecard Bank can efficiently implement co-branded card projects for companies on a short turnaround and also in small batches, as all of the process are fully standardized, thus leading to substantial cost advantages. Not only the design of the card, but also the mywirecard.com web interface, the customer communication elements and the prices, as well as the components of the card projects can be tailored to the company’s individual requirements to a great extent. A special positive feature for this solution is the user-friendly web interface, which offers consumers a fully-automated online application process (registration process).

In addition to ongoing investments in our products and solutions, we are also handling the various ecological challenges we are faced with. We see protection of the environment as an important management issue that is also reflected in our operations. We are therefore constantly optimizing our technical solutions in order to improve their environmental compatibility. The deployment of leading-edge innovative technologies has not only resulted in a significant boost in the capacity of our platform (measured in terms of the number of transactions per second), it has also achieved a substantial reduction in energy consumption. In parallel, the provision of internal services has been made considerably more efficient and cheaper thanks to the consistent application of virtualization technologies. These optimization measures are a result not least of the Wirecard Group's strategy to gradually lower its performance-related CO_2 footprint.

4. GROUP STRUCTURE AND ORGANIZATION

4.1. Subsidiaries

The Wirecard Group includes various subsidiaries. The parent company, Wirecard AG, is headquartered in Aschheim/Dornach near Munich, Germany, which is also the head office of Wirecard Bank AG, Wirecard Technologies AG, Wire Card Beteiligungs GmbH, Wirecard Retail Services GmbH, and Click2Pay GmbH. The head office of Wirecard Communication Services GmbH is in Leipzig.

Wirecard Technologies AG and Wirecard (Gibraltar) Ltd., based in Gibraltar, develop and operate the software platform that represents the central element of our portfolio of products and services as well as the internal business processes of the Wirecard Group. Click2Pay GmbH, using the alternative Internet payment system of the same name (CLICK2PAY), mostly generates revenues on the markets for digital media, online portals and online games.

The subsidiaries Wirecard Payment Solutions Holdings Ltd., Wirecard UK and Ireland Ltd. and Herview Ltd., all with head offices in Dublin (Ireland), as well as Wirecard Central Eastern Europe GmbH, based in Klagenfurt (Austria), provide sales and processing services for the Group's core business, namely "Payment Processing & Risk Management."

Wirecard Retail Services GmbH complements the range of services of the sister companies by providing the sale and operation of Point-of-Sale (POS) payment terminals. This provides our customers with the option to accept payments for their Internet-based and mail-order services as well as the electronic payments made at their POS outlets via Wirecard.

Wirecard Communication Services GmbH bundles expertise in virtual and stationary call center solutions into a hybrid structure. The resulting flexibility enables dynamic response to the changing requirements of Internet-based business models. The services provided by Wirecard Communication Services GmbH are aimed mainly at business and private customers of the Wirecard Group, and especially those of Wirecard Bank AG.

Dubai-based cardSystems FZ-LLC focuses on the sale of affiliate products and associated added-value services. The Wirecard Asia Group (formerly: E-Credit Plus Group) (Singapore), comprising Wirecard Asia Pte. Ltd. (formerly: E-Credit Plus Pte. Ltd), Singapore, and its subsidiaries, handles online payment processing primarily for eCommerce merchants in the eastern Asian region.

With effect from January 13, 2011, Wirecard AG took over Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards. The company has a regional customer portfolio.

Singapore-based Systems@Work Pte. Ltd. and its subsidiaries were acquired in December 2011. Systems@Work Pte. Ltd with its brand TeleMoney is one of the leading technical payment service providers for merchants and banks in the East Asian region. The Group includes the subsidiaries Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) and Safe2Pay Pte. Ltd. (Singapore). In addition, in December 2011 we also acquired the entire prepaid card issuing business from Newcastle Building Society, United Kingdom via a recently formed British subsidiary of the Wirecard Group, Wirecard Card Solutions Limited. The Newcastle Building Society's prepaid card portfolio is one of the largest in Europe. The takeover is performed in two phases: In the first phase, Wirecard Card Solutions Ltd., as an outsourcing service provider, will take over key functions as part of the Newcastle Building Society's prepaid card business. In the second phase, Wirecard Card Solutions Ltd. will take over full control of the business, as soon as it receives its license as an eMoney institution from the UK Financial Services Authority.

Wire Card Beteiligungs GmbH and Trustpay International GmbH, both headquartered in Aschheim/Dornach, act as interim holding companies for subsidiaries within the Group and have no operating activities.

An overview of the companies consolidated is provided in the Notes to the Consolidated Financial Statements.

4.2. Management Board and Supervisory Board

The Management Board of Wirecard AG remained unchanged as of December 31, 2011, consisting of three members:

- Dr. Markus Braun, CEO, Chief Technology Officer
- Burkhard Ley, Chief Financial Officer
- Jan Marsalek, Chief Sales Officer

On December 22, 2011 the Supervisory and Management Boards of Wirecard AG agreed to extend the contracts with members of the Management Board through to December 31, 2014.

There were no changes to Wirecard AG's Supervisory Board. The Supervisory Board had the following members on December 31, 2011:

- Wulf Matthias, Chairman
- Alfons Henseler, Deputy Chairman
- Stefan Klestil, Member

The remuneration system for the Management and Supervisory Boards consists of fixed and variable components. Further particulars are documented in Corporate Governance Report.

4.3. Employees

The success of the service-oriented business model of Wirecard AG relies to a large extent on having a highly motivated team. That is why the Human Resources department provides employees with the best-possible support commensurate with their talents and qualifications. Executives respect fundamental social principles, endorse an entrepreneurial approach and seek to foster team spirit in order to boost the Company's innovative prowess.

The Human Resources department attaches great importance to supporting employees individually, in order to ensure their optimum development.

Growth in 2011

There were 498 employees on average in 2011 (previous year: 500), without members of the Management Board and trainees. Of this team, 19 (previous year: 21) are employed by a subsidiary as members of the Management Board/managing directors. As a result of the acquisitions performed in December 2011, 26 employees were added from Wirecard Card Solutions Ltd. in the United Kingdom, and 31 employees from Systems@Work Pte., Singapore.

Wirecard AG employs a multinational team. Employees at the foreign subsidiaries were broken down as follows on average in 2011:

- Wirecard CEE: 17 (previous year: 16)
- Wirecard UK/Ireland: 20 (previous year: 40)
- Wirecard Gibraltar: 7 (previous year: 7)
- Wirecard Asia Pte.: 24 (previous year: 24)
- Procard Services: 10

The strategy governing the integration of new subsidiaries into the Wirecard Group is to concentrate sales and customer support at the various locations, with technical and administrative synergies being bundled at the head office in Germany.

Human resources strategy

One of the essential tools in our human resources development strategy is the development of our employees through measures tailored to suit each individual, in harmony with our corporate objectives. The personal development of each individual is considered in the context of the success of our enterprise, in an effort to explore the potential for development strategies tailored to the requirements of each employee.

As regards human resources development in the long term, the Wirecard Group is pursuing a specially developed concept which is aimed at boosting the image of Wirecard AG as an attractive employer. Where possible, we also support the development of our employees by assisting with transfers to subsidiaries in our international locations, by exploring interesting career options with them, and by providing them with support in their new positions. At the same time, foreign subsidiaries and branches benefit from improved integration into the Group's structure.

Positive working environment

We moved into new premises in May 2011, located close to the Munich Trade Fair grounds, and these new premises offer our highly qualified employees an ideal working climate. The premises follow a visual concept with state-of-the-art workstations, a generous conference area and several meeting points, which invite employees to share views and opinions with their colleagues. We want to be not only an attractive employer, but also to promote internal communication and interaction between the individual teams. Health and fitness offerings also contribute to a pleasant working environment.

Our working environment is characterized by openness and consideration in our dealings with each other, by mutual respect and appreciation, and by flat hierarchies. With regard to our HR strategy, we pay attention to ensure that we constantly increase our employee satisfaction. Our so-called trust-flexi-time, which we introduced several years ago, allows our employees our employees to work flexible hours in accordance with the working hours of the relevant departments. Company and team events are aimed at fostering team spirit and social interaction on a regular basis.

5. CORPORATE GOVERNANCE REPORT

Declaration on corporate governance

In accordance with No. 3.10 of the German Corporate Governance Code in its version of May 26, 2010 and pursuant to Section 289a (1) of the German Commercial Code (HGB), in this declaration the Management Board - simultaneously also on behalf of the Supervisory Board - states the following on corporate governance of Wirecard AG and on the remuneration report.

The standards of good, responsible corporate governance, acknowledged both internationally and in Germany, are given high priority in the Wirecard Group. Compliance with these standards is an essential prerequisite for qualified and transparent corporate governance which aims to achieve long-term success for the Group as a whole. In this context we wish to affirm the confidence of our investors, the financial markets, business associates, the public at large and that of our workforce.

Detailed information on the topic of corporate governance in the Wirecard Group can be found on our website, where the current declaration of compliance is available along with those issued in previous years.

Service and Internet information for our Shareholders

On our website (http://www.wirecard.com/investor-relations) under the “Finance Calendar” menu item and in our annual and interim reports we keep our shareholders, analysts, shareholder associations, the media, and interested members of the general public informed of key recurring dates, such as that of our Annual General Meeting. Within the scope of our investor relations activities, we conduct meetings on a regular basis with analysts and institutional investors alike. In addition to the annual analysts' conferences on the annual financial statements, telephone conferences for analysts are held whenever the individual quarterly reports are published. Information on the Annual General Meeting, together with the documentation to be made accessible to the participants, are published with convenient access on the Company website along with the invitation to the meeting.

The Annual General Meeting is organized and held with the aim of effectively providing all shareholders with comprehensive information prior to and during the meeting. To simplify registration for the General Meeting and the exercise of shareholder voting rights, in the period leading up to the meeting the shareholders are sent comprehensive information on the past fiscal year and the items on the agenda in the Annual Report and in the invitation to the Annual general meeting.

Work procedures of the Management Board and Supervisory Board

Being a German Aktiengesellschaft (public stock corporation), Wirecard AG has dual management with a control structure consisting of two bodies—the Management Board and the Supervisory Board—each with its own set of competences. In the interests of the enterprise, the Management Board and the Supervisory Board cooperate very closely in a spirit of mutual trust. The critical common objective is to increase the Company's enterprise value over the long term.

The Management Board and the Supervisory Board have three members each. To guarantee independent consultancy and monitoring of the Management Board by the Supervisory Board, the number of members of the Supervisory Board who were formerly members of the Management Board has been restricted to a maximum of one. The Management Board makes regular, comprehensive, timely reports to the Supervisory Board on all relevant questions of corporate planning and further strategic development, on the course of business and the Group's position as well as on questions relating to its risk situation and risk management. Reporting by the Management Board also extends to include compliance, i.e. the measures adopted by Wirecard AG to observe legal and regulatory parameters as well as internal corporate directives. The Supervisory Board must approve business transactions of a material nature. The Supervisory Board has created rules of procedure to govern its activities. The Chairman of the Supervisory Board is in constant contact with the Management Board. He visits the company on a regular basis to obtain information on site concerning business performance and to give the Management Board advice on its decisions.

The Company has taken out liability insurance (known as Directors' and Officers' [D&O] Insurance) with an appropriate deductible for members of the Management Board and Supervisory Board of Wirecard AG as well as members of the management of affiliates. Further particulars on D&O insurance policies for members of the Management Board and Supervisory Board of Wirecard AG are listed in the following remuneration report. Conflicts of interest between members of the Management Board and Supervisory Board that must be disclosed immediately to the Supervisory Board were not revealed. Owing to the fact that its size is restricted to three members, the Supervisory Board has dispensed with the need to set up an audit committee or other Supervisory Board committees.

Further particulars on the persons and the work of the Supervisory Board in fiscal year 2010 are contained in the Supervisory Board Report as well as in the Management Report (Chapter 4) as well as in the Notes to the consolidated annual financial statements (Chapter 8.1.-8.3).

Remuneration Report

The following persons were employed as members of the Management Board at Wirecard AG:

Dr. Markus Braun, commercial computer scientist, member of the Management Board since October 1, 2004
CEO
Burkhard Ley, banker, member of the Management Board since January 1, 2006
Chief Financial Officer
Jan Marsalek, computer scientist, member of the Management Board since February 1, 2010
Chief Sales Officer

Remuneration system for the Management Board

The remuneration system for the Board of Management of Wirecard AG is designed to create an incentive for long-term corporate governance based on sustainability. The system and extent of remuneration paid to the Management Board are determined and reviewed on a regular basis by the Supervisory Board. The members of the Board of Management are paid on the basis of Section 87 of the German Stock Corporations Act (Aktiengesetz - AktG). Remuneration comprises fixed and variable components.

In fiscal year 2011, remuneration comprised the following components: (1) a fixed annual remuneration, (2) an annual bonus (variable remuneration I) linked to the Group's earnings targets, (3) long-term variable remuneration for essential contributions to the sustainable development of the Company (variable remuneration II) decided by the Supervisory Board according to its equitable discretion, (4) a contribution toward retirement benefits and (5) share-based remuneration based on participation in the employee stock option program. Moreover, (6) there is a special bonus program in the event of a change of control for the benefit of members of the Management Board and employees. In addition, there are non-cash perquisites and other benefits in kind such as private use of a company car and refund of expenses, including business-related travel and entertainment costs.

At the start of fiscal year 2012 the Supervisory Board changed the remuneration system for the Management Board. Remuneration continues to comprise fixed and variable components. Since January 2012 the variable remuneration for the members of the Management Board has, however, been based on the share price; as a result the variable remuneration comprises two components, namely Variable Remuneration I, which is calculated based on the performance of Wirecard AG's stock market share price, and the long-term variable remuneration (Variable Remuneration II) which is calculated using the multi-year performance of Wirecard AG's stock market share price. The amount of the total variable remuneration is limited by a cap. In addition, there continues to be the special bonus program in the event of a change of control for the benefit of members of the Management Board and employees.

Remuneration paid to the Management Board in fiscal 2011

The members of the Management Board received a total of EUR 1,250K by way of fixed salary in the period under review (previous year: EUR 1,508K). The remainder of the remuneration paid to the Management Board in fiscal 2011 was as follows:

The annual bonus (Variable Remuneration I) is capped by a maximum amount (cap or ceiling). The maximum amount in the case of Dr. Markus Braun is EUR 150K, for Mr. Burkhard Ley it is EUR 140K and for Mr. Jan Marsalek the amount is EUR 120K. If targets fail to be met, the variable remuneration may be forfeited altogether. Moreover, entitlement to the annual bonus will be canceled if the service agreement is terminated for good cause at the time the annual bonus is due and payable.

Furthermore, the Board of Management will receive additional variable remuneration (variable remuneration II) if, during its tenure during the current financial year, from time to time substantial contributions were made to the Company's sustainable development of its operations. Substantial contributions in this context include, in particular, substantial contributions in the field of customer relations, substantial contributions through new products and/or substantial contributions thanks to advances in technology. Strict compliance with legal parameters and high standards of integrity are used to assess this sustainable development.

At its final meeting for the current financial year, the Supervisory Board adopts a resolution on the existence of substantial contributions and sustainable development and the resulting pro-rata Variable Remuneration II. In order to assess sustainable development, the long-term impacts of the substantial contributions at the time of performance are forecast, and this prognosis is reviewed within twelve months of the expiration of a financial year. If, in the course of this fresh review, the original forecast turns out to have been grossly incorrect, if erroneous information was relied on in creating the forecast of sustainable development or if there are significant deviations between the real and expected course of events, the Supervisory Board will decide at its own discretion, exercising all due care and diligence, whether to reduce the variable remuneration II paid. However, if the sustained impact of the substantial contribution turns out to have been underestimated by the forecast, then the amount of variable remuneration II originally decided by the Supervisory Board can be retroactively increased.

By the last month at the latest of the financial year that follows the fiscal year in which the substantial contribution was made by the Management Board to the Company’s sustained development, the Supervisory Board will be required to establish the existence and extent of a claim for disbursement of Variable Remuneration II.

Variable Remuneration II is also capped by a maximum amount (cap or ceiling). This totals EUR 200K for Dr. Markus Braun, for Mr. Burkhard Ley it is EUR 160K and for Mr. Jan Marsalek the amount is EUR 130K.

In addition, the Company pays the members of the Management Board a gross amount of EUR 150K per annum toward a retirement pension. This is paid in twelve monthly installments. There is no entitlement to a pension commitment or any other old age retirement benefits other than that stated above.

In order to foster the long-term loyalty of executives and employees, at the Annual General Meeting of Wirecard AG held on July 15, 2004 a resolution was adopted to introduce an employee participation program based on convertible bonds (Stock Option Plan 2004). Further particulars of the Stock Option Plan 2004 can be found in the notes to the consolidated annual financial statements. The members of the Management Board were assigned 240,000 convertible bonds under this program in previous years, the expenditure on which was taken into account in the same years. The fair value at the time of issue amounted to EUR 1,293K.

In the event of a change of control, i.e. if one or more shareholders acting jointly are entitled to 30 percent or more of the Company's voting rights or if these are attributable to them, each member of the Management Board shall be entitled to the payment of a special bonus depending on the enterprise value of the Company. The special bonus in the case of Dr. Markus Braun and Mr. Burkhard Ley amounts to 0.4 percent of the enterprise value and to 0.25 percent of the enterprise value for Jan Marsalek. An enterprise value of the Company exceeding the amount of EUR 2 billion is not taken into account for purposes of calculating the special bonus; the special bonus is not paid if the purchase price in relation to all shares of Wirecard AG falls below EUR 500 million. The members of the Management Board are not entitled to extraordinary termination in the event of a change of control.

In addition to the special bonus, the members of the Management Board are entitled to the following remuneration in the event of their employment agreements being terminated: payment of fixed remuneration for the fixed duration of the employment agreement, payable in one lump sum but discounted to the date of disbursement at an interest rate of four percent p. a. as well as payment of the market value in cash for the stock options allotted but not yet exercised at the time of termination.

Post-contractual prohibitions on competition (restraint of trade) were agreed with the members of the Management Board, providing for compensation to be paid by the Company for the duration of the post-contractual restraint of trade of two years. This compensation amounts to 75 percent of the fixed salary last drawn by the members of the Management Board. Other income generated by the members of the Management Board for the duration of the prohibition on competition is to be deducted from such compensation. Furthermore, there are the usual rules in place relating to company cars, refunds of out-of-pocket expenses and other business-related expenditure.

Moreover, the Company has committed itself to paying a Management Board member's fixed salary for a period of six months after the commencement of an illness. In the event of the death of a member of the Management Board, his or her surviving dependants will receive the member's salary payments for two months.

In addition, the Company has undertaken to take out the following insurance policies for the members of the Board of Management: (i) accident insurance with insurance benefits of at least EUR 250K in the event of death and EUR 500K in the event of invalidity, (ii) life insurance in the form of direct insurance with a monthly premium of EUR 150 and (iii) a D&O insurance policy for the activities of the member of the Board of Management of the Company with a minimum cover sum of EUR 5,000K (currently EUR 10,000K) and a deductible of at least ten percent of the loss or damage up to at least one-and-a-half times the fixed annual remuneration of the member of the Board of Management. The Company has concluded this insurance for the benefit of its Management Board members.

During 2011 there was a loan to MB Beteiligungsgesellschaft mbH, whose sole shareholder is Management Board member Dr. Markus Braun. The maximum level reached EUR 241K. The loan was redeemed completely. There were no further loans.

In fiscal year 2011, the total emoluments of all members of the Company's Management Board, i.e. the total remuneration during the financial year for the duration of the individual persons' tenure on the Management Board, including amounts not yet disbursed in respect of variable remuneration I, amounted to EUR 2,645K

The following remuneration was set for the individual members of the Management Board for fiscal year 2011 (individualized):

REMUNERATION OF MANAGEMENT BOARD 2011

	Acting			2011
in '000	**Markus Braun**	**Burkhard Ley**	**Jan Marsalek**	**Total**
Fixed remuneration				
Fixed remuneration	500	450	300	**1,250**
Retirement benefits	150	150	150	**450**
Non-cash perquisites and other benefits[1]	20	22	3	**45**
	670	**622**	**453**	**1,745**
Variable remuneration				
Variable remuneration I	150	140	120	**410**
Variable remuneration II[2]	200	160	130	**490**
Share-based remuneration:	0	0	0	**0**
Stock Option Plan 2004	0	0	0	**0**
Stock Option Plan 2008	0	0	0	**0**
	350	**300**	**250**	**900**
Total	**1,020**	**922**	**703**	**2,645**

REMUNERATION OF MANAGEMENT BOARD 2010

	Acting			Previous	2010
in '000	Markus Braun	Burkhard Ley	Jan Marsalek[3]	Rüdiger Trautmann[4]	Total
Fixed remuneration					
Fixed remuneration	500	450	275	283	1,508
Retirement benefits	150	150	138	0	438
Non-cash perquisites and other benefits1	22	28	1	1	52
	672	**628**	**413**	**283**	**1,997**
Variable remuneration					
Variable remuneration[I]	150	140	110	0	400
Variable remuneration II[2]	200	160	119	0	479
Share-based remuneration:	0	0	0	0	0
Stock Option Plan 2004	0	0	0	0	0
Stock Option Plan 2008	0	0	0	0	0
	350	**300**	**229**	**0**	**879**
Total	**1,022**	**928**	**642**	**283**	**2,876**

[1] In particular, company car, place of residence near work, insurance policies.

[2] The Company may call for repayment of variable remuneration II, either wholly or in part, if the sustainability of the contribution made by the members of the Board of Management is not guaranteed.

[3] Jan Marsalek was appointed a member of the Company's Board of Management as of February 1, 2010 following a resolution adopted by the Supervisory Board on January 26, 2010. Therefore, the disclosures for Jan Marsalek relate to the eleven months of his service on the Management Board as of February 1, 2010.

[4] Rüdiger Trautmann resigned from his position on the Company's Board of Management effective January 31, 2010. In fiscal year 2010 he received his fixed salary for the month of January as well as a non-recurring compensation for observing a competitive restriction amounting to EUR 250K.

Remuneration paid to the Supervisory Board in fiscal year 2011

Remuneration of the Supervisory Board is governed by Article 14 of the articles of incorporation of Wirecard AG. Accordingly, members of the Supervisory Board receive compensation for any out-of-pocket expenses incurred in connection with the exercise of their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses) and also fixed and variable remuneration. Annual fixed remuneration totals EUR 55K. The variable remuneration depends on the Company's performance, geared to the consolidated EBIT (earnings in the ordinary course of business before interest and income taxes). For each million euros earned by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component increases by EUR 1K net. This minimum amount of EUR 30 million increases by ten percent per annum from the start of fiscal 2009 and accordingly amounts to EUR 39.93 million for fiscal year 2011.

Pursuant to the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board are taken into consideration separately. There are no committees of the Company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board one-and-a-half times the so-called basic rate of fixed and variable remuneration, respectively. Changes to the composition of the Supervisory Board during the fiscal year lead to remuneration being paid pro rata temporis. In addition, the members of the Supervisory Board receive a session fee of EUR 1,250.00 plus value added tax for each meeting of the Supervisory Board that they attend.

Remuneration or benefits in kind for services rendered personally, in particular consultancy and intermediary services, were conferred as follows in fiscal 2011: Mr. Henseler received a remuneration of EUR 8K for consultancy services. In addition, the Company has taken out liability insurance for the Supervisory Board members, covering statutory liability arising from the activities of the Supervisory Board. The deductible amounts to EUR 5K per event of loss or damage.

As at December 31, 2011, no loans have been granted to members of the Supervisory Board. In fiscal 2011, there was an overdraft facility to a member of the Supervisory Board in the amount of EUR 200K, which was fully repaid as of December 31, 2011.

Remuneration of Wirecard AG's Supervisory Board in fiscal year 2011

SUPERVISORY BOARD REMUNERATION 2011

EUR ´000s	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidaries	Total
Wulf Matthias	**Chairman**	01/01/2011	12/31/2011	110.0	7.5	70.0	0.0	60.0	**247.5**
Alfons W. Henseler	**Deputy**	01/01/2011	12/31/2011	82.5	7.5	52.5	0.0	47.5	**190.0**
Stefan Klestil	**Member**	01/01/2011	12/31/2011	55.0	7.5	35.0	0.0	35.0	**132.5**
Total remuneration				**247.5**	**22.5**	**157.5**	**0.0**	**142.5**	**570.0**

SUPERVISORY BOARD REMUNERATION 2010

EUR ´000s	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidaries	Total
Wulf Matthias	Chairman	01/01/2010	12/31/2010	110.0	7.5	62.0	0.0	61.3	**240.8**
Alfons W. Henseler	Deputy	01/01/2010	12/31/2010	82.5	7.5	46.5	0.0	48.5	**185.0**
Stefan Klestil	Member	01/01/2010	12/31/2010	55.0	7.5	31.0	0.0	35.6	**129.1**
Total remuneration				**247.5**	**22.5**	**139.5**	**0.0**	**145.4**	**554.9**

Directors' Dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG) the members of the Board of Management and Supervisory Board of Wirecard AG are required to disclose the acquisition and sale of Wirecard AG shares and related financial instruments. For the year under review, Wirecard AG received no disclosures by the end of the year.

Shareholdings of individual members of the Management Board and Supervisory Board as well as their related parties exceed one percent and are listed below.

– MB Beteiligungsgesellschaft mbH: 7.60 percent
(Managing Director: Dr. Markus Braun, CEO of Wirecard AG)

Responsible risk management

Responsible risk management constitutes an important basis for good corporate governance. The Management Board ensures appropriate risk management and risk controlling within the Company. The Management Board notifies the Supervisory Board on a regular basis of existing risks and the development and status thereof. Details relating to risk management are contained in the Risk Report (see Chapter 7 of the Management Report).

Transparency and communication

The Management Board of Wirecard AG publishes insider information regarding the Group without delay, unless exempted from the duty to do so due to special circumstances. The objective is to create the highest possible level of transparency and equal opportunities for all, and to make the same information available to all target groups at the same time if possible. Existing and potential shareholders can obtain current information on the Group's development via the Internet. All press and ad-hoc releases about Wirecard AG are published on the company website.

Audit of the annual financial statements and accounting

Since fiscal 2005, Wirecard AG has used the International Financial Reporting Standards (IFRS) as the basis for its accounting activities. At the Annual General Meeting Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, of Munich was appointed as the auditor for Wirecard AG. Interim reports were made accessible to the public within two months of the end of the quarter, and consolidated financial statements within four months of the end of the fiscal year. Half-year and quarterly financial reports are discussed with the Management Board by the Supervisory Board prior to publication.

The auditor of the annual financial statements is also required to report without delay on all findings and events material to the tasks of the Supervisory Board as determined in the course of performing the audit. In addition, the auditor is required to inform the Supervisory Board and/or to make a note in the audit report if he or she encounters facts in the course of the audit that are irreconcilable with the declaration of conformity issued by the Management Board and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG).

Corporate Social Responsibility

The Management Board believes that realizing Wirecard's social responsibility (corporate social responsibility, CSR) makes a major contribution to the Company's sustained growth. The Management Board is convinced that without a responsible ecological, ethical and social performance, the Wirecard Group will not be able to realize a successful future in business terms either. Given this basis, the Management Board has set out a sustainability strategy as well as guidelines for “Responsibility for Fundamental Social Rights and Principles”, “Leadership Culture and Cooperation”, “Equal Opportunity and Mutual Respect” and “Management of Resources”.

Sustainability strategy and management

The Wirecard Group aims to define specific objectives in its sustainability strategy for the orientation of its core business activities, e.g. minimum standards for energy consumption, assessment of environmental risks, etc. The targets laid down in the sustainability strategy are closely monitored as part of the sustainability management.

Responsibility for fundamental social rights and principles

The Wirecard Group respects internationally acknowledged human rights and supports compliance with these. This is why it relies for guidance on the relevant parameters of the international labor organization and rejects any deliberate use of forced or mandatory labor. Child labor is prohibited. It goes without saying that the Wirecard Group observes minimum age requirements for employment pursuant to the duties imposed by state legislation. The remuneration paid for and the benefits provided in a normal working week correspond at least to the relevant statutory minimum standards and the minimum standards of the relevant national fields of business.

Leadership culture and cooperation

Each supervisor assumes responsibility for his or her staff members. Each supervisor sets an example and is required in particular to rely on the principles of conduct in all his or her actions. By means of regular information and clarification concerning the duties and rights of relevance to his or her field of activity, the supervisor promotes the behavior of his or her staff members in accordance with the applicable rules. The supervisor places trust in the staff members, arranges clear, ambitious and realistic targets, and gives staff members as much own responsibility and freedom of action as possible. The supervisor acknowledges and rewards staff members’ performance. Any outstanding services are specially acknowledged and rewarded. Within the scope of their leadership functions, supervisors prevent unacceptable or inappropriate behavior. They are responsible in their field of responsibility for ensuring that no rules are violated where this could have been prevented or rendered more difficult in the event of appropriate supervision. Collaboration in a spirit of trust is reflected in mutual, open-minded information and support. In this way, supervisors and employees always inform each other of circumstances and business-related facts to enable them to act and make decisions. Employees and, in particular, supervisors are required to ensure speedy, smooth exchange of information. As far as possible within applicable restrictions, know-how and information are to be passed on in full and in good time without being compromised, in order to foster collaborative effort.

The Wirecard Group has made it its objective to open up personal and vocational prospects to its employees in order to promote outstanding performances and results. Simultaneously expects all employees to have exacting requirements of themselves, their performance and health, and to engage proactively in their own development.

Equal opportunity and mutual respect

The Wirecard Group guarantees equality of opportunity and equal treatment, notwithstanding a person's ethnic origin, skin color, gender, disability, philosophy, religion, citizenship, sexual orientation, social origin or political attitude, as this is based on democratic principles and tolerance of dissenters. Accordingly, it goes without saying that the employees of the Wirecard Group are selected, recruited and promoted solely on the basis of their qualifications and abilities.

Each of our employees is trained to refrain from any form of discrimination (e.g. by placing others at a disadvantage, harassment, or bullying) and to enable everyone to cooperate in a respectful manner in a spirit of mutual partnership.

Management of resources

The Wirecard Group strives for a proactive orientation to products, services and technologies with a positive impact on the Group's sustainability track record. In doing so, we promote environmentally friendly technologies and help to reduce the CO2 balance. Moreover, CO2 emissions arising from business travel, building management, IT data centers and material consumption are to be continually lowered over time. A first successful example is the Wirecard Group's commitment to the "Carbon Disclosure Project Germany".

The Wirecard Group also defines mandatory sustainability criteria for the procurement of products and services, including environmental and social aspects in particular. These criteria are taken into account in the field of contract awards. In the event of any material violations of sustainability standards, the Wirecard Group reserves an extraordinary right of termination.

Corporate Governance outlook

Upholding our corporate governance principles will continue to be one of our key management tasks in 2012. We will continue to gear our activities to the requirements of the German Corporate Governance Code, and we will implement this correspondingly. The Management and Supervisory Boards will continue to cooperate closely in a spirit of mutual trust and undertake to deal jointly with all business transactions of material relevance. We will provide our shareholders with the usual service regarding proxies and the exercise of voting rights at the Annual General Meeting scheduled for June 26, 2012. Implementing and improving our group-wide compliance program is another permanent managerial function which we are determined to pursue.

Declaration of compliance with the German Corporate Governance Code by Wirecard AG in conformity with Section 161 of the German Stock Corporation Act (AktG) German Corporate Governance Code at Wirecard AG

The Management Board and the Supervisory Board declare that since the submission of the last declaration of compliance dated March 28, 2011 the Company has been and will be in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code". This declaration refers to the Code's recommendations in the version dated May 26, 2010.

The following exceptions apply to the declaration of compliance referred to above:

1. No. 3.8 sentence 5 of the Code provides for the Company to take out D&O insurance for its corporate bodies, the Management Board and Supervisory Board with a deductible in the amount required by Section 93 (2) sentence 3 of the German Stock Corporations Act (Aktiengesetz–AktG). Wirecard AG has taken out a D&O insurance policy in respect of its corporate bodies, the Management Board of and the Supervisory Board. This policy provides for deductible amounts both for members of the Management Board and Supervisory Board. The deductible for members of the Supervisory Board does not correspond to the amount required for members of the Board of Management in accordance with Section 93 (2) Sentence 3 of AktG. According to the largely prevailing opinion, the statutory provision does not apply to members of the Supervisory Board. As a result, the Company is not currently planning to increase the deductible for members of the Supervisory Board. The Management and Supervisory Boards believe that it is a key factor that suitable persons are not deterred from taking on a Supervisory Board mandate with Wirecard AG due to an increased risk of personal liability resulting from a deductible stipulated in the D&O insurance policy.

2. Nos. 5.2 and 5.3 of the Code contain individual recommendations on committees of the Supervisory Board.

Since the present Supervisory Board of Wirecard AG consists of only three members, it has dispensed with the need to set up committees. All transactions subject to approval are also dealt with by the overall Supervisory Board. The Supervisory Board also plans to proceed in this manner in future.

3. No. 5.4.1 of the Code provides for specific objectives to be defined for the composition of the Supervisory Board, taking account of the specific situation and international activities of the Company, potential conflicts of interest, as well as an age limit to be defined for members of the Supervisory Board and diversity.

The Supervisory Board of Wirecard AG has not defined any specific objectives with regard to its membership. In its election proposals submitted at the Annual General Meeting, it will continue to adhere to the recommendations of the Code in future, assigning priority to the specialist and personal qualifications of candidates, irrespective of gender. In the process, it is a matter of course that the international activities of the Company are taken into account as well as potential conflicts of interest. The Supervisory Board welcomes the intention of the Code to counteract any form of discrimination and to promote diversity to an appropriate degree. According to Wirecard AG, it is not necessary to stipulate specific objectives to this end. Instead, the definition of such objectives would impede the Supervisory Board in its selection of suitable members.

4. No. 7.1.2 of the Code provides for the consolidated annual financial statements to be made accessible to the public within 90 days of the end of a fiscal year and the interim reports within 45 days of the end of the reporting period.

The regulations of the Frankfurt Stock Exchange applicable to the Prime Standard have thus far provided for the consolidated financial statements to be published within a period of four months after the end of a financial year. According to these regulations, interim reports are to be published within two months. In the past, the Company has adhered to these periods laid down by the Frankfurt Stock Exchange since the Management Board considers this time regime appropriate. The Company may publish the reports at an earlier date if internal procedures allow this to be done.

6. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

6.1. Events of particular importance

Publications according to Section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz* - WpHG)

Wirecard AG published its provisional annual results for 2011 in an ad hoc disclosure dated January 30, 2012. At the same time, the forecast EBITDA for 2012 was also published, which is expected to be between EUR 103 and 115 million.

Ad hoc disclosures dated March 7, 2012 and March 8, 2012 published details of the capital increase from authorized capital:

On March 7, 2012, the Management Board of Wirecard AG resolved, with the approval of the Supervisory Board, to increase the share capital from authorized capital from EUR 101,803,139.00 by EUR 10,180,313.00 to EUR 111,983,452.00 by issuing 10,180,313 new, no-par value bearer shares each with a proportionate interest in the share capital of EUR 1.00 against cash contributions. The new shares carry profit participation rights from January 1, 2011. The Management Board has excluded shareholders' subscription rights to these new shares, with the approval of the Supervisory Board. The new shares were offered to institutional investors as part of accelerated bookbuilding. Wirecard AG's Management Board has set the offer price from the accelerated bookbuilding for the shares from the capital increase at EUR 13.70. Gross proceeds from the issue of around EUR 139,470,288 accrued to the company from the capital increase. The new shares were included in the existing listing in the regulated market of Frankfurt Stock Exchange and in the sub-segment of the regulated market with additional admission requirements (Prime Standard).

In connection with the two corporate acquisitions that were performed in the fourth quarter of 2011 in Singapore and Newcastle, United Kingdom (total purchase price of up to EUR 70 million), the capital increase serves in particular to continue the acquisition strategy already announced by actively participating in the consolidation of the market for payment processing services in Europe and Asia.

Disclosures within the meaning of Section 25a (1) of the WpHG and Section 26 (1) of the WpHG

(reported to the company after the end of the period under review)

Details can be found online at
http://www.wirecard.com/investorrelations/financial-news/financialnews/

Additional key events

With effect from April 1, 2012, Wirecard Technologies AG acquired material assets from Netrada Payment GmbH with its registered office in Mainz, Germany. The customer portfolio comprises premium and luxury brands in the fashion industry.

This acquisition and the strategic alliance that has been agreed has allowed Wirecard AG to reinforce its position as a payment service provider for well-known manufacturers of branded goods. Netrada Payment GmbH specializes in providing services for payment and risk management processes in the fashion industry. It is part of Netrada Holding, previously D+S Europe, which offers end-to-end eCommerce fulfillment solutions for fashion, beauty and lifestyle and is a leading international outsourcing service provider. As part of the acquisition, a long-term strategic alliance has been agreed with Netrada Management GmbH for the provision of payment and risk management services. A cash purchase price of EUR 2.5 million has been agreed for the acquisition of the material assets of Netrada Payment GmbH. This is due for payment in the second quarter of 2012 A performance-related earn-out payment of EUR 0.5 million may have to be paid for fiscal year 2012. Taking into account synergistic-effects a positive EBITDA contribution is expected in 2012.

6.2. Impact on the Group’s financial position and results of operations

The capital increase which was successfully placed on March 8, 2012 at a price of EUR 13.70 has changed Wirecard AG’s financial position. Gross proceeds from the issue of around EUR 139,470,288 accrued to the company.

7. RISK REPORT

The following chapter explains the systems deployed by the Wirecard Group for risk management purposes and comprise a list of the essential risk categories as well as the relevant individual risks the enterprise perceives itself to be confronted with.

7.1. Risk-oriented corporate governance

For the Wirecard Group, the deliberate assumption of calculable risks and the consistent use of the opportunities associated with these risks form the basis of its entrepreneurial practice within the scope of value-based corporate management. With these strategies in mind, the Wirecard Group has implemented a risk management system that constitutes the foundations for risk and earnings-oriented corporate governance.

In the interests of securing the Company's success on a long-term, sustainable basis, it is therefore indispensable to identify, analyze, assess and document critical trends and emerging risks at an early stage. As long as it makes economic sense, the aim is to adopt corrective countermeasures and limit, avoid or shift risks, in order to optimize the company's risk position relative to its earnings. The implementation and effectiveness of any countermeasures adopted has to be continually reviewed.

In order to keep the financial impact of potential damage to a minimum, Wirecard takes out insurance policies - to the extent that they are available and economically justifiable. Wirecard continually monitors the level of coverage they provide.

By the same token, it is a Company-wide policy to identify, evaluate and take opportunities in order to sustain growth trends and secure the Group's earnings growth. Beyond that, the analysis also reveals the risks that would arise from a failure to take the opportunities that present themselves.

7.2. Efficiently organized risk management system

The Wirecard Group considers that a risk management system entails the deployment of an extensive range of instruments for dealing with risks. These include structural and procedural organization, procedures for risk management and controlling, and internal Group auditing. The Management Board is responsible for risk strategy, for the appropriate organization of risk management, for the monitoring of risk associated with all transactions, as well as for risk management and controlling. The risk management system is defined by the Management Board in the risk strategies that correspond to the business strategy laid down. These strategies are based on the corporate-policy and risk-strategy guidelines for risk management. The Management Board provides regular reports to the Supervisory Board on existing risks and their development.

The Wirecard Group has a standardized risk management system throughout the group, a system that is integrated into all business processes within all operating business units. This enables risks to be identified and analyzed in a comprehensive and timely manner, and assessed for the probability of their occurrence and the extent of potential loss or damage. The relevant risks, along with the measures adopted, are continually recorded centrally for the entire Wirecard Group. Appropriate early warning systems provide support in monitoring the risks and identifying potential problems at an early stage, thereby facilitating the timely planning of measures to be taken.

The centralized recording of risks with standardized risk metrics enables the Management Board to obtain an up-to-date impression of the overall risk situation of the Wirecard Group. The reporting system on relevant risks is controlled by pre-defined threshold values. Depending on the significance of the risks, reports are prepared regularly, however at least quarterly. The regular reporting process is augmented by ad-hoc reporting in order to communicate critical issues in good time.

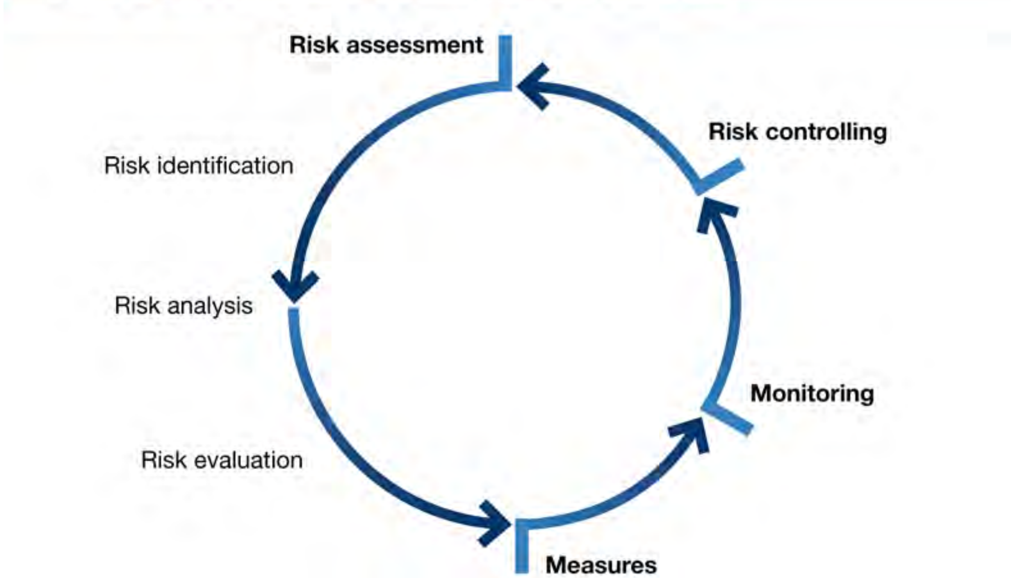
Within a limit defined in advance on the basis of various hierarchy levels, risk management decisions are made by the divisions responsible on a decentralized basis and monitored by the central risk controlling department. Appropriate instructions and guidelines create a uniform framework for dealing with potential risks.

Risk management is controlled on a centralized basis within the Wirecard Group and continually reviewed by the internal auditing department as well as by independent bodies for appropriateness, effectiveness and compliance with general statutory parameters. Where necessary, with the participation of the Risk Counsel, corrective measures are adopted.

Within the scope of project risk management, entrepreneurial decisions are taken on the basis of detailed project outlines describing the related opportunities and risks, which are then integrated into centralized risk management once the project has been approved.

The Wirecard Group perceives risk management as an ongoing process, as changes to the legal, economic or corporate governance parameters or changes within the organization may lead to new risks or to a reassessment of known risks.

Process of risk management within the Wirecard Group



7.3. Internal control and risk management system in relation to (consolidated) accounting processes

Wirecard has an internal control and risk management system relating to the (consolidated) accounting processes, in which suitable structures as well as processes are defined and implemented in organizational terms. This is designed to guarantee the timely, uniform and correct accounting of all business processes and transactions. It ensures compliance with statutory standards, accounting regulations and the internal group accounting directive, which is binding for all companies included in the consolidated annual financial statements. Any amendments to laws, accounting standards and other announcements are continually analyzed for their relevance to and effects on the consolidated annual financial statements; and the internal directives and systems within the Group are adjusted to take account of the resulting changes.

The foundations of the internal control system, in addition to defined control mechanisms, such as technical system and manual reconciliation and coordination processes, are the separation of functions and compliance with directives and work instructions. The consolidated accounting processes at Wirecard AG are managed by the Accounting and Controlling departments.

The Group companies prepare their financial statements locally and forward them to Wirecard AG. These companies are responsible for compliance with the directives and processes applicable throughout the Group as well as the due and timely execution of their accounting-related processes and systems. The employees involved in the consolidated accounting process are trained regularly on this topic. The local companies are supported by central contact persons during the entire accounting process. Within the scope of the accounting process, measures have been implemented to ensure the regulatory conformity of the consolidated financial statements. To this end, among other things, access rules are established for consolidated accounting in the IT-based accounting systems (range of read and write privileges), along with a system of simultaneous double checks (principle of dual control) and random checks by the local Accounting department, the Group Accounting department, Controlling, and the Management Board. These measures serve to identify and assess potential risks, and to mitigate and review any risks identified.

The consolidated annual financial statements are prepared on a centralized basis, using data from the subsidiaries included in consolidation. The Accounting and Controlling department is responsible for consolidation measures, certain reconciliation work and for monitoring time and process-related parameters. Technical system controls are monitored by employees and augmented by manual audits. The principle of dual control is the minimum requirement at each level. Certain clearance processes are required to be passed throughout the entire accounting process. In addition, a department in charge of fundamental issues that is separate from the preparation process is responsible for special functional issues and complex criteria.

The tasks of the internal auditing department include reviewing the reliability of the accounting system of the German and foreign companies, taking into account in particular the following issues:

- Compliance with statutory parameters and directives issued by the Management Board, as well as other guidelines and internal instructions
- Formal and material regularity of accounting and related reporting, including the IT systems deployed
- Functionality and effectiveness of internal control systems to avoid financial losses
- Regularity of task fulfillment and compliance with economic and business principles

Wirecard AG has a Group-wide standardized method to monitor the effectiveness of the internal, accounting-related control system. This process is consistently geared to the risks of possible erroneous reporting in the consolidated annual financial statements.

Wirecard AG’s Management Board has assessed the effectiveness of the accounting-related control system. The outcome of this assessment was that the internal, accounting-related control system was operable for the financial year 2011. The effectiveness of the internal control system is monitored by the Supervisory Board of Wirecard AG in accordance with the requirements of the Accounting Law Modernization Act (German acronym: BilMoG), which entered into force in May 2009.

The risk categories of relevance to the Wirecard Group are presented in the following figure. However, the sequence of the presentation does not imply any assessment of the probability of occurrence or the possible extent of any damage.

Overall risk	
Business risks	Economic risks, risks from competitive environment for wirecard and their customers
Operational risks	Personnel risks, risks arising from product innovation and utilization of third-party services
Information and IT risks	Risks arising from operation and change of IT systems, risks regarding confidentiality, integrity and availability of data
Financial risks	Risks arising from changes in exchange and interest rates, risks due to default of credit institutions
Debtor risks	Risks from charge backs, risks from default on payment obligations of customers of the Wirecard Group and of card holders
Legal and regulatory risks	Risks arising from legal or regulatory changes, legal disputes as well as license risks
Other risks	Environmental and reputational risks and risks arising from emergencies

7.4. Business risks

The Wirecard Group defines a business risk as the danger of a decline in earnings owing to changes to the volume of business and/or margins as well as corresponding (purchasing) costs.

Economic risk

The transaction-based business model of the Wirecard Group may indirectly be subjected to adverse effects due to consumer behavior. In the event of a dramatic deterioration in global economic conditions and a substantial decline in consumer spending, this may have a negative impact on the course of business and performance of the Wirecard Group. Moreover, the purchasing power of consumers might decline or the credit limit of their credit cards be exhausted, restricting consumers' ability to acquire merchandise and services by credit card. This could affect the volume of transactions handled by Wirecard on behalf of merchants. The current growth of trade and services on the Internet compared with traditional brick & mortar outlets could weaken or be reversed and lead to a decline in the Wirecard Group's business.

Current assessments by various market research institutions, as well as those referred to in the forecast report on future developments of electronic trading on the Internet, indicate that further positive growth is forecast for the next several years, particularly in the target markets of Europe and Asia.

The Wirecard Group will continue to monitor national and international developments in the political, economic and regulatory environment as well as economic trends so that it can take immediate measures as needed, in the improbable event of an unexpected change. In so doing, the growth of the eCommerce market and the other markets on which Wirecard operates, have proved to be so stable that Wirecard did not record any material negative impact on its busines, either as a result of the financial crisis or due to the euro crisis.

Risks arising from portfolio customer business

The Wirecard Group generates a significant share of its sales revenues from its extensive portfolio of existing customers. The successful integration of the acquisitions of past years into the corporate network of the Wirecard Group has contributed to the portfolio of existing customers.

If a significant number of regular customers should decide not to continue doing business with the Wirecard Group, this could have a negative impact on the development of its business and might influence the value of the customer portfolio.

However, in the context of the results of regular impairment tests, the high stability of the Wirecard Group’s existing customer business in the past fiscal years, and the competitive range of Wirecard's products and services, a trend of this kind appears to be unlikely.

Propensity of customers to invest

Due to the fact that our business model is primarily transaction-oriented, the introduction and use of products and services provided by the Wirecard Group calls for only a very slight level of initial investment by most customers. Nevertheless, even such small investments are subject to a decision-making process that is subject to a large number of factors. Changes to the overall social, political or legal situation can have a negative impact on customers’ willingness to invest or it may cause planned investments to be postponed. These risks are particularly evident in countries suffering from increased legal, political or social instability. It is only in the unlikely event that this phenomenon should reach global proportions that our business performance might conceivably be affected by one or several customers becoming less willing to invest.

Risks arising from the development of products

The need to ensure that the portfolio of products and services remains competitive in the long term calls for continual product innovations. Not only does the development of new products frequently involve long development times and high financial expenditure, it is also subject to a large number of risks. Errors in the course of project realization can delay market rollouts of new products, resulting both in opportunity costs and loss of reputation or direct damages being claimed.

The development, quality assurance and operating processes of the Wirecard Group have been integrated into the Group-wide risk reporting system. Thanks to regular quality controls, the Wirecard Group prevents the manufacture of faulty products. Strict project controlling ensures compliance of all procedures with internal Group and external regulatory parameters and ensures the highest of quality standards in development activities and operations.

Changes to the regulatory environment in our main sales markets are likewise constantly analyzed in order to determine any adjustments necessary to the product and service portfolio of the Wirecard Group.

Moreover, a dedicated internal approval process for product development means that the market potential of a product is examined and a profit margin that is in line with corporate objectives is ensured in terms of sales pricing. Nevertheless, on account of a failure of hedge measures deployed, in specific cases investments may be made that fall short of the expectations placed in them.

In view of the strict quality standards of our product development and the internal approval processes, the Board of Management does not anticipate any significant impairment of business activities arising from the risks associated with new product development.

Risks arising from international business activities

The Wirecard Group markets a substantial portion of its products and services across the globe. Both international and country-specific legal conditions and regulatory requirements influence our sales activities and the business performance of our customers. For instance, legal uncertainties prevailing in some regions can restrict our ability to enforce our rights and claims. Similarly, in some cases, a deterioration in general economic conditions in individual countries – for example as a result of political and social unrest, nationalization and expropriation, non-recognition of foreign debts by the state, foreign exchange regulations and the devaluation or depreciation of the local currency could have a negative impact on the business activities and the earnings of the Wirecard Group.

As a result of the contribution to earnings made by the countries placed at risk from the sovereign debt crisis, even in the improbable event of currency being devalued, for example by a country withdrawing from the Eurozone to return to a national currency, the Wirecard Group assumes that any risk would only be moderate.

In particular, political and social unrest may suddenly lead to the destabilization of a former supposedly stable country or economic region. This might lead to conditions deteriorating to the point where certain business models have to be abandoned. However, the Management Board assumes that, on account of the Group's regional diversification, any undesirable developments in specific regional sales markets cannot exert a substantial influence on the business performance of the Group as a whole. Ultimately, however, it cannot be completely ruled out that political or social changes in specific countries may have a detrimental influence on the earnings situation of the Wirecard Group.

The risk relating to international business operations also includes the transfer risk that arises if direct state intervention makes debtors unable to transfer assets to non-residents in order to meet obligations that have become due and payable.

Section 7.9 "Legal and regulatory risks" deals with the risks arising from national and international legal and regulatory systems regarding Internet use and the availability of software and services, especially in the field of payment services.

Risks arising from a trend reversal in outsourcing

Apart from a fundamental dependency on business trends of our customers or the general development of electronic trading, due to the Wirecard Group's positioning as an application service provider (ASP), i.e. as an outsourcing provider, there is the risk of a trend reversal in the direction of insourcing the development and/or operation of the IT infrastructure. The Company takes account of this risk by ensuring the fundamental possibility of a Wirecard software platform being installed at the customer's location. Based on current forecasts for future outsourcing trends in the ASP market environment, the Management Board believes the risk of a trend reversal to be low.

Risks arising from intensified competition

The Wirecard Group operates in a market environment characterized by strong consolidation of the range of providers available. These expectations were confirmed, for example by investments by various private equity companies on this market. In the event of customers being intimidated or increased competition from new or stronger rivals, this development could have a negative impact on business performance. Our role as one of the leading European providers of payment processing and risk management solutions implies that the Wirecard Group itself is a driving force behind the current consolidation movement in Europe and Asia and can therefore play an active role in shaping it.

7.5. Operational risks

The Wirecard Group considers operational risks to mean the danger of loss, damage or injury resulting from the inappropriateness or failure of internal processes and systems, from human error or from external events, and which have not already been dealt with in other fields of risk.

Personnel risk

Qualified and motivated employees are critical to sustained success in business. The growth of the Wirecard Group's business depends to a decisive degree on our ability to foster the loyalty of our current employees and also to recruit new, highly qualified members of staff in the face of intense competition for skilled personnel and executives.

A proactive personnel risk management system in place within the Wirecard Group ensures that possible risks relating to motivation, staff attrition and staff shortages are identified, assessed and - where necessary - suitable measures are adopted to mitigate the level of risk. By means of a proactive personnel policy based on the directives laid down by the Management Board, through profit participation programs, advanced vocational training opportunities and an attractive working environment, the Wirecard Group protects itself against the loss of key employees and thus counteracts a possible motivation risk.

Despite the increasing employment quota, the Wirecard Group also assesses the risk of a significant impairment of business performance due to staff shortages as low for 2012. The positioning of the Wirecard Group as an attractive employer will continue to help foster loyalty of qualified staff and to attract new personnel.

Risks arising in connection with customer projects

The successful realization of a customer project is basically subject to inherent risks and depends on a large number of factors.

In many cases these cannot be influenced by the Wirecard Group directly, or only to a limited degree, but may nevertheless have a negative impact on the Company's business performance due to increasing project expenses, for instance.

In addition, image loss and customer recourse claims may be caused by negative project developments caused directly by the Wirecard Group, for instance due to bottlenecks in resources.

The Wirecard Group's active project risk management and the targeted optimization of the risk profile of customer projects by the experienced project heads of the Wirecard Group serve to mitigate project risks. Risk management of customer projects is fully integrated into the Wirecard Group's Company-wide risk reporting system. Since the majority of customer projects are standardized integration processes, the overall risk structure of the project portfolio does not lead the Wirecard Group to anticipate the substantial risk of a negative impact on business performance for the future, either.

Risks arising from technical limitations

Some customer groups have very specialized requirements as regards the technical solution of their Application Service Providers (ASPs), sometimes due to their industry environment. Should these requirements change fundamentally and at short notice, there is a risk that the technical limitations in Wirecard Group's products and services compared with those of a competitor might cause customers of a given industry sector to migrate elsewhere.

While the high level of flexibility of the technical platform of the Wirecard Group facilitates a very far-reaching adjustment to the requirements of customers, it cannot be ruled out that changes to requirements profiles may occur in future that can only be handled through fundamental changes to the current platform. Should this trend not be identified in good time, this may result in temporary competitive disadvantages.

Owing to the continual monitoring of market trends, together with the high flexibility of the current technical platform, the Board of Management considers the likelihood of this risk occurring as low.

Risks arising from the use of third-party services and technologies

Parts of the Wirecard Group's range of products and services call for the commissioning of external software products and services. Qualitative deficiencies of the products supplied or services rendered, a bottleneck in supply or the total failure of these products or services may have a detrimental impact on the Wirecard Group's performance, if losses in sales or reputation result, or damages are claimed by customers of Wirecard AG or any of its subsidiaries.

Furthermore, there is a risk that, in future, licenses will no longer be available for third-party technologies in use, or that these technologies will no longer be accessible or not at acceptable costs. This can lead to significantly higher development expenses in the short term.

For performance relating to parts of its range of products and services, the Wirecard Group relies on service offers from external partners. If a service includes the use of IT systems, there is a risk that customer and/or transaction data might be misused. If this leads, for example, to any loss sustained by customers of Wirecard Bank AG, this could lead to a reputation loss for the Wirecard Group.

The Management Board is of the opinion that the system of active supplier management within the Wirecard Group, i.e., the targeted selection of suppliers according to strict quality criteria, the integration of suppliers into the quality management system of the Wirecard Group, proactive service-level management, and the Wirecard Group's comprehensive redundancy concepts provide wide-ranging protection from the risks resulting from the use of third-party services and third-party products. In view of the protection and hedging measures indicated, we consider the occurrence of a significant impairment to our business performance arising from the risks described above as very unlikely.

Risks arising from acquisitions

In the past, the Wirecard Group has acquired various companies or parts thereof. Goodwill has resulted from the consolidation of these acquisitions. Negative business performance by any or all of these acquisitions, which, however, currently cannot be foreseen, could lead to a deterioration in the cash flows to be expected from the acquired company, and thus a reduction in value due to the impairment of goodwill which would have a negative impact on consolidated earnings.

Based on experience from the successful integration of previous acquisitions the Management Board believes the risk for current projects (such Systems@Work or the Newcastle Building Society's credit card portfolio) is only slight.

7.6. Information and IT risks

The Wirecard Group defines information and IT risks as the potential that one or several weaknesses in our IT systems or software will be taken advantage of by a specific threat, causing confidentiality and/or integrity to be compromised or the availability to be diminished.

Risks arising from publication of business secrets

Mandatory and binding security standards and directives applicable throughout the Company for internal and external communications as well as comprehensive technological security and protection measures serve to counteract the risk that internal information will be published concerning, for example, future products, technologies or strategies.

The publication of confidential information on future strategic activities can result in considerable impairment to the Company's business performance. However, the Wirecard Group has implemented comprehensive security measures, as well as arranging for third parties to audit the Group's procedures and infrastructure on an ongoing basis in order to detect any security gaps. The Group therefore assesses this risk as slight.

Risks arising from processing and storing customer data

Due to the nature of its business activities, extensive transaction data is held by the Wirecard Group, providing also information both on the business activities of corporate customers and on the shopping behavior and credit status of consumers. The publication of confidential customer data can have a substantial adverse impact on the Group's business performance, both through reputation loss and direct claims for damages or contractual penalties. The falsification of customer data can have a negative impact on the Wirecard Group's performance, through both a direct cash outflow due to disbursement errors in payment transactions of Wirecard Bank AG and lost sales revenues due to incorrect statements in other fields of activity. Moreover, this may give rise to reputation loss and direct claims for damages being brought by customers.

A binding security concept throughout the Group, based on the industry standard PCI DSS (Payment Card Industry – Data Security Standards), directives on dealing with customer data, extensive quality assurance measures in the field of product development and technological backup and protective measures such as monitoring or early warning systems allow the risk of publication or falsification of customer data to be combated, even during the preparatory phase of an attack. Wirecard Technologies AG is certified according to the PCI-DSS standard. In addition, the Wirecard Group counteracts internal misuse through a closed concept, beginning with the selection of staff via a strict "need-to-know" principle all the way through to monitoring all instances of data access. In close cooperation with the Data Protection Officer of the Wirecard Group, experts ensure that personal data is processed solely in accordance with the rules and regulations of the applicable Data Protection Acts.

The Wirecard Group has implemented technical protective measures of its own along with solutions from third-party providers to prevent outsiders from obtaining customer data through "phishing", for instance. Moreover, it proactively warns customers of dangers and supports them in warding off attacks of this kind.

Even though the probability and consequences of such deliberate actions are difficult to assess, in the context of extensive security measures and continual reviews of processes and infrastructure by third parties, the Wirecard Group assumes that it is subject to a low level of risk.

Risks arising from the structure and operation of information systems

Information technology represents a strategic success factor in the Wirecard Group's business activities. The quality and availability of information systems but also their ability to respond speedily, flexibly and in a cost-efficient manner to changing market requirements are critical to the success in business of the Wirecard Group. System outages, quality problems or delays in developing or rolling out new products as a result of structural deficiencies in the IT systems can have a significant negative impact on business activities.

The information systems of the Wirecard Group are based on cost-efficient, modular and standardized technologies from well-known providers. Thanks to flexible processes and short product development cycles, the IT system of the Company does justice to its role as a trailblazer for new business models and facilitates speedy market rollout of new products. A redundant infrastructure with high availability facilitates the continuous operation of the Group's systems and protects these as far as possible from possible downtime, for example as a result of sabotage. An extensive quality management system ensures that the quality benchmarks required for the development and operation of IT systems appropriate for banks are met. Against the backdrop of the efficient technology and process frameworks and continual investments in the improvement of its infrastructure, the Wirecard Group perceives the risk that its business activity will be impaired by problems with its information systems to be low.

7.7. Financial risks

The Wirecard Group considers financial risks to mean possible negative impacts on account of fluctuations in exchange or interest rates as well as risks within the scope of Group financing activities.

Exchange rate risks of receivables outstanding in foreign currencies

Any anticipated holdings of foreign currency arising from transaction charges are partly hedged by suitable forward exchange transactions and/or currency options. No forward exchange transactions or currency options are deployed with the intention of speculating on gains. The fact that the bulk of material expenses are typically incurred in the respective transaction currency reduces the risk of exchange rate fluctuations substantially. If no hedging takes place, the residual risks of exchange rate fluctuations may reduce the Wirecard Group's earnings that are to be reported in euros.

Risks of investments in securities and derivatives

Risks may arise due to investments in securities if price declines occur in the case of the securities purchased, for example as a result of negative macroeconomic developments. Accordingly, the Wirecard Group has decided to make short-term investments in securities or longer-term investments with a term of up to five years in order to optimize interest income for the liquidity base of Wirecard Bank AG. The instruments considered include “collared floaters” and bearer debentures from various issuers. These issuers are exclusively banks with a minimum rating of “A”. The bond issue has a minimum interest rate and a maximum interest rate, and the reference values are EURIBOR and LIBOR (for USD). The bandwidth of interest lies between a minimum and a maximum interest rate, based on 3-month EURIBOR and LIBOR. Should the current 3-month EURIBOR or LIBOR rate exceed the maximum interest rate, the investor stands to lose the interest gain between the maximum and market interest rate. In contrast, investments in derivative financial instruments are exclusively made to hedge open items denominated in foreign currencies.

The Wirecard Group neither holds nor did it hold any short, medium or long-term bonds issued by the government or other government bodies, in particular it does not hold any government bonds from countries at risk from the sovereign debt crisis.

Risks arising from mismatches between liquidity investments and liquidity requirements

The Wirecard Group continually invests substantial amounts of non-required liquidity in demand and time deposits, overnight call money, as well as the base volume of liquidity on a longer-term basis in bearer debentures. Risks may arise due to a liquidity shortage if mismatches occur between the fixed investment term and the time at which liquidity is required. Bonds are repaid at 100 percent on final maturity. If funds are withdrawn before maturity, there is a price risk depending on the changing creditworthiness of the issuer, the remaining term to maturity and the current level of interest rates prevailing on the market. In view of the fact that only the base volume of liquidity less a substantial security reserve is invested on a long-term basis, the Management Board considers that the risk is low.

Risks due to default of credit institutions

The free liquidity invested in demand deposits and overnight (call) money, time deposits and bearer debentures with credit institutions outside the Wirecard Group could also be endangered if these credit institutions suffer from insolvency or financial difficulties. The Wirecard Group takes account of this risk both through strict checks on the total amount of such deposits and a conscientious review of counterparties. In addition to specific credit rating and profitability data relating to the relevant counterparties, external ratings -if any- enter into the review carried out by the Wirecard Group.

On account of the measures adopted as well as the high requirements regarding counterparties, the Management Board assesses as low the risk that Wirecard's deposits might be lost as a result of the insolvency of the credit institutions engaged.

Risks arising from fluctuations in interest rates

As part of its borrowing activities, in some cases the Wirecard Group agrees fixed interest rates through to the end of the redemption period, or its hedges against changes in interest rates using suitable hedge transactions as required. If the Wirecard Group has financing with variable interest rates based on international reference rates (EURIBOR, LIBOR), it observes changes in interest rates on an ongoing basis and when using this type of financing it takes decisions in individual cases as to whether and how the interest rate risk should be hedged using suitable instruments. An increase in the reference interest rates can cause the interest expenses for borrowing to increase, however this may be compensated by the corresponding positive effects from interest income on existing bank balances and securities.

Risks from contractual regulations for credit financing

Recently, the Wirecard Group has, in some cases, used borrowing to finance the acquisition of companies or parts of companies. The Management Board has concluded credit agreements while performing this strategy. In these agreements, the Wirecard Group has made standard undertakings to uphold certain contractually defined financial indicators (covenants). In addition, as part of the standard contractual conditions used by the banks, a restriction has been imposed on the Wirecard Group's possibilities to encumber or sell assets, to acquire other companies or participating interests, or to perform conversions. The Wirecard Group fully upholds these contractual conditions. The Management Board does not believe that these undertakings will have a negative impact on the Wirecard Group's business activities.

7.8. Default risks

The Wirecard Group understands default risks to mean possible value losses that could be caused by a business partner being insolvent or unwilling to pay.

Risks relating to receivables from merchants

There is a risk of credit balances (reserves) retained by the Wirecard Group for chargebacks not being sufficiently high in specific cases to adequately secure the Wirecard Group's receivables from merchants.

To counteract the risk that business customers of the Wirecard Group might default on their payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before business relations with them are initiated. Merchants' payment flows are monitored on a regular basis, and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system.

Receivables from merchants impacted by risks may arise inter alia from chargebacks following the insolvency of merchants, from merchants who are subject to increased risk on account of their business models, from violations by merchants of applicable rules and regulations as well as by fraud on the part of merchants. The risks of default arising from the Acquiring business, consisting of potential chargebacks following a merchant's insolvency or inability to deliver are very low since open receivables from customers are covered by individual collateralization (reserves) or alternative means of hedging such as delayed payouts to merchants, bank guarantees or insurance policies, all of which are adjusted regularly based on close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate, and as a result, justified claims for payment by the Wirecard Group, especially resulting from the reversal of credit card transactions, might not be enforceable against the merchant in question. As a rule, this form of collateral security is adequate.

In certain circumstances, cardholders are entitled to revocation and reversal of a transaction charged to their accounts. In those specific cases in which the collateral from the merchant is inadequate or the merchant will not or cannot refund the amount repayable, the Wirecard Bank itself is required to bear the costs of the reversal.

In principle the risk involved in the field of trade receivables depends on the business model of the merchant. There is an increased risk where there is no direct chronological link between goods supplied or services rendered and the transaction, i.e. where the goods or services are to be provided at a later date (e.g. booking of airline tickets or tickets for certain events). The periods within which chargebacks may be made by the cardholder only begin to run once the period for performance on the part of the merchant has elapsed. The Wirecard Group takes account of this risk by means of individual collateralizations (reserves) or, alternatively, by delaying payouts to merchants, or bank guarantees or insurance policies. All measures are adjusted on a regular basis thanks to close monitoring of merchant business operations.

A violation by a merchant of the rules and regulations in force might lead to a credit card organization calling for conventional penalties to be imposed on the merchant. These payments would be charged to the merchant by the Wirecard Group on the basis of existing agreements.

Merchants can act fraudulently in various ways and, as a result, harm the Wirecard Group in its role as an acquirer or as the party engaged in the payment process in some other role. Examples include fraud relating to credit notes, fraudulent insolvency, submitting third-party payment records, re-using card data and offering bogus services to the end customer. To counteract this risk, the Wirecard Group subjects merchants to a comprehensive analysis of their credit rating, reputation and business history before entering into business relations with them. Moreover, once an account has been set up, all business relations are continually monitored for suspicious features or possible fraud patterns. Defaults in payment may occur if, in spite of all preventive and risk management measures, the merchant turns out to be fraudulent and fails to deliver the service, or deliver it properly, to the end customer/cardholder, after payment has been collected.

In consideration of the fact that retained credit balances (reserves) are adjusted for the risk posed by the individual merchant, and that technological aids are deployed to monitor merchants, the Management Board finds the risk to the business operations of the Wirecard Group to be minimal.

Risks relating to receivables from cardholders and third parties

Fraud by cardholders or other parties purporting to be cardholders also represents a risk for the Wirecard Group since this may lead to chargebacks and increased charges by the card organizations. The Wirecard Group handles this risk by deploying a comprehensive transaction risk management system that identifies fraud patterns at an early stage and rejects payments of this kind. The possibility of passing on the costs to merchants in the event of fraud cases is governed on a contractual basis.

7.9. Legal and regulatory risks

The Wirecard Group understands legal and regulatory risks to mean the possible consequences of a change to the national and/or international legal and regulatory parameters for payment systems, for the development and availability of software, and for Internet use in the course of business. This extends to risks relating to legal disputes with customers and service providers as well as risks of non-compliance with rules and regulations pertaining to commercial and company law, and with the rules embodied in the articles of incorporation for the accounting process for all German and foreign subsidiaries.

Risks arising from non-compliance with legal and regulatory framework parameters

The Wirecard Group provides payment processing services and payment methods for a wide variety of goods and services both nationally and internationally. In addition to the regulations under laws for the capital markets and public limited companies that apply to Wirecard AG, legal and regulatory requirements for payment systems therefore influence business performance. However, the legal and regulatory framework and the risks taken with respect to the services of our customers - i.e. for the most part the merchants and services providers operating on the Internet - also have a direct or indirect bearing on our business performance. Contractual negotiations and tax-law related issues are of particular significance in the cross-border segment. The expertise necessary for assessing day-to-day operations is provided by the qualified staff of the Wirecard Group. To further mitigate risks, when dealing with complex issues the Wirecard Group enlists the services of external legal and tax consultants.

In parallel, in particular legal rules and regulations for use of the Internet or guidelines concerning the development or provision of software and/or services can differ profoundly both on a national and international scale. For instance, customers in the field of online pharmacies and games of chance are subject to a high degree of national or international regulation, with a trend in the direction towards greater regulation density becoming discernible in certain areas. This may lead to certain transactions or the processing of payments for these to be available online only to a limited degree or not at all, depending on the countries in question. The Wirecard Group counteracts the associated risks to its business activities by cooperating closely with regional or specialized law firms that provide assistance both in launching new products as well as in ongoing business processes and business relations.

The Wirecard Group perceives conformity with national and international underlying legal conditions as indispensable to sustained business development, and insists on complying with all the relevant regulatory requirements as they apply both to internal operations and to its customers. Moreover, the Wirecard Group makes every effort to maintain a customer structure that is diversified, both regionally and with regard to its operations, in order to limit the risk to the Group's business activity and earnings deriving from changes to underlying legal conditions and from regulation.

Accounting-related risks

To ensure compliance with all rules and regulations under commercial and company law as well as its articles of incorporation as they apply to the accounting process for all domestic and foreign subsidiaries, the Wirecard Group has established an internal control system (cf. Chapter 7.3).

Note that an internal accounting manual clearly defines the Group's responsibilities, processes and accounting principles. In addition, access rules are established in the IT-based accounting systems (range of read and write privileges) along with a system of double checks and random checks by the local Accounting division, the Group Accounting division, Controlling, and by the Management Board with regard to consolidated accounting. Internal and external training courses prepare staff members concerned with accounting for accounting-related changes and teach them about new products, processes and requirements.

The objective of the internal control system is to ensure that all transactions are completely and correctly recorded and processed. Errors in accounting are to be categorically avoided, and any incorrect assessments must be identified quickly. In this connection, compliance with local regulations and with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) is monitored in the course of preparing the consolidated financial statements and the interim reports.

This is ensured by, among other things, recording the IFRS financial statements of the individual Group member companies in a uniform system that is reviewed on a regular basis by independent organizations and is subjected to system-based validations and additional manual checks by the Group Accounting division.

On account of the safety measures outlined above, the Wirecard Group assesses the risk of specific regulations or standards not being complied with, or only in part, as low.

Risks arising from litigation

The Wirecard Group filed compensation suits in particular due to fraud against a customer and individual related parties for this customer in the United Kingdom. In 2010, as a result of the ruling issued by the High Court in London against the defendant, enforcement started and during the year under review it was possible to collect the bulk of the outstanding amounts by way of public auction. The amounts still outstanding are to be collected as part of further enforcement proceedings. The company believes that its receivables will have been satisfied in full when the enforcement proceedings are completed.

Risks of contractual violations by contracting partners

Other legal risks result from a possible violation of contractual agreements by our contracting partners or the lack of enforceability or a change to the underlying legal conditions, particularly in other countries. The Wirecard Group takes account of such potential risks by stipulating its choice of law and place of jurisdiction in agreements wherever possible. Moreover, receivables are also consistently collected in the international environment, where appropriate collateral is agreed on with contracting parties.

Risks of inadequate insurance and inadequate provisions

For certain legal risks, the Wirecard Group has taken out third-party liability insurance with cover sums considered appropriate and customary in the industry by the Group's management. The Wirecard Group sets up provisions for legal disputes whenever an obligation is likely to arise and an adequate assessment can be made of the amount involved. The insurance cover of the provisions set up for legal disputes might turn out to be inadequate to cover the losses or expenses ultimately resulting from such disputes.

Risks arising from license agreements

Wirecard Bank AG is a member of the credit card companies MasterCard and Visa (a so-called Principal Member) as well as JCB International Co. Ltd. and has licenses both for "Issuing," i.e., issuing cards to private customers and "Acquiring," i.e., acquiring merchant acceptances. In addition, Wirecard Bank AG holds licenses for online acquiring for China UnionPay and for Discover/Diners Club. In the theoretical event of termination or cancellation of these license agreements, the business activities of Wirecard AG or of Wirecard Bank AG would be substantially impaired. The Wirecard Group mitigates this risk by communicating constantly with the credit card companies and complying strictly with contractual and regulatory parameters.

Risks arising from changes to interbank fees and charges

In the case of the transactions regarding Visa and MasterCard payments to be settled in accordance with the four-party model between the issuing bank ("issuer") and the acquirer, an interbank charge referred to as an "interchange fee" is charged for the services provided by the issuer. If these fees should be newly adjusted, in particular under European law, the Wirecard Group's business model means that even a substantial reduction in these charges would have no major impact on its earnings since these fees are included in calculating its remuneration.

7.10. Other risks

Reputation risk

There is a risk of the trust and confidence of customers, business partners, employees and investors being adversely impacted by negative reports on a transaction, a business partner or business practice involving a customer.

In particular, this risk arises from intentional dissemination of false information, breach of contract by customers, misdirected information as well as communications of any dissatisfied employees or customers resulting in an adverse impact on the Company's reputation.

The Wirecard Group is aware of this risk and therefore continually reviews the statements on its products as well as the reporting on the Wirecard Group in the market (print media, television, Internet, forums, etc.), in order to take suitable countermeasures in good time where necessary. Furthermore, reports of Internet domains with similar names possibly used with fraudulent intent or to impair a company’s reputation are monitored in collaboration with an external service provider of note, as is abuse of the Wirecard logo.

Risks of natural hazards

The Wirecard Group is exposed to external risks such as natural disasters, pandemics, fire and accidents. As a result, this may give rise to damage to office buildings or to the IT infrastructure of the Wirecard Group; the latter may also be indirectly impacted by loss, injury or damage sustained by its external service providers. Such events might also lead to a disruption of Wirecard’s business operations.

The Wirecard Group makes an effort to prevent such hazards by adopting many and various measures; for instance an assessment catalog is used for the selection of future locations, in which environmental aspects also play a decisive role in avoiding risks of natural hazards and perils. Moreover, in the event of a risk occurring, contingency and ongoing operational plans as well as directives for action by key executives have been defined in advance to ensure maintenance of essential business operations, as well as plans to restore and resume normal operations again in order to mitigate potential negative consequences. In addition, the Wirecard Group solely uses reliable external service providers who guarantee high availability and contingency plans.

Although there has been greater awareness of natural hazards for some time now, the Wirecard Group assumes that the probability of natural hazards occurring is slight and assesses the risk of a substantial impairment of its business operations as low. In addition, appropriate insurance policies have been taken out to mitigate the possible loss or damage, if commercially acceptable.

7.11. Summary of overall risk

On the whole, the Wirecard Group recorded positive development in the overall risk structure in the period under review. Thanks to ongoing optimization of the risk management system, particularly with regard to the development, volume and complexity of the business, closely in line with acknowledged industry standards and the implementation of a large number of risk-minimizing measures, it was possible to ensure that of the quantifiable risks identified within the scope of Group-wide risk management none falls within the category of risks likely to endanger the Group's existence as a going concern. It is worthy of emphasis that both external auditors and the internal auditing department reviews the effectiveness of risk management and its adequate implementation under supervisory law at regular intervals.

In the period under review the decisions taken within the scope of risk management successfully contributed to the prevention of losses for the Wirecard Group and, in particular, for Wirecard Bank AG.

Accordingly, the Wirecard Group considers itself to be well equipped when it comes to risk management for 2012.

8. CORPORATE CONTROL, OBJECTIVES AND STRATEGY

8.1. Company management

The internal corporate control system used by the Wirecard Group serves to ensure the continuous control and tracking of predefined key performance indicators. It is based on independent controlling models for each individual business segment.

These are consolidated at Group level and integrated along with the financial results into an ongoing forecast of future business trends based on a rolling forecast. The individual key performance indicators make it possible to measure whether the various corporate objectives have been or are in the process of being achieved.

Central indicators of corporate governance are predominantly quantitative in nature, such as transaction or customer numbers or sales revenue and minute volumes, as well as additional indicators such as the profitability of customer accounts. The focus here is on profitability, measured in terms of EBITDA, as well as on additional relevant balance sheet relationships and ratios. In parallel, qualitative performance indicators, such as customer and employee satisfaction or product and service quality, are recorded on a regular basis.

A central element of control is the consistent reconciliation of key figures with long-term business forecasting. To be able to identify changes in business trends and adopt appropriate countermeasures at an early stage of a divergence from plans, particular importance is assigned to these indicators. As part of a Group-wide reporting system, the Management Board and heads of divisions are kept updated on the development of key performance indicators.

The sustained growth of the Wirecard Group is the result not least of this internal control system, which allows management to respond flexibly to changes in a dynamic market environment.

8.2. Financial and non-financial objectives

Earnings before interest, taxes, depreciation and amortization (EBITDA) is the central performance indicator for operational and financial controlling purposes for Wirecard AG. For the 2012 fiscal year, EBITDA is expected to range between EUR 103 and 115 million. This forecast assumes continued strong growth on the eCommerce market as well as a steady increase in the number of new customers.

The Internet has established itself as a key distribution channel and demands constant adjustments in payment processing to match innovative business models. Customers expect providers to the utmost in comfort and security when making payments online. In view of these constantly growing requirements, most companies no longer even ask if they should outsource payment processing to a technical service provider, but rather how they should best do so. Contracts for card acceptance, individual payment services or protection against payment defaults are just some examples of issues that have to be organized.

Complexity increases if contracts have to be concluded with various providers, with technical integration required in each case. The Wirecard Group offers a flexible, end-to-end platform with integrated banking services, and thus significantly reduces these challenges for traders.

Thanks to the steadily growing number of customer relationships and increasing transaction volumes, additional economies of scale can be realized from our transaction-oriented business model, and we can also expect significant synergy effects from our banking services.

Other essential financial targets for the Wirecard Group's operations include maintaining its comfortable equity base and keeping liabilities at a low level. A capital increase was performed as a result in March 2012, in order to ensure that it is possible to realize opportunities for consolidation at any time, mostly with equity financing.

We deal with additional financial objectives in section 9.7 "Expected earnings and financial position".

All of the financial and non-financial objectives aim to achieve continued success and profitable corporate growth along with the enhancement in enterprise value that results from that growth.

An additional objective is to maintain our lead in innovation and technology by identifying and proactively shaping essential market trends at an early stage. High product and service quality represents the basis for sustained, long-term customer relations and is therefore among our essential corporate objectives.

Positive corporate growth is mostly based on highly motivated, well-qualified employees. These include target agreements that are measured not just in terms of entrepreneurial success, but that also reinforce the personal development and abilities of each individual employee.

The Wirecard group has outperformed the market because it also bases its strategic decisions on sustainability.

Sustainability

Wirecard AG is a globally oriented group of companies with an overriding organic growth strategy. Sustainable corporate governance, focused not only on strategic development, but also on the Group's social responsibility and on the interests of staff, customers, investors and suppliers as well as other groups associated with the Company, is therefore an increasingly important factor in maintaining stakeholder value.

Our business model replaces manual, paper-linked processes by processing electronic payments online, and saves resources by avoiding waste. In its working paper "Digital Agenda Scoreboard" dated May 2011, the European Commission noted that the expansion of electronic trade which it aims to bring about also serves to protect the environment. In addition, optimized logistics for orders placed online and digital content that can be downloaded from the Internet consume less energy.

As a result, Wirecard AG will focus even more intensively on issues that economically, ecologically and also on socially relevant issues in an effort to make its own particular contribution toward a viable and sustainable society.

Our values are inseparably linked to our business model, where success is based on security, reliability and trust. We provide solutions that enable merchants to process their payment flows via a single platform. We monitor the quality of our customer relationships using regular customer surveys. Customer satisfaction is a central, non-financial objective for the Wirecard Group.

To allow it to meet its social responsibilities, the Wirecard Group aims to set concrete targets for its sustainability strategy that are compatible with the core business, including minimum standards for energy consumption, the analysis of ecological risks, etc. The targets laid down in the sustainability strategy are closely monitored as part of sustainability management.

8.3. Corporate strategy

In the past fiscal year 2011, the Wirecard Group reached its own operating targets and successfully implemented its strategy of mostly organic growth and targeted expansion in Europe and Asia.

Our acquisition of Procard Services FZ LLC in Dubai in 2011 means that we have taken over a specialized payment processing company, which mostly has regional banks as customers. The location also serves as first-level customer support for existing customers in the airline industry located in the Middle East. Our acquisition of Procard is also in line with our Group strategy of leveraging synergy effects.

Our acquisition of the payment provider Systems@Work with its brand TeleMoney in December 2011 means that, as part of our expansion of our core business in Asia, we are able to expand our position on the South East Asian market. Systems@Work's customer portfolio includes government operations, such as the Singapore Land Transport Authority (city toll system), banks and telecommunications providers. In the high-growth mobile payments sector it processes payments for example for the country's largest fleet of taxis. As a result, Wirecard can use existing experience from a successful solution for the European market. We process payments as services for the Moneysend product (MasterCard Asia), which allows money to be sent comfortably and at low cost internationally between all MasterCards and Maestro cards.

The Wirecard Group has acquired the prepaid card business from the Newcastle Building Society in the United Kingdom, with one of the largest card portfolios in Europe, thus substantially expanding its existing Issuing division into Europe. The transaction reinforces the Wirecard Group's position as one of the leading providers on the European prepaid market.

The card portfolio has been taken over by a recently formed UK subsidiary of the Wirecard Group, Wirecard Card Solutions Limited. The takeover will be performed in two phases: In the first phase, Wirecard Card Solutions Ltd., as an outsourcing service provider, has taken over key functions as part of the Newcastle Building Society's prepaid card business. In the second phase, Wirecard Card Solutions Ltd. will take over full control of the business, as soon as it receives its license as an eMoney institution from the UK Financial Services Authority.

The renewed successful course of our operations in the year under review confirms our general strategic orientation and once again underscores the sustainability of the synergy potential sourced from combining technology with banking. The great added value within the Group as a whole made a critical contribution to our profitability in the period under review. A holistic approach and significant cost benefits serve to reinforce and consolidate our future position in global competition, even in difficult worldwide economic conditions.

The strategic objectives of a system of extensive and fully integrated functional coverage of the entire value-added chain of electronic payment processing will continue to form the foundations of our business and product policy in years to come. In addition, in 2012 we will constantly adjust our product portfolio in 2012, expanding it in order to be able to react flexibly to the market's needs.

In terms of our growth strategy, in 2012 we will continue to rely on organic growth in our target markets of Europe and Asia, and we will use opportunities for acquisitions. However, what is critical is that we meet a strict range of criteria, so that we can continue to play an active role in the dynamic consolidation of the European and Asian ePayment markets.

9. FORECAST

9.1. Underlying economic conditions in the two coming fiscal years

The International Monetary Fund (IMF) downscaled its forecast for global economic growth by 0.7 percent in January 2012, and by 0.6 percent for 2013. Global economic output is now expected to increase by 3.3 percent in 2012. The outlook for 2013 is currently slightly higher at 3.9 percent.

In the eurozone, the IMF is forecasting a downturn in economic output of -0.5 percent this year and an increase of 0.8 percent in 2013. The figures for Germany are slightly better with growth of 0.3 percent in the current year and 1.5 percent in 2013.

The European Commission is forecasting economic output in the eurozone to fall by -0.3 percent and for there to be zero growth in the European Union.

In January 2012 the German government forecast German gross domestic product to increase by 0.8 percent in 2012 and 1.6 percent in 2013. The EU Commission and the Deutsche Institut für Wirtschaftsforschung (DIW) are forecasting an increase of 0.6 percent In 2013, the Commission is forecasting growth of 1.5 percent, and DIW is forecasting growth of 2.2 percent.

9.2. Future situation in the industry

We can assume that the European eCommerce market will also continue to enjoy dynamic growth in the coming years.

As a result of the summarized forecasts for Europe by market research institutes such as Forrester Research, PhoCusWright, Deutscher Versandhandelsverband, Handelsverband des Deutschen Einzelhandels and other institutes, we are forecasting growth for the European eCommerce market of around 11 percent in 2012 spanning all industries.

In its “Digital Agenda”, in May 2011 the European Commission showed that growth in eCommerce and online services is an essential factor for overall European economic growth. eBusiness is to become a key economic factor. Cross-border electronic trading currently only accounts for 3.4 percent of European retailing.

If we look at the individual countries, Germany already has a comparatively strong eCommerce profile. 60 percent of German Internet users are online frequently and 75 are online regularly. Only 17 percent of all Germans, compared to 26 percent of all EU citizens, have never been online. However, the Germans still play a lower than average role in cross-border online purchases.

Individual activities to combat fragmentation of the digital internal market that are included in the EU Commission’s agenda, include:

- Online customers have to be able to choose between various means of payment that ensure rapid, secure and low-price payment execution (card payments, Internet-based and mobile payment systems). Not all European citizens have a credit card, and as a result the acceptance of debit cards for Internet payments should increase.
- Cross-border online retailing has to be simplified with regard to the hurdles which continue to exist. There are still practical questions regarding payments, delivery, to provision of collateral or the risk of data abuse that are still open and which prevent consumers from using the advantages the Internet offers to their full extent when making purchases or when selling their goods and services.
- The aim is also to secure higher security standards and legal security or legal entitlements via an EU-wide set of rules, in order to inform Internet merchants of their obligations in cross-border retailing, and the opportunities that sales in other EU countries offer.

Perspectives in the target industries

Consumer goods

According to its current study “European Online Retail Forecast: 2011 to 2016”, Forrester Research is also forecasting the percentage increase in online trading in the EU 17 countries to exceed that in bricks-and-mortar retailing. The average annual increase is expected to total 12 percent.

The Bundesverband des Deutschen Versandhandels (bvh) is convinced that eCommerce in Germany will grow by 16.5 percent in Germany in 2012. bvh estimates that revenue figures in pure online retailing will increase to EUR 25.3 billion. The entire volume of mail-order trading is forecast to total EUR 36.5 billion. In comparison: according to the Handelsverband des deutschen Einzelhandels (HDE), the entire volume of retail revenues in Germany is set to total EUR 414 billion this year.

Online shopping using mobile devices is in its infancy. According to Forrester, 8 percent of Europeans have already used mobile devices for shopping. With a very few exceptions for very large online merchants, these were mostly impulse purchases, digital goods and tickets. We cannot yet speak of an established sales channel. The anticipated growth on mobile purchases will be also be impacted in future by the possibility of comparing prices in bricks-and-mortar retail and location-based services. A link between the Internet and bricks-and-mortar retail is being created.

Multichannel–moving from a trend to become reality

According to a current study by the auditing firm KPMG and the EHI Retail Institute “Trends im Handel 2020”, retail should not regard various sales channels as competing with each other, but that these complement each other. The boundaries of how consumers come into contact with the merchants’ shop are flexible: hybrid shop solutions are the future. Experts are talking about “no-line retail”, which means that customers apparently do not distinguish between the sales channels, but that they use various means of access.

This development is accelerated by the new mobile terminals which boost the convergence between the online and offline worlds. Opportunities to compare prices in real time and information on the product in connection with eMarketing-related activities give bricks-and-mortar retailing new opportunities for customer loyalty.

We can even see a trend in that pure Internet mail order companies are spreading into pedestrian precincts, in order to pursue the multichannel approach.

Online retailing - the opportunities

For Wirecard AG this transition, and the start of convergence between the online and offline worlds are opening up excellent perspectives. We offer merchants one-stop-shopping for all services, be this support in internationalization or the harmonization of back office processes for everything to do with finance transactions.

Digital goods

A current report by DFC Intelligence shows that the global market for video games could reach a volume of USD 81 million through to 2016. This estimate mostly relates to console hardware and software (online and offline), PC games and games for portable devices. Online is to account for an increasingly large proportion of revenues.

The organization ifpi, which represents the global music industry, estimates, in its "Digital Music Report 2012", that global revenues with digital music increased by 8 percent in 2011 to USD 5.2 billion The industry is confident that music downloads or streamings will also increase thanks to subscription models, as the number of providers now spans 58 countries. 500 legal providers already operate worldwide. During just one year, the number of subscribers increased in 2011 from 8.2 million to 13.4 million registered users.

mCommerce will also have a positive impact on the development of this area of business for all aspects of digital goods. The rapid increase in mobile apps will play a particular role. New apps are increasingly hitting the market, addressing users of smartphones and tablets, including with business applications. The basic version of these offerings is free in some cases, and they are mostly linked to subscription models for which charges are levied.

The European Gaming and Betting Association (EGBA) puts the volume of the European gaming market at a current total of EUR 10 billion. Attempts by the EU Commission to create a uniform market in view of deregulation are not yet over.

An increase in volumes is also expected for online dating and software downloads and software as a service.

Digital Goods and the opportunies

In 2011, Wirecard AG concluded promising contracts with customers for digital goods. These customers are currently coming to the market with new online business models, and some of them have an enormous international reach. Linking payment processing with subscriber management functions will open up opportunities to acquire new customers in this area.

Tourism

The European online travel market will grow by around 10 percent according to forecasts by the well-known market research company for the travel industry PhoCusWright (PhoCusWright's European Online Travel Overview Seventh Edition). Europeans are increasingly booking travel online. By 2013 the percentage of private online travel bookings will already comprise 41 percent of the total tourism market. In comparison: In the USA this proportion is estimated to be around 40 percent.

Tourism - the opportunities

Wirecard AG has an excellent market position thanks to its strategic alliances and interfaces to all of the industry-specific operators for online tourism, for example from booking engines and globally networked booking systems. Solutions such as Supplier and Commission Payments (SCP) bring enormous potential for growth. Not only international card acceptance agents, but also the activities required especially in the airline industry to avoid fraud constitute a competitive advantage. Integration of the Amadeus interface Open Travel Alliance (OTA) has allowed us to significantly simplify the integration of payment services for our customers in the tourism industry.

The strategic alliance recently concluded with TravelTainment GmbH spans the expansion of the Dynamic-Packaging-Products TT-DataMix, which enables seamless payment processes together with Wirecard's Supplier and Commission Payments (SCP) solution. TT-DataMix puts together ready-packaged package tours for travel operators, which can be marketed directly via the linked sales channels. This product is an innovative solution for multichannel commerce and is meeting with major interest in the industry.

Credit and debit card market

Of the 1,059 billion MasterCard credit cards in circulation around the world in 2011, 241 million were in circulation in Europe. Visa Europe had 445 million cards in circulation in Europe. According to Visa Europe, Visa card issues increased by 14 percent in 2011.

Growth of the prepaid card market in Europe

According the European Payment Cards Yearbook 2011-2012, prepaid cards have grown to become one of the fastest growing market segments on the card market. In 2011, PSE Consulting assumed that spending using prepaid cards would reach a volume of more than EUR 160 billion in Europe, Russia and Turkey by 2017.

The Wirecard Group will also prove its innovational prowess in future with its wide range of prepaid card products for business customers and consumers. The market for prepaid cards will constitute a significant proportion of the card market in the coming years.

Prepaid cards can be set up as closed look or open loop cards. Closed loop cards are coupon or gift cards, which can be purchased, for example within a retail chain and which have to be spent there. Open loop cards are linked to a payment system such as a credit card, and which can be used anywhere these cards are also used.

Prepaid cards can also be used as a secure means of travel payment, i.e., they can be used instead of cash and traveler's checks. In connection with a credit card brand they can be used to make payments and withdraw cash in other countries.

Prepaid cards can be used for the simple processing and budgeting for travel expenses for business travel, for example to pay for hotel accommodation.

Prepaid market trends

- Prepaid cards have excellent perspectives for growth, as they present a real alternative for consumers - due to comfort or for cost reasons. Prepaid gift cards are replacing paper coupons.
- Virtual cards are the ideal product for security-oriented customers who shy away from using their standard credit card data online.
- Prepaid cards are the perfect solution for people with no bank accounts to make online and offline payments. Loading cash onto the cards is a key feature.
- Prepaid card issuers can use specific, price-conscious solutions to approach users both with and without bank accounts.

Opportunities for the Wirecard Group on the prepaid market

The prepaid card portfolio recently taken over from the UK's Newcastle Building Society means that Wirecard AG is one of the largest European issuers of prepaid cards. In connection with the prepaid card platform established in Germany, which acts as a white label solution, there is a wide range of opportunities for expansion. Prepaid cards are an excellent tool for heightening customer loyalty for retail companies and telecommunication service providers, in particular also due to the developments for mobile payment methods.

Business-to-Business (B2B)

Wirecard AG is pursuing innovative payout solutions with the card products it offers for companies. The Supplier and Commission Payments (SCP) solution) will also offer excellent opportunities on the market in the coming years. This industry-specific, automated solution allows tourism companies in particular to process global payouts quickly, securely and with precisely defined costs. For each individual booking a virtual, credit balance-based MasterCard, Visa card or Maestro card is created for each individual booking.

With our white label solution for co-branded cards, we support companies in setting up individual card programs. Here, the cards or the entire solution are issued in the corporate design (look and feel) of the company which uses the card in its marketing activities and loyalty offerings.

We believe that co-branded cards offer market potential at a European level as prepaid cards enjoy increasing acceptance. At the same time, standardized project implementation processes allow great scalability. The individual co-branded cards concept, in which not only the card but also the online user interface is set up with the respective company's desired design or corporate identity, is a USP for our solution. As a result of our own far-reaching experience with the basic product mywirecard, this has end-to-end user-friendly functions. In addition, the card programs are available for several card types: virtual or physical, cards that can be purchased in stores (2go) or ordered online - as a MasterCard, Visa or Maestro card.

Business-to-Consumer (B2C)

Wirecard Bank offers not only co-branded card projects, but also its own card products. The prepaid offerings from mywirecard can be purchased at gas stations and kiosks throughout Germany, such as the mywirecard 2go Visa card, or online as a virtual or plastic card, the mywirecard MasterCard. We can assume that consumer acceptance for prepaid cards will also have a positive impact on these offerings.

Perspectives for call centers and communications

The services offered in this segment by Wirecard Communication Services GmbH are mostly performed for the Wirecard Group. This division also works with third party customers, who operate their own call centers, and who want to specifically outsource their operations in peak periods (peak level) with its hybrid call center structure, i.e., bundling bricks-and-mortar call centers with virtual centers. Wirecard Communication Services with the 16 foreign languages it offers and 365/24/7 availability is excellently positioned for international user support in particular in order to be able to acquire additional new customers.

9.3. Orientation of the Group in the two coming fiscal years

We will also not make any changes to the fundamental course we have set for our business policy in the coming two years. The future development and positioning of the Wirecard Group is geared to a primarily organic growth strategy, and builds on the activities put in place to date.

The primary core service of cash-free payment processing and acceptance is also constantly supplemented with customized services, and it is internationalized in line with market developments.

9.4. Planned changes to business policy

No material changes to business policy are planned for 2012 and 2013. Our activities will focus on constant investments in expanding our portfolio of products and services, in order to expand the value chain in our core business.

9.5. Future sales markets

The bulk of our growth in the coming two years will be generated on our core market in Europe. However, we expect the pace of growth in our revenues in the Asian region to increase.

In Europe the eCommerce markets in eastern and southern Europe are at the start of long-term positive growth.

Market researchers with yStats.com stated that eastern European online retailing has great potential for growth in the fall of 2011. For example in Russia the proportion of online retail sales was less than one percent according to yStats.com. More than 50 percent of Russian online sales were generated in the Moscow and St. Petersburg regions in 2010. In contrast in Poland there are more than 24 million Internet users, more than 60 percent of the population. Growth in Polish B2C eCommerce has been double digit for several years.

9.6. Future use of new methods, products and services

We control product development activities with our respective business analysts along our existing product lines: card-based payment methods, alternative payment methods, risk management and fraud prevention as well as issuing (card products). In addition we will intensify the development of new products and solutions, including in cooperation with partners. Why? Because our organic growth is based on our innovational prowess, a competitive range of products and services and our ability to implement industry and customer-specific requirements fast. We can link state-of-the-art software technology with banking products - thus pursuing our strategy of constantly expanding the value chain within the group.

In order to ensure an ongoing expansion of our offering for payment acceptance - be this for card-based or alternative methods - solutions that are relevant for the market are constantly integrated into the platform.

The Wirecard Payment Page, which enables merchants to outsource the extensive security requirements in dealing with card data (PCI compliance) completely to Wirecard, will soon also be white label enabled. This seamless version meets the desire expressed by partners and customers to be able to flexibly adjust this payment page to their company's corporate design, and to adjust it to the desired specifications, in order to also optically ensure a seamless payment process.

A further security characteristic has been added to the Fraud Prevention Suite risk management solution. The FPS Device Fingerprinting aims to generate a digital fingerprint, which performs an analysis of the hardware and software in order to generate a user profile (ID) to identify the PC and the ordering party.

Mobile Payments

According to Bitkom, the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V., sales of smartphones are set to increase by 35 percent in 2012 to 15.9 million devices.

In its current report, Western European Mobile Forecast 2011 to 2016, Forrester Research has forecast that the European market for mobile devices will book in the coming five years. The spread of smartphones is expected to reach 67 percent by 2016. Analysts are recommending companies to aim for an mCommerce strategy with processes that are as seamless as possible in order to benefit from this future mass market - including in view of the highly fragmented European market.

In a study published in February 2012, Juniper Research forecast that revenues from mobile applications “Consumer Mobile Apps” could total more than USD 50 billion in 2016.

The US market research company Strategy Analytics estimates that contact-free payments using mobile phones will reach a volume of USD 34 billion in 2015. However, many security concerns still have to be overcome before consumers use their mobile phone as an alternative to their wallet.

In everyday use, the term “mobile payments” is used for a broad range of various payment methods. These include payments using an NFC-enabled smartphone at the point of sale, as well as payments for goods and services in mobile browsers or in mobile apps. Credit and debit cards are playing an increasingly important role in all of these methods, because their international nature, the high level of standardization, simple use and finally their wide spread are decisive factors.

This is followed by linking the card with the mobile telephone, be this using a mobile app, which is connected to the card via the server, or by storing credit card data in the NFC-enabled mobile phone. Even mobile phones which are not state-of-the-art can use NFC stickers as bridging technology.

If the payment is performed using the mobile telephone (payment on mobile), customers either pay directly from a mobile app (in-app payment) or via the smartphone's mobile browser. As a rule, a distinction can be made between three different methods:

– Payments using the mobile phone account
– Traditional payment methods such as credit cards
– Processing customers via credit cards or a bank account integrated into the shop system

Creating a technical link between the card and the smartphone app makes this intelligent - additional information is added and it becomes more valuable. This results in significant added value for end users, and also for the card issuer and its partners: for example interaction with social networks, direct communication between the issuer and the card holder, personalized services such as coupons, location-based services, offerings as part of customer loyalty programs, installment payments and additional financial services.

9.7. Anticipated financial position and results of operations

Financial position

We believe that Wirecard AG's financial position will continue to remain highly stable. Keeping a comfortable equity ratio is a key financial objective. This already takes into account the dividend of EUR 0.10 per share proposed to the General Meeting and the capital increase performed in March 2012.

The company has the strategic objective of only taking out bank loans to a moderate extent, mostly in connection with M&A transactions. As of December 31, 2011, bank loans in connection with the M&A transactions performed in 2011 increased year-on-year by EUR 64,023K to EUR 86,024K. The proceeds from the capital increase performed will allow these to be mostly repaid in the first six months of 2012.

The Group is sticking to its principle of also financing future investments and potential acquisitions either from its own cash flow or by using a moderate amount of borrowing or alternative forms of financing. In addition, it is also one of the Company's goals to only use bank loans for M&A transactions to a moderate extent. Corresponding master loan agreements are available in this regard.

Potential acquisitions will also continue to be analyzed and assessed according to strict criteria in this regard. The focus will be, in particular, on profitability and a sensible supplementation of our existing portfolio of products and customers.

Results of operations

The central KPI for Wirecard AG is its EBITDA. This sets standards throughout the entire company, from financial control through to assessing the profitability of the individual divisions. As a result, the profit forecast for 2012 also includes the EBITDA as a performance indicator.

EBITDA of between EUR 103 and 115 million is forecast for fiscal year 2012. A further increase in revenues and earnings is also forecast for the following year.

This forecast is based on an increase in the volume of transactions processed with existing and new customers via the Wirecard Group, economies of scale and the transaction-oriented business model, the increased use of our banking services as well as the anticipated EBITDA contribution of EUD 6.3 million from the acquisitions performed in December 2011. At the same time, one-off integration costs of around EUR 1.0 million (consolidated) are expected to be incurred in 2012. The forecast does not include the possible effects of potential additional corporate acquisitions.

As a result of the high level of demand for international solutions and current customer projects, as well as our expansion, which is progressing well, we are convinced that Wirecard AG will also be able to operate at a profit in future.

We are confident that our unique position on the market - linking technology and software with innovative banking services - will mean that the Wirecard Group grows faster than the eCommerce market in fiscal year 2012.

In addition, we expect new product developments and the further development of existing products to lead to an expansion in our profitable divisions and increasing the efficiency of our operating workflows will have a positive impact on our business results. In this regard, our strict cost management will also continue to play a key role.

9.8. Opportunities from the development of underlying conditions

In the coming years we will continue to exploit the opportunities offered by the positive underlying conditions for trends on the market and for technology, in order expand our core business.

The Wirecard Group's international orientation and innovational prowess will also form the foundations for continued dynamic growth of our business in the coming two fiscal years.

eCommerce merchants increasingly operate internationally in order to acquire new groups of purchasers. In this regard, we support our customers with suitable risk management methods and a host of international payment services. We will constantly integrate new payment methods that are relevant to the market into our platform. At the same time, we offer cost advantages to the consumer goods industry and tourism sector in particular along their entire value chain.

Specifically outsourcing sub-processes to the Wirecard Group allows companies to focus their resources on their original core business, and thus contributes to securing both their innovational and investment strengths.

9.9. Overall statement on the Group's anticipated growth (outlook)

eBusiness can be regarded as a key economic growth driver. Companies that do not deal with this development today will be at a disadvantage tomorrow. Consumer spending is continuing to migrate to the internet: no matter whether this is for shopping, travel bookings or entertainment offerings.

Dynamic growth is to be expected in the entire pan-European market in the coming years. Cross-border retailing is also driving growth. However, we will also use our potential in global competition to drive innovations.

We will continue our successful strategy of primarily organic growth in connection with moderate purchases.

Our aim is to use Wirecard AG's fundamental strength in order to further increase our earnings in the next two years. At the same time, we aim to support our customers in combating the increasing complexity of the underlying conditions with comfortable solutions, so that they can simultaneously increase and secure their revenues. In so doing, we will keep a firm eye on developments on the market in order to be able to react flexibly and responsibly in view of costs, regulations, and events that have not yet occurred.

Wirecard AG's Management Board is forecasting EBITDA of between EUR 103 and 115 million is forecast for fiscal year 2012.

Aschheim (Munich), April 16, 2012

Wirecard AG

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET – ASSETS

in EUR		12/31/2011	12/31/2010
ASSETS	(3.), (2.2.)		
I. Non-current assets			
1. Intangible assets	(3.1.), (2.3.)		
Goodwill		**127,565,205.48**	101,339,875.98
Internally generated intangible assets		**21,747,727.91**	16,901,071.28
Other intangible assets		**28,530,343.25**	13,050,001.41
Customer relationships		**87,569,941.50**	62,450,775.11
		265,413,218.14	**193,741,723.78**
2. Property, plant and equipment	(3.2.), (2.3.)		
Other property, plant and equipment		**2,921,352.13**	1,578,235.50
3. Financial and other assets / interest-bearing securities	(3.3.), (2.2.)	**26,714,080.65**	38,698,849.72
4. Tax credits			
Deferred tax assets	(3.4.), (2.4.)	**935,682.14**	1,205,027.26
Total non-current assets		**295,984,333.06**	**235,223,836.26**
II. Current assets			
1. Inventories and work in progress	(3.5.), (2.3.)	**779,041.92**	359,509.39
2. Trade receivables and other receivables	(3.6.), (2.3.)	**182,146,406.20**	118,740,739.19
3. Tax credits	(3.7.), (2.4.)		
Tax refund entitlements		**5,746,595.36**	180,129.86
4. Interest-bearing securities	(3.8.)	**9,000,000.00**	10,000,000.00
5. Cash and cash equivalents	(3.9.), (6.)	**213,402,742.02**	185,355,190.19
Total current assets		**411,074,785.50**	**314,635,568.63**
Total assets		**707,059,118.56**	**549,859,404.89**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

in EUR		12/31/2011	12/31/2010
EQUITY AND LIABILITIES			
I. Shareholders' equity	(4.)		
1. Subscribed capital	(4.1.)	**101,803,139.00**	101,803,139.00
2. Capital reserve	(4.2.)	**11,261,517.49**	11,261,517.49
3. Retained earnings	(4.3.)	**227,647,884.70**	176,642,694.67
4. Foreign currency translation reserve	(4.4.)	**174,807.86**	136,860.98
Total shareholders' equity		**340,887,349.05**	**289,844,212.14**
II. Liabilities	(4.), (2.2)		
1. Non-current liabilities	(4.5.), (2.3.)		
Non-current interest-bearing bank liabilities		**85,023,539.78**	1,000,000.00
Other non-current liabilities		**12,919,280.07**	331,922.00
Deferred tax liabilities		**9,344,360.97**	6,584,181.73
		107,287,180.82	**7,916,103.73**
2. Current liabilities	(4.6.), (2.3.)		
Trade payables		**135,427,699.85**	98,443,415.67
Current interest-bearing liabilities		**1,000,065.40**	21,001,261.72
Other current provisions		**992,406.81**	1,652,111.11
Other current liabilities		**15,103,555.21**	8,524,274.02
Customer deposits from banking operations		**105,041,535.89**	118,745,103.95
Tax provisions	(2.4.)	**1,319,325.53**	3,732,922.55
		258,884,588.69	**252,099,089.02**
Total liabilities		**366,171,769.51**	**260,015,192.75**
Total shareholders' equity and liabilities		**707,059,118.56**	**549,859,404.89**

CONSOLIDATED INCOME STATEMENT

in EUR		01/01/2011 - 12/31/2011		01/01/2010 - 12/31/2010	
I. Sales	(5.1.), (2.3.)		**324,797,234.47**		**271,618,709.21**
II. Other own work capitalized			**7,442,372.89**		**6,210,870.42**
1. Own work capitalized	(5.2.)	**7,442,372.89**		6,210,870.42	
III. Operating expenses			**225,865,979.16**		**186,218,343.96**
1. Cost of materials	(5.3.)	**189,140,858.05**		152,545,078.83	
2. Personnel expenses	(5.4.)	**28,239,950.84**		27,833,017.13	
3. Amortization and depreciation	(3.1.), (3.2.)	**8,485,170.27**		5,840,248.00	
IV. Other operating income and expenses			**- 30,461,111.06**		**- 24,187,932.18**
1. Other operating income	(5.5.)	**1,288,714.82**		2,204,120.30	
2. Other operating expenses	(5.6.)	**31,749,825.88**		26,392,052.48	
Net operating income			**75,912,517.14**		**67,423,303.49**
V. Financial result	(5.7.)		**- 1,993,078.59**		**- 1,518,417.81**
1. Other financial income		**386,249.46**		595,912.96	
2. Financial expenses		**2,379,328.05**		2,114,330.77	
VI. Profit before taxes			**73,919,438.55**		**65,904,885.68**
VII. Income tax	(5.8.)		**12,733,935.24**		**11,931,716.60**
VIII. Profit after taxes			**61,185,503.31**		**53,973,169.08**
Earnings per share (basic)	(5.9.)		**0.60**		0.53
Earnings per share (diluted)	(5.9.)		**0.60**		0.53
Average shares outstanding (basic)	(5.9.), (4.1.)		**101,803,139**		101,803,139
Average shares outstanding (diluted)	(5.9.), (4.1.)		**101,989,062**		101,982,051

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR		01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
Profit after taxes	(5.)	**61,185,503.31**	53,973,169.08
Change in exchange differences from translation of operations outside the euro zone	(4.4.)	**37,946.88**	150,955.73
Total comprehensive income		**61,223,450.19**	54,124,124.81

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital Nominal value / number of shares issued	Capital reserve	Retained earnings	Foreign currency translation reserve	Total Shareholders' Equity
	EUR / NO.	EUR	EUR	EUR	EUR
Balance as of December 31, 2009	101,803,139.00	11,261,517.49	131,831,808.10	- 14,094.75	244,882,369.84
Profit after taxes			53,973,169.08		53,973,169.08
Dividends paid			- 9,162,282.51		- 9,162,282.51
Contingent capital increase (convertible bonds)	0.00	0.00			0.00
Currency translation differences				150,955.73	150,955.73
Balance as of December 31, 2010	**101,803,139.00**	**11,261,517.49**	**176,642,694.67**	**136,860.98**	**289,844,212.14**
Balance as of December 31, 2010	**101,803,139.00**	**11,261,517.49**	**176,642,694.67**	**136,860.98**	**289,844,212.14**
Profit after taxes			61,185,503.31		61,185,503.31
Dividends paid			- 10,180,313.28		- 10,180,313.28
Contingent capital increase (convertible bonds)	0.00	0.00			0.00
Currency translation differences				**37,946.88**	**37,946.88**
Balance as of December 31, 2011	**101,803,139.00**	**11,261,517.49**	**227,647,884.70**	**174,807.86**	**340,887,349.05**

CONSOLIDATED CASH FLOW STATEMENT

in EUR		01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
EBIT	(5.)	75,912,517.14	**67,423,303.49**
Gains/Losses from the disposal of non-current assets		77,739.04	- 51,631.01
Amortization/depreciation/write-ups of non-current assets		8,485,170.27	5,840,248.00
Impact on foreign currency translation		- 649,881.37	- 466,237.12
Changes in inventories		- 419,532.53	- 5,977.48
Changes in trade and other receivables		- 63,559,404.85	- 38,816,359.99
Changes in other assets		1,428,107.58	- 242,420.48
Changes in provisions		- 919,664.52	411,095.52
Changes in non-current liabilities excluding financial liabilities		12,587,358.07	- 1,482,592.62
Changes in trade payables		37,414,888.94	- 41,670,421.51
Changes in other current liabilities		6,558,686.15	- 8,078,409.98
Income taxes paid		- 19,112,468.35	- 5,664,973.50
Interest paid (excl. interest on loans)		- 430,735.91	- 410,055.20
Interest received		71,026.44	163,719.13
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation	(1.1.), (6.)	- 11,841,328.82	- 524,843.18
Cash flow from operating activities	(6.1.)	45,602,477.28	**- 23,575,555.93**
Cash paid for investments in intangible assets and property, plant and equipment		- 37,204,802.22	- 24,472,039.12
Cash received from the sale of intangible assets and property, plant and equipment		34,096.76	0.00
Cash received from the sale of financial assets		0.00	231,643.63
Cash received from loan repayments		0.00	500,000.00
Cash paid for the acquisition of entities and investments in consolidated entities	(1.1.), (6.)	- 21,110,939.37	- 465,126.28
Cash flow from investing activities	(6.2.)	- 58,281,644.83	**- 24,205,521.77**
Cash received from financial liabilities		65,023,539.78	20,000,000.00
Cash paid for costs incurred in financial liabilities		- 779,215.74	0.00
Cash paid for repayment of financial liabilities		- 11,000,000.00	- 3,500,000.00
Dividends paid		- 10,180,313.28	- 9,162,282.51
Interest paid on loans		- 549,199.28	- 243,006.91
Cash flow from financing activities	(6.3.)	42,514,811.48	**7,094,710.58**
Net change in cash and cash equivalents		29,835,643.93	**- 40,686,367.12**
Adjustments due to currency translation		37,946.88	150,955.34
Adjustments due to consolidation	(1.1.), (6.)	0.00	2,872,241.45
Financial resources fund at the beginning of period		112,036,124.00	149,699,294.33
Financial resources fund at the end of period	(6.4.)	141,909,714.81	**112,036,124.00**

CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES (ADJUSTED)

in EUR	01/01/2011 - 12/31/2011	01/01/2010 - 12/31/2010
EBIT	**75,912,517.14**	**67,423,303.49**
Gains/losses from the disposal of non-current assets	**77,739.04**	- 51,631.01
Amortization/depreciation/write-ups of non-current assets	**8,485,170.27**	5,840,248.00
Impact from foreign currency translation	**- 7,314.61**	- 244,498.12
Changes in inventories	**- 419,532.53**	- 5,977.48
Changes in trade and other receivables (adjusted)	**- 25,365,658.08**	8,784,526.31
Changes in other assets	**1,428,107.58**	- 242,420.48
Changes in provisions	**- 919,664.52**	411,095.52
Changes in non-current liabilities excluding financial liabilities	**12,587,358.07**	- 1,482,592.62
Changes in trade payables (adjusted)	**9,979,671.03**	- 4,865,990.52
Changes in other current liabilities	**6,542,050.26**	- 8,229,500.98
Income taxes paid (adjusted)	**- 15,066,351.32**	- 5,664,973.50
Interest paid (excl. interest on loans)	**- 430,735.91**	- 410,055.20
Interest received	**71,026.44**	163,719.13
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation	**- 11,841,328.82**	- 524,843.18
Cash flow from operating activities	**61,033,054.04**	**60,900,409.36**

In accordance with the business model, the transaction volumes from the Acquiring business are reported under the item of Trade receivables and other receivables as receivables from credit card organizations and banks. At the same time, these business transactions give rise to liabilities to merchants, amounting to the transaction volume (less our commissions and charges). Receivables and liabilities (less our commissions and charges) are transitory in nature and subject to substantial fluctuations from one balance sheet date to another.

Against this backdrop, Wirecard has decided to present a further statement in addition to the usual cash flows from operating activities in order to eliminate those items that are merely transitory in nature. This also eliminates the capital gains taxes on dividends that are refunded in the following year. This is intended to facilitate the identification and reporting of the cash-relevant portion of the Company's results.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements as of December 31, 2011

1. Disclosures related to the Company and its valuation principles

1.1. Business activities and legal background

Wirecard AG, Einsteinring 35, 85609 Aschheim (hereafter referred to as “Wirecard”, “Group” or “the Company”) was established on May 6, 1999. The name of the Company was changed from InfoGenie Europe AG to Wire Card AG upon entry thereof in the commercial register on March 14, 2005 and to Wirecard AG upon entry in the commercial register on June 19, 2006.

Being the ultimate parent company, Wirecard AG is required to prepare consolidated financial statements. The business activities of the Wirecard Group are structured into the three reporting segments of “Payment Processing & Risk Management”, “Acquiring & Issuing” as well as “Call Center & Communication Services”. The parent company, Wirecard AG, is headquartered in Munich/Aschheim (Germany), which is also the head office of Wirecard Bank AG, Wire Card Beteiligungs GmbH, Wirecard Technologies AG, Wirecard Retail Services GmbH, Click2Pay GmbH and Trustpay International GmbH. In April 2011, Wirecard AG and the above-mentioned subsidiaries relocated to Aschheim, near Munich (Germany). In this connection, a relocation was performed for the registered office of Wirecard AG and of the subsidiaries indicated above. The head office of Wirecard Communication Services GmbH is located in Leipzig. Wirecard Technologies AG and Wirecard (Gibraltar) Ltd. based in Gibraltar develop and operate the software platform that represents the central element of our portfolio of products and internal business processes. Click2Pay GmbH, using the alternative Internet payment system of the same name (CLICK2PAY), generates sales revenues particularly in the market for online portals and games as well as digital media

The subsidiaries Wirecard Payment Solutions Holdings Ltd., Wirecard UK and Ireland Ltd. and Herview Ltd., all with head offices in Dublin (Ireland), as well as Wirecard Central Eastern Europe GmbH and based in Klagenfurt (Austria) provide sales and processing services for the Group’s core business, namely “Payment Processing & Risk Management”.

Wirecard Retail Services GmbH complements the range of services of the affiliates to include the sale and operation of Point-of-Sale (PoS) payment terminals. This provides our customers with the option to accept payments for their Internet-based and mail-order services as well as the electronic payments made at their PoS outlets via Wirecard.

Wirecard Communication Services GmbH bundles the expertise of virtual and physical call center solutions in a hybrid structure and can therefore meet the growing requirements relating to quality with comprehensive, flexible services, focusing chiefly on business-to-business and private customers of the Wirecard Group, especially Wirecard Bank AG. InfoGenie ltd., Windsor, Berkshire (United Kingdom), which also offered call center solutions, was liquidated in the year under review, as all of its business relationships had been transferred to Wirecard Communication Services GmbH, and there was thus no longer any need for this company.

The company cardSystems FZ-LLC, Dubai focuses on sales of affiliate products along with associated value added services.

The companies Wire Card Beteiligungs GmbH and Trustpay International GmbH act as interim holding companies of/for subsidiaries within the Group and do not have their own operating business as holding companies.

The Wirecard Asia Group (Singapore), comprising Wirecard Asia Pte. Ltd. (Singapore) and its subsidiaries, is engaged in the field of online payment processing, predominantly on behalf of eCommerce merchants in the eastern Asian region.

With effect from January 13, 2011, Wirecard AG took over Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services specializes in services for electronic payment processing, credit card acceptance and the issue of debit and credit cards and has a regional portfolio of customers. With this takeover Wirecard AG strengthens its position in that region and continues its strategy of intensifying its expansion by establishing key international locations in high-growth regions.

In December 2011, the Group acquired Systems@Work Pte. Ltd., with its registered office in Singapore and its subsidiaries. Systems@Work Pte. Ltd., with its TeleMoney brand, is one of the leading technical payment service providers for merchants and banks in the eastern Asian region. The group includes the subsidiaries Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) and Safe2Pay Pte. Ltd. (Singapore). This takeover reinforces Wirecard AG’s position in this region.

Wirecard Card Solutions Ltd., with its registered office in Newcastle (United Kingdom) was formed in December 2011, and is used to purchase and operate the prepaid card business, which was sold by Newcastle Building Society, United Kingdom. Newcastle Building Society's prepaid card portfolio ranks among the largest in Europe.

Group of consolidated companies

As at December 31, 2011, 22 subsidiaries were fully consolidated. As at December 31, 2010, 18 subsidiaries were fully consolidated.

SUBSIDIARIES OF WIRECARD AG

	Shares
Click2Pay GmbH, Aschheim (Germany)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Trustpay International GmbH, Aschheim (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard UK and Ireland Ltd., Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria)	100%
Procard Services FZ LLC, Dubai (United Arab Emirates)	100%
Systems@Work Pte. Ltd. (Singapore)	100%
Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia)	100%
Safe2Pay Pte. Ltd. (Singapore)	100%
Wirecard Technologies AG, Aschheim (Germany)	100%
Wirecard Communication Services GmbH, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Aschheim (Germany)	100%
cardSystems FZ-LLC, Dubai (United Arab Emirates)	100%
Wire Card Beteiligungs GmbH, Aschheim (Germany)	100%
Wirecard Bank AG, Aschheim (Germany)	100%
Wirecard Card Solutions Ltd., Newcastle (United Kingdom)	100%
Wirecard Asia Pte. Ltd. (formerly: E-Credit Plus Pte. Ltd.) (Singapore)	100%
E-Credit Plus Corp., Las Pinas City (Philippines)	100%
Wirecard Malaysia SDN BHD (formaly: Credence Collection SDN BHD), Petaling Jaya (Malaysia)	100%
E-Payments Singapore Pte. Ltd. (Singapore)	100%

InfoGenie Ltd. was liquidated in the period under review and is thus no longer included as of

December 31, 2011. Uniform accounting and valuation methods apply to the group of consolidated subsidiaries. The subsidiaries' shareholdings and quotas of voting rights are identical.

The IAS/IFRS requirements concerning the mandatory inclusion of all domestic and foreign subsidiaries which are controlled by the parent company meaning the parent company directly or indirectly holds more than 50 percent of their voting rights, (cf. IAS 27.12 and IAS 27.13) are observed.

Sale of companies

No companies were sold in fiscal year 2011.

Business combinations

Procard Services FZ LLC

With effect from January 13, 2011, Wirecard AG took over a 100% interest in Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services specializes in services for electronic payment processing, credit card acceptance and the issue of debit and credit cards and has a regional portfolio of customers. With this takeover Wirecard AG strengthens its position in that region and continues its strategy of intensifying its expansion by establishing key international locations in high-growth regions.

At the same time, a management team which is both anchored in the region and also a team of employees experienced in payment processing were acquired, together with Wirecard AG employees they will drive the company's regional expansion. Procard Services FZ LLC has a state-of-the-art technical platform. It can be assumed that the integration into the Wirecard platform and the expansion of complementary regional functionalities will generate additional synergy effects.

The purchase price for the company totaled EUR 670K. In addition, liabilities of EUR 11,561K were also taken over. The material assets of the companies taken over are the strategic importance of the customer relationships and the technical platform.

The breakdown is as follows:

AMOUNTS RECORDED AND FAIR VALUE PER MAIN CATEGORY ARISING FROM THE CORPORATE ACQUISITION PROCARD SERVICES FZ LLC.

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	- 16	**- 16**
Goodwill	0	**8,675**
Customer relationships	0	**425**
Property, plant and equipment	201	**201**
Other non-current intangible assets	975	**2,710**
Deferred tax assets	0	**0**
Receivables	78	**78**
Other assets	158	**158**
Deferred tax liabilities	0	**0**
Liabilities	1,078	**1,078**
Non-current liabilities	10,483	**10,483**
Shareholders' equity	- 10,165	**670**

The purchase price paid in 2011 or the redemption of the liabilities taken over was funded with cash and cash equivalents of the Company. No equity instruments were issued. In the period under review, a net profit for the year of EUR 113K was recognized through profit or loss and sales revenues of EUR 969K from the participating interest in Procard Services was recognized in income.

Systems@Work Pte. Ltd.

As of December 1, 2011, the Wirecard Group acquired a 100% interest in Sytems@Work Pte. Ltd., Singapore from its shareholders. Systems@Work Pte. Ltd., with its TeleMoney brand, is one of the leading technical payment service providers for merchants and banks in the eastern Asian region. The group includes the subsidiaries Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) and Safe2Pay Pte. Ltd. (Singapore). This takeover reinforces Wirecard AG's position in this region.

The compensation due as part of the transaction are cash payments in the total amount (translated) of EUR 34,726K plus two earn-out components that are measured based on the operating profits of the purchased company in 2012 and 2013 and which may total up to SGD 22.5 million (currently approx. EUR 13.4 million). As a result of this acquisition, a contribution to consolidated EBITDA of at least EUR 4.5 million is expected in 2012. At the same time, one-off integration costs of around EUR 1.0 million (consolidated) are expected to be incurred in 2012.

The material assets of the companies taken over are on the date of first-time consolidation are the potential of the market in this region and customer relationships.

The breakdown is as follows:

AMOUNTS RECORDED AND FAIR VALUE PER MAIN CATEGORY ARISING FROM THE CORPORATE ACQUISITION SYSTEMS@WORK PTE. LTD.

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	1,716	**1,716**
Goodwill	0	**17,551**
Customer relationships	17,250	**26,248**
Property, plant and equipment	18	**18**
Other non-current intangible assets	0	**2,413**
Deferred tax assets	0	**550**
Receivables	262	**262**
Other assets	78	**460**
Deferred tax liabilities	0	**2,005**
Liabilities	705	**705**
Shareholders' equity	18,619	**46,508**

The purchase price paid in 2011 was financed from the company's cash and cash equivalents and with borrowing. No equity instruments were issued.

During the period under review, net income of EUR 35K was recognized in income in the income statement, with revenues of EUR 352K from the participation in Systems@Work. For 2011 as a whole, Systems@Work with its acquired structure recorded revenues of EUR 7,857K and net income of EUR 3,319K.

Prepaid card portfolio of the Newcastle Building Society

The Wirecard Group reached an agreement with Newcastle Building Society, United Kingdom, on December 16, 2011, to take over this company's entire prepaid card issuing business. Newcastle Building Society's prepaid card portfolio ranks among Europe's largest, and in addition to the core area of savings deposit business and mortgage financing, it forms a material part of the building society's business.

The card portfolio was purchased by a recently formed UK subsidiary of the Wirecard Group, Wirecard Solutions Limited, Newcastle (United Kingdom). The cash purchase price totaled GBP 7.5 million (around EUR 8.9 million). Depending on the income thrown off by the business, further earn-out payments of up to GBP 1.5 million (approx. EUR 1.8 million) for 2012 and up to GBP 1.0 million (approx. EUR 1.2 million) for 2013 will have to be paid.

Newcastle Building Society currently has issued approx. 1.5 million prepaid cards in six European countries. The employees in Newcastle will continue to be employed by Wirecard in order to operate the business. As at 31 December 2011 the company had 26 employees.

This transaction has reinforced Wirecard AG's position as one of the leading providers on the European prepaid card market. In 2012, the Management Board is forecasting an EBITDA of at least GBP 1.5 million (around EUR 1.8 million).

The acquisition will take place in two phases: In the first phase, Wirecard Card Solutions Ltd. will take over key functions as part of Newcastle Building Society's prepaid card business as an outsourcing service provider. In the second phase, Wirecard Card Solutions Ltd. will take over control of the company as soon as it receives a license as an eMoney institution from the UK financial services authority.

As the company has not been transferred according to IFRS until the second phase is executed, the assets and liabilities will not be included in the consolidated financial statements until such time. Until this is the case, the cash purchase price will be carried as an advance payment under intangible assets and the earn-out will not be carried as a liability. The material assets are customer relationships or the corresponding issued prepaid cards with their credit balances (customer deposits) and the corresponding bank balances.

The purchase price paid in 2011 was paid from cash funds and the Company's borrowing. No equity instruments were issued. In the period under review, the income statement does not yet recognize any revenues and expenses from the portfolio in income. Incidental acquisition costs resulted in expenses of EUR 412K.

Assets from NETRADA Payment GmbH

With effect from April 1, 2012, Wirecard Technologies AG acquired material assets from NETRADA Payment GmbH, with its registered office in Mainz, Germany. This acquisition and the strategic alliance agreed has reinforced Wirecard AG's position as a payment service provider for the fashion industry. NETRADA Payment GmbH specializes in providing services for payment and risk management processes in the fashion industry. NETRADA Payment GmbH is part of the NETRADA Group, formerly D+S Europe, which offers end-to-end eCommerce fulfillment solutions for fashion, beauty and lifestyle as a leading international outsourcing service provider. As part of the acquisition, a long-term strategic alliance was also agreed with NETRADA Management GmbH for the provision of payment and risk management services.

The agreed cash purchase price for the assets totaled EUR 2,500K. Depending on the success of the business, an earn-out payment of EUR 500K may have to be paid in 2012. The portfolio generated revenues of EUR 1,976K in 2011 and earnings of EUR -565K. Taking into account synergistic-effects a positive EBITDA contribution is expected in 2012.The material assets acquired, in addition to the strategic importance, are the customer relationships.

The breakdown is as follows:

AMOUNTS RECORDED AND FAIR VALUE PER MAIN CATEGORY ARISING FROM THE ACQUISITION OF THE CUSTOMER PORTFOLIO

in EUR '000s	Fair value
Goodwill	1,013
Customer relationships	1,823
Other non-current intangible assets	125

Prior-year business combinations

On December 16, 2009, Wirecard AG signed a purchase agreement for the acquisition of a 100% interest in E-Credit Plus Pte. Ltd. (now: Wirecard Asia Pte. Ltd.), Singapore, together with its subsidiaries. Closing was completed on December 28, 2009. There was a business combination within the meaning of IFRS 3 on January 1, 2010. Only at this point did Wirecard AG acquire a controlling interest over the group of companies within the meaning of IFRS 3 since Wirecard had the power to govern its management and key decisions from that date. For this reason, this transaction was accounted for as at December 31, 2009 as an investment in an associated company pursuant to IAS 28. At the date of initial consolidation this position was eliminated and as at January 1, 2010 the acquired assets and liabilities were recognized at their fair values in the balance sheet.

The fair value of the E-Credit group of companies amounted to EUR 13,283K. The material assets of the companies taken over are on the date of first-time consolidation are the potential of the market in this region and customer relationships in eastern Asia.

The breakdown is as follows:

AMOUNTS RECORDED AND FAIR VALUE PER MAIN CATEGORY ARISING FROM THE CORPORATE ACQUISITION

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	2,872	**2,872**
Goodwill	0	**11,051**
Customer relationships	0	**1,884**
Other property, plant and equipment	6	**6**
Receivables	474	**474**
Other assets	20	**20**
Deferred tax liabilities	1	**340**
Liabilities	2,684	**2,684**
Equity	687	**13,283**
thereof: net income 2009	1,178	**1,178**

The purchase price paid in 2009 was paid from cash funds. No equity instruments were issued, and no borrowing was taken out to finance the acquisition.

The E-Credit Group, comprising E-Credit Plus Pte. Ltd. and its subsidiaries, is engaged in the field of online payment processing, predominantly on behalf of eCommerce merchants in the eastern Asian region.

Exemption from the duty to prepare consolidated financial statements

In accordance with Section 291 (1) of the HGB, Wirecard Technologies AG, Aschheim, Wire Card Beteiligungs GmbH, Aschheim and Trustpay International GmbH, Aschheim are exempted from the duty to prepare consolidated financial statements since the requirements of Section 291 (2) of HGB have been met in every respect.

In addition Wirecard has availed of the exemption under Section 17 of the Irish Companies Act 1986 not to submit consolidated financial statements of the Irish group to Companies Office in Ireland.

Wirecard confirms that the sub-group financial statements of Wirecard Technologies AG, of Trustpay International GmbH, of Wire Card Beteiligungs GmbH and of Wirecard Payment Solutions Holdings Ltd. are all included in the present annual financial statements.

Exemption within the meaning of Section 264 (3) of the HGB

The following companies will avail of the exemption offered by Section 264 (3) of the HGB:

- Click2Pay GmbH, Aschheim (Germany)
- Wirecard Technologies AG, Aschheim (Germany)

The necessary requirements under commercial law in this regard will be met.

Action for rescission

The suit filed by the Schutzgemeinschaft der Kapitalanleger e.V. (SdK) concerning, among other issues, the annual financial statements (single-entity financial statements) of the Company for fiscal year 2007, has been legally ended.

The ruling neither results in changes to the financial statements (consolidated or single-entity financial statements), nor does it impact the Company's financial position and results of operations).

2. Principles used in preparing the annual financial statements

2.1. Principles and assumptions used in preparing the financial statements

Operational environment and 'going concern' assumption

The current consolidated financial statements of Wirecard AG were prepared on the assumption that it will continue trading (going concern principle); in accordance with this assumption, the recoverability of the value of the Company’s assets and repayment of liabilities outstanding are assumed to occur within the ordinary course of business.

Accounting in accordance with the International Financial Reporting Standards (IFRS)

The consolidated financial statements and the group management report have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the EU, and the supplementary regulations applicable in accordance with Section 315 a (1) of the German Commercial Code (HGB).

All interpretations valid for fiscal year 2011 by the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year’s figures were determined according to the same principles.

Currency translations

The reporting currency is the euro. The functional currency of the foreign subsidiary Wirecard Card Solutions Ltd. is the British pound sterling and that of the sub-groups Wirecard Asia Pte. Ltd. and Systems@Work is the Singapore dollar. The amounts relating to assets and liabilities of these companies reported in the consolidated balance sheet were translated at the exchange rate prevailing on the date of the financial statements. Shareholders’ equity is translated at historical exchange rates. Revenues, expenses and income posted in the income statement are translated at average exchange rates. Differences arising from foreign currency translation are recorded with no effect on profit or loss and reported separately as part of shareholders' equity in the foreign currency translation reserve.

The functional currency of the other foreign subsidiaries is the euro since all transactions are recorded and accounted for in euros.

Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognized in profit and loss and included under cost of materials if the payment is in connection with customer funds; if not, it is carried under other operating income/expense. The impact from the translation of receivables and liabilities denominated in foreign currencies in fiscal year 2011 totaled EUR 650K (previous year: EUR 466K).

Judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, the uncertainty inherent in these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements. Forward-looking assumptions, discretionary decisions as well as other substantial sources of uncertainties relating to estimates as at the balance sheet date, giving rise to a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be necessary within the following fiscal year, are explained below within the individual items.

Classification

In the balance sheet, a distinction is made between non-current and current assets and liabilities. Assets and liabilities are deemed to be current if due for payment or sale within one year. Accordingly, assets and liabilities are classified as non-current if they remain within the company for longer than one year. The consolidated income statement was prepared in accordance with the nature of expenses method.

Consolidation principles

The consolidated financial statements comprise the annual financial statements of Wirecard AG and its subsidiaries as at December 31, 2011. Subsidiaries are fully consolidated from the time of their acquisition, i.e. from the point in time at which the Group acquires control. Consolidation comes to an end once control by the parent company no longer exists. The financial statements of subsidiaries are prepared as at the same balance sheet date as those of the parent company, applying uniform accounting and valuation principles. Sales revenues, expenses and income, receivables, provisions and liabilities between the companies included were eliminated.

For new company acquisitions, the capital consolidation is performed in line with the acquisition method according to IFRS 3 (Business Combinations). In the process, the acquisition costs of the shares acquired are netted against the proportion of equity due to the parent company at the time of acquisition. A difference between the costs of acquisition and pro-rata equity is allocated to the assets and liabilities of the subsidiary up to the extent of the present values, irrespective of the relevant participation quota.

Under full consolidation, the assets and liabilities as well as expenses and income of the companies to be consolidated are fully recognized.

The shares of the Group in an associated company are accounted for using the equity method. An associated company is a company over which the Group has a significant influence. According to the equity method, the shares in an associated company are recognized in the balance sheet at cost of acquisition plus any changes in the Group's share in the net assets of the associated company after acquisition.

After applying the equity method, the Group determines whether it is necessary to recognize any additional value impairment expenses for the shares of the Group in associated companies. At each balance sheet date, the Group determines whether there are any objective indicators to suggest that the value of an investment in an associated company might be impaired. If this is the case, the difference between the recoverable amount of the investment in the associated company and the carrying amount are recognized in profit and loss as an impairment expense. In fiscal years 2011 and 2010 there were no interests in associated companies.

Comparability

The comparability with the previous period is limited owing to the first time consolidation of the acquired companies.

According to the requirement for a license for the provision of payment services which applies from April 30, 2011, there was a transition in accounting for Acquiring and Payment Processing. This is based on the EU Payment Services Directive (PSD), which has been implemented in the local laws of the member countries.

This change has not impacted the Wirecard Group's financial position and results of operations, however the comparability of segment reporting is restricted. Detailed information and reconciliations for comparability are included in Chapter 7.1. Segment Reporting.

Changes to collateral at customers' request means that comparability with the prior period for cash and cash equivalents and trade payables is limited. Customers have revolving security retentions for daily transaction volumes from bank guarantees payable on demand from well-known banks. Without these changes, these items would have been higher by EUR 30 million.

2.2. Accounting for financial assets and liabilities

Financial assets and liabilities are reported in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As a result, financial assets and liabilities are recognized in the consolidated balance sheet if the Group has a contractual right to receive cash or cash equivalents or other financial assets from some other party or if it has a contractual obligation to pay liabilities to some other party.

According to IAS 39, financial instruments are broken down into the following categories:

- Financial assets and liabilities to be measured at their fair value in profit and loss
- Financial investments held until final maturity
- Financial assets available for sale
- Loans and receivables
- Financial liabilities valued at amortized cost of acquisition

Financial assets

The Group classifies its financial assets at the time of first recognition. Financial assets are measured at fair value when first recognized. In the case of financial investments not classified at fair value in profit and loss, transaction costs directly assignable to the acquisition of assets are additionally taken into account.

Purchases or sales of financial assets that provide for delivery of assets within a certain period determined by regulations or conventions applicable to the relevant market (purchases subject to common market usage) are recognized on the day of trading, i.e. on the day on which the Group entered into the obligation to purchase or sell the asset in question.

Financial assets of the Group comprise cash as well as current deposits, trade receivables, loan and other receivables as well as unlisted financial instruments and financial derivatives.

The subsequent valuation of financial assets depends on their classification as detailed below:

Financial assets to be measured at fair value through profit or loss

The group of financial assets to be measured at fair value in profit and loss comprises financial assets held for trading and financial assets classified as having been measured at fair value in profit and loss at the time of first recognition. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future. This category also comprises financial derivatives concluded by the Group that do not meet the accounting criteria for hedge transactions in accordance with IAS 39. Financial assets recognized at fair value in profit and loss are recognized in the balance sheet at fair value, with gains and losses being recognized in profit and loss.

Derivatives embedded in underlying agreements are accounted for separately if their risks and features are not closely related to the underlying agreements and the latter are not measured at fair value. These embedded derivatives are measured at fair value, with changes in the fair value being recognized in profit and loss. A reassessment is made only in the event of a change in contractual terms and conditions if this leads to a significant change in payment flows that would otherwise have resulted from the contractual terms and conditions. No agreements of this kind were in place in fiscal year 2010 and 2011.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed in an active market. Such financial assets are measured at amortized cost, using the effective interest method. Gains and losses are recognized in the consolidated income statement if the loans and receivables are taken off the books or impaired or within the scope of amortizations.

Financial investments held until final maturity

Non-derivative financial assets with fixed or determinable payment amounts and subject to fixed maturity dates are classified as financial investments held to final maturity if the Group has the intention and is in position to hold these until final maturity. After their first recognition, financial investments held until final maturity are measured at amortized cost using the effective interest method. This method uses an interest rate for calculation purposes at which the estimated future cash receipts over the expected term to maturity of the financial asset are exactly discounted to the net carrying amount of the financial asset in question. Gains and losses are recognized in the consolidated income statement if the financial investments are taken off the books or impaired and dealt with in the course of amortizations. During the fiscal year to December 31, 2011, the Group had invested EUR 9,000K (December 31, 2010: EUR 10,000K) in a fixed-income current bond issue.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets classified as available for sale and those that cannot be classified into one of the three above-mentioned categories. Following first recognition, financial assets available for sale are measured at fair value. Investments whose fair value cannot reliably be determined owing to the lack of a market are measured at cost. Unrealized gains or losses of the assets measured at fair value are recognized in equity. If such an asset is derecognized, the cumulative profit or loss directly recognized in equity is recognized in profit and loss. If the value of such an asset is impaired, the cumulative loss directly recognized in equity is recognized in profit and loss.

Derecognition

A financial asset (or part thereof, or part of a group of similar financial assets) is derecognized if one of the following requirements has been met:

- The contractual rights to receive cash flows from a financial asset have been extinguished.

- The Group has assigned its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation for immediate payment of the cash flow to a third party within the scope of an agreement that meets the requirements of IAS 39.19 (a so-called “pass-through” arrangement) and, in the process, either (a) essentially transferred all opportunities and risks assumed in connection with ownership of the financial asset or (b) while neither having essentially transferred nor retained all opportunities and risks associated with ownership of the financial asset, it has transferred control of the asset in question.

If the Group transfers its contractual rights to cash flows arising from an asset or enters into a “pass-through” arrangement and essentially neither transfers nor retains all opportunities or risks associated with this asset but retains control of the asset transferred, then the Group will recognize an asset to the extent of its ongoing commitment.

In this case, the Group will also recognize an associated liability. The asset transferred and the associated liability are measured in such a manner as to duly take account of the rights and obligations retained by the Group. If the ongoing commitment takes the form of guaranteeing the asset transferred, then the scope of the ongoing commitment will correspond to the lower amount of the original carrying amount of the asset and the maximum amount of the consideration received, which the Group might need to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

The Group classifies its financial liabilities at the time of initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future. This category comprises financial derivatives concluded by the Group that do not meet the accounting criteria for hedge transactions in accordance with IAS 39. Gains or losses on financial liabilities held for trading are recognized in the income statement. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Liabilities measured at amortized cost

After first-time recognition, interest-bearing loans are measured using the effective interest rate method at amortized cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition

Financial liabilities are derecognized if the obligation on which this liability is based has been fulfilled, waived or deleted. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions). For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Significant accounting judgments, estimates and assumptions

If the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be determined with the aid of data of an active market, it can be measured using other methods, including the discounted cash flow method. The input parameters included in the model are based on observable market data as far as possible. If this is not possible, then the determination of fair values represents a discretionary decision to a certain degree. Discretionary decisions relate to input parameters such as liquidity risk, credit risk and volatility. Changes in assumptions with regard to these factors may have an impact on the fair value recognized for financial instruments.

2.3. Essential accounting and valuation methods

Accounting for goodwill

The goodwill arising when a subsidiary is acquired corresponds to the surplus of acquisition costs over the group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the time of acquisition. Goodwill is accounted for at cost at the time of acquisition and valued in subsequent periods at its cost of acquisition less all accumulated impairment expenses.

For purposes of impairment testing, goodwill is to be distributed across all cash-generating units of the group that are expected to draw a benefit from the synergies of the business combination. Cash-generating units to which part of goodwill has been allocated are to be subjected to impairment testing on an annual basis. In the event of any evidence of impairment of a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is lower than the book value or carrying amount of the unit in question, then the impairment expense must initially be assigned to the carrying amount of any goodwill assigned to the unit and then allocated pro rata to the other assets based on the carrying amounts of any such asset within the unit in question.

Any impairment charge recognized for goodwill may not be reversed in subsequent periods. When a subsidiary is sold, the amount of goodwill accounted for it is taken into consideration within the scope of determining the profit or loss generated by the sale in question.

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments. The determination of the recoverable amount of a business segment to which goodwill was assigned is based on estimates by management. These are effected on the basis of the various products, distribution areas and regions. The cash flow forecasts take account of past experience and are based on the best estimates by management of future trends, which are compared with the assessment of external market research companies.

The most important assumptions on which the determination of the benefit is based are the following:

- Risk-free interest rate: 2.75 percent
- Market risk premium: 5.50 percent
- Beta factor: 0.88
- Capitalization interest rate: 7.59 percent

In order to determine the basic interest rate, the yields of hypothetical zero bonds of German government bonds published by Deutsche Bundesbank for the months of October through December 2011 were used. A yield curve was derived from these yields using the so-called Svensson method and converted into a basic interest rate equivalent to the present value and uniform for all periods. On the basis of the data from Deutsche Bundesbank, as at the December 31, 2011 balance sheet date the basic interest rate amounted to 2.75 percent. The market risk premium represents the difference between the market yield and a risk-free interest rate. In line with the recommendation of the Fachausschuss für Unternehmensbewertung und Betriebswirtschaft (FAUB) of the IDW, a market risk premium of 5.50 percent was applied. The beta factor is derived from external assessments and verified by own calculations These assumptions and the underlying methods used may have a substantial influence on the respective values and, ultimately, on the extent of a potential goodwill impairment.

The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are based on forecasts in the form of detailed planning across one year and rough planning activities that span four years, established on the basis of finance plans approved by management. Cash flows beyond the planning or budget period are extrapolated without growth rates.

Reference is made to No. 3.1. “Intangible assets – goodwill” for the breakdown, performance and distribution of the respective goodwill.

Accounting for intangible assets

Acquired customer relationships are recognized at cost and a written down using the straight line method over the anticipated useful life of mostly 10 or 20 years. In addition, these are subject to regular impairment testing, at least once per year. As regards the procedure and essential assumptions, reference is made to the explanatory notes on accounting for goodwill. Purchased software is stated at cost and amortized using the straight-line method over the estimated useful life of the software, generally five years.

Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalized in accordance with IAS 23. No financing costs were recognized in fiscal year 2011. The software constituting the Group’s core operations, most of which was created in-house, has a longer estimated useful life and is amortized over a period of ten years.

The periods of use and amortization methods are reviewed on an annual basis. In fiscal year 2011 there was a change to the useful lives of some customer relationships, based on the constant review of the parameters set out in IFRS regarding accounting treatment. Given this background, the amortization method has been amended to amortization over 20 years. Within this context, the amortization method has been changed to amortization over 20 years. This has led to annual amortization of EUR 2,139K.

Research costs are recognized in as expenses in profit and loss when these are incurred. The costs of development activities are capitalized if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. The initial capitalization of costs is based on the assessment by management that the technical and commercial realizability has been established; as a rule, this will be the case where a product development project has reached a certain milestone in an existing project management model. Moreover, Wirecard must have the intention and adequate resources to conclude such development and either use or sell the asset in question.

Development costs are capitalized in accordance with the accounting method shown and amortized accordingly over time from the moment the product is ready for use. During the development phase, an annual impairment test is carried out and the assumptions of management are reviewed. The development costs capitalized in the financial year amounted to EUR 7,442K (previous year: EUR 6,211K).

Accounting for property, plant and equipment

The original cost of acquisition or manufacture of property, plant and equipment comprises the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the object of property, plant and equipment was deployed, such as maintenance and repair costs, are reported with an impact on profit and loss in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalized in accordance with IAS 23. No financing costs were recognized in fiscal year 2011.

Office equipment is stated at cost and depreciated using the straight-line method over the estimated useful life. For computer hardware this period is three to five years, and generally thirteen years for office equipment and furniture.

Any gains or losses on disposal of such assets are recorded as other operating income and expenses. Maintenance work and minor repairs are charged to profit or loss as incurred.

Impairment and reversal of intangible assets as well as property, plant and equipment

The periods of use and amortization methods are reviewed on an annual basis. An impairment charge is made if, due to changed circumstances, a permanent impairment is probable. At each balance-sheet date an analysis is made as to whether there are indications that the value of an asset may be impaired. At each balance-sheet date an analysis is made as to whether there are indications that the value of an asset may be impaired. The recoverable amount corresponds to the higher of the value in use of the asset and its fair value less costs of sale. To determine the value in use, estimated future cash flows are discounted to their present value on the basis of a discount rate before taxes that reflects current market expectations with regard to the interest effect and the specific risks of the asset. In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its achievable amount, then the asset will be treated as impaired and written down to its recoverable amount. Impairment expenses, if any, are recorded in a separate expense line item.

The necessity of partial or full reversal is verified as soon as there is evidence to show that the reasons for impairment charges effected in previous years no longer apply. An impairment charge recognized previously must be reversed if, since the last impairment charge was reported, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, then the carrying amount of the asset is to be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognized after taking account of amortization or depreciation if no impairment charges had been recognized in previous years. Such a value reversal is immediately recognized in the profit or loss of the fiscal year. Once a value reversal has been made, the amortization or depreciation charge is adjusted in future reporting periods in order to distribute the adjusted carrying amount of the asset, less any residual carrying amounts, systematically across its residual useful life.

No impairments and no value reversals were registered in the year under review.

Inventories and work in progress

Products and merchandise are valued at cost of acquisition. To the extent that the costs of acquisition of inventories and supplies exceed the value determined on the assumption of selling prices capable of being realized, less any costs still arising until the time of sale, the lower fair value is used as a basis.

Cash and cash equivalents

Cash in hand and sight deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments (in particular, fixed-term deposits) that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. In the process, the actual intention of cash management is taken into account and only such items are recorded which are directly related to the availability of liquidity for current, operational payment obligations accounts in the field of acquiring, which are partly not held directly but for the account of Wirecard and via which Wirecard executes payments to the merchants are reported under cash and cash equivalents. Not freely available cash and cash equivalents from lease guarantees amounted to EUR 54K (previous year: EUR 133K) and were classified as “Trade and other receivables”.

Provisions

Provisions are carried if the Group has a current (statutory or de facto) obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfill the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions reported separately on the one hand and to other current provisions on the other.

Expenditure incurred in setting up provisions is reported in the income statement. Gains resulting from the reversal of provisions are recognized under other operating income.

Leases with the Group acting as lessee

According to IAS 17, in the case of leases the economic ownership of the objects leased is to be assigned to the party who bears the essential risks and has the relevant opportunities associated with the lease. If the lessor is required to account for (operating) leases, the expense is recorded in a straight line across the duration of the lease relationship. If economic ownership is assigned to the Group (finance leasing), capitalization will be effected at the time the use begins either at fair value or at the present value of the minimum leasing payments, whichever is the lower.

Leases with the Group acting as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset to the lessee are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and the conclusion of an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Contingent liabilities and receivables

Contingent liabilities are not recognized. These are listed in the Notes unless the likelihood of an outflow of resources with an economic benefit is very remote. Contingent receivables are not recognized in the financial statements either. They are reported in the Notes if the inflow of an economic benefit is likely to occur. Reference is also made to the risk report under No. 7 in the Management Report.

Revenue recognition

Revenues are recognized when there is sufficient evidence that a sales arrangement exists, service has been performed, the price is fixed or determinable, and it is probable that payment will be received. Interest is recognized pro rata temporis, using the accrual basis of accounting. Operating expenses are recognized with an impact on profit and loss once the service is utilized or at the time the cost is incurred.

Uncertainties regarding valuation

In applying the accounting and valuation methods, discretionary decisions are required to be taken. The most important forward-looking assumptions as well as other substantial sources of uncertainties relating to estimates as at the reference date, giving rise to a risk that an adjustment of the carrying amounts of assets and liabilities will be necessary within the following fiscal year, are explained below:

- The measurement of fair values of assets and liabilities as well as the useful lives of assets is based on assessments made by management. This also applies to the measurement of impairments of assets comprising property, plant and equipment, of intangible assets as well as of financial assets. Valuation adjustments are made to doubtful receivables in order to take account of estimated losses arising from insolvency or unwillingness of customers to pay.

- In accounting for and valuing provisions, expected obligations represent the key sources for estimates.

- The costs of granting equity instruments to employees are measured at fair value of such equity instruments in the Group at the time when granted. In order to measure the fair value of share-based remuneration, the best method of measurement must be determined; this depends on the terms and conditions in which share-based remuneration is granted. In addition, this estimate calls for the determination of suitable input parameters to be included in this measurement process, including the foreseeable term of the option, volatility and dividend yield in particular, along with associated assumptions.

In the event of uncertainties relating to valuations, the best possible findings are used relating to the circumstances prevailing as at the balance sheet date. However, actual amounts may differ from the estimates made. The carrying amounts reported in the financial statements and impacted by these uncertainties are listed in the balance sheet and in the relevant notes.

At the time when the consolidated financial statements were prepared, no substantial changes were expected with regard to the underlying assumptions on which the accounting and valuation were based. Accordingly, from the present perspective no adjustments are expected to be made to the assumptions and estimates or carrying amounts of the relevant assets and liabilities in fiscal 2012.

2.4. Accounting for and valuations of tax items

Actual income taxes

Actual tax refund claims and tax debts for the current or earlier periods are measured in the amount in which a refund is expected from the revenue authorities or a payment is expected to be made to the revenue authorities. The tax rates and tax laws prevailing as at the balance sheet date are used to calculate the amount in question.

Actual taxes relating to items recognized directly in equity are not recognized through profit or loss but in equity.

Deferred tax liabilities and assets

In accordance with IAS 12 (Income Taxes), deferred tax liabilities and assets are set up accordingly for all temporary differences between the value of assets and liabilities in the tax balance sheet and those in the consolidated balance sheet as well as between the assets of a subsidiary recognized in the consolidated financial statements and the tax balance sheet value of the shares in the subsidiary held by the parent company. Exceptions from this are differences arising in accordance with IAS 12.15 from the initial recognition of goodwill or initial recognition of an asset or liability in the case of a transaction that is no business combination and, at the time of the transaction, has no influence on net profit or loss for the period under commercial law (before income tax) nor on the taxable result (the tax-related loss).Deferred tax assets are recognized to the extent that it is probable that taxable income will be available with which the deductible temporary difference can be netted. The assessment and valuation of deferred tax assets is reviewed at each balance sheet date, taking account of current estimates in accordance with IAS 12.37 and IAS 12.56.

Deferred tax assets relating to benefits of as yet unutilized tax loss carry-forwards are capitalized to the extent that it can be assumed with an adequate degree of probability that the respective company will be able to generated sufficient taxable income in the future.

Deferred taxes are determined in accordance with IAS 12.47 on the basis of the tax rates applicable at the time of realization or in the future. Deferred taxes are carried as tax income or tax expense in the income statement, unless they relate to items directly recognized under equity with no impact on profit and loss; in this case, deferred taxes are booked under equity, without impacting the income statement.

The calculation of deferred taxes was based on a German corporation tax rate of 15.0 percent (previous year: 15.0 percent) plus the solidarity surcharge of 5.5 percent (previous year: 5.5 percent) on corporation tax and a lump-sum German trade tax rate of 11.55 percent (previous year: 11.9 percent), the municipal factor at this location from 2012 and the relevant tax rates of the foreign companies (Ireland 12.5 percent; Austria 25 percent; Singapore 18 percent).

Value added tax

Sales revenues, expenses and assets are recognized after deducting value added tax. An exception in this regard is value added tax incurred when purchasing assets or services that cannot be claimed by the revenue authorities. Such value added tax is recognized as part of manufacturing costs of the asset or as part of expenses. Receivables and liabilities are likewise recognized along with the amount of value added tax included therein.

The amount of value added tax refunded by the revenue authorities or paid to the latter is netted in the consolidated balance sheet under receivables and liabilities. Tax assets and liabilities are netted to the extent that they relate to taxes imposed by the same fiscal authority on the same company and if the Group intends to settle its current tax claims and tax debts on a net basis.

Essential discretionary decisions, estimates and assumptions in connection with taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's country of domicile.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profit will be available against which the loss carry-forwards can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2.5. Changes to accounting and valuation methods in relation to the previous year

The accounting methods applied correspond in principle to the methods applied in the previous year, with the following exceptions. As at January 1, 2011, the Group applied the following new and revised IFRS:

- IAS 24 Related Parties (revised), applicable from January 1, 2011,
- IAS 32 Financial instruments: Presentation (revised), applicable from January 1, 2011,
- IFRIC 14 Advance payments as part of minimum funding requirements (revised), applicable from January 1, 2011,
- Improvements to IFRS 2010 (May 2010).

The application of these standards and interpretations is explained in detail below:

IAS 24 Related parties (revised)

The IASB published an amendment to IAS 24 including clarification of the definitions of related parties. The new definition reinforces the symmetrical approach when determining related parties and clarifies the circumstances under which persons and persons in key positions impact relationships with a company's related parties. In addition, the revision leads to a partial exemption from the disclosure requirements in IAS 24 for transactions with public authorities and companies controlled, jointly managed or significantly influenced by these public authorities such as the reporting company. Application of this revision did not have any impact on the Group's financial position and results of operations.

IAS 32 Financial instruments: Presentation (revised)

The IASB has published a change in which the definition of a financial liability under IAS 32 is changed, so that companies can classify certain subscription rights and options or warrants as equity instruments. The change is applicable when the rights to acquire a fixed number of equity instruments of the company authorize the acquisition of a fixed amount in any currency and the company offers these proportionately to all of the current owners of the same class of its non-derivative equity instruments. The amendment does not impact the Group's financial position or results of operations, as the Group does not have any such instruments.

IFRIC 14 Advance payments as part of minimum funding obligations (revised)

This change rectifies an unintended consequence for the event that a company is subject to minimum funding obligations and performs advance payment in order to meet these payment obligations. This change allows the classification of an advance payment for future service cost by the company as plan assets. The Group is not subject to any minimum funding requirements in the eurozone; as a result this amendment to the interpretation does not impact the presentation of its financial position and results of operations.

Improvements to IFRS

In May 2010 the IASB published its third collective standards concerning the amendment of various IFRS with the primary objective of eliminating inconsistencies and clarifying the relevant formulations. The collective standards provide for a transitional rule of its own for each IFRS amended. While the application of the following new rules led to a change in accounting methods, this had no impact on the Group's financial position and results of operations:

- IFRS 3 Business combinations: The valuation options available for non-controlling interests were changed. Only parts of non-controlling interests that give rise to a current ownership right and, in the event of liquidation, a proportionate entitlement for the owner to the company's net assets, may either be measured at fair value or the proportionate share of the current ownership right to the identifiable net assets of the acquired company. All other components are to be measured at their fair value on the date of acquisition.
- The changes to IFRS 3 are applicable for fiscal years starting on or after July 1, 2011. The group has not yet applied these and made a corresponding change to its accounting methods.
- IFRS 7 Financial Instruments - Disclosures: This change aims to simplify the information by reducing the scope of the disclosures on collateral held, and to improve this by providing additional quality-based information to supplement the quantity-based information. The Group presents the revised information in the notes.
- IAS 1 Presentation of Financial Statements: This change clarifies that a company can present the analysis of each component of its other comprehensive income either in the Statement of Other Comprehensive Income or in the notes. The Group presents this in the Statement of Other Comprehensive Income.

2.6. Changes to the accounting and valuation methods - new accounting standards with EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were already incorporated in EU law within the scope of the comitology procedures but were not of mandatory application as yet in the financial year 2011. The Group does not use these standards and interpretations ahead of time.

Amendment to IFRS 7 - Information on the transfer of financial assets

The amendment to IFRS 7 was published in October 2010 and is to be applied for the first time in fiscal years starting on or after July 1, 2011. The change governs extensive new quality and quantity-based information on the financial assets transferred that are not derecognized and regarding the continued involvement on the balance sheet date for the transferred financial assets. This change will further expand the scope of the disclosures on financial instruments, however it will not impact the disclosure and valuation of assets and liabilities in the consolidated financial statements and earnings in future fiscal years.

2.7. Changes to the accounting and valuation methods - new accounting standards with outstanding EU endorsement

The IASB has published the following standards and interpretations for which application was not yet mandatory in fiscal year 2011. These Standards and Interpretations have not been endorsed by the EU to date and are not used by the Group.

IFRS 9 Financial Instruments: Classification and Measurement

The first part of Phase I in preparation for IFRS 9 Financial Instruments was published in November 2009. This standard includes new regulations for the classification and measurement of financial assets. Accordingly, debt instruments are to either be carried at amortized cost or recognized in income at fair value depending on their respective characteristics and considering the business model. Equity instruments must always be accounted for at fair value. However, fluctuations in the value of equity instruments may be recorded under other comprehensive income due to the instrument-specific option granted, which can be exercised when the financial instrument is received. In this case, only specific dividend income is recognized in income for equity instruments. Financial assets that are held for trading form an exception - for these assets recognition at fair value through profit and loss is mandatory. In October 2010 the IASB concluded the second part of Phase I of this project. Information on financial liabilities has thus been added, and the standard requires that the existing classification and valuation requirements for financial liabilities should be retained, with the following exceptions: The impact of changes on the own credit risk for financial liabilities that are classified measured at fair value through profit and loss has to be taken directly to equity and derivative liabilities for non-listed equity instruments may no longer be carried at cost. IFRS 9 is to be applied for the first time in fiscal years starting on or after January 1, 2015. The project is expected to be concluded in 2012. Application of the first part of phase I will impact the classification and measurement of the Group's financial assets. The second phase of the project is not expected to have any material impact on the Group's financial position and results of operations. In order to present an end-to-end view of the potential impact, the Group will only quantify the impact in connection with the other phases, as soon as these are published.

IFRS 10 Consolidated Financial Statements:

IFRS 10 was published in May 2011 and is to be used for the first time in fiscal years starting on or after January 1, 2013. The new standard replaces the provisions of the previous IAS 27 Consolidated and Separate Financial Statements for consolidated accounting and the interpretation SIC 12 Consolidation - Special Purpose Entities. IFRS 10 results in a uniform control concept, which can be applied to all companies including special purpose entities. The changes introduced with IFRS 10, compared to the previous legislation, require significant discretion to be exercised by management when assessing the issue of which companies in the Group are controlled, and if these should thus be included in the consolidated financial statements as part of full consolidation. The Company is currently reviewing the impact and this cannot yet be reliably determined.

IFRS 11 Joint Arrangements

IFRS 11 was published in May 2011 and is to be applied for the first time in fiscal years starting on or after January 1, 2013. This standard replaces IAS 31 Interests in Joint Ventures and the interpretation SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Partner Companies. IFRS 11 has removed the former option of proportionately consolidating joint ventures. In future these companies will only be included in the consolidated financial statements at equity. Application of the new standard will not impact the Group's net assets, as there are no joint ventures in the Wirecard Group.

IFRS 12 Disclosure of interests in other entities

IFRS 12 was published in May 2011 and is to be applied for the first time in fiscal years starting on or after January 1, 2013. The standard regulates the disclosures to be made in the notes for consolidated accounting and consolidates the information for subsidiaries that was previously regulated by IAS 27, the information for jointly managed and associated companies that was previously included in IAS 31 and IAS 28, and for structured companies. As the new standard includes the disclosure requirements detailed above and also sets out new disclosure requirements, the information in the notes to the consolidated financial statements will be more extensive for this group of companies in future.

IFRS 13 Fair Value Measurement

IFRS 13 was published in May 2011 and is to be applied for the first time in fiscal years starting on or after January 1, 2013. This standard sets out guidelines for identifying fair value, and defines comprehensive quality and quantity-based information on measurement at fair value. In contrast, the standard does not regulate the issue of when assets and liabilities have to be or can be measured at fair value. IFRS 13 defines fair value as the price which a party would receive in an arm's length transaction on the valuation date for the sale of an asset, or would pay for the transfer of a liability. The Group is currently assessing the impact that the new standard will have on its financial position and results of operations.

Amendment to IAS 1 - Presentation of components of other comprehensive income

The amendment to IAS 1 was published in June 2011 and is to be applied for the first time in fiscal years starting on or after July 1, 2012. The amendment to IAS 1 relates to the presentation of components of other comprehensive income. In so doing, components for which reclassification through profit and loss is intended in future (so-called recycling) is to be presented separately from components which remain in equity. This change solely relates to the manner of presentation for the financial statements and thus does not impact the Group's financial position and results of operations.

Amendment to IAS 12 - Deferred Taxes: Recognition of underlying assets

The change to IAS 12 was published in December 2010 and is to be applied for the first time in fiscal years starting on or after January 1, 2012. The amendment to IAS 12 introduces simplified regulations. Accordingly, it is (verifiably) assumed that, for the measurement of deferred taxes for real estate measured at fair value, it is fundamentally possible to recognize the carrying amount via disposal as is the relevant factor. In the case of non-wasting assets that are measured according to the revaluation model, a disposal should always be assumed. As Wirecard does not have any real estate this change does not have any impact on the Group's financial position and results of operations.

IAS 19 Employee Benefits (revised 2011)

The revised IAS 19 was published in June 2011 and is to be applied for the first time in fiscal years starting on or after January 1, 2013. The adjustments made include fundamental amendments, for example relating to the identification of anticipated income from plan assets and the removal of the corridor method, which served to distribute or smooth the volatility over time resulting from the pension obligations, through to simple clarifications and rewording. As Wirecard does not have any benefits of this kind, this regulation does not have any impact on the Group's financial position and results of operations.

IAS 28 Interests in Associates and Joint Ventures (revised 2011)

The revised IAS 28 was published in May 2011 and is to be applied for the first time in fiscal years starting on or after January 1, 2013. When IFRS 11 and IFRS 12 were passed, the area covered by IAS 28 - in addition to associated companies - was expanded to also include use of the equity method for joint ventures. Please refer to our comments on IFRS 11 with regard to the impact.

Amendment to IAS 32 and IFRS 7 - Netting of financial assets and financial liabilities

The amendment to IAS 32 and IFRS 7 was published in December 2011 and is to be applied for the first time in fiscals years starting on or after January 1, 2013. This change aims to rectify existing inconsistencies by supplementing the application guidelines. However, the existing fundamental provisions on netting financial instruments are retained. In addition, the change also defines further-reaching disclosures. The change will not impact the accounting methods used by tithe Group, however it will result in additional disclosures.

The new regulations listed below do not apply to the Group and thus will not have any impact on its financial position and results of operations.

- Amendment to IFRS 1 - Dramatic hyperinflation and cancellation of fixed data for first-time users,
- IAS 27 - Separate financial statements (revised 2011),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

2.8. Changes to the accounting and valuation methods - other changes

In line with the license for the provision of payment services which has to be applied since April 30, 2011, accounting for Acquiring has been changed. This is based on the EU Payment Services Directive (PSD), which has been implemented throughout the EU in the local laws of the member countries.

This change has not impacted Wirecard AG's financial position and results of operations. In future all of the contractual services will continue to be performed to an unchanged extent by the Wirecard Group. All of the payment services will now be invoiced by Wirecard Bank AG. Technical services and customer support will be provided by local group subsidiaries, as was previously the case.

From May 2011, as a result revenues from external customers will be booked in the A&I segment. These were previously booked in the PP&RM segment.

Revenues with other business segments within the Group (consolidations) have also changed as a result. As a rule, revenues in the PP&RM segment will fall, with a corresponding increase in the A&I segment. The change will not impact consolidated revenues and the profitability of the Group and the individual segments.

3. Explanatory notes on consolidated balance sheet assets

For a breakdown of non-current assets relating to intangible assets, property, plant & equipment and financial assets (historic acquisition costs, adjustments based on foreign currency translations, additions and disposals due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying amounts), reference is made to the attached schedule of non-current asset movements from January 1, 2011 through December 31, 2011 (including the previous period).

3.1. Intangible assets

Intangible assets comprise goodwill, internally generated intangible assets, other intangibles and customer relationships.

Goodwill

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments or whenever the need arises (most recently on December 31, 2011).The determination of the recoverable amount of a business segment to which goodwill was assigned is based on estimates by management.These took account of the prevailing general economic conditions. The Company determines these values using valuation methods based on discounted cash flows.

Goodwill increased in 2011 as a result of the consolidation of the Systems@Work Group by EUR 17,550K and Procard Services FZ LLC by EUR 8,675K by a total of EUR 26,225K to EUR 127,565K (December 31, 2010: EUR 101,340K) and is carried in the following cash-generating units:

GOODWILL

in EUR '000s	12/31/2011	12/31/2010
Payment Processing & Risk Management	101,081	74,856
Acquiring & Issuing	26,196	26,196
Call Center & Communication Services	288	288
Total	**127,565**	**101,340**

As part of the expansion of the Acquiring & Issuing division, EUR 2,179K in goodwill was reclassified from the PPRM segment to the A&I segment. As a result of the expansion of the issuing segment, Wire Card Beteiligungs GmbH mostly performs tasks relevant for A&I. Please refer to the changes in non-current assets for changes in goodwill.

Internally-generated intangible assets

In fiscal year 2011 internally-generated software was developed and capitalized in the amount of EUR 7,442K (December 31, 2010: EUR 6,211K). Compared to the previous year, this item has increased as a result of the development activities at Procard Services FZ LLC, which did not form part of the Wirecard Group in the prior period. This relates to software for the Payment Processing & Risk Management segment. It is written off using the straight line method over its anticipated useful life of ten years.

Other intangible assets

Other intangible assets, in addition to the software for the individual workstations, essentially relate to software acquired for and used by the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments. This item mostly increased as part of the purchase price allocation from the consolidation of the new companies Procard Services FZ LLC (EUR 2,274K) and the Systems@Work Group (EUR 2,391K). It will be amortized using the straight-line method over the course of its useful economic life. This is between three and ten years. This item increased in the period under review from EUR 13,050K to EUR 28,530K.

Because, in the first phase, Wirecard Card Solutions Ltd. will take over key functions as part of Newcastle Building Society’s prepaid card business as an outsourcing service provider, the purchase price of EUR 8,999K was still carried as an advance payment. Wirecard Card Solutions Ltd. will only gain control of the business in the second phase, as soon as it has received a license from the UK Financial Services Authority as an eMoney institution, and the asset will be broken down into the individual balance sheet items as part of purchase price allocation.

Customer relationships

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. Customer relationships totaling EUR 42,775K were written down in the third quarter for the first time with a remaining useful life of 20 years. The customer bases are subject to the following amortization rules:

AMORTIZATION OF CUSTOMER RELATIONSHIPS

Useful life	Remaining period of use	Remaining carrying amount in EUR '000
20	20	79,795
10	6	1,255
10	8	3,603
10	9	383
4	2	734
		85,770

This item includes advance payments of EUR 1,800K, for which a remaining amount of EUR 700K still has to be paid. This item increased during the period under review in connection with the acquisitions performed for Procard Services FZ LLC (EUR 383K) and the Systems@Work Group (EUR 25,161K).

3.2. Property, plant and equipment

Other property, plant and equipment

Property plant and equipment comprises office and business equipment. It is stated at cost and depreciated using the straight-line method over its estimated useful life. For computer hardware this period is three to five years, and generally thirteen years for office equipment and furniture.

Any gains and losses on disposal of non-current assets are recorded as other operating income and expenses, respectively. Maintenance work and minor repairs are charged to profit or loss as incurred.

3.3. Financial and other assets

The financial and other assets in the amount of EUR 26,714K (previous year: EUR 38,699K) mostly changed in the fiscal year from the sale of securities by Wirecard Bank AG which were invested in various interest-bearing securities to improve interest income. These have an original term of four to five years and exclusively bear income based on the money market, however minimum and maximum interest rates have been agreed (so-called collared floaters). These were disclosed under financial and other assets, which is why these reduce the item cash and cash equivalents.

3.4. Tax credits

Deferred tax assets

Tax credits/deferred tax assets refer to loss carry-forwards and their realizability as well as temporary differences between the tax balance sheet figures and Group earnings in accordance with IFRS. Deferred tax assets are recognized in accordance with IAS 12.15-45. The Company utilizes the balance sheet oriented liability method of accounting for deferred tax assets in accordance with IAS 12. Under the liability method, deferred taxes are determined according to the temporary differences between the carrying amounts of asset and liability items in the consolidated balance sheet and the tax balance sheet, as well as taking account of the tax rates in effect at the time the aforesaid differences are reversed. Deferred tax assets are accounted for to the extent that taxable earnings are considered likely to be available (IAS 12.24).

On account of tax assessments up to December 31, 2010, tax notices issued up to the assessment year of 2010 and consolidated taxable earnings in 2011 deferred tax assets as at December 31, 2011 amounted to EUR 936K following a valuation allowance (December 31, 2010: EUR 1,205K).

As regards the tax reconciliation account and the trend relating to deferred taxes, reference is made to the further details under 5.8. Income tax expenses and deferred taxes.

3.5. Inventories and work in progress

As at December 31, 2011, the inventories reported, amounting to EUR 779K (December 31, 2010: EUR 360K), reflected merchandise such as terminals and debit cards in particular. In addition, customer-specific payment-related software solutions were sold at Systems@Work Pte. Ltd.. Of this total EUR 382K was accounted for as work in progress. Their value was measured in accordance with IAS 2.

Inventories are valued at the lower of cost (of acquisition or manufacture) and their net sales value. No value deductions were made in the year under review and in the previous period. No value reversals occurred either.

3.6. Trade receivables and other receivables

The transaction volume of the Wirecard Group is reported under the item Trade receivables as a receivable from credit card organizations and banks. At the same time, these business operations give rise to liabilities to our merchants, amounting to the transaction volume less our charges.

Receivables and liabilities (less our commissions and charges) are transitory in nature and subject to substantial fluctuations from one reference date to another. The increase as at December 31, 2011 is essentially due to an increase in receivables in the acquiring segment as at that particular date, but also in part from the organic growth. Moreover, cooperation with other acquiring banks in the Asian region and software projects led to an increase in receivables year-on-year for accounting reasons. In addition, comparability is restricted due to the first-time consolidation of the two new companies.

Only our charges included in sales revenues have an impact on profit and loss, not the entire amount receivable.

Depending on the age structure of receivables, uniform valuation adjustments are made to receivables throughout the Group. In the case of trade receivables older than 180 days, the Group applies a full impairment charge in the absence of any other information on the value of such receivables.

This procedure is based on past experience, in terms of which trade receivables older than 180 days can no longer be expected to generate inflows. Breakdown of trade and other receivables:

STRUCTURE OF TRADE RECEIVABLES AND OTHER RECEIVABLES

in EUR '000s	12/31/2011	12/31/2010
Trade receivables (before value adjustments)	185,524	121,485
Value adjustments	- 3,378	- 2,744
Book value trade receivables	**182,146**	**118,741**

Prior to accepting a new business customer, the Group utilizes external credit rating checks to assess the reliability of potential customers. These customer assessments are reviewed on an annual basis.

In determining the value of trade receivables, each and every change in credit standing is taken into account from the date on which deferred payment was granted up to the balance-sheet date. Apart from fundamental risks correlated across this industry segment, there is no notable concentration or cluster of the credit risk since the portfolio of holdings is widely distributed across various payment service providers, customers and other debtors.

The present value of the trade receivables is the same as the carrying amount. Additions in the fiscal year are reported in the income statement under other operating income and reversals under other operating expenses. Moreover, due to currency translation factors, receivables in foreign currency were revalued by EUR 60K (December 31, 2010: EUR-152K) with an impact on expenses at the exchange rate prevailing on the balance sheet date.

Receivables from affiliated companies and other investees

Receivables from affiliated companies, amounting to EUR 82K (December 31, 2010: EUR 92K), are reported under Trade and other receivables. Essentially, these related to receivables from the non-consolidated company Wire Card ESP S.L., Palma de Mallorca.

3.7. Tax credits

Tax credits as at December 31, 2011 include claims for tax refunds amounting to EUR 5,570K (December 31, 2010: EUR 10K) and claims for value added tax refunds amounting to EUR 177K (December 31, 2010: EUR 170K).

3.8. Interest-bearing securities

To improve its interest income, apart from investing in various medium to long-term interest-bearing securities, Wirecard Bank AG also invested in short-term interest-bearing securities. These have an original term to maturity of six months. This concerns the acquisition of a bearer debenture of a renowned European big bank that corresponds to the conservative criteria of the Wirecard Group with regard to liquidity management. These were disclosed under financial and other assets, which is why these reduce the item cash and cash equivalents.

3.9. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2011: EUR 213,403K; December 31, 2010: EUR 185,355K) includes cash in hand and bank balances (demand deposits, fixed-term deposits and overnight deposits). These also include resources from current customer deposits of Wirecard Bank AG, which are not placed in interest-bearing securities, (December 31, 2011: EUR 71,493K; December 31, 2010: EUR 73,318K) and funds derived from the acquiring business of Wirecard Bank AG. To improve its interest income, Wirecard Bank AG invested in various short, medium and long-term bearing securities (so-called collared floaters and interest-bearing securities). These are disclosed under non-current financial and other assets and other current interest-bearing securities. Without the purchase of these securities, cash and cash equivalents would have been higher by EUR 33,549K (December 31, 2010: EUR 45,427K).

The transition in collateral at customers' requests means that comparison with the previous year is limited. Customers have revolving security retentions for daily transaction volumes from bank guarantees payable on demand from well-known banks. Without these changes, these items would have been higher by EUR 30 million.

4. Explanatory notes on consolidated balance sheet equity and liabilities

As regards the development of Group equity for fiscal year 2011, further particulars in addition to the following explanations are provided in the table “Consolidated statement of changes in equity”.

4.1. Subscribed capital

The Company's subscribed capital as at December 31, 2011 remained unchanged year-on-year at EUR 101,803,139.00 and comprises 101,803,139 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share.

Authorized capital

Pursuant to a resolution adopted at the Annual General Meeting of June 18, 2009, the Board of Management was authorized to increase the capital stock with the consent of the Supervisory Board by June 18, 2014 on one or several occasions by up to a maximum total of EUR 37,299,652.00 against cash and/or non-cash capital contributions, including so-called “mixed contributions in kind”, by issuing up to 37,299,652 new no-par-value bearer shares (authorized capital 2009/I) and to determine that profit participation is to begin at a time other than that stipulated by legislation. In principle, a subscription right has to be granted to the shareholders. The new shares can also be taken over by one or several banks determined by the Board of Management with the obligation to offer them to the shareholders (indirect subscription right). However, the Board of Management is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

– In order to avoid fractional amounts;

– In the case of a cash capital increase, if the issuing amount of the new shares issued in accordance with Section 186 (3) Sentence 4 of the AktG (German Stock Corporation Act) subject to the exclusion of subscription rights is not materially lower than the stock market price and the new shares issued subject to the exclusion of subscription rights in accordance with Section 186 (3) Sentence 4 of the AktG do not exceed a total of 10 percent of the Company’s capital stock, namely neither as at the effective date nor at the time this authorization is exercised;

- The authorized volume is reduced by the proportionate amount of the Company's share capital that is attributable to shares, or to which conversion and/or option rights or obligations arising from bonds refer, which have been disposed of or issued since the resolution on the authorization was adopted on the basis of other authorizations and with the right of subscription excluded applying Section 186 (3) Sentence 4 of the AktG directly or mutatis mutandis;
- In the event of a non-cash capital increase in connection with the acquisition of an enterprise, of parts of an enterprise, an equity investment in an enterprise or other material equipment and facilities provided that the new shares issued out of said Authorized Capital 2009/I in consideration for contributions in kind with the subscription right excluded do not in total exceed 20% of the share capital, neither at the time when this authorization becomes effective nor at the time when this authorization is exercised.

The Management Board is authorized, with the consent of the Supervisory Board, to stipulate the further particulars of the capital increase and its implementation, in particular the content of the rights embodied in the share certificate, the conditions of the issue of shares including the issue amount. The Supervisory Board is authorized to amend the wording of the Articles of Association in accordance with the extent of the capital increase out of the authorized capital.

The resolution was entered in the competent commercial register on August 20, 2009.

As a result of the resolution by the General Meeting on June 22, 2011, in addition to the previous regulations the following also apply:

- With the approval of the Supervisory Board, shares that are acquired as a result of the above authorization may be, in whole or in part, on one or several occasions, excluding shareholders' subscription rights, be offered as employee shares to members of the Company's management at a price which is not materially lower than the stock market price.
- With the approval of the Supervisory Board, shares that are acquired as a result of the above authorization may be, in whole or in part, on one or several occasions, excluding shareholders' subscription rights, be offered as employee shares to members of the Company's management and employees at a price of up to 50% less than the stock market price.

  In so doing, the number of employee shares offered to employees of the Company and members of management and employees with affiliated companies may not exceed 3% of the Company's share capital, neither on the date this becomes effective nor on the date this authorization is exercised. This 3 percent threshold does not apply if the price is not materially lower than the stock market price within the meaning of Section 186 (3) Sentence 4 of the AktG. The maximum amount of 3% of the share capital is reduced by the proportionate amount of the Company's share capital that is due to the shares that have been issued to employees within the meaning of Section 204 (3) of the AktG since this authorization was issued using an authorization to issue new shares from authorized capital excluding subscription rights as employee shares at a price less than the stock market price. The offsetting of the issue of new shares from authorized capital with this 3% threshold does not apply if the shares from authorized capital are issued at a price which is not materially lower than the stock market price within the meaning of Section 186 (3) Sentence 4 of the AktG.

On the balance sheet date there was unchanged authorized capital (Authorized Capital 2009/I) of EUR 37,299,652.00.

Contingent capital

Due to the fact that no conversions took place during the financial year, there was no change to the level of contingent capital (contingent capital 2004) in the reporting period, and this totaled EUR 997,927.25 (December 31, 2010: EUR 997,927.25). Following the resolution passed by the Annual General Meeting of July 15, 2004, the company created a staff option program ("SOP") based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Management Board, to consultants of the Company, its workforce as well as employees of affiliated companies. The program has now been closed. Accordingly, further issues are no longer possible. The statutory subscription rights of shareholders are excluded. The new shares will participate in profits from the beginning of the fiscal year in which they are issued following the exercise of conversion and subscription rights, respectively. The Management Board was authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and the execution thereof. As at December 31, 2011 a total of 743,250 convertible bonds (December 31, 2010: 743,250) had been subscribed to, of which 331,922 (previous year: 331,922) are still outstanding for conversion and capable of being exercised. According to terms and conditions of the SOP program, employees receive shares with a value of 50 percent of the average closing price of Wirecard AG stock in the last ten bank days of trading prior to the date of exercise. The convertible bonds are convertible daily within the exercise periods, have a term to maturity of ten years and do not bear interest. 240,000 convertible bonds have a residual term to maturity until December 2017, and all other convertible bonds outstanding expire in the year 2015.

By way of a resolution by the General Meeting on June 22, 2011, the contingent capital 2008/I was cancelled in the amount of EUR 3,053,700.00 (December 31, 2010: EUR 3,053,700.00).

Purchase of treasury stock

By a resolution adopted at the Annual General Meeting on June 17, 2010, the Management Board is authorized to acquire up to 10 percent of the capital stock of Wirecard AG existing at the time of the resolution. This authorization is valid until June 16, 2015.

Until December 31, 2011, the Management Board did not make use of its authority to acquire and utilize treasury shares in accordance with Section 71 (1) No. 8 of AktG.

4.2. Capital reserve

The capital reserve remained unchanged compared to the previous period at EUR 11,262K

4.3. Retained earnings

The General Meeting on June 22, 2011 resolved to carry forward an amount from the disclosed net retained profits of Wirecard AG (separate company) for fiscal year 2010 in the amount of EUR 19,023K totaling EUR 8,843K to new account and to disburse a total amount of EUR 10,180K as a dividend, i.e., a dividend of EUR 0.10 per ordinary share for the 101,803,139 dividend-entitled ordinary shares. A proposal will be made at the 2012 General Meeting to pay a dividend of EUR 0.10 per share to the shareholders, which corresponds to a total amount of EUR 11,198K taking into account the capital increase on March 7, 2012.

4.4. Foreign currency translation reserve

The foreign currency translation reserve changed in fiscal year 2011 due to exchange rate factors and with no impact on profit or loss from EUR 137K in the previous year to EUR 175K. With regard to the foreign currency translation reserve, reference is made to the relevant passage under 2.1. Principles and assumptions used in preparing the financial statements.

4.5. Non-current liabilities

Non-current liabilities break down into non-current interest-bearing liabilities, other non-current liabilities and deferred tax liabilities.

Non-current interest-bearing liabilities

In the second quarter, on schedule, the current interest-bearing liabilities were replaced by a long-term master credit agreement, which was provided for M&A transactions already performed and potential M&A transactions. As a result, and as a result of new draw-downs for M&A transactions, the long-term interest-bearing liabilities increased to EUR 85,024K (December 31, 2010: EUR 1,000K). No fixed redemption has been agreed in the contracts. Only the master credit agreement provided falls in annual installments through to 2016. The current repayments due were carried under current interest-bearing liabilities.

Other non-current liabilities

Other non-current liabilities on December 31, 2011 mostly comprise the non-current portion of the earn-out components as part of the purchase of the Systems@Work Group (EUR 12,135K), which are due in the first six months of 2013 or 2014. In addition, this item included (convertible) bonds of EUR 332K (December 31, 2010: EUR 332K).

Deferred tax liabilities

Deferred tax liabilities, amounting to EUR 9,344K (December 31, 2010: EUR 6,584K) related to temporary differences between tax base and the consolidated financial statements according to IFRS and are reported under non-current liabilities. As regards the tax reconciliation account and the trend relating to deferred taxes, reference is made to the further details under 5.8. Income tax expenses and deferred taxes.

4.6. Current liabilities

Current liabilities are classified into trade payables, interest-bearing liabilities, other provisions, customer deposits from banking operations of Wirecard Bank AG, other liabilities, and tax provisions.

Trade payables

Trade payables are owed chiefly to merchants/online traders. Liabilities denominated in foreign currencies were revalued by EUR 2K (December 31, 2010: EUR 432K) at the exchange rate prevailing on the balance sheet date, with an impact on expenses. Including the liabilities incurred in the field of acquiring, Wirecard Bank AG accounted for EUR 122,139K (December 31, 2010: EUR 87,390K).

The transition in collateral at customers' requests means that comparison with the previous year is limited. Customers have revolving security retentions for daily transaction volumes from bank guarantees payable on demand from well-known banks. Without these changes, these items would have been higher by EUR 30 million. In addition, comparability is restricted due to the first-time consolidation of the two new companies.

Interest-bearing liabilities

Interest-bearing liabilities in the amount of EUR 1,000K (December 31, 2010: EUR 21,001K) fell compared to the previous year on schedule, as these were transferred in 2011 to a long-term master credit agreement, which was provided for M&A transactions performed and potential M&A transactions. A loan of EUR 1,000K is due in the fourth quarter of 2012.

Other provisions

Provisions are generally short-term in nature and will presumably be used in the first half of 2012. Other current provisions in the amount of EUR 992K (December 31, 2010: EUR 1,652K) include, as the largest item, the costs of preparing and auditing the financial statements in the amount of EUR 508K (December 31, 2010: EUR 1,191K).

The individual provisions changed as follows during the fiscal year:

STATEMENT OF CHANGES IN PROVISIONS

in EUR '000s	01/01/2011	Addition first-time consolidation	Consumption	Reversal	Addition	12/31/2011
Litigation risks	77	0	0	0	26	**103**
Archiving	65	0	- 65	0	65	**65**
Annual General Meeting	180	0	- 150	- 30	155	**155**
Financial statement and other audit costs	1,191	8	- 959	- 209	477	**508**
Other provisions	139	0	- 8	0	30	**161**
Other current provisions	**1,652**	**8**	**- 1,182**	**- 239**	**753**	**992**
Bonuses & commissions from wages and salaries	1,449	0	- 1,299	- 16	2,398	**2,532**
Emoluments of the Supervisory Board	393	0	- 386	- 7	263	**263**
Vacation	533	23	- 499	0	502	**559**
Berufsgenossenschaft (employees' industrial compensation society)	127	0	- 105	- 1	71	**92**
Outstanding invoices	2,427	0	- 1,441	- 286	1,473	**2,173**
Outstanding interest	9	0	- 9	0	230	**230**
Other accrued liabilities	**0**	**30**	**0**	**0**	**172**	**202**
Accrued liabilities	**4,938**	**53**	**- 3,739**	**- 310**	**5,109**	**6,051**
Tax provisions	**3,733**	**0**	**- 3,330**	**- 66**	**983**	**1,320**
Total	**10,323**	**61**	**- 8,251**	**- 615**	**6,845**	**8,363**

Other liabilities

Other liabilities in the amount of EUR 15,104K (December 31, 2010: EUR 8,524K) included, in the amount of EUR 6,051K (December 31, 2010: EUR 4,938K) accrued liabilities and in the amount of EUR 1,868K (December 31, 2010: EUR 2,264K) current purchase price liabilities from variable remuneration. EUR 2,264K was paid for the acquisition of the E-Credit Group. In addition, the item includes liabilities from payment transactions, wages and salaries, social security and similar.

Customer deposits from banking operations

This item includes customer deposits in the amount of EUR 105,042K (December 31, 2010: EUR 118,745K) with Wirecard Bank AG.

Provisions for taxes

Provisions for taxes related to provisions for income taxes for Wire Card Beteiligungs GmbH (EUR 360K), Wirecard Bank AG (EUR 14K) and Wirecard AG (EUR 40K). Due to the tax prepayments for the period under review, provisions of EUR 905K had to be set up for taxes of the foreign companies

Maturities

The maturity structure of other liabilities (excluding deferred tax liabilities) is as follows:

MATURITY STRUCTURE 2011

in EUR '000s	up to 1 year	1 to 5 years	more than 5 years
Interest-bearing bank liabilities	1,000	85,024	0
Trade payables	135,428	0	0
Customer deposits	105,042	0	0
Other liabilities and provisions	17,415	12,679	240
Total	258,885	97,703	240

MATURITY STRUCTURE 2010

in EUR '000s	up to 1 year	1 to 5 years	more than 5 years
Interest-bearing bank liabilities	21,001	1,000	0
Trade payables	98,443	0	0
Customer deposits	118,745	0	0
Other liabilities and provisions	13,910	92	240
Total	**252,099**	**1,092**	**240**

5. Notes to the consolidated income statement

5.1. Revenues

Breakdown of the Group's revenues generated by its principal products and services:

REVENUES BY OPERATING DIVISIONS (AS IF)

in EUR '000	2011	* 2010
Payment Processing & Risk Management	263,359	225,526
Acquiring & Issuing	98,139	109,218
Call Center & Communication Services	4,267	4,453
	365,765	339,197
Consolidation PP&RM	- 17,238	- 15,987
Consolidation A&I	- 22,365	- 49,981
Consolidation CC&CS	- 1,365	- 1,610
	324,797	271,619

*Figures adjusted to create comparability according to IAS 8

According to the requirement for a license for the provision of payment services which applies from April 30, 2011, there was a transition in accounting for Acquiring and Payment Processing. This is based on the EU Payment Services Directive (PSD), which has been implemented in the local laws of the member countries.

This change has not impacted the financial position and results of operations of the Wirecard Group, however the comparability of revenues in the segments is restricted. Detailed information and reconciliations for comparability are included in Chapter 7.1 Segment Reporting.

In the "Payment Processing & Risk Management" division, the Wirecard Group generates revenues on services in the field of payment processing, particularly on services rendered using the Financial Supply Chain Management (FSCM) software platform and the product CLICK2PAY.

In the field of the FSCM platform, a substantial share of revenues is realized from the settlement of electronic payment transactions – particularly on the Internet – by classical payment processes such as credit card payments or electronic direct debits. As a rule, revenues are generated by transaction-related charges billed as a percentage-based discount of the payment volumes processed as well as per transaction The extent of the transaction-related charge varies according to the product range available as well as the distribution of risks among merchants, banks and the Wirecard Group. Transaction-related charges, revenues from purchases of receivables and from payment guarantees arise in the course of risk management activities In addition to these volume-dependent sales revenues, monthly and annual flat fees and non-recurring connection charges and rentals are generated from the utilization of the FSCM platform and PoS terminals. In addition, the Wirecard Group generates revenues derived from consultancy services.

The bulk of sales revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. As at the balance-sheet date, more than 13,000 enterprises were connected to the FSCM software platform.

In terms of sales of card products by Wirecard Bank AG and with the CLICK2PAY product, revenues are generated not only in the B2B segment, but also with end customers (B2C). These end customers are partly required to pay discount charges, transaction charges or fees for cash disbursements and for resubmission of transactions. In addition, annual charges are payable on card products.

In addition, in the “Payment Processing & Risk Management“ division, revenues are generated from the sale of what are known as affiliate products as well as by providing services and licensing software directly associated with the sale of these products.

Sales revenues are generated in the field of “Acquiring & Issuing” particularly through the acquiring business for merchants, corporate banking services and in the field of Issuing. In corporate banking, item or volume-based fees are generated. Moreover, Wirecard Bank AG generates interest income of EUR 2,424K (previous year: EUR 2,121K) reported as revenue in accordance with IAS 18.5(a). In the field of Issuing, so-called interchanges are generated, for which Wirecard Bank AG receives a volume-dependent fee from credit card organizations. Moreover, Wirecard Bank AG offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it does not only earn a fixed charge but also generates sales revenues within the scope of the card agreements entered into.

The “Call Center & Communications Services” division generates revenues in operating telephony-based advisory services and by providing traditional call center services. For the most part, revenues from third parties are accounted for by companies such as publishing houses, software firms, hardware producers and trading enterprises. In the process, two business models are used, in which either the business customer bears the costs himself or the person seeking advice pays for the service rendered. Companies operating in this segment generate their sales both directly with business (B2B) clients as well as with private customers (B2C), with the telephone companies being responsible for invoicing to private customers and for transferring the amounts in question.

5.2. Other own work capitalized

Expenditure on research and development amounted to EUR 14.5 million in fiscal year 2011 (previous year: EUR 11.1 million). The R&D ratio, i.e. research and development costs as a percentage of total sales revenues, was 4.5 percent in the period under review (previous year: 4.1 percent).

The individual expenditure items are included in the personnel expenses of the relevant departments (Product Management, Development, etc.), in the advisory costs as well as in other expenses. Of this amount, EUR 7,442K was taken into account as own work capitalized in the period under review (previous year: EUR 6,211K). Compared to the previous year, this item has increased as a result of the development activities at Procard Services FZ LLC, which did not form part of the Wirecard Group in the prior period.

5.3. Cost of materials

The cost of materials essentially comprises charges of the credit card issuing banks (Interchange), charges to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (e.g. in the field of Risk Management services and Acquiring). Transaction-related charges, revenues from purchases of receivables and from payment guarantees arise in the course of risk management activities. In the field of Acquiring, intermediary commissions are also recorded for external sales activities.

The cost of materials of Wirecard Bank AG includes expenditure incurred by the Acquiring, Issuing and Payment Transactions business divisions. This includes the production costs of credit cards and the transaction costs for payment processes executed.

5.4. Personnel expenses

Personnel expenses in fiscal year 2011 totaled EUR 28,240K (previous year: EUR 27,833K) and comprises salaries in the amount of EUR 25,115K (previous year: EUR 24,543K) and social security contributions in the amount of EUR 3,125K (previous year: EUR 3,290K).

In fiscal year 2011 the Wirecard Group had an average of 498 employees (previous year: 500 employees) (without Management Board and apprentices), of which 128 (previous year: 128) were part-time employees. Of the 498 employees, 19 (previous year: 21) were employed as management board members / general managers of a subsidiary

These employees were engaged in the following functions:

EMPLOYEES

	2011	2010
Sales	**95**	93
Administration	**102**	93
Customer service	**161**	186
Research/development and IT	**140**	128
Total	**498**	**500**
of which part-time	**128**	**128**

In the event of a change of control of the Company (change of control clause), the Management Board and the Supervisory Board have decided that special bonuses can be awarded to employees of Wirecard AG and its subsidiaries on terms similar to those applicable to the Management Board. To this end, a total of 0.8 percent of the Company's enterprise value has been made available. The Management Board may grant special bonus awards to employees in the event of a change of control with the consent of the Supervisory Board in each instance a precondition for a special bonus payment is that an employment relationship exists with the employee at the time the change of control occurs. Such special bonus payments shall also be made in three installments. The exact terms and conditions are specified in the legal notes on takeovers in the Management Report.

In order to continue to be able to foster loyalty to the Wirecard Group by offering managerial staff and employees a variable remuneration component with a long-term incentive effect, a resolution was adopted at the General Meeting of Wirecard AG on June 22, 2011 to create the option to issue employee shares from authorized capital excluding subscription rights to members of the Company's management at a price that is not significantly lower than the stock market price. Shares can be issued to the Company's employees and members of the management and employees with companies affiliated with the Company within the meaning of Section 204 (3) of the AktG. This option was not used in the year under review.

The key points for the issue of subscription rights are detailed in Section 4.1. Subscribed Capital under "Contingent Capital".

5.5. Other operating income

Other operating income is composed as follows:

OTHER OPERATING INCOME

in EUR '000s	2011	2010
Reversal of provisions/accrued liabilities	552	396
Currency translation differences	0	133
Income due to the revaluation of receivables	202	474
Netted remuneration in kind	263	250
Other	272	951
Total	**1,289**	**2,204**

5.6. Other operating expenses

Breakdown of other operating expenses:

OTHER OPERATING EXPENSES

in EUR '000s	2011	2010
Legal and financial statement costs	4,588	4,842
Consulting expenses and consulting-related expenses	2,730	2,417
Office expenses	3,699	2,957
Equipment and leasing	5,119	4,759
Sales and marketing	3,712	3,680
Human resources-related expenses	2,398	2,551
Insurances, contributions and duties	463	559
Other	9,041	4,627
Total	**31,750**	**26,392**

5.7. Financial result

The financial result totaled EUR - 1,993K (previous year: EUR - 1,518K). The expenses of EUR 2,379K included interest of EUR 1,500K (previous year: EUR 683K), amortization of financial investments of EUR 602K (previous year: EUR 742K) and currency-related expenses of EUR 277K (previous year: EUR 689K), which were offset by currency-related income in the amount of EUR 24K. In addition, EUR 362K (previous year: EUR 455K) in interest income and EUR 0K (previous year: EUR 80K) was recorded from income from securities and loans, resulting in financial income being recorded in the amount of EUR 386K (previous year: EUR 596K). Wirecard Bank AG's interest income in the amount of EUR 2,424K (previous year: EUR 2,121K) is not disclosed under the financial result in line with IAS 18.5 a, but under revenues. Please refer to Chapter 5.1. Sales Revenues and 7.1. Segment Reporting.

5.8. Income tax expense and deferred taxes

TAX RECONCILIATION ACCOUNT

in EUR '000s	2011	2010
Profit before taxes	**73,919**	**65,905**
Expected income tax expense on corporate net income before such taxes 27.152% (previous year: 25.975%)	**- 20,070**	- 17,119
Effect from taxation of holdings from subsidiary companies	**- 269**	683
Different effective tax rates abroad	**9,265**	5,728
Changes in tax rates	**- 61**	- 298
Value adjustment and non-carried deferred tax assets	**- 1,454**	- 77
Tax increase owing to non-deductible expenses for tax purposes	**- 516**	- 730
Tax effects from prior years	**331**	- 293
Tax reduction due to tax-free income	**0**	206
Other tax effects	**40**	- 32
Income tax expense reported	**- 12,734**	**- 11,932**

The following deferred tax assets and liabilities were accounted for due to recognition and measurement differences for the individual balance sheet items:

DEFERRED TAXES

In EUR '000s	Deferred tax assets 12/31/2011	Deferred tax assets 12/31/2010	Deferred tax liabilities 12/31/2011	Deferred tax liabilities 12/31/2010
Expenses on starting up and extending business operations	**10**	15		
Internally generated intangible assets			**5,109**	4,363
Other intangible assets	**74**	94	**416**	12
Customer relationships	**51**	202	**3,470**	2,179
Financial assets	**121**	5	**10**	10
Work in progress			**65**	0
Trade receivables and other receivables			**5**	6
Other provisions	**78**	0	**0**	14
Other liabilities	**52**	0		
	386	316	**9,075**	6,584
Loss carry-forwards	**550**	889		
Outside basis differences			**269**	0
Deferred taxes recognized	**936**	**1,205**	**9,344**	**6,584**

Deferred tax assets are as follows:

DEFERRED TAX ASSETS

in EUR '000s	12/31/2011	12/31/2010
Tax loss carry-forwards		
Deferred tax assets (previous year)	**1,742**	4,817
Increase in previous value allowances	**371**	0
Additions due to loss carry-forwards being taken into account for the first time	**550**	0
Use of loss carry-forward re: Wire Card Beteiligungs GmbH	**- 109**	0
Use of loss carry-forward re: Wirecard Bank AG	**0**	- 3,037
Additions/use of loss carry-forwards miscellaneous companies	**- 33**	- 38
Tax loss carry-forwards before valuation allowances	**2,521**	1,742
(Cumulative) valuation allowances after adjustments	**- 1,971**	- 853
Tax loss carry-forwards	**550**	889
Temporary differences		
Deferred tax assets (previous year)	**316**	22
Additions/reversals	**70**	294
Deferred tax assets	**936**	**1,205**

Deferred tax assets and liabilities have been set up on account of temporary differences between tax law and IAS/IFRS.

Deferred tax liabilities are shown as follows:

DEFERRED TAX LIABILITIES - TEMPORARY DIFFERENCES

in EUR '000s	12/31/2011	12/31/2010
Deferred tax liabilities (previous year)	6,584	6,315
Additions/reversals	2,760	269
Deferred tax liabilities	**9,344**	**6,584**

As a result of the reduction in the trade tax leverage rate in the municipality of Aschheim from 340 percent to 330 percent, in future the company's trade tax will be lower in the amount of 11.55 percent. The average tax rate for the Company's deferred taxes has thus fallen from 27.725 percent to 27.375 percent. Deferred taxes have thus been adjusted to the lower tax rate, which reduced the tax expense on occasion only by approx. EUR 61K.

Temporary differences between the values reported in the tax balance sheet and in the consolidated financial statements were taken into account both on the assets and on the liabilities side. The calculation of deferred taxes as at December 31, 2011 and in the previous year was performed on the basis of the tax rates then enacted both in Germany and abroad.

On the assets side, deferred taxes concerned assets that were required to be recognized at lower values in IAS/IFRS than in the tax base or not recognized at all, such as expenses on starting up and extending business operations, provisions not to be carried under tax law, different depreciation rates under tax law and IAS/IFRS for Other intangible assets and customer relationships and as a result of different valuations of the bearer bonds, so-called collared floaters. Under tax law these are carried at acquisition cost. In contrast they are measured at fair value under IAS/IFRS.

On the liabilities side, these relate to assets to be recognized at a higher value than in the tax base (e.g. internally generated, capitalized software) which reverse in the course of time (December 31, 2011: EUR 9,075K; December 31, 2010: EUR 6,584K). Moreover, deferred tax liabilities amounting to EUR 269K were set up on account of "outside basis differences" in accordance with IAS 12.44 as at December 31, 2011 due to dividends being recorded with identical phases. The temporary differences in connection with holdings in subsidiaries for which no deferred taxes were taken into account in the balance sheet amounted to EUR 10,561K (previous year: EUR 7,736K). The basis of the tax reconciliation account was the tax rate applicable to tax groups, amounting to 27.152 percent (previous year: 25.975 percent). The increase in the tax rate is due to the relocation of material parts of the company from Grasbrunn to Aschheim.

On December 31, 2011, the Group reported corporation tax related loss carry-forwards of approximately EUR 10,892K, accounted for by Wirecard Retail Services GmbH (EUR 2,095K), Wirecard Communication Services GmbH (EUR 1,262K) and Trustpay International GmbH (EUR 4,301K). In addition, the companies acquired in 2011 and consolidated for the first time include tax losses carried forward in the amount of EUR 3,234K in Systems@Work Pte. Ltd. The trade tax loss carry-forwards on December 31, 2011 amounted to EUR 6,577K, accounted for by Wirecard Retail Services GmbH (EUR 2,087K), Wirecard Communication Services GmbH (EUR 1,256K) and Trustpay International GmbH (EUR 3,234K). The loss carry forwards on December 31, 2010 for Wire Card Beteiligungs GmbH (EUR 410K) were fully consumed by the successful fiscal year 2011.

The loss carry-forwards can be used for an unlimited period according to current tax law. However, German tax law stipulates that losses carried forward lapse under certain conditions.

However, the Company perceives risks within the tax related recognition of loss carry-forwards and therefore implemented valuation allowances for the part of deferred taxes in respect of the current loss carry-forwards for which the realization of the tax benefit is less probable than its expiry. With regard to the ability to realize these loss carry-forwards, the Company made a valuation adjustment to its deferred tax assets as at December 31, 2011 of EUR 2,521K (previous year: EUR 1,742K), by the amount of EUR 1,971K to EUR 550K (previous year: EUR 889K). The deferred tax assets formed on the remaining loss carry-forwards is due to a purchase price allocation and is taken directly to equity in 2011. In the earnings for 2011, EUR 889K (previous year: EUR 3,441K) of the deferred tax assets were reversed to income and included in the income tax expenses.

As regards deferred taxes, reference is also made to Note 3.4. Tax credits - deferred tax assets

5.9. Earnings per share

Basic earnings per share were calculated in accordance with IAS 33.10 as the quotient of consolidated net income for the year and the weighted average of the number of shares outstanding during the fiscal year. In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into account in accordance with IAS 33.30–60. As at December 31, 2011, EUR 331,922 in (convertible) bonds had been subscribed to (previous year: EUR 331,922) (IAS 33.60). The subscription price and the additional strike price for conversion into shares together account for a value below the market price of Wirecard stock. The number of potential bonus shares was calculated from the difference in relation to the market price. In the fiscal year 2011, the number of potential bonus shares came to 185,923. In the preceding year, there were 178,912 potential bonus shares.

The changes in convertible bonds issued is dealt with under Section 4.1. of this report Subscribed capital. The development of the number of no-par-value shares issued is presented in the exhibit “Consolidated statement of changes in equity for fiscal year 2011“.

EARNINGS PER SHARE

Description	Unit	2011	2010
Earnings after taxes	EUR	61,185,503.31	53,973,169.08
Average number of shares - basic	Qty	101,803,139	101,803,139
Potential bonus shares resulting from the dilutive effect of the convertible bonds	Qty	185,923	178,912
Average number of shares - diluted	Qty	101,989,062	101,982,051
Earnings per share - basic	**EUR**	**0.60**	**0.53**
Earnings per share - diluted	**EUR**	**0.60**	**0.53**

6. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Statements of Cash Flows). It discloses the cash flows in order to show the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in cash flows from operating, investing and financing activities.

Method used to measure cash and cash equivalents

For purposes of the cash flow statement, a cash fund is used, consisting of cash and cash equivalents. Cash includes cash in hand and sight or demand deposits.

Cash equivalents comprise current, extremely liquid financial investments that can be converted at any time at short notice into certain amounts of cash and are only subject to negligible fluctuations in value.

As at December 31, 2011, and December 31, 2010 the Company had both cash and cash equivalents in its books.

Reconciliation to cash and cash equivalents according to IAS 7.45

The balance of financial resources at the end of the period includes cash in hand and bank balances included in the line item cash and cash equivalents (December 31, 2011: EUR 213,403K; December 31, 2010: EUR 185,355K), less current (immediately due and payable) liabilities to banks (December 31, 2011: EUR 0K; December 31, 2010: EUR 1K) included in the line item current, interest-bearing liabilities. In addition, corresponding financial resources of current customer deposits from banking operations (December 31, 2011: EUR 71,493K; December 31, 2010: EUR 73,318K) were deducted or recorded as a reduction of the financial resources fund (IAS7.22).

Current customer deposits are fully due and payable on a daily basis and are reported under Other liabilities (customer deposits) on the equity and liabilities side in Wirecard's consolidated annual financial statements. These customer funds are comparable in economic terms with short-term (bank) current account loans or overdraft facilities.

On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes. Against this backdrop, securities (so-called collared floaters and current interest-bearing securities) with a nominal value of EUR 33,549K (December 31, 2010: EUR 45,427K) are held, and deposits with the central bank, sight and short-term time deposits with credit institutions are maintained in the total amount of the customer deposits of EUR 71,493K (December 31, 2010: EUR 73,318K). These are reported in the Wirecard Group under the balance sheet item “Cash and cash equivalents”, under non-current “financial and other assets” and under “current interest-bearing securities.

The first-time consolidations resulted in an addition to cash and cash equivalents of EUR 1,699K (previous year: EUR 2,872K).

The effects of currency translation and changes to the consolidation perimeter were eliminated in the course of the calculation.

CASH AND CASH EQUIVALENTS

in EUR ‘000s	12/31/2011		12/31/2010	
Cash and cash equivalents		**213,403**		**185,355**
Current interest-bearing liabilities	**- 1,000**		- 21,001	
of which, current liabilities to bank		**0**		- 1
Reconciliation to cash and cash equivalents		**213,403**		**185,354**
of which, current customer deposits from banking operations		**- 71,493**		- 73,318
of which, Acquiring deposits in Wirecard Bank AG	**- 66,383**		- 68,216	
Financial resources fund at the end of period		**141,910**		**112,036**

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

Systems@Work Pte. Ltd. and its subsidiaries were acquired in fiscal year 2011. This is valued as a business combination under IFRS 3. The disclosure requirements according to IAS 7.40 are as follows:

SYSTEMS@WORK PTE. LTD., SINGAPORE

in EUR '000s	
Purchase priceSystems@Work Pte. Ltd.	**46,508**
Purchase price paid	**32,929**
Adjustment of purchase price through profit or loss	**- 37**
Residual purchase price at December 31, 2011	**13,616**
thereof earn-out components	**11,782**
Acquired assets and liabilities (fair values)	
Intangible assets	**28,661**
thereof customer relationships	**26,248**
Property, plant and equipment	**18**
Deferred tax assets	**550**
Current assets and cash and cash equivalents	**2,438**
thereof cash and cash equivalents or current borrowings from banks due on demand	**1,716**
Current liabilities	**705**
Deferred tax liabilities	**2,005**
Goodwill	**17,551**
Total fair values acquired	**46,508**
Purchase price	**46,508**

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

Procard Services FZ LLC. was acquired in fiscal year 2011. This is valued as a business combination under IFRS 3. The disclosure requirements according to IAS 7.40 are as follows:

PROCARD SERVICES FZ LLC

in EUR '000s	
Purchase price	**670**
paid in 2011	**670**
Adjustment of purchase price through profit or loss	**0**
Residual purchase price at December 31, 2011	**0**
thereof earn-out components	**0**
Acquired assets and liabilities (fair values)	
Intangible assets	**3,135**
thereof customer relationships	**425**
Property, plant and equipment	**201**
Deferred tax assets	
Current assets and cash and cash equivalents	**220**
thereof cash and cash equivalents or current borrowings from banks due on demand	**- 16**
Current liabilities	**1,078**
Non-current liabilities	**10,483**
Goodwill	**8,675**
Total fair values acquired	**670**
Purchase price	**670**

6.1. Cash flow from operating activities

Due to the special system used in Acquiring, which is essentially characterized by balance sheet date effects inherent in the business model, Wirecard decided to present a further statement in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda help to identify and present the cash-relevant portion of the Company's result.

The item Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation reflects necessary adjustments e.g. due to investments in customer relationships or M&A transactions. This item also reflects the deduction of the relevant residual purchase price liabilities from the item increase/decrease in other current liabilities that do not relate to the cash flow from current business activities. Moreover, the elimination of the effect of the initial consolidation of the net working capital arising from the acquisition of Procard Services FZ LLC and Systems@Work Pte. Ltd.

The cash flow from operating activities is determined according to the indirect method by initially adjusting Group earnings to eliminate non-cash transactions, accruals, deferrals or provisions relating to past or future cash receipts or payments as well as income and expense items to be allocated to the field of investments or finance. After taking the changes to net current assets into account, this results in an inflow/outflow of funds from current business operations. The inflow/outflow of funds from operating activities is determined by adding the company's interest and tax payments.

The principal reasons for the changes in relation to the previous year are as follows:

The unadjusted cash flow from operating activities in fiscal year 2011 improved from EUR - 23,576K in the previous year to EUR 45,602K, essentially attributable to the special system used in the Acquiring division, which is impacted by cut-off date effects of a transitory nature inherent in the Company’s business model. In this context, it should be borne in mind in particular that a very sharp increase in the cash flow from operating activates in the fourth quarter of 2009, which was essentially due to delayed payouts on account of the public holidays, contrasted with a counteractive trend in the cash flow for the year 2010. Moreover, cooperation with other acquiring banks in the Asian region and software projects led to an increase in receivables year-on-year for accounting reasons, which had a negative impact on the unadjusted cash flow. In addition, material effects from the payment of income taxes had a negative impact on the cash flow in 2011. Taxes of just EUR 5,665K had to be paid in fiscal year 2010, in particular as a result of the losses carried forward for Wirecard Bank AG and low advance tax payments, however this figure totaled EUR 19,112K in fiscal 2011. In fiscal year 2011, EUR 4,046K of this amount (previous year: EUR 0K) was due to capital income on dividends that were refunded again in 2012 and which are only of a transitory nature. The amount has thus also been removed from the cash flow from operating activities (adjusted). The cash flow from operating activities (adjusted) amounts to EUR 61,033K (previous year: EUR 60,900K),

In line with the business model, the transaction volumes generated by the Acquiring business were reported under Trade receivables as receivables from credit card organizations and banks. At the same time, these business transactions give rise to liabilities to merchants, amounting to the transaction volume (less our commissions and charges). Receivables and liabilities (less our commissions and charges) are transitory in nature and subject to substantial fluctuations from one reference date to another.

Interest received/paid in accordance with IAS 7.31

In fiscal year 2011, interest received amounted to EUR 71K (previous year: EUR 164K). In fiscal year 2011, interest paid, excluding interest on loans, came to EUR - 431K (previous year: EUR - 410K). Both were recognized in the cash flow from operating activities.

The respective cash flows from such interest received and interest paid were each classified as operating activities.

Interest paid on loans in the fiscal year 2011 came to EUR - 549K (previous year: EUR - 243K) and was included in the cash flow from financing activities.

Cash flow from income taxes in accordance with IAS 7.35 and 7.36

The cash-effective balance of income taxes in fiscal year 2011 (cash flow from income taxes) amounted to EUR - 19,112K (previous year: EUR - 5,665K) and was constantly classified as operating activities.

6.2. Cash flow from investment activities

The cash flow from investment activities is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The cash flow from investment activities totaled EUR - 58,282K (previous year: EUR - 24,206K) in the year under review.

The following are essentially affected by this:

SUBSTANTIAL CASH OUTFLOWS FOR INVESTMENTS

in EUR '000s	
M&A transactions and acquisition of customer relationships	34,911
Internally generated intangible assets	7,442
Prepaidportfolio	8,999
Other intangible assets (software)	4,831
Property, plant and equipment	2,132

6.3. Cash flow from financing activities

In the present report, interest paid and interest received are reported separately. In the process, interest immediately related to financing is assigned to the cash flow from financing activities, and all other to the cash flow from operating activities.

Cash flow from financing activities in fiscal year 2011 essentially concerns the cash paid for the dividend payment amounting to EUR - 10,180K, cash received from borrowings of financial liabilities amounting to EUR 65,024K and cash paid for to the repayment of financial liabilities totaling EUR - 11,000K.

6.4. Financial resource fund at the end of period

Taking account of these inflows and outflows (2011: EUR 29,836K; 2010: EUR - 40,686K), exchange rate related changes (2011: EUR 38K; 2010: EUR 151K) and changes to cash and cash equivalents on account of the group of consolidated companies (2011: EUR 0K; 2010: EUR 2,872K), and of the financial resource fund at the beginning of the period (2011: EUR 112,036K; 2010: EUR 149,699K), the financial resource fund at the end of the period amounted to EUR 141,910K (December 31, 2010: EUR 112,036K).

7. Other notes

7.1. Segment reporting

Reportable segments are determined in accordance with an internal reporting. Apart from sales revenues, EBITDA is also used as an internal measurement criterion, which is why Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is also reported as the segment result. The settlement of services between the segments is made on the basis of third-party comparisons. Within the scope of internal reporting to the main decision-makers, balance-sheet items, interest and taxes are not reported at segment level.

Sales revenues are segmented into the following operating divisions: Distinctions are drawn here between the “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services” divisions. The Acquiring & Issuing segment comprises all business divisions of Wirecard Bank AG.

Payment Processing & Risk Management (PP&RM) is the largest segment for the Wirecard Group. This division accounts for all products and services for electronic payment processing and risk management.

The **Acquiring & Issuing (A&I)** segment completes and extends the value added chain of the Wirecard Group with the financial services provided via Wirecard Bank AG, the newly formed Wirecard Card Solutions Ltd. and the financial services offered via Wire Card Beteiligungs GmbH. In the business segment Acquiring, merchants are offered statements of credit card sales revenues for online and terminal payments.

In addition, traders can process their transaction-oriented payment transactions in numerous currencies via accounts kept with Wirecard Bank AG.

In the field of Issuing, prepaid cards are issued to private customers and to business clients, with end customers also being offered current (giro) accounts combined with prepaid cards and ec/Maestro cards.

Call Center & Communication Services (CC&CS) is the segment in which we report the complete value-added scope of our call center activities, with the other products such as after-sales service to our customers and mailing activities included as sub-categories.

In addition, information is provided on geographical regions according to production locations. These are broken down into three segments. The segmentation “Europe” contains Wirecard (Gibraltar) Ltd., InfoGenie Ltd. and the companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland), along with its subsidiaries and Wirecard Card Solutions Ltd., Newcastle (United Kingdom) and Wirecard Central Eastern Europe GmbH. Klagenfurt (Austria). In the segment “Other foreign countries” the companies cardSystems FZ-LLC, Dubai (United Arab Emirates), Procard Services FZ LLC, Dubai (United Arab Emirates), Wirecard Asia Pte. Ltd., (Singapore) and Systems@Work Pte. Ltd. are subsumed along with their subsidiaries. The segment “Germany” includes all other companies within the Wirecard Group.

According to the requirement for a license for the provision of payment services which applies from April 30, 2011, there was a transition in accounting for Acquiring and Payment Processing. This is based on the EU Payment Services Directive (PSD), which has been implemented in the local laws of the member countries.

At present and in future the contractual services will continue to be invoiced to the same extent by the Wirecard Group. This change has not impacted Wirecard AG’s financial position and results of operations. Payment services now have to be invoiced by Wirecard Bank AG. Technical services and customer support will be provided by local group subsidiaries, as was previously the case.

From May 2011, as a result revenues from external customers will be disclosed in the A&I segment. These were previously booked in the PP&RM segment.

Revenues with other business segments within the Group (consolidations) have also changed as a result. The changes have resulted in lower revenues in the PP&RM segment and higher revenues in the A&I segment. The change will not impact consolidated revenues and the profitability of the Group and the individual segments.

This transition also impacts the geographic breakdown, as revenues that are recorded by Wirecard’s local European facilities are partially incurred in Germany, where Wirecard Bank AG has its registered office.

The “pro forma” information included in the additional tables in the following sections eases comparison. These represent the prior periods as if the contractual transition had also taken place in 2010.

REVENUES BY OPERATING DIVISIONS

in EUR '000s	2011	2010
Payment Processing & Risk Management (PP&RM)	**263,359**	256,722
Acquiring & Issuing (A&I)	**98,139**	95,562
Call Center & Communication Services (CC&CS)	**4,267**	4,453
	365,765	**356,737**
Consolidation PP&RM	**- 17,238**	- 2,331
Consolidation A&I	**- 22,365**	- 81,177
Consolidation CC&CS	**- 1,365**	- 1,610
Total	**324,797**	**271,619**

REVENUES BY OPERATING DIVISIONS (AS IF)

in EUR '000	2011	* 2010
Payment Processing & Risk Management	**263,359**	225,526
Acquiring & Issuing	**98,139**	109,218
Call Center & Communication Services	**4,267**	4,453
	365,765	**339,197**
Consolidation PP&RM	**- 17,238**	- 15,987
Consolidation A&I	**- 22,365**	- 49,981
Consolidation CC&CS	**- 1,365**	- 1,610
Total	**324,797**	**271,619**

*Figures adjusted to create comparability according to IAS 8

EBITDA BY OPERATING DIVISIONS

in EUR '000s	2011	2010
Payment Processing & Risk Management	**66,260**	49,460
Acquiring & Issuing	**18,166**	23,663
Call Center & Communication Services	**139**	141
	84,565	**73,264**
Consolidation	**- 167**	0
Total	**84,398**	**73,264**

REGIONAL REVENUE BREAKDOWN

in EUR '000s	2011	2010
Germany	185,055	170,983
Europe	130,684	133,935
Other countries	24,537	7,952
	340,276	312,870
Consolidation Germany	- 11,498	- 40,736
Consolidation Europe	- 3,981	- 515
Consolidation Other countries	0	0
Total	324,797	271,619

REGIONAL REVENUES (AS IF)

in EUR '000	2011	* 2010
Germany	185,055	174,753
Europe	130,684	127,637
Other countries	24,537	7,952
	340,276	310,342
Consolidation Germany	- 11,498	- 34,438
Consolidation Europe	- 3,981	- 4,285
Consolidation Other countries	0	0
Total	324,797	271,619

EBITDA BY REGIONS

in EUR '000s	2011	2010
Germany	34,314	37,975
Europe	41,560	33,031
Other countries	8,527	2,258
	84,401	73,264
Consolidation	- 3	0
Total	84,398	73,264

SEGMENT ASSETS BY REGIONS

in EUR '000s	12/31/2011	12/31/2010
Germany	202,054	160,343
Europe	94,579	86,509
Other countries	65,923	12,765
	362,556	259,617
Consolidations	- 94,221	- 64,297
Total	268,335	195,320

7.2. Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the chart below. All risks may lead to individual or even all intangible assets having to be subjected to impairment charges, resulting in a negative earnings situation. These risks are dealt with in detail in the Management Report under 7. Risk Report. Since the debtor and financial risks have a direct impact on specific items in the balance sheet and income statement, these risks are explicitly dealt with below. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that sets limits based on underlying transactions, define approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risks and govern internal reporting and the separation of functions. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, subject to a separation of functions. All investments and derivatives transactions are only concluded with banks, which meet high credit standards of the group-owned risk assessments and – if external ratings are available – that have been categorized as having a minimum risk by well-known ratings agencies.

OVERVIEW OF RISKS

Risk categories	Examples
Business risks	Economic risks, risks arising from the general competitive situation for the Wirecard Group and its customers
Operational risks	Personnel risks, risks of product innovations and risks arising from the use of third-party services
Information and IT risks	Risks arising from the operation and design of IT systems as well as risk in connection with the confidentiality, availability and integrity of data
Financial risks	Risks of exchange and interest rate fluctuations; risks arising from credit institutions defaulting
Payment risks	Risks of return debits, risks arising from default in payment obligations of customers of the Wirecard Group as well as of card holders
Legal and regulatory risks	Risks arising from changes to the legal and regulatory framework as well as risks arising from litigation and license rights
Other risks	Environmental and reputation risks as well as risks arising from emergencies

Interest risks

The Group has substantial liquidity at its disposal for investments in demand and time deposits and/or overnight (call money) accounts with credit institutions of note. The interest payable on these investments is based on the interbank money market interest rate of the respective investment currency, less a margin customary among banks. The interbank money market interest rates may be subject to fluctuations that may impact on the earnings realized by the Group.

A reduction of the interbank money market rates of relevance for the Wirecard Group by half a percentage point, based on a total investment amount of approx. EUR 246 million in line with the portfolio as at December 31, 2011, would result in unrealized income amounting to EUR 1.23 million. Accordingly, an increase by half a percentage point would produce additional income of EUR 1.23 million.

As at December 31, 2011, the Group's interest-bearing liabilities to banks were reported at EUR 86,024K. This related to redemption loans taken out in connection with acquisitions made, all of which provide for fixed interest until such time as the loan has been fully repaid. Accordingly, there is no risk of interest rate fluctuations.

No derivative hedge instruments (e.g. interest swaps, forward rate agreements, etc.) were deployed in the year under review.

Hedging currency risks

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents as well as planned transactions exist or will arise in a currency other than the local currency of the company. This increasingly impacts the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments, which transact a considerable share of their sales revenues in foreign currencies (essentially USD). A reduction of the exchange rates of relevance to the Wirecard Group by one percent, based on gross income in foreign currency of about EUR 68 million, would correspond to unrealized earnings of EUR 680K. Accordingly, an increase by one percentage point would produce additional earnings of EUR 680K. In these segments, both receivables from and liabilities to traders and credit institutions exist in foreign currencies. In negotiating contracts with traders and banks, the Group’s Treasury department ensures that receivables and liabilities reflect matching currencies and amounts as far as possible in order to ensure that risks relating to exchange rate fluctuations cannot arise in the first place. Risks that cannot be compensated for in the process are hedged after specific analyses by additionally deploying financial derivatives. In fiscal year 2011, forex options transactions in USD were used as derivative financial instruments to hedge sales revenues in foreign currencies. In fiscal year 2011, 48 forex options were transacted with a total volume equivalent to approximately EUR 16.9 million.

The deployment of financial derivatives is subject to strict internal controls effected within the scope of mechanisms and uniform directives fixed on a centralized basis. These instruments are used solely for risk control/risk minimization purposes and not in order to generate any income from anticipated currency trends.

As at December 31, 2011, the Wirecard Group did not have any currency options in its portfolio for fiscal 2012.

Hedging liquidity risks

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. Management controls liquidity risks by keeping appropriate inventories of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flows forecast and reconciling these with the actual cash flows.

The Wirecard Group continually invests substantial amounts of non-required liquidity in demand and time deposits, overnight call money, as well as the base volume of liquidity on a longer-term basis in bearer debentures. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required. Bonds are repaid at 100 percent on final maturity. If bonds are redeemed prior to final maturity, there is a price risk depending on a possible change in the credit status of the issuer, the remaining term to maturity and the current level of interest rates prevailing on the market. Seeing as only the base volume of liquidity less a substantial security reserve is invested on a long-term basis, the Management Board assumes that the risk is low.

UNDISCOUNTED CASH FLOWS ACCORDING TO CONTRACTUALLY AGREED PAYMENT DATES AS AT DECEMBER 31, 2011

in EUR '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing loans and credit facilities	**- 3,577**	**- 93,879**	**0**	**- 97,456**
Other liabilities and provisions	**- 17,415**	**- 92**	**- 240**	**- 17,747**
Trade payables	**- 135,428**	**0**	**0**	**- 135,428**
Customer deposits	**- 105,042**	**0**	**0**	**- 105,042**
Interest-bearing securities - assets	**9,874**	**26,681**	**0**	**36,555**
Cash and cash equivalents	**213,428**	**0**	**0**	**213,428**

UNDISCOUNTED CASH FLOWS ACCORDING TO CONTRACTUALLY AGREED PAYMENT DATES AS AT DECEMBER 31, 2010

in EUR '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing loans and credit facilities	- 21,239	- 1,047	0	- 22,286
Other liabilities and provisions	- 13,909	- 92	- 240	- 14,241
Trade payables	- 98,443	0	0	- 98,443
Customer deposits	- 118,745	0	0	- 118,745
Interest-bearing securities - assets	11,030	37,767	0	48,797
Cash and cash equivalents	185,577	0	0	185,577

Debtor risks

To counteract the risk of business partners of the Wirecard Group defaulting on their payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before entering into business relations with them. This also applies to the review of business relations with commercial banks and merchants.

Payment flows of merchants are monitored on a regular basis, and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risks of default arising from the Acquiring business, consisting of potential reverse debits following insolvency or the inability of a merchant to deliver, are very low since open receivables from customers are covered by individual security retentions (reserve) or, alternatively, delayed payouts to merchants, which are adjusted regularly on the basis of close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group might not be enforceable against the customer in question, especially due to the reversal of credit card transactions. As a rule, this form of collateral security is adequate.

In business with private individuals, particularly involving novel products of Wirecard Bank AG in the field of card issuing services, risks are perceived to arise from the fact that a lack of historical data with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite high security standards being adhered to.

The maximum risk of default of financial instruments is their carrying amount. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments or derecognized without delay, and the risks are booked with an impact on profit and loss.

7.3. Capital risk management

The Group controls its capital with the objective of maximizing the shareholders' return by optimizing the ratio of equity capital to borrowed capital. In doing so, it ensures that all Group member companies can operate under the premise of a going concern. In particular, attention is paid to banking specific regulation requirements, such as compliance with equity capital limits, being adhered to in the entire course of business. The Group's capital structure consists of debts as well as the equity to which the providers of equity capital of the parent company are entitled.

Equity comprises shares issued, capital reserves, revenue reserves and the currency translation reserve. The objectives of capital management are to secure operations as a going concern along with an adequate return on equity. For implementation purposes, debt or equity is compared with total capital.

Following the successful organic growth last year and the acquisitions of December 2011, the Company aims to maintain a comfortable equity capital ratio for fiscal 2012 and 2013. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by sourcing the Company's own cash flow, by moderate deployment of borrowed funding or alternative forms of financing. Potential acquisitions will also continue to be analyzed and assessed according to strict criteria in future; in the process, the focus will be especially on profitability and a sensible supplementation of our existing portfolio of products and customers.

The capital is monitored on the basis of economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Borrowed capital is generally defined as non-current and current financial obligations, provisions and other liabilities.

The capital structure is as follows:

CAPITAL STRUCTURE

in EUR ´000s (where not in %)	12/31/2011	12/31/2010
Equity	340,887	289,844
Equity in % of total capital	48%	53%
Borrowed capital	366,172	260,015
Borrowed capital in % of total capital	52%	47%
Total capital (equity and borrowed capital)	**707,059**	**549,859**

The Group reviews the capital structure on a regular basis.

7.4. Breakdown of balance sheet carrying amounts according to valuation categories

BALANCE SHEET CARRYING AMOUNTS IN 2011 ACCORDING TO IFRS 7.8

in EUR '000s	Financial and other assets	Trade receivables	Other receivables and interest bearing securities	Cash and cash equivalents	Trade payables	Other liabilities
Financial assets/liabilities at fair value with P+L impact	23,205	0	0	0	0	0
thereof held for trading	23,205	0	0	0	0	0
Available-for-sale financial assets	179	0	0	0	0	0
Held-to-maturity investments	0	0	9,000	0	0	0
Loans and receivables	2,371	167,493	13,028	213,403	0	0
thereof cash and cash equivalents	0	0	0	213,403	0	0
Financial liabilities measured at their net carrying amounts	0	0	0	0	135,428	219,076
Total financial instruments	**25,755**	**167,493**	**22,028**	**213,403**	**135,428**	**219,076**
Items not within the scope of IAS 39	959	0	1,626	0	0	11,668
Total	**26,714**	**167,493**	**23,654**	**213,403**	**135,428**	**230,744**

BALANCE SHEET CARRYING AMOUNTS IN 2010 ACCORDING TO IFRS 7.8

in EUR '000s	Financial and other assets	Trade receivables	Other receivables and interest bearing securities	Cash and cash equivalents	Trade payables	Other liabilities
Financial assets/liabilities at fair value with P+L impact	34,685	0	269	0	0	0
thereof held for trading	34,685	0	269	0	0	0
Available-for-sale financial assets	180	0	0	0	0	0
Held-to-maturity investments	0	0	10,000	0	0	0
Loans and receivables	3,412	103,562	13,460	185,355	0	0
thereof cash and cash equivalents	0	0	0	185,355	0	0
Financial liabilities measured at their net carrying amounts	0	0	0	0	98,443	149,584
Total financial instruments	**38,277**	**103,562**	**23,729**	**185,355**	**98,443**	**149,584**
Items not within the scope of IAS 39	422	0	1,450	0	0	11,988
Total	**38,699**	**103,562**	**25,179**	**185,355**	**98,443**	**161,572**

The classification according to the valuation categories of IAS 39 was carried out in the form of the tables above. Categorization according to IFRS 7.6 based on balance sheet items

Market values of financial assets and liabilities are as follows:

MARKET VALUE

	Book value		Current market value	
in EUR '000s	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Financial assets at fair value through profit or loss	**23,205**	34,954	**23,205**	34,954
Financial liabilities at fair value through profit or loss	**0**	0	**0**	0
Available-for-sale financial assets	**179**	180	**179**	180
Held-to-maturity investments	**9,000**	10,000	**9,000**	10,000
Loans and receivables (assets)	**396,295**	305,789	**396,295**	305,789
Loans (liabilities)	**- 354,504**	- 248,027	**- 354,504**	- 248,041
Total	**74,175**	**102,896**	**74,175**	**102,882**

* Investments valued at cost of acquisition

Hierarchy of fair values

As at December 31, 2011 the Group held the following financial instruments measured at fair value and uses the following hierarchy to determine and report fair values of financial instruments for each measurement process:

- Stage 1: listed (unadjusted) prices on active markets for similar assets or liabilities.
- Stage 2: processes in which all input parameters with a material influence on the fair value recognized can be directly or indirectly observed.
- Stage 3: processes using input parameters with a material influence on the fair value recognized which are not based on market data capable of being observed.

ASSETS MEASURED AT FAIR VALUE

in EUR '000s	12/31/2011	Stage 1	Stage 2	Stage 3
Financial assets measured at their fair value through profit or loss				
Collared floaters	**23,205**		**23,205**	
Foreign currency options	**0**		**0**	

ASSETS MEASURED AT FAIR VALUE

in EUR '000s	12/31/2010	Stage 1	Stage 2	Stage 3
Financial assets measured at their fair value through profit or loss				
Collared floaters	34,685		34,685	
Foreign currency options	269		269	

The market value of cash and cash equivalents (reported in loans and receivables), of interest-bearing securities, of current receivables, of trade payables, of other current financial liabilities as well as from revolving credit facilities and other financial liabilities roughly corresponds to the respective carrying amounts. The reason for this, in particular, is the short term to maturity of such instruments. The foreign currency options acquired in fiscal 2010 were revalued as at December 31, 2010 from EUR 471K to EUR 269K and recognized in profit and loss. There were no options as of December 31, 2011. The collared floaters acquired in 2010 resulted in revaluation income of EUR 145K (previous year: EUR -17K), which was offset by expenses from the sale of own securities in the amount of EUR 566K (previous year: gain of EUR 282K). The measurement was carried out both for foreign currency options and for the collared floaters on the basis of current exchange and interest rate trends as well as the current rating of the issuer.

7.5. Financial relations with related companies

In fiscal year 2011 financing agreements were in place among various companies of the Wirecard Group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, reference is made to Section 8.3. Related party transactions.

7.6. Other obligations

The Wirecard Group member companies entered into leases for office space and other leasing agreements The annual payments from these agreements over the next five years are as follows:

OTHER FINANCIAL OBLIGATIONS

in EUR '000s	2012	2013	2014	2015	2016
Annual commitments	6,567	4,879	3,499	2,550	1,924

After the period indicated, there are payment obligations for the Wirecard Group in the amoung of EUR 3,873K through to 2019. No obligations existed vis-à-vis non-consolidated subsidiaries. For interest-bearing debt Wirecard assured the banks of an equity ratio in its 2011 credit agreement. These banks identify the Wirecard Group's equity ratio by dividing the liable equity by total assets. Liable equity is identified by subtracting deferred tax assets and 50 percent of goodwill from the balance sheet equity. If there are any receivables from shareholders or planned disbursements, these must also be deducted. Total assets are identified by subtracting customer deposits, the Acquiring funds of Wirecard Bank and the reduction in equity from the audited total assets, and leasing liabilities are added again to these total assets. This calculation results in an equity ratio of 57.3 percent (previous year: 75.13 percent). Furthermore, in relation to lending banks, Wirecard undertakes to generate a minimum EBITDA and to incur financial liabilities proportionately to as a specific percentage of EBITDA. These targets were achieved during the fiscal year.

Other claims based on leases in which the Group acts as lessor are shown as follows:

CLAIMS ARISING FROM LEASING

in EUR '000s	2012	2013	2014	2015	2016
Annual claims	895	672	412	118	14

After the period indicated, there are no payment claims for the Wirecard Group.

8. Additional mandatory disclosures

8.1. Management Board

The following persons were employed as members of the Management Board at Wirecard AG.

Dr. Markus Braun, commercial computer scientist, member of the Management Board since October 1, 2004
CEO, Chief Technology Officer
Burkhard Ley, banker, member of the Management Board since January 1, 2006
Chief Financial Officer
Other supervisory board mandates: Backbone Technology AG, Hamburg (Germany)
Jan Marsalek, computer scientist, member of the Management Board since February 1, 2010
Chief Sales Officer

The Supervisory Board of Wirecard AG and the members of the Management Board Dr. Markus Braun, Burkhard Ley and Jan Marsalek reached an agreement at the end of the fiscal year to extend their contracts as members of the Management Board through to December 31, 2014.

Remuneration paid to the Board of Management in fiscal 2011

In fiscal year 2011, the total emoluments of all members of the Company's Management Board, i.e. the total remuneration during the financial year for the duration of the individual persons' tenure on the Management Board, including amounts not yet disbursed in respect of variable remuneration I, amounted to EUR 2,645K (previous year: EUR 2,876K).

Total remuneration paid to former members of the Management Board came to EUR 283K in fiscal year 2010.

As at December 31, 2010 there was a loan amounting to EUR 235K to MB Beteiligungsgesellschaft mbH, whose sole shareholder is Management Board member Dr. Markus Braun. The credit was fully repaid in 2011. There were no further loans.

Further particulars in this regard are contained in the Management Report.

8.2. Supervisory Board

The following persons were employed as members of the Supervisory Board at Wirecard AG:

Wulf Matthias (Chairman)
Managing Director of Bank Sarasin AG, Frankfurt am Main
Other supervisory board mandates:
Wirecard Bank AG, Aschheim (Germany)
Wirecard Technologies AG, Aschheim (Germany)
Deufol AG, Hofheim (Germany)

Alfons W. Henseler (Deputy Chairman),
self-employed management consultant
Other supervisory board mandates:
Wirecard Bank AG, Aschheim (Germany)
Wirecard Technologies AG, Aschheim (Germany)
Diamos AG, Sulzbach (Germany)

Stefan Klestil
Managing director and owner of Belview Partners GmbH
Other supervisory board mandates:
Wirecard Bank AG, Aschheim (Germany)
Wirecard Technologies AG, Aschheim (Germany)

Remuneration of the Supervisory Board is governed by § 14 of the articles of incorporation of Wirecard AG. Accordingly, members of the Supervisory Board receive compensation for any out-of-pocket expenses incurred in connection with the exercise of their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses) and also fixed and variable remuneration. Annual fixed remuneration totals EUR 55K. The variable remuneration depends on the Company's performance, geared to the consolidated EBIT (earnings in the ordinary course of business before interest and income taxes). For each million euros earned by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component increases by EUR 1K net. This minimum amount of EUR 30 million increases by ten percent per annum from the start of fiscal 2009 and accordingly amounts to EUR 39.93 million for fiscal year 2011.

Pursuant to the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board are taken into consideration separately. There are no committees of the Company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board one-and-a-half times the so-called basic rate of fixed and variable remuneration, respectively. Changes to the composition of the Supervisory Board during the fiscal year lead to remuneration being paid pro rata temporis. In addition, the members of the Supervisory Board receive a session fee of EUR 1,250.00 plus value added tax for each meeting of the Supervisory Board that they attend.

SUPERVISORY BOARD REMUNERATION 2011

EUR ´000s	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidaries	Total
Wulf Matthias	**Chairman**	01/01/2011	12/31/2011	110.0	7.5	70.0	0.0	60.0	**247.5**
Alfons W. Henseler	**Deputy**	01/01/2011	12/31/2011	82.5	7.5	52.5	0.0	47.5	**190.0**
Stefan Klestil	**Member**	01/01/2011	12/31/2011	55.0	7.5	35.0	0.0	35.0	**132.5**
Total remuneration				**247.5**	**22.5**	**157.5**	**0.0**	**142.5**	**570.0**

SUPERVISORY BOARD REMUNERATION 2010

EUR ´000s	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidiaries	Total
Wulf Matthias	**Chairman**	01/01/2010	12/31/2010	110.0	7.5	62.0	0.0	61.3	240.8
Alfons W. Henseler	**Deputy**	01/01/2010	12/31/2010	82.5	7.5	46.5	0.0	48.5	185.0
Stefan Klestil	**Member**	01/01/2010	12/31/2010	55.0	7.5	31.0	0.0	35.6	129.1
Total remuneration				**247.5**	**22.5**	**139.5**	**0.0**	**145.4**	**554.9**

The remuneration paid to the Supervisory Board in fiscal year 2011 amounted to a total of EUR 570K (previous year: EUR 555K). This remuneration includes remuneration for activities as a member of the Supervisory Board with subsidiaries in the amount of EUR 143K (previous year: EUR 145K). A provision was formed for the remuneration and recognized in income in the amount of EUR 263K. This will be paid out in 2012.

8.3. Related party transactions

Related parties

In accordance with IAS 24 (related party disclosures), persons closely related to Wirecard AG are the members of the Board of Management and of the Supervisory Board along with their family members. The details in this respect are reported below.

In fiscal year 2011, the following legal transactions were entered into by Wirecard AG with a related company indicated above or at the instance or in the interests of one of such companies:

LEGAL TRANSACTIONS WITH IMPACT ON P&L

Related party/ related entity	Type of legal relationship	Expenditure in EUR '000s	Liability as at 12/31/2011 in EUR '000s	Explanatory note
Wulf Matthias	Supervisory Board mandate	10	0	Supervisory Board of Wirecard Technologies AG
Wulf Matthias	Supervisory Board mandate	52	0	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	10	10	Supervisory Board of Wirecard Technologies AG
Stefan Klestil	Supervisory Board mandate	25	25	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	10	10	Supervisory Board of Wirecard Technologies AG
Alfons W. Henseler	Supervisory Board mandate	39	39	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Consultant	8	0	Consultant at Wirecard AG, remuneration based on daily rates.
Wire Card ESP S.L.	Services	58	0	Wire Card ESP S.L. is engaged as a service provider for Wirecard Technologies AG and received remuneration based on daily rates.

LEGAL TRANSACTIONS WITH AN IMPACT ON ASSETS AND LIABILITIES

Related person/ related entity	Type of legal relationship	Nominal amount in EUR '000s	Receivable as at 12/31/2011 in EUR '000s	Explanatory note
Wulf Matthias	Credit	200	0	Overdraft facility from Wirecard Bank AG at 6 percent interest was fully repaid.
Dr. Markus Braun	Credit	241	0	Overdraft facility from Wirecard Bank AG to an entity related to Dr. Braun at 6 percent interest.

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

8.4. Declaration of compliance

The declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) for the periods from April 2011 through March 2012 and April 2012 through March 2013 was signed in March 2011 and March 2012, respectively, and also made available to the shareholders for download from the website of Wirecard AG in March 2011 and March 2012.

8.5. Auditors' fees

Value added tax not deductible for the Wirecard Group, amounting to EUR 4K (previous year: EUR 21K), is not included in the disclosures on auditors' fees. In the previous year, the expenses for the entire network of auditors were disclosed. As a result of the change from a joint audit with Ernst & Young GmbH and RP Richter GmbH to a general audit by Ernst & Young GmbH, comparability of the auditing costs is restricted. The costs for the audit by RP Richter GmbH totaled EUR 240K in fiscal year 2010, of which EUR 70K was due to subsidiaries.

In the fiscal year, the following auditors' fees were recorded (Section 314 (1) No. 9 of the HGB):

AUDITORS' FEES

	01/01/2011 - 12/31/2011		01/01/2010 - 12/31/2010	
in EUR '000s	Total	thereof subsidiaries	Total	thereof subsidiaries
Ernst & Young GmbH				
Audit of the annual financial statements	395	170	296	156
Tax services	0	0	0	0
Other confirmation services	0	0	50	0
Other services	38	10	109	8
Total Ernst & Young GmbH	**433**	**180**	**455**	**164**

8.6. Events after the balance sheet date

Events after the balance-sheet date, providing additional information on the Company's position as at the balance-sheet date (events required to be taken into account) have been included in the consolidated financial statements. Events not to be taken into account after the balance-sheet date are reported in the Notes if material in nature. These are as follows:

On March 7, 2012, Wirecard AG resolved a capital increase for 10,180,313 new shares. These were successfully placed with institutional investors at a price of EUR 13.70 on March 8, 2012. As a result of the capital increase, gross proceeds from the issue of around EUR 139,470K accrued to the Company.

With effect from April 1, 2012, Wirecard Technologies AG acquired material assets from NETRADA Payment GmbH, with its registered office in Mainz, Germany. The agreed cash purchase price for the assets totaled EUR 2,500K. Depending on the success of the business, an earn-out payment of EUR 500K may have to be paid in 2012. The material assets acquired, in addition to the strategic importance, include customer relationships and the technical platform. For further details please refer to Chapter 1.1 Corporate Acquisitions.

8.7. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2011 signed on April 16, 2012 and given clearance to be passed on to the Supervisory Board.

Aschheim, April 16, 2012

Wirecard AG

Dr. Markus Braun Burkhard Ley Jan Marsalek

CHANGES IN NON-CURRENT ASSETS

2011 in EUR	Cost						
	01/01/2011	Adjustments from currency translation	Additions from first-time consolidation	Additions	Disposals	Reclassi-fication	12/31/2011
Non-current assets*							
1. Intangible assets							
Goodwill	106,085,432.08	0.00	26,225,329.50	0.00	0.00	0.00	**132,310,761.58**
Internally-generated intangible assets	22,281,107.65	0.00	0.00	7,442,372.89	0.00	0.00	**29,723,480.54**
Other intangible assets	19,716,867.48	0.00	5,123,471.31	4,428,649.54	- 943,111.17	0.00	**28,325,877.16**
Customer relationships	51,206,722.99	0.00	13,673,842.59	12,000,000.00	0.00	13,000,000.00	**89,880,565.58**
Advance payments made	13,000,000.00	0.00	8,999,052.35	2,202,397.50	0.00	-13,000,000.00	**11,201,449.85**
	212,290,130.20	**0.00**	**54,021,695.75**	**26,073,419.93**	**- 943,111.17**	**0.00**	**291,442,134.71**
2. Property, plant and equipment							
Other property, plant and equipment	4,926,740.07	- 161.79	219,392.83	2,132,329.94	- 441,987.74	0.00	**6,836,313.31**
3. Financial assets	35,607,319.91	0.00	0.00	0.00	-11,056,239.40	0.00	**24,551,080.51**
	252,824,190.18	**- 161.79**	**54,241,088.58**	**28,205,749.87**	**-12,441,338.31**	**0.00**	**322,829,528.53**

2010 in EUR	Cost						
	01/01/2010	Adjustments from currency translation	Additions and disposals from first-time consolidation	Additions	Disposals	Reclassi-fication	12/31/2010
Non-current assets*							
1. Intangible assets							
Goodwill	95,034,581.49	0.00	11,050,850.59	0.00	0.00	0.00	106,085,432.08
Internally-generated intangible assets	16,070,237.23	0.00	0.00	6,210,870.42	0.00	0.00	22,281,107.65
Other intangible assets	16,269,737.16	0.00	0.00	3,376,963.47	0.00	70,166.85	19,716,867.48
Customer relationships	49,322,327.18	0.00	1,884,395.81	0.00	0.00	0.00	51,206,722.99
Advance payments made	64,666.85	0.00	0.00	13,005,500.00	0.00	- 70,166.85	13,000,000.00
	176,761,549.91	**0.00**	**12,935,246.40**	**22,593,333.89**	**0.00**	**0.00**	**212,290,130.20**
2. Property, plant and equipment							
Other property, plant and equipment	4,110,811.28	431.94	5,808.77	891,205.23	- 81,517.15	0.00	4,926,740.07
3. Financial assets	14,114,865.69	0.00	- 13,283,472.15	44,470,752.29	- 9,694,825.92	0.00	35,607,319.91
	194,987,226.88	**431.94**	**- 342,416.98**	**67,955,291.41**	**- 9,776,343.07**	**0.00**	**252,824,190.18**

* excluding deferred tax assets and other non-current assets

	Accumulated amortization, depreciation and write-downs					Net book value	Net book value	
01/01/2011	Adjustments from currency translation	Additions	Disposals	Reclas-sification	12/31/2011	12/31/2011	12/31/2010	Amortization, depreciation and write-downs 2011
4,745,556.10	0.00	0.00	0.00	0.00	**4,745,556.10**	**127,565,205.48**	101,339,875.98	**0.00**
5,380,036.37	0.00	2,595,716.26	0.00	0.00	**7,975,752.63**	**21,747,727.91**	16,901,071.28	**2,595,716.26**
6,666,866.07	0.00	2,701,399.82	- 171,282.13	0.00	**9,196,983.76**	**19,128,893.40**	13,050,001.41	**2,701,399.82**
1,755,947.88	0.00	2,354,676.20	0.00	0.00	**4,110,624.08**	**85,769,941.50**	49,450,775.11	**2,354,676.20**
0.00	0.00	0.00	0.00	0.00	**0.00**	**11,201,449.85**	13,000,000.00	**0.00**
18,548,406.42	**0.00**	**7,651,792.28**	**- 171,282.13**	**0.00**	**26,028,916.57**	**265,413,218.14**	**193,741,723.78**	**7,651,792.28**
3,348,504.57	504.81	833,377.99	- 267,426.19	0.00	**3,914,961.18**	**2,921,352.13**	1,578,235.50	**833,377.99**
742,342.24	- 177,514.00	601,925.85	0.00	0.00	**1,166,754.09**	**23,384,326.42**	34,864,977.67	**601,925.85**
22,639,253.23	**- 177,009.19**	**9,087,096.12**	**- 438,708.32**	**0.00**	**31,110,631.84**	**291,718,896.69**	**230,184,936.95**	**9,087,096.12**

	Accumulated amortization, depreciation and write-downs					Net book value	Net book value	
01/01/2010	Adjustments from currency translation	Additions	Disposals	Reclas-sification	12/31/2010	12/31/2010	12/31/2009	Amortization, depreciation and write-downs 2010
4,745,556.10	0.00	0.00	0.00	0.00	4,745,556.10	101,339,875.98	90,289,025.39	0.00
3,346,840.50	0.00	2,033,195.87	0.00	0.00	5,380,036.37	16,901,071.28	12,723,396.73	2,033,195.87
4,757,526.82	0.00	1,909,339.25	0.00	0.00	6,666,866.07	13,050,001.41	11,512,210.34	1,909,339.25
672,518.24	0.00	1,083,429.64	0.00	0.00	1,755,947.88	49,450,775.11	48,649,808.94	1,083,429.64
0.00	0.00	0.00	0.00	0.00	0.00	13,000,000.00	64,666.85	0.00
13,522,441.66	**0.00**	**5,025,964.76**	**0.00**	**0.00**	**18,548,406.42**	**193,741,723.78**	**163,239,108.25**	**5,025,964.76**
2,613,785.93	- 620.61	814,283.24	- 78,943.99	0.00	3,348,504.57	1,578,235.50	1,497,025.35	814,283.24
0.00	0.00	742,342.24	0.00	0.00	742,342.24	34,864,977.67	14,114,865.69	742,342.24
16,136,227.59	**- 620.61**	**6,582,590.24**	**- 78,943.99**	**0.00**	**22,639,253.23**	**230,184,936.95**	**178,850,999.29**	**6,582,590.24**

COMPLIANCE STATEMENT OF THE STATUTORY REPRESENTATIVES AND NOTICE IN ACCORDANCE WITH SECTION 37Y NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH SECTION 297(2) SENTENCE 4 AND 315 (1) SENTENCE 6 OF THE HGB

We warrant to the best of our knowledge that in accordance with the applicable accounting principles the consolidated financial statements convey a true and fair view of the Group's asset, financial and earnings position and that the group management report conveys a true and fair view of the Group's business performance including the operating result and of the Group's overall situation and also describes the essential opportunities and risks inherent in the Group's foreseeable future development.

Aschheim, April 16, 2012

Wirecard AG

Dr. Markus Braun Burkhard Ley Jan Marsalek

GLOSSARY

3-D Secure™	A security standard developed by Visa and MasterCard to authenticate online card payments
Account Management System (ACM)	Central, web-based application to manage payment and risk management processes and to generate reports and statistics.
Acquirer/Acquiring Bank	A financial institution that concludes an agreement with merchants for the acceptance of credit cards as a means of payment for goods and services, and which settles card payments for merchants.
Address Verification Service (AVS)	A method used by Visa, MasterCard and American Express to prevent fraud for long-distance credit card payments, which compares the numerical address data provided by the customer with the address data stored with the credit card organization.
Bank Identification Number (BIN)	The first six figures for a credit or a debit card.
Bank Identifier Code (BIC)	BIC (also known as SWIFT) is an 8- or 11-digit international bank sorting code for cross-border bank transfers.
Blacklist	A list of negative data that is automatically recognized when a transaction is processed and which is not accepted. If, for example, a merchant has a negative payment experience with a credit card, it can place this card on a blocked list, in order to avoid further payments with this card in future.
Chargeback	A method in which the card issuer can recall a transaction, either in full or in part. The chargeback occurs when a card holder disputes having performed a transaction. In this case, the issuer makes a claim against the acquirer, and demands that the amount of the transaction be repaid from the merchant's account.
Contract merchant number	A contract merchant number (also known as a contract company number) is used to identify the credit card acceptance agreement between the merchant and the acquirer. It is issued by the acquirer.
Credit rating check	A check used by banks to test consumers creditworthiness.
CNP (Card Not Present)	Card transaction for which the card is not physically present at the merchant, as is the case in long-distance trading (Internet or MOTO).
Co-Branded Card	Companies have the opportunity to use Wirecard to issue cards with their company's own logo in various designs. It is possible to order co-branded cards with a short lead-time in small batches.
CVC1, CVV1	Card Verification Code 1, Card Verification Value 1. An encrypted security code incorporated in the magnetic strip on the credit card which is logged by the card reader during purchases.
CVC2, CVD, CVV2	A 3 or 4-digit code used to check cards, included on the front or back of a credit card and which is used in CNP transactions. (Card Verification Code 2 = MasterCard, Card Verification Data = American Express, Card Verification Value 2 = Visa).
Electronic Funds Transfer (EFT)	Refers to the paper-free transfer of payment data recorded electronically, that represent a monetary value in a specific currency and which are accepted by a customer/contract trader or a bank instead of cash as a means of payment.

Direct Debit Method in which purchasers issue the merchant authorization to withdraw the funds from their account for a cash-free transaction (used in online trading by confirmation of the basket of goods and in POS trading via a signature or input of the PIN) The amount is automatically booked out of the consumer's account and credited to the recipient's account.

eps A payment method used on the Austrian market with direct access to online banking. it is similar to giropay and offers a high level of security and, if requested, an execution guarantee by the bank. eps is supported by almost all Austrian banks.

Fraud Prevention Suite (FPS) A risk management system that identifies suspicious data and/or behavior patterns in real time and effectively prevents fraud.

giropay A payment method for online purchases introduced at the start of 2006, which gives direct access to German accounts that use online banking. It offers customers comfortable payments, the highest standards of security and it offers merchants a payment guarantee of up to € 5,000 per transaction.

IBAN, International Bank Account Number Standardized international account data (comprising account number, sorting code and prefix) for cross-border payment transactions.

iDEAL iDEAL is an Internet payment method in The Netherlands with direct online banking access to the participating banks. As is the case for giropay, iDEAL offers a payment guarantee, which allows the merchant to ship the goods at no risk as soon as the payment is confirmed.

Identification of account holder In order to ensure that open receivables paid for with EC cards in POS retail can also be asserted after the fact, Wirecard offers a method which can be used to identify defaulting purchasers rapidly and cost-effectively.

IP/BIN Check A method to check fraud patterns for credit card transactions. The IP address is sued to identify a customer's current location or place of access to the internet, and a bank identification number (BIN) is used to identify the card-issuing bank and its country of origin. This allows certain combinations of the countries thus identified to be permitted or rejected.

Issuer/Issuing Bank A bank that issues payment cards (credit, debit and prepaid cards) as a member bank with the card organizations, and which receives transactions from its card holders from other member banks or merchants. Wirecard Bank AG is an issuer and sells prepaid products. Wirecard AG's issuing portfolio includes both business-to-business solutions with the products SCP and payout cards, and also business-to-consumer solutions with the products mywirecard, Prepaid Trio and co-branded cards.

LUHN-Check A risk check method to verify the authenticity of a credit card number.

Maestro Card A debit card issued by MasterCard International.

Merchant Top-level term for people and enterprises that make an undertaking in a contact with the acquirer to accept credit cards (Visa, MasterCard).

Merchant Account A bank account set up by the merchant for credit card sales.

Merchant Bank A bank that is licensed as a Visa/MasterCard member to provide merchants with an account, and thus to allow them to accept credit cards.

Merchant Identification Number (MID) Number in the credit card industry, which identifies each card-accepting merchant to the bank.

Mobile Payment The term mobile payment is far-reaching. Wirecard uses it to mean payment for a digital or physical goods or services using a mobile phone.

Near-Field-Communication (NFC) Technology NFC technology refers to the wireless transfer of data over a short distance (near field). Payments using NFC using a mobile phone require an NFC-enabled acceptance point and an NFC-enabled mobile phone.

MOTO, Mail Order/Telephone Order Purchase of goods and services in which the purchase order is issued by phone or in writing using a fax or order card.

mywirecard MasterCard The mywirecard MasterCard is a prepaid credit card. The virtual card can be purchased free of charge online and is available for making purchases online or by telephone. In addition, a physical card can be acquired, which can also be used in POS retail.

mywirecard 2go Visa The mywirecard 2go Visa is a prepaid credit card. It is available at service stations and kiosks throughout Germany and can be topped up during purchases directly at the point of sale.

Payment authorization Confirmation of a payment using a personal identification number (PIN) at the POS.

Payment Page A Web-based payment page for simple and secure acceptance of a broad range of means of payment. End customers input their data for online payments using the secure Internet page hosted by Wirecard. The payment page provides merchants with the rapid, secure, and PCI-conform acceptance of credit cards and other means of payment such as direct debits (Germany, Austria), giropay, iDEAL, eps, paybox, paysafecard and others.

Payout Card Wirecard AG uses the Payout Card to offer companies located in the SEPA region two alternatives to cash and check payments: their company's own, personalized card. These prepaid cards, based on credit balances, allow companies to make low-priced, secure, high-speed payments to employees and business partners.

PCI PCI DSS (Payment Card Industry Data Security Standard) is a security standard initiated by VISA and MasterCard for merchants and payment service providers who want to process credit card payments on their systems or who want to store or transfer credit card data. All PSPs are scanned electronically once per quarter and are audited once per year on location.

Personal Identification Number (PIN) Secret number that is only allocated to one single card and which card holders use to confirm a POS payment or to access their account using a cash dispenser.

Phishing Phishing (password harvesting fishing) is used to refer to criminal activities to obtain passwords from customers using fake Web sites. In most cases, the criminals present themselves as being trustworthy persons and thus attempt to move customers to input sensitive information (user name, password, credit card data).

POS, Point of Sale A terminal (card reader) in bricks-and-mortar retail, where the customer pays using a bank card and authorizes the transaction with their PIN.

PSP, Payment Service Provider A company which receives, for example, electronic payment transactions for merchants, authenticates these, processes them and in this regard also provides the merchant with the corresponding software if required.

Prepaid card A licensed payment card based on credit balances which has the attributes of a standard credit card mostly issued by Visa or MasterCard.

Risk management Logging and analyzing transaction data to mitigate the risk of fraud and to protect the merchant against payment defaults.

Scoring A method to forecast customer behavior. Data for a specific person are used to put other persons with the same characteristics together into a group. The group's risk and payment behavior is then identified.

SCP, Supplier and Commission Payments SCP is an automated solution for global payments to companies that receive payments via their credit card acceptance agreement. The virtual prepaid cards are available in 27 currencies. Bookings and settlements can be automatically integrated into the customer's ERP system.

SEPA, Single Euro Payment Area Refers to the euro payments area, which currently comprises 32 countries, including the 7 EU member countries and Ireland, Norway, Liechtenstein, Monaco and Switzerland. Wirecard Bank AG has been SEPA-enabled since its launch at the start of 2008.

Settlement Processing transactions and depositing the transactions processed with the merchant's contractual bank (acquirer).

Settlement Currency Currency in which settlement is performed in the account.

SWIFT Code An 8- or 11-digit international bank sorting code issued by SWIFT (Society for Worldwide Interbank Financial Telecommunication) used to identify a bank in international payment transactions. The BIC (SWIFT) code WIREDEMM for Wirecard bank allows international payments to be made using foreign currency accounts in standardized formats.

Tokenization This method replaces sensitive data, such as credit card numbers, with so-called tokens. A token can be used without restriction by systems and applications, while the original data is stored in the secure, PCI-conform data safe.

Transaction Number (TAN) A unique password, allocated by the card-issuing bank which is used in addition to the PIN as additional security to confirm an online-banking transaction.

Transaction Currency Currency in which a transaction is executed.

Velocity Check A frequency check used to check payment transactions for repeating patterns within a defined (short) period. The check can be defined based on various data for a payment transaction (e.g., if a specific pattern is repeated within a period, and if it even occurs in clusters).

Virtual account number A 10-digit, purpose-linked account number for Wirecard Bank AG, comprising a 3-digit, constant part and a 7-digit, variable part, which can be freely selected by the company, which clearly identifies the purpose and the sender.

Virtual card A payment card which simply comprises a card number, a validity period and a security code, and which can be used exclusively in long-distance transactions (online and MOTO payments) due to the lack of physical characteristics (magnetic strip, EMV chip).

Virtual Terminal Internet-assisted user interface for accepting payments (including MOTO), which is used, for example, in call centers. Allows direct acceptance of payments without a signature by the paying party. The same risk management checks are peformed as in the case of online payment.

WEP, Wirecard Enterprise Portal WEP is the new Web-based management and reporting application from Wirecard AG. It provides customers with all of the functions they need to manage payments, to set up risk strategies, to manage card portfolios and to produce risks and statistics.

FINANCIAL DIARY

Apr 17, 2012	Publication of the Annual Financial Statements 2011, Press Conference and Analyst Meeting, Press Release for Annual Report
May 15, 2012	Publication of Q1 Report
Jun 26, 2012	Annual General Meeting
Aug 14, 2012	Publication of Q2 Report
Nov 14, 2012	Publication of Q3 Report

Published by
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Day of issue
Tuesday, April 17, 2012

Design
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Jörn Leogrande
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Wirecard AG

This Annual Report is drawn up in the German language; translations into other languages are made only for informational purposes. In the event the texts diverge, the German text is authoritative.

Group Management Report and Consolidated Financial Statements are produced by using FIRE.sys

www.wirecard.de

Wirecard ranks among the world's leaders when it comes to processing online payment transactions, checking these for risks and performing international processing. Since 1999 Wirecard has been supporting companies in accepting electronic payments from all sales channels. Wirecard bundles international payment methods for eCommerce using call centers and computers or mobile terminals. Wirecard helps companies by providing effective solutions to prevent fraud and payment defaults. Wirecard uses its own bank to offer international credit card and payment acceptance.

The Wirecard Group operates an international strategy and offers merchants various national and international payment schemes

NORTH AMERICA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal

United States ACH

EUROPE, EASTERN EUROPE, RUSSIA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
China UnionPay
Maestro (Solo)
Visa Electron

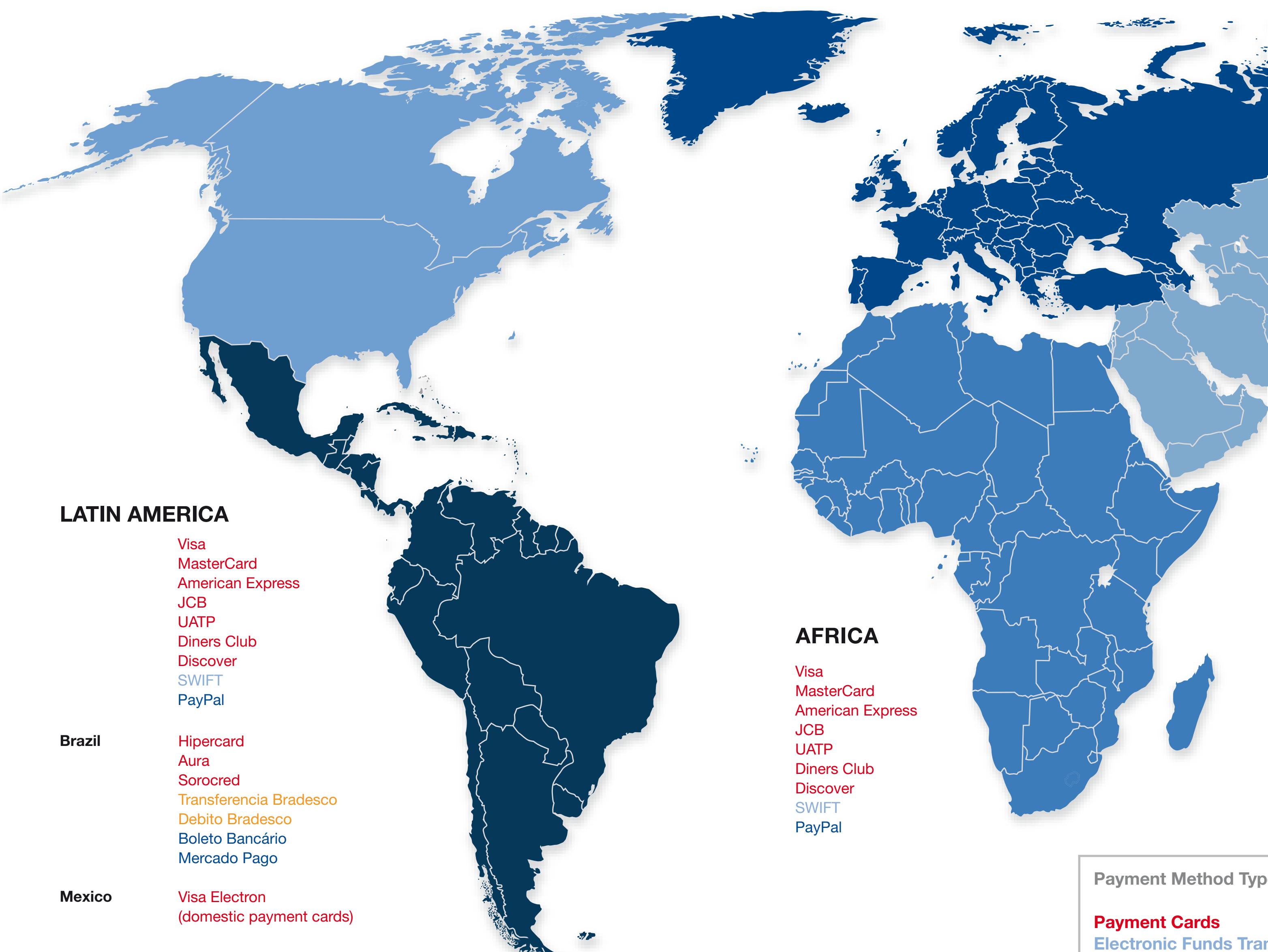
SWIFT
SEPA Credit Transfer
SEPA Direct Debit
EBICS
PayPal
paysafecard
cashticket

Austria EPS
Direct Debit
Sofortüberweisung.de
@Quick
paybox

Belgium Sofortüberweisung.de
Bancontact/Mister Cash

Czech Republic eKonto

Denmark Dankort



LATIN AMERICA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal

Brazil Hipercard
Aura
Sorocred
Transferencia Bradesco
Debito Bradesco
Boleto Bancário
Mercado Pago

Mexico Visa Electron
(domestic payment cards)

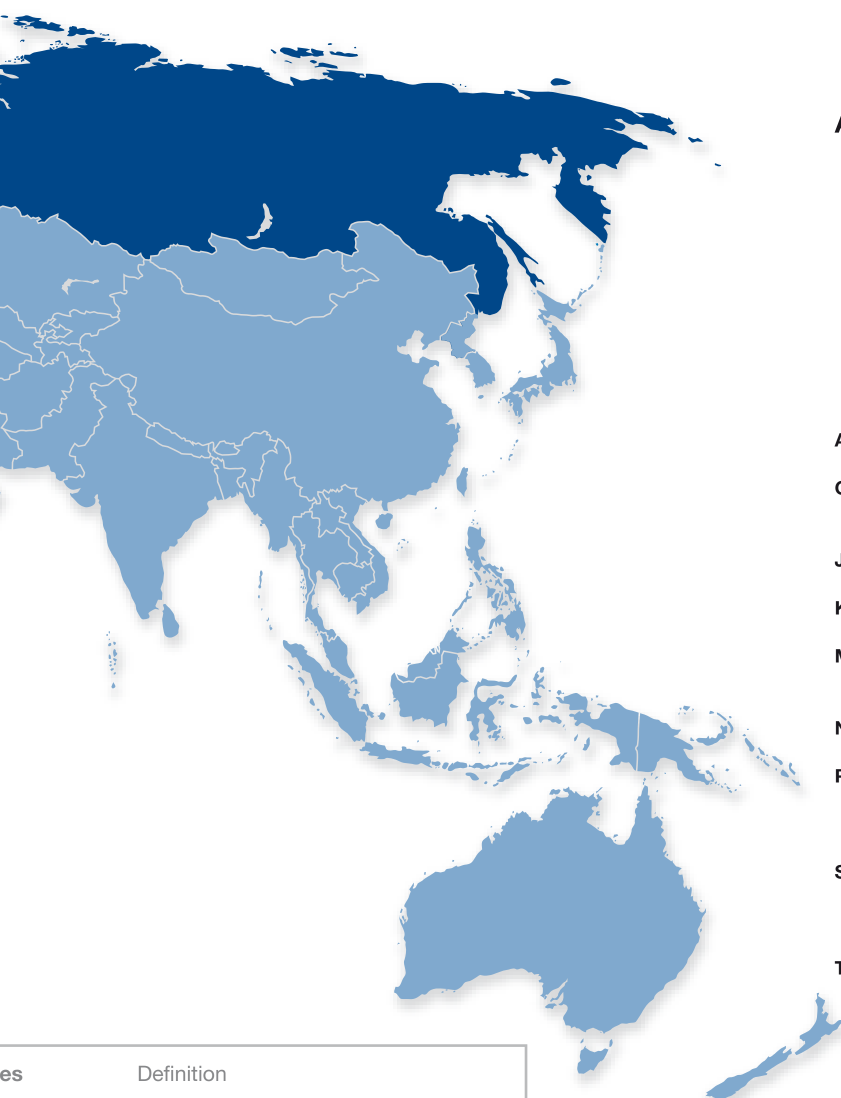
AFRICA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal

Payment Method Typ

Payment Cards
Electronic Funds Trar
Online Banking Paym
Alternative Payment S
Mobile Services

Estonia	InstantBank
Finland	InstantBank
France	Carte Bleue Carte Bancaire
Germany	Direct Debit giropay Sofortüberweisung.de Payment on Invoice Payment in Advance Wire Transfer to Virtual Bank Accounts
Ireland	Laser
Italy	CartaSi PostePay
Netherlands	Direct Debit iDEAL
Poland	InstantBank Przelewy24
Russia	Moneta.ru YandexMoney
Sweden	InstantBank
Switzerland	Direct Debit Sofortüberweisung.de
Ukraine	Moneta.ru YandexMoney
United Kingdom	Sofortüberweisung.de



ASIA/PACIFIC, MIDDLE EAST

	Visa MasterCard American Express JCB UATP Diners Club Discover China UnionPay SWIFT PayPal
Australia	POLi
China	42 domestic payment cards Alipay
Japan	Wire Transfer to Virtual Bank Accounts
Korea	Wire Transfer to Virtual Bank Accounts
Malaysia	Maybank2u CIMB Clicks
New Zealand	POLi
Philippines	Bank Cards (8 domestic payment cards) Maybank2u CIMB Clicks
Singapore	eNets / Online Banking Maybank2u CIMB Clicks
Taiwan	Wire Transfer to Virtual Bank Accounts

es	Definition
	International and domestic card brands
nsfer (EFT)	Direct Debit
ents	Real-time bank transfer
Schemes	Wallet, Cash/Voucher, Online/Offline
	Mobile Payments

As of March 2012/subject to errors.

www.wirecard.com