ANNUAL REPORT 2012

WIRECARD

THE POWER OF CONVERGENCE

KEY FIGURES

WIRECARD GROUP

		2012	2011
Sales revenues	TEUR	**394,601**	324,797
EBITDA	TEUR	**109,231**	84,398
EBIT	TEUR	**93,582**	75,913
Earnings after taxes	TEUR	**73,297**	61,186
Earnings per share (diluted)	EUR	**0.67**	0.60
Shareholder’s equity	TEUR	**541,730**	340,887
Total assets	TEUR	**1,127,884**	707,059
Cash flow on ordinary transactions (adjusted)	TEUR	**94,900**	61,033
Employees		**674**	498
of which part-time		**147**	128

SEGMENTS

			2012	2011*
Payment Processing & Risk Management	Sales revenues	TEUR	**278,206**	244,688
	EBITDA	TEUR	**82,608**	66,260
Acquiring & Issuing	Sales revenues	TEUR	**140,510**	104,147
	EBITDA	TEUR	**26,263**	18,166
Call Center & Communication Services	Sales revenues	TEUR	**4,774**	4,267
	EBITDA	TEUR	**433**	139
Consolidation	Sales revenues	TEUR	**(28,889)**	(28,305)
	EBITDA	TEUR	**(73)**	(167)
Total	Sales revenues	TEUR	**394,601**	324,797
	EBITDA	TEUR	**109,231**	84,398

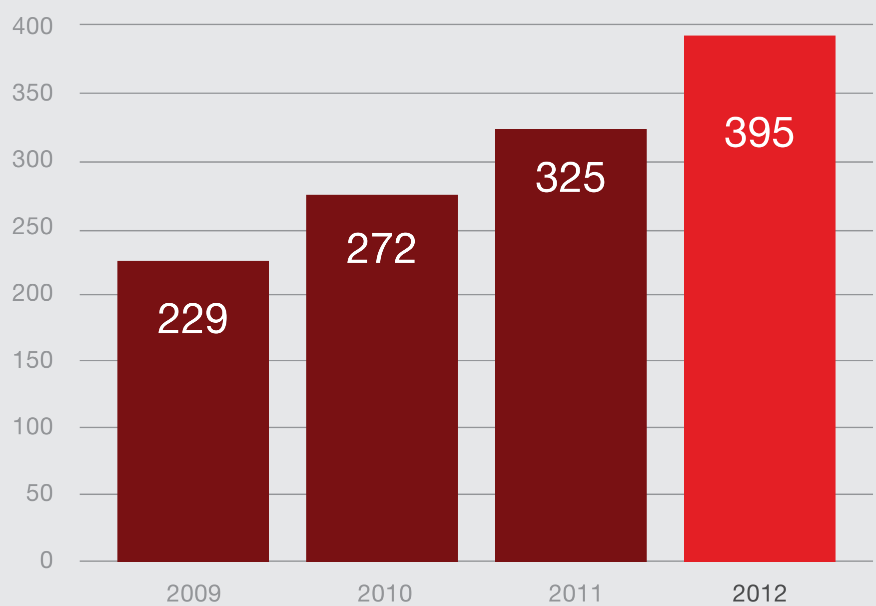
* Due to a transition in connection with the EU payment services directive, the 2011 figures have been adjusted to ease comparison. (also see the disclosures in the notes)

IN FUTURE,
CUSTOMERS WILL
NO LONGER MAKE A CLEAR
DISTINCTION BETWEEN
THE SALES CHANNELS, BUT
WILL USE VARIOUS MODES
OF ACCESS: **OFFLINE,**
ONLINE AND
MOBILE.

SALES REVENUES

(in € million)

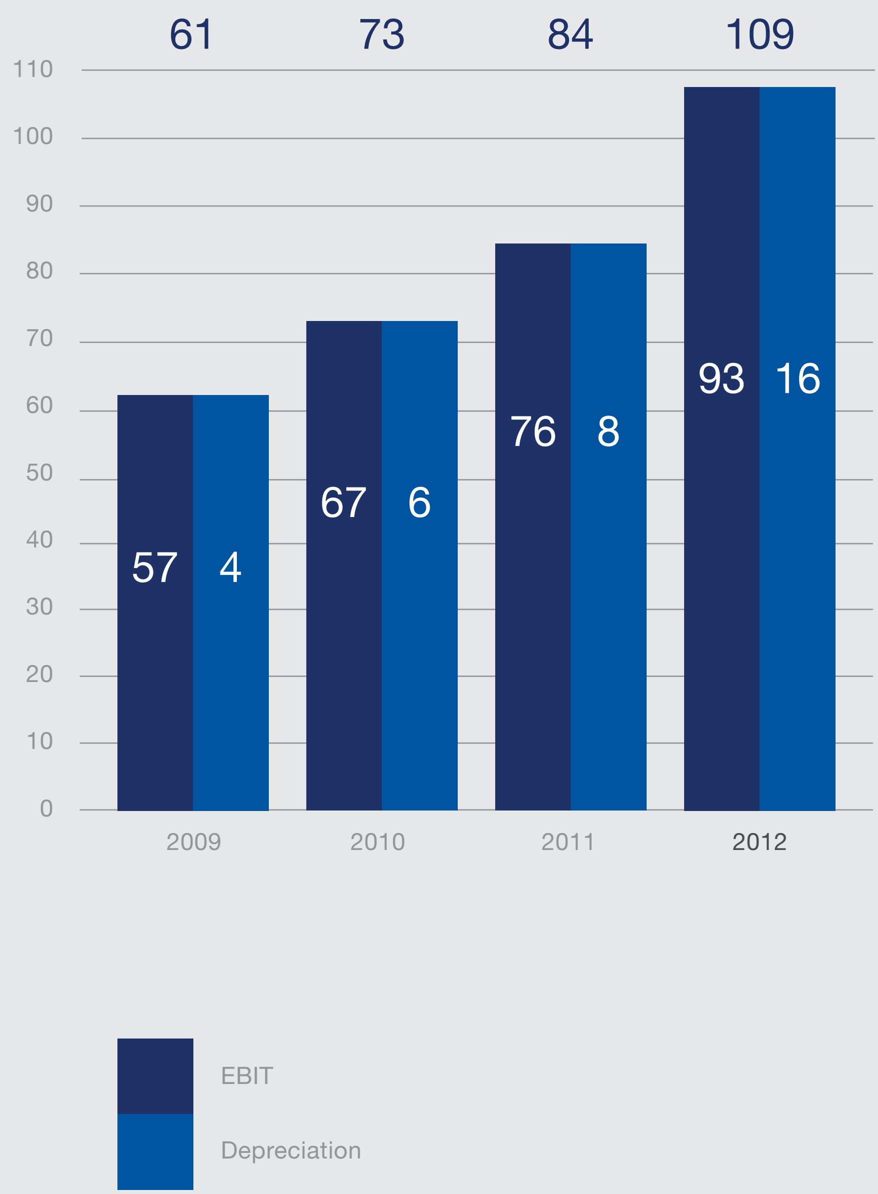
Revenues have increased by an average of 20 percent per year from 2009 to 2012. Growth in 2012 totaled 21.5 percent.



EBITDA

(in € million)

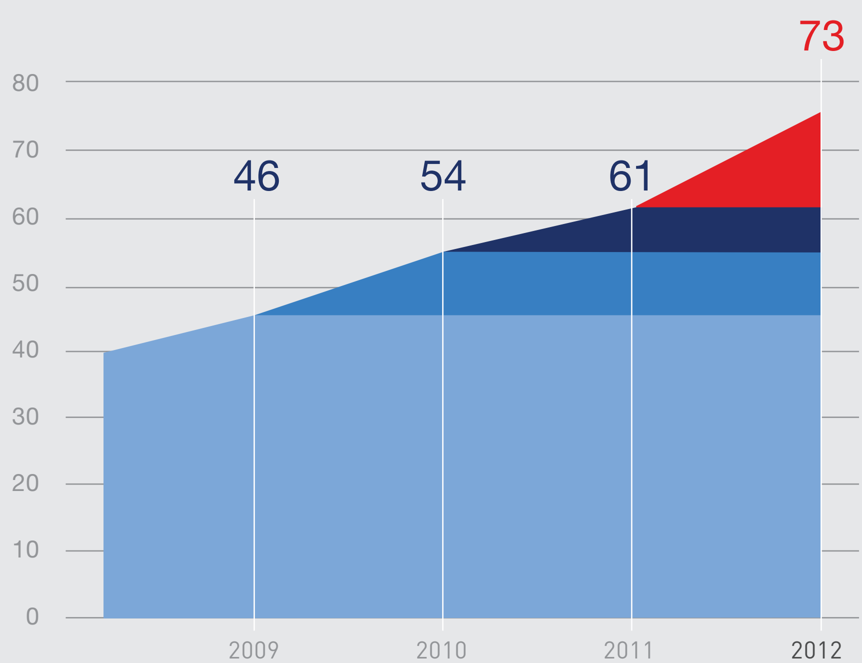
Earnings before interest, taxes, depreciation and amortization (EBITDA) increased in 2012 by 29.4 percent. In the past few years, average annual EBITDA growth totaled 21.8 percent.



NET INCOME

(in € million)

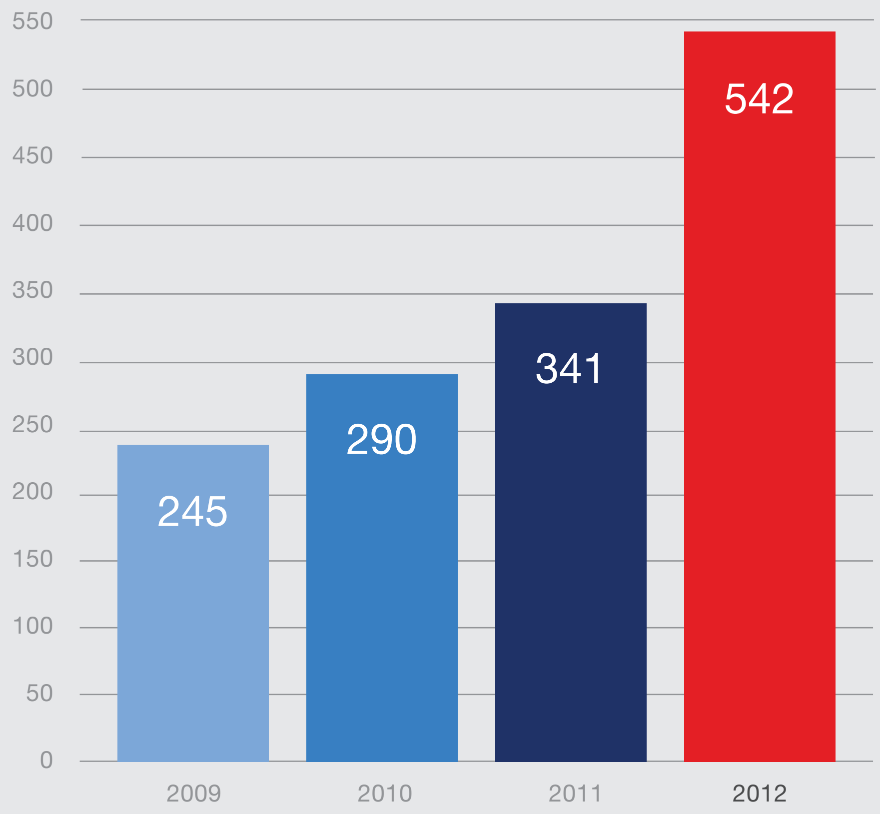
In 2012, net income
was up 19.8 percent
year-on-year.



EQUITY

(in € million)

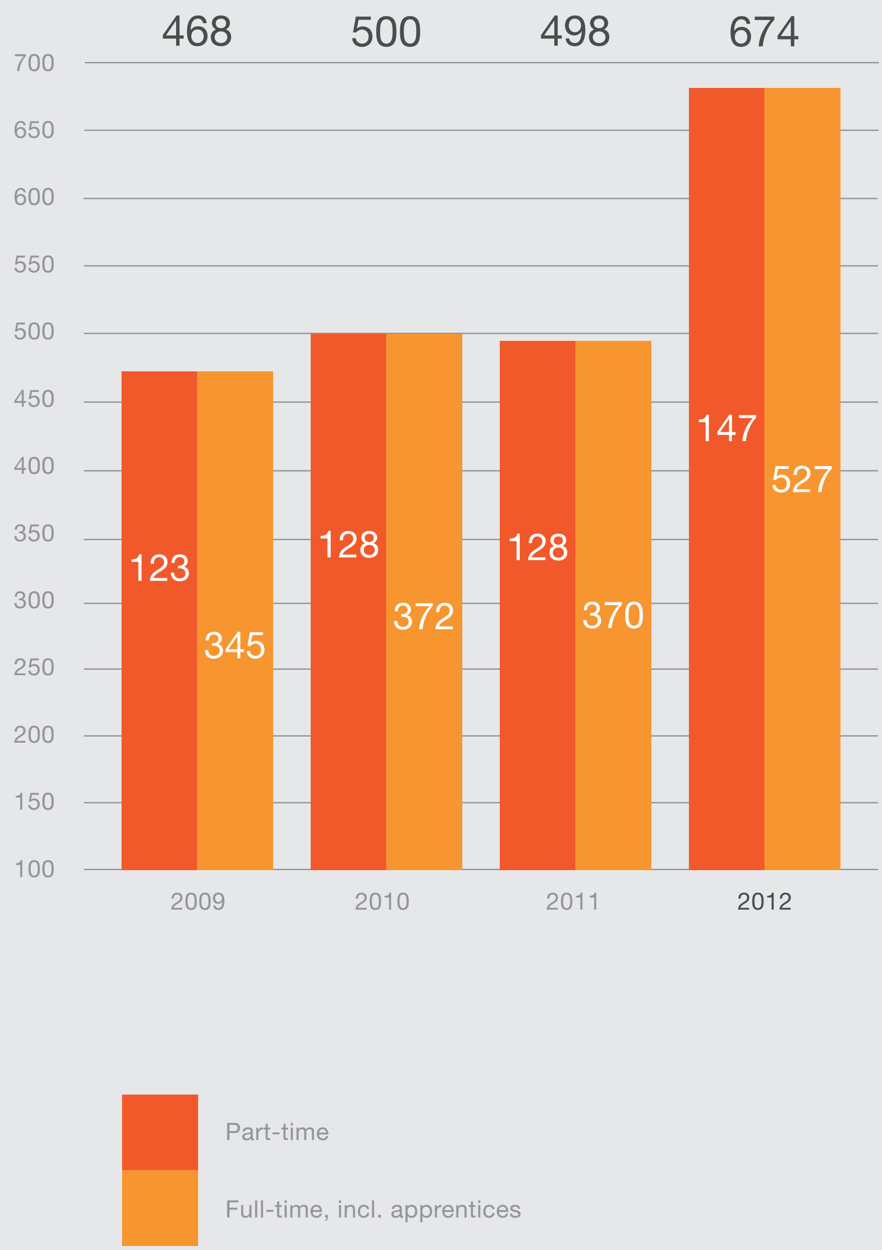
The Wirecard Group's
equity ratio totaled
48 percent in 2012.

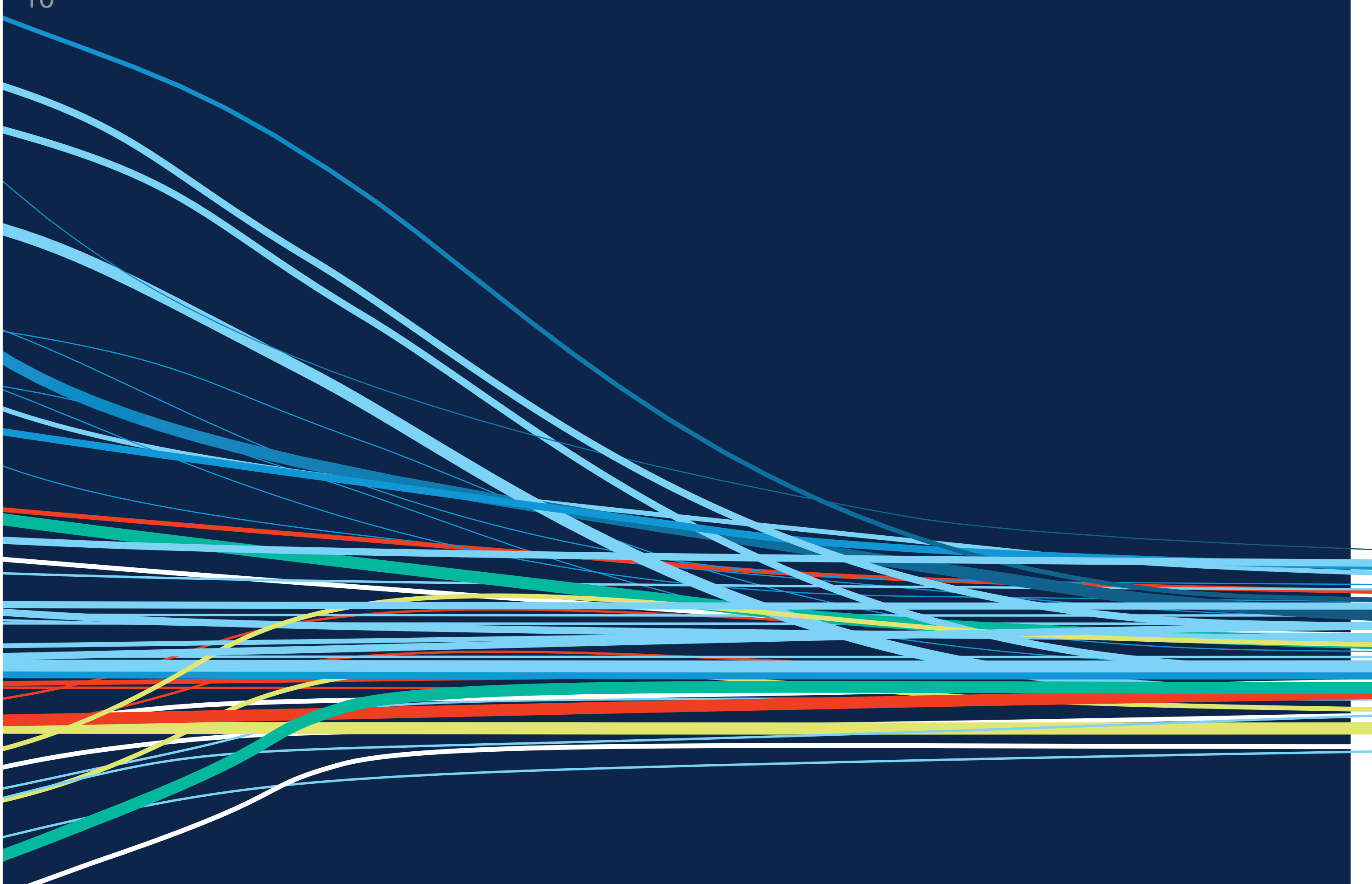


EMPLOYEES

(annual average)

As a result of new hires and acquisitions the average number of employees in 2012 increased to 674.





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Dr. Markus Braun,
CEO, CTO

Dear shareholders and business partners,

Last year we reached the targets we set for our company and continued our on track growth. Consolidated revenues lifted by 21 percent in 2012 to EUR 394.6 million. Our EBITDA increased by almost 30 percent to EUR 109.2 million.

In 2012, the Wirecard Group enjoyed more dynamic growth than the European eCommerce market, as was also the case in the past. Our transaction volume increased by 34 percent year-on-year from EUR 15.5 billion to EUR 20.8 billion.

This success is due to the sustained growth in our core business, where we operate as an international payment and risk management specialist with our own acquiring and issuing bank. Our existing customers formed the basis for our positive corporate growth last fiscal year, and this was also bolstered by continued positive growth in new customer numbers, innovative technologies, as well as our further expansion on the Asian market.

Wirecard provides its customers with end-to-end solutions using a central platform, allowing them to combat the increasing complexity with regard to national, international, online, offline and mobile payment processing, and minimize the risks of payment default.

Consumers' mobile purchasing and payment behavior is increasingly playing a role in the constant progress of the convergence of bricks-and-mortar and online-based retail. There are already many merchants who are diversifying their sales channels in bricks-and-mortar retailing, online and mobile business. The next level is a cross-channel customer approach.

We further expanded our presence in Asia last year. Our expansion strategy took a further key step forward when we completed our acquisition of PT Prima Vista Solusi, headquartered in Jakarta (Indonesia) in the fall. This company is one of the leading providers of payment transaction network operation and technology services in this fast-growing economic region. Prima Vista offers banks and merchants in Indonesia a large range of products for contactless and mobile payments, and also the technical infrastructure for accepting multi-channel payment solutions.

Just a few days ago, we closed our acquisition of the Asian company Trans Infotech Pte. Ltd. This company is one of the leading payment service providers in the Indo-Chinese region. It is thus an excellent supplement to our activities in Singapore and Indonesia, and will allow us to generate synergies by transferring technology.

Mobile payments as part of convergence

The rapid increase in the number of mobile devices will have a major impact on the future of mobile payments. Thanks to future-proof technologies, smartphones and tablets will become mobile wallets with intelligent additional functions.

As part of convergence, mobile payments are contributing to the merger of sales channels, be this online, offline or mobile. In so doing, we focus on three dominant issues, which we are pursuing with our integrated approach of providing solutions that have been structured from start to finish.

Special applications and mobile wallets are currently being developed for smartphones – in future these will replace wallets. Customers can use their cellphones to make payment using Near-Field-Communication (NFC) technology. If contactless payments are made using NFC (also known as proximity payments), a wireless connection to the NFC-enabled payment terminal is created and the relevant card data is transferred. However, smartphones can only be used as digital wallets in connection with a mobile wallet, which is installed as an application. In the event of contactless payments, a booking is made from the prepaid balance, or the payment is routed to the user's bank account, as requested.

If smartphones or tablets are used to make purchases online or for a mobile app (in-app payment), they are used as the frontend, as is also the case for a laptop, for example. In the case of in-app payments, the consumer can use the payment method they have already added via the Internet application, for example to pay for a taxi journey.

The third issue is the addition of further hardware elements to mobile devices as substitutes for traditional terminal solutions (M-POS). The card reader solution we presented last year makes paying at the point of sale using a mobile card reader both flexible and low cost. Here to, as a B2B service provider, we use distribution partners who market the product with their own corporate design.

Wirecard has successfully positioned itself as an innovative technology and service partner and card-issuing bank in the new Mobile Payments business field, and supports a large number of initiatives when introducing innovative payment solutions. In particular large telecommunications providers in Europe and Asia are starting to issue mobile wallets and card products to consumers.

We combine our technological expertise with various services to form a unique end-to-end offering: from card and payment processing, card management, through to the licenses needed to act as a card-issuing bank.

All of the areas are backed by the Wirecard Group's core competence: Developing innovative software solutions in connection with financial services.

The projects we launched in 2012 and the orders that are currently expected to be completed promise enormous market potential in the coming years. Our advantage is that these are all anchored in our core business of electronic payment processing and they link issuing credit and debit card products with payment acceptance.

Outlook

According to our forecasts, our core business of electronic payment processing and acquiring will once again grow faster than the market in Europe in the current fiscal year. Leading market research institutes are forecasting European eCommerce market growth of 11 to 12 percent. We are also forecasting excellent growth in Asia.

As a result of the substantial market potential and the excellent order book in the new Mobile Payments business field, we have decided to expand the existing mobile payments infrastructure. In this regard, we will invest a further total of roughly 25 million euros this year, and of this total around 50 percent will be recorded as expenses in fiscal year 2013. The funds will be used, in particular, to accelerate the further development of the integrated ecosystem of applications for mobile payment acceptance, mobile money transfers and the technical provision of loyalty and couponing programs that are integrated in the mobile payment process. For example a mobile wallet with innovative functions has been added to our white label solution, supporting the progressing convergence of online, mobile and bricks-and-mortar retail.

We are expecting substantial contributions to earnings from mobile payment products and the associated added value services from fiscal year 2014.

In future we will also pursue our strategy of mostly organic growth on our target markets of Europe and Asia and will grasp opportunities for acquisitions that meet our requirements.

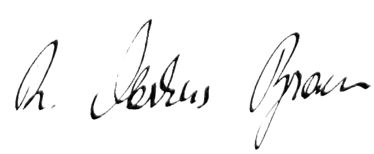
Taking the investments in Mobile Payments into account, we believe that Wirecard AG will record EBITDA of between EUR 120 and EUR 130 million in fiscal year 2013.

My colleagues on the Management Board and I would like to thank all of our employees whose energy and enthusiasm puts Wirecard one step ahead, every single day.

In particular 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 Wirecard, and this year we will propose disbursing a dividend of EUR 0.11 per share to the General Meeting.

Sincerely,



Dr. Markus Braun
CEO, Wirecard AG

Burkhard Ley,
CFO

Jan Marsalek,
CSO

Wulf Matthias,
Chairman of the
Supervisory Board

Dear Shareholders,

During the year under review, Wirecard AG's Supervisory Board dealt in detail with the Wirecard Group's situation and perspectives. It performed the tasks due to it under the law and the articles of incorporation, and advised and supervised the Management Board in line with applicable law and the German Corporate Governance Code. The Management Board included the Supervisory Board directly in the company's strategic orientation and agreed key corporate decisions with us in advance, such as the capital increase in March 2012.

In addition, the Management Board consulted the Supervisory Board in advance in each case on other individual transactions and key strategic alliances that were subject to approval by the Supervisory Board due to the law, the articles of incorporation or the Management Board's by laws.

In order to be able to exercise our control function, we were in close contact with the Management Board, which regularly informed us in verbal and written form in good time and in detail of all of the relevant business transactions and strategic issues. In addition, in each meeting the Supervisory Board dealt with the Management Board's risk management reports and the risks for 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 financial indicators and provided it with quarterly finance reports and the semi-annual report in good time prior to publication.

In the year under review, the Supervisory Board held four meetings; one meeting was held each quarter. In addition, between meetings, important or urgent information was exchanged on numerous occasions, either in writing or in telephone conferences. Resolutions by the Supervisory Board for the approval of the 2012 capital increase, for 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 the resolutions passed by telephone or in writing. The Chairman of the Supervisory Board was in close contact with the Management Board between meetings and was informed of all of the current developments in the business situation and key transactions.

Wirecard AG's Supervisory Board did not form any committees.

Focal points of discussions

During the year under review, once again the Supervisory Board regularly dealt intensively with the growth of the business and earnings for both the company and the group, key equity participation projects and risk management. In addition, various focal topics were discussed during the individual meetings:

In its meeting in January 2012 the Supervisory Board consulted with the Management Board, focusing on the Wirecard Group's preliminary results for fiscal year 2011, the business plan for 2012, passing the budget for 2012 as well as the Group's investment strategy for fiscal year 2012. In addition, the issue of the audit mandate to the auditor for fiscal year 2012, monitoring the auditor's services and fees as well as his independence and qualification were discussed. In this connection, the Supervisory Board also discussed the accounting process, the risk management system and the Group's internal control system. In addition, the Supervisory Board discussed the efficiency and productivity of its cooperation. As a result of this meeting, the Supervisory Board passed the new employment contracts with the members of the Management Board.

In its meeting in April 2012, the Supervisory Board discussed the annual financial statements and consolidated financial statements as of December 31, 2011. The external auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, participated in this meeting. In addition, the Supervisory Board discussed business development in the first quarter of 2012, the upcoming General Meeting and developments in various legal issues.

Our meeting in September 2012 focused on discussing current business development, in particular for mobile payment solutions. In addition, we dealt with the group's risk management as well as the integration status for the Asian subsidiaries.

In its final meeting in November 2012, the Supervisory Board dealt, in particular, with the course of business in the first three quarters of 2012 as well as the anticipated growth for 2012 as a whole.

Capitalization activities

The company's subscribed capital at the start of the period under review, on January 1, 2012, totaled EUR 101,803,139.00 and comprised 101,803,139 no-par value bearer shares with a notional common stock of EUR 1.00 per share. As a result of the capital increase from authorized capital entered in the commercial register on March 9, 2012 and due to the conversion of convertible bonds, this totaled EUR 112,192,241.00 on December 31, 2012, and comprised 112,192,241 no-par value bearer shares with a notional common stock of EUR 1.00 per share. The subscribed capital thus increased by EUR 10,389,102.00 compared to the previous year.

Corporate Governance Code / declaration on corporate governance

Prior to the declaration of conformity published on March 28, 2012, the Supervisory Board discussed corporate governance in the group in detail, after having previously discussed this in detail with the Management Board. As a result of this consultation, the Supervisory Board believes that it is reasonable to unrestrictedly maintain the previous year's declaration of conformity.

At the start of fiscal year 2013, the Supervisory Board dealt with the content of the German Corporate Governance Code, and in particular with the changes to this code in the version dated May 15, 2012, to prepare for the declaration of conformity according to Section 161 of the AktG. The Supervisory Board ascertained that the new version of the Code, in particular its provisions regarding the Supervisory Board, does not result in the need for any changes in the composition of the Supervisory Board or its by-laws. In particular, it ascertained that in its opinion the Supervisory Board had a reasonable number of independent members. After a detailed discussion, in their meeting held by telephone on March 26, 2013, the Management and Supervisory Boards then resolved to issue the current declaration of conformity within the meaning of Section 161 of the AktG dated March 28, 2013, which was made permanently accessible to shareholders on the Company's Web site.

Further detailed information on Corporate Governance in the company and a detailed report on the amount and structure of the Supervisory Board's remuneration can be found in the Corporate Governance Report or in the declaration on corporate governance.

Separate and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the separate financial statements of Wirecard AG as of December 31, 2012, the consolidated financial statements as of December 31, 2012 and the combined management report for the company and the group, and issued them with an unqualified audit opinion. The separate financial statements were prepared according to the *Handelsgesetzbuch* (HGB – German Commercial Code) and 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 held on April 16, 2013. The auditors attended this meeting and reported on the material findings of their audit and were able 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 based on 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 2012. All of the members of the Supervisory Board carefully reviewed the separate financial statements, the combined management report for the group and the company, the consolidated financial statements and the auditor's report themselves.

According to the conclusive results of its audit, the Supervisory Board came to the conclusion that no objections are to be raised. In its resolution dated April 16, 2013 the Supervisory Board approved the annual financial statements (HGB) of Wirecard AG prepared by the company in April 2013 and the consolidated financial statements (IFRS) of prepared by the company in April 2013 for fiscal year 2012. Accordingly, the financial statements have been confirmed in accordance with Section 173 of the AktG.

The Management Board plans to propose a dividend of EUR 0.11 per share to be disbursed to the shareholders and to carry forward the other net retained profits of EUR 29,579,091.70 to new account. 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. This regulation was also included in the new employment contracts concluded with the members of the Management Board at the start of 2012. Additional comments in this regard can be found in the remuneration report, which forms part of the Corporate Governance Report.

Personnel-related details and conflicts of interest

There were no changes in the membership of the Executive Bodies in fiscal year 2012 compared to the previous year. In the year under review, the Supervisory Board was not aware of any conflicts of interest affecting any of its members.

Outlook

As a result of the anticipated positive growth of the eCommerce market in Europe and Asia, the continued migration of previously bricks-and-mortar sales to the Internet and investments that are planned or have already been made in mobile telecommunications which offer the prospects of substantial earnings potential over the medium term, we believe that the company will continue to enjoy healthy growth in 2013. The expansion of the Issuing and Transaction Processing division as well as the further expansion in Asia are also expected to drive the company's growth in 2013.

The Supervisory Board would like to express its recognition and thanks to the Management Board and the workforce for their immense dedication and commitment in fiscal year 2012.

Aschheim, April 2013

Wulf Matthias
Chairman of the Supervisory Board

Wirecard stock

Despite the continued uncertainty as a result of the European sovereign debt crisis the DAX was able to record an excellent stock market year in 2012. The key German index was up by almost 30 percent at the end of the year. The DAX bottomed out on June 5 at 5,969 points, and was able to increase again substantially in the second half of the year. It reached its high for the year on December 20 at 7,672 points.

The mid-cap index MDAX also performed very well during the year, closing at 11,914 points, up 34 percent. The TecDAX, which is the relevant index for Wirecard, also benefited from the positive market environment from the middle of the year, and lifted constantly in the second half of the year. The TecDAX was up by around 21 percent at the end of the year at 828 points on the last day of trading in the year (December 28).

Compared to the prior year's closing price of EUR 12.42, shares of Wirecard had increased by 49.8 percent to the end of the year to EUR 18.60, and thus outperformed the benchmark index TecDAX last year. After moving sideward from January to April, the price of Wirecard's shares increased constantly from May, and finally peaked on December 7 at a historic high of EUR 19.15. The shares marked their low for the year on the first day of trading (January 2) at EUR 12.78.

During the year, a total of 75.1 million shares of Wirecard were traded on the electronic trading platform XETRA, which corresponds to an average trading volume of 295,839 shares per day. Market capitalization on the last day of trading for the year (December 28) totaled EUR 2.09 billion.

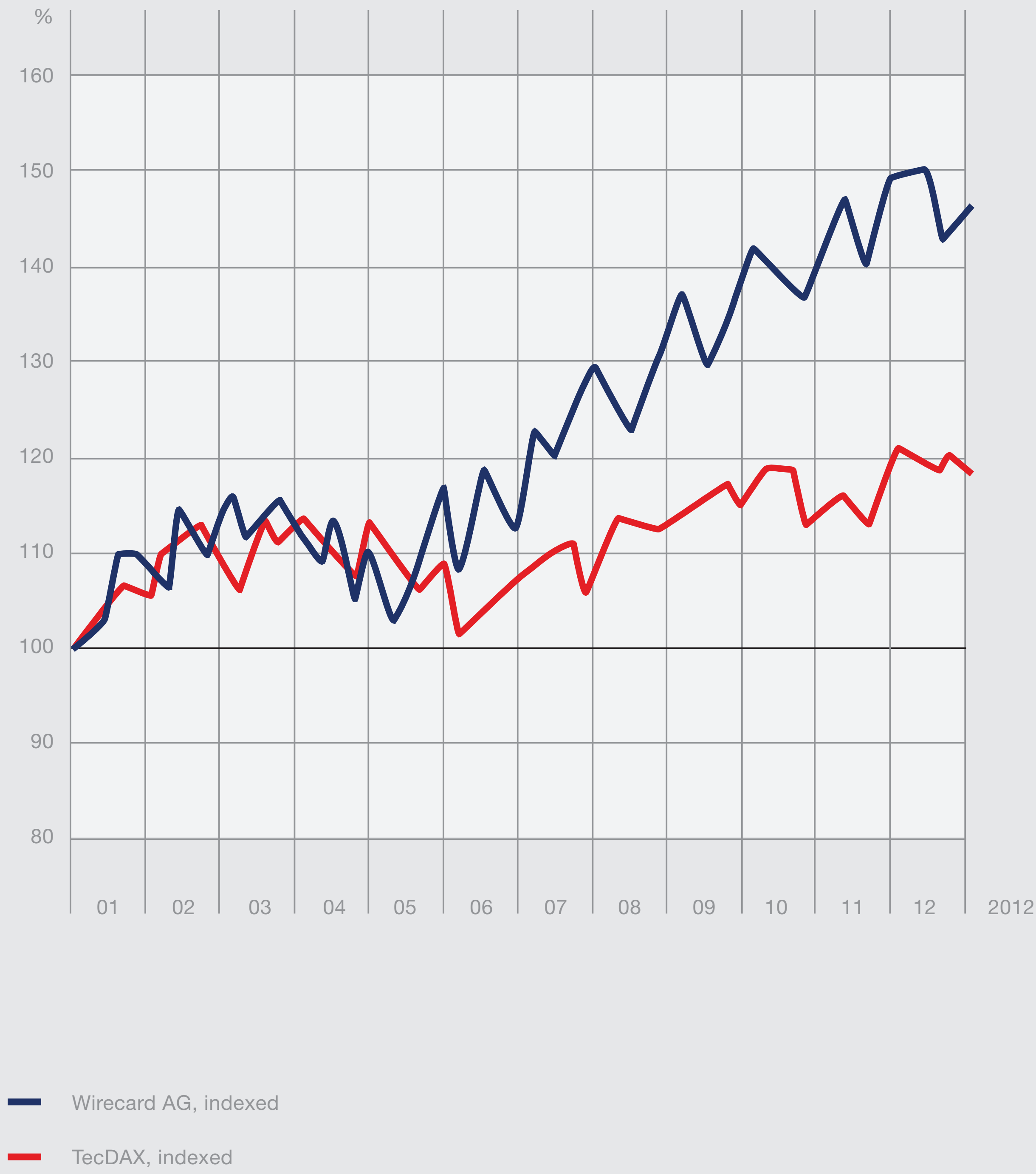
Capitalization activities in the year under review

As part of a capital increase, 10,180,313 new shares were successfully placed with institutional investors on March 8, 2012. As a result of the capital increase, gross proceeds from the issue of around EUR 139,470,288.00 accrued.

An employee stock option program (SOP) based on convertible bonds from 2004, which was already closed in 2011, was used to convert 208,789 shares in August 2012. On December 31, 2012, a total of 112,192,241 Wirecard shares were in circulation.

The Company's subscribed capital as at December 31, 2012 totaled EUR 112,192,241.00 and comprises 112,192,241 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share.

WIRECARD'S SHARE PRICE IN 2012



KPIs for Wirecard's shares in 2012

		2012	2011
Number of shares (December 31) – all dividend-entitled		**112,192,241**	101,803,139
Capital stock	TEUR	**112,192**	101,803
Market capitalization (December 28)	EUR bn	**2.09**	1.26
Annual closing price (December 28)	EUR	**18.60**	12.42
Annual high	EUR	**19.15**	13.06
Annual low	EUR	**12.78**	9.97
Earnings per share (basic)	EUR	**0.67**	0.60
Earnings per share (diluted)	EUR	**0.66**	0.60
Cash flow from ongoing activities (adjusted) per share	EUR	**0.85**	0.60
Equity per share (basic)	EUR	**4.83**	3.35
Dividend per share	EUR	**0.10**	0.10
Disbursement	TEUR	**11,198**	10,180

Stock data: XETRA closing prices

General Meeting/dividend resolution

Wirecard AG's Ordinary General Meeting was held in Munich on June 26, 2012. Resolutions passed at the General Meeting included carrying forward EUR 20,710,084.08 to new account from the disclosed net retained profits for fiscal year 2011 of EUR 31,908,429.28, and disbursing EUR 11,198,345.20 as a dividend, i.e., paying a dividend of EUR 0.10 per no-par-value share for each of the 111,983,452 dividend-entitled shares.

All of the agenda items were passed with a majority. Details of the results of voting are available online at: http://www.wirecard.com/investorrelations/agm/

Investor Relations

The core investor relations issues in 2012 included the growth strategy in Europe and Asia in view of the growth of our core business. Our positioning in the new Mobile Payments business field met with great interest. We held several hundred individual meetings between investors and our Management Board and Investor Relations department when we participated at numerous investor conferences and roadshows in Germany and abroad, during visits to our new headquarters and in telephone conferences.

At the end of the period under review, sixteen analysts from well-known banks were monitoring Wirecard'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.

Basic information on Wirecard stock

Year established	1999	
Market segment	Prime Standard	
Index	TecDAX	
Type of equity	no-par-value common bearer shares	
Stock exchange ticker	WDI; Reuters: WDIG.DE; Bloomberg: WDI GY	
German Securities Code (WKN)	747206	
ISIN	DE0007472060	
Authorized capital, in number of shares	112,192,241	
Group accounting category	exempting consolidated financial statements in accordance with IAS/IFRS	
End of fiscal year	December 31	
Total capital stock as at December 31, 2012	EUR 112,192K	
Beginning of stock market listing	October 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* as at December 31, 2012		
(Shareholders holding more than 3% of voting rights)	5.9 % MB Beteiligungsgesellschaft mbH	
	94 % free float (according to Deutsche Börse's definition) of that	
	6 % Jupiter Asset Management Ltd. (UK)	
	5 % Alken Fund Sicav (LU)	
Current changes in shareholder structure		
	3.02 % WA Holdings, Inc. (US) (January 3, 2013)	
	3.02 % Manning & Napier Group LLC (US) (January 3, 2013)	
	2.97 % WA Holdings, Inc. (US) (January 25, 2013)	
	3.79 % Artisan Partners (US) (March 13, 2013)	

* Shareholder structure after capital increase. Interests (rounded) according to last notification from investors (Section 26a of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act))

Shareholder structure

The majority of the free float of 94 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.

THE POWER OF CONVERGENCE

“Convergence” is used to describe how different technologies and media are growing together – and at the same time it marks a far-reaching transition. The Internet is spreading to new media and channels of dissemination at an incredible pace, creating innovative areas of business and strong opportunities for growth. These changes in sales channels also call for convergent solutions for payment processing.

People in the “smart city” aren’t afraid of dark streets. They know that street lamps turn on automatically as soon as they turn their car into an unlit road. And if they park their car their, the light stays on until they are inside their house. That is possible because every street lantern and every car has its own URL – and they both communicate with each other.

Science fiction? Not at all. This futuristic scenario of intelligent cities is within reach: There will be so-called “smart cities” all over the world in the foreseeable future. And then street lanterns won’t have to be on all night long, but only when they are needed. That saves energy. Road signs linked to vehicles will control the flow of traffic to avoid traffic jams. And “smart” retirement homes will fit their carpets with sensors, which will set of an alarm immediately if anyone falls.

When every item – from machines to transport containers to garments – has its own IP address, it will be possible to network everything using the Internet. The real and digital worlds will merge into an “Internet of Things” – and that’s convergence.

Convergence is already revolutionizing digital developments – and also payment processes.

Smartphones are the best example of convergent devices – they already include many, many functions. They have long since passed the status of being just a telephone, calendar or mobile entertainment center – and digital wallets will soon be with us. We can be sure of one thing: we are heading for contactless payments at the point of sale. Cellphones will be used instead of cash or credit cards – at the supermarket checkout, in restaurants, or in boutiques.

It is clear to see: new technologies are adding a lot of impetus to the payment services market, technology leaders are driving convergence – and all of this is opening up new areas of business with extraordinary growth potential.

Internet to go – with you wherever you are

The following message made international headlines in May 2012: Statisticians from India reported a minor revolution – mobile Internet use surpassed traditional desktop use for the first time ever that month. That means: Indians are now mostly consuming the Internet on their smartphones and tablet PCs. That is the start of a far-reaching trend. First of all because India is one of the world’s fastest growing economies, and also because a technical development that is spawned there generally makes the leap to span the whole of Asia, and finally the whole world.

Breathtaking growth rates for mobile Internet use are also being recorded in countries such as Indonesia, Brazil and Russia. Europe is also heading in this direction. In 2011, the “TNS Convergence Monitor” study from the market research company TNS Infratest came to the conclusion that 26 per cent of cellphone users in Germany go online with their smartphone. That is growth of five percentage points compared to the previous year. This has been made possible by the rapid spread of Internet-enabled cellphones as well as low-cost Internet flat rates. Communication in social networks (social media) plays a key role in this regard. 31 percent of mobile Internet users use social networks to keep in touch with their friends and acquaintances while away from the desk.

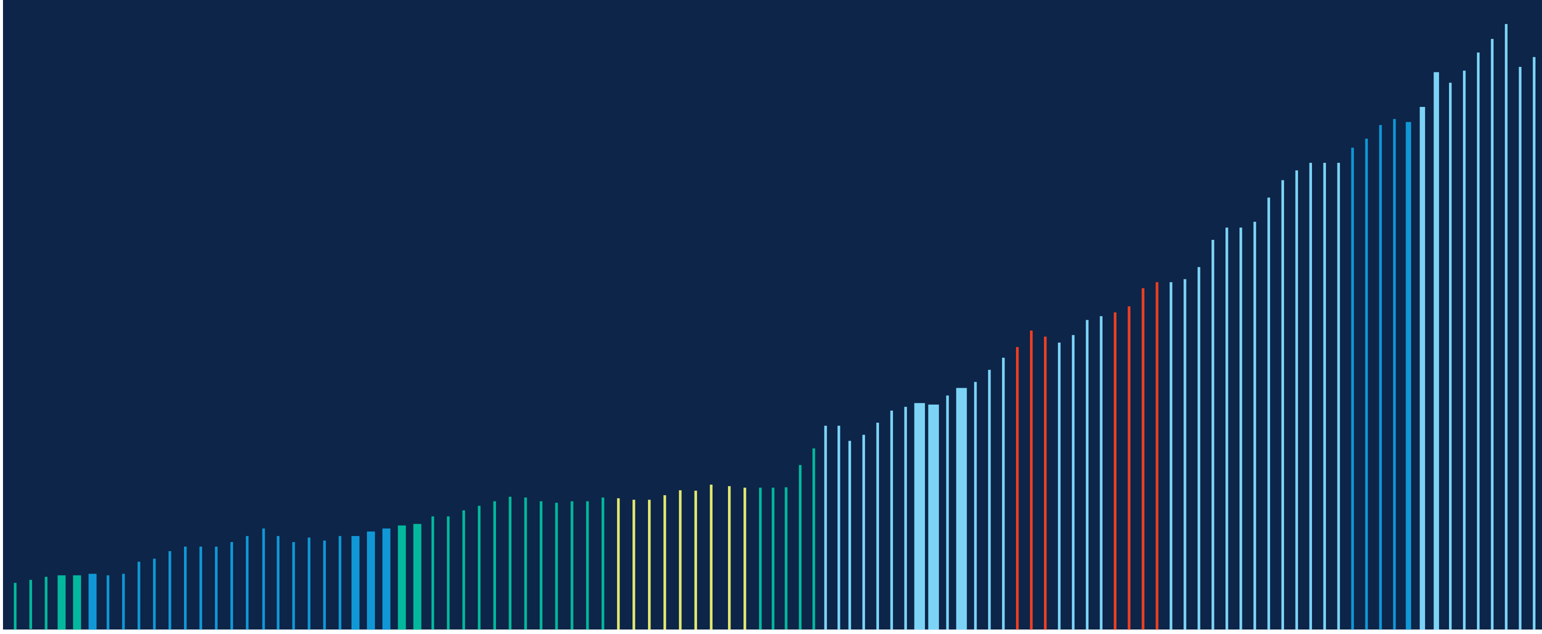
Wherever we are, the Internet is right there in our pocket, ready for use. However, we are still a long way from everybody using the mobile Internet, even if they already have the right terminals. Most new cellphones are Internet enabled, however many people are still clearly afraid of using this technology. That means that there is still enormous growth potential for mobile Internet use. That also applies for tablet PCs – it is far more comfortable to read an online newspaper or watch videos on their larger screens.

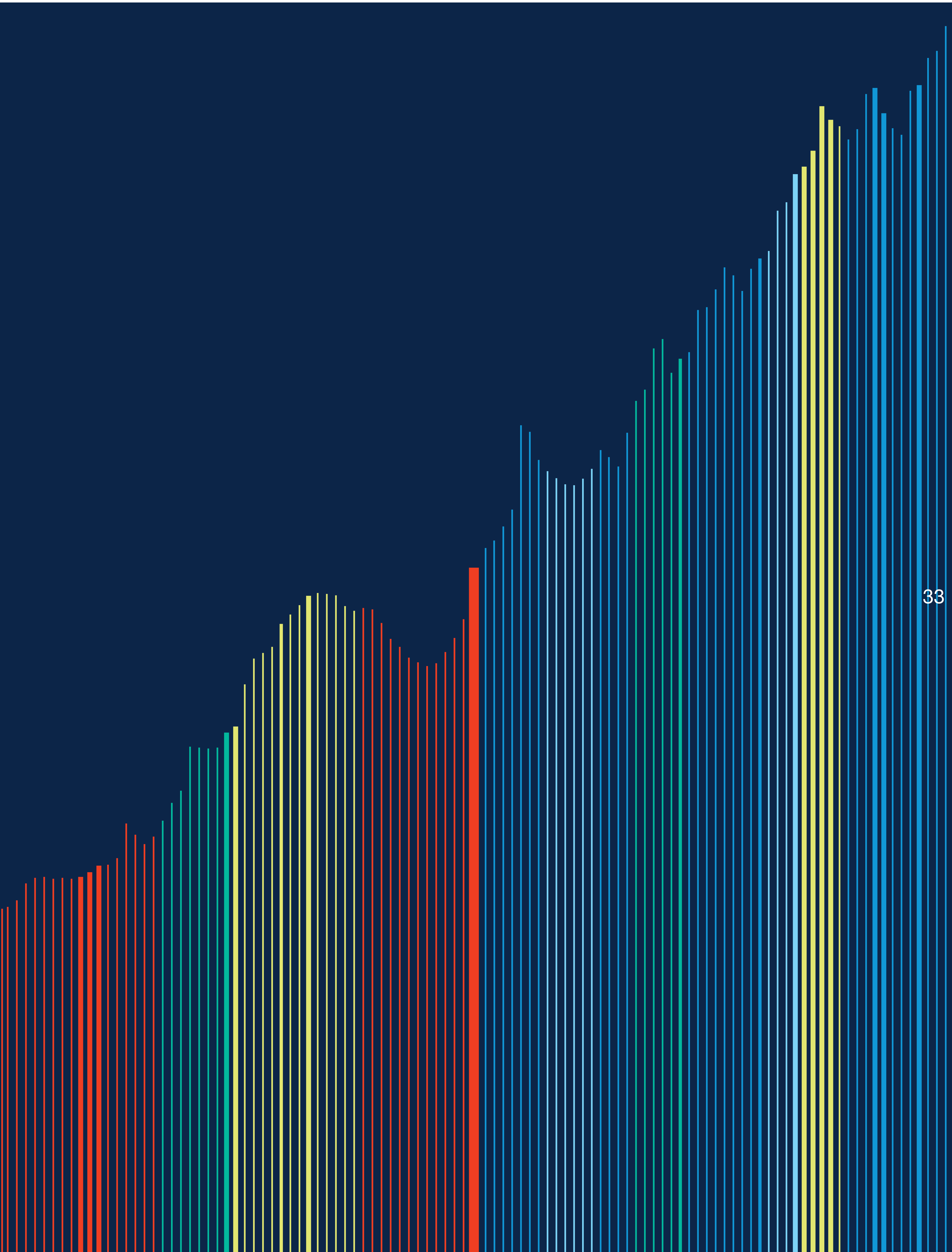
The advantages mobile terminals can offer is clear to see: They allow users easy access to the Internet, wherever they are. This also benefits companies, stores, restaurants and cinemas. Smartphones and tablet PCs take the Internet into a new dimension: your own location. The actual and virtual worlds merge – or converge. So-called location-based services offer information that cellphone users can really use on location: tips for interesting landmarks as well as restaurant recommendations, route optimizations or product comparisons in surrounding stores.

Just one example of a combination of various services of this type: a smartphone user looks for nearby cinemas using a location-based service. The service localizes the user, shows him the cinemas and film programs, and even provides information on how to get there, if requested. But that’s not enough: users can book and order tickets for the film using their smartphone, doing away with waiting time at the cash desk, and the cinema entrance automatically recognizes the user and admits him.

EXTRAORDINARY GROWTH CURVE

Since 2008, the proportion of mobile Internet use worldwide has grown from less than one per cent to a current total of 13 percent. In countries such as Russia, India, Brazil and Indonesia mobile Internet use is already surpassing desktop use.





Things that talk – the fourth industrial revolution

The Internet is entering a new age – almost unnoticed by the general public. There is an unseeming abbreviation behind the scenes: IPv6, the name of the new Internet Protocol Version 6. This development has an enormous reach – it is allowing the number of available Internet addresses to explode – from 4.3 billion to 340 sextillion – a figure with 37 zeros. And that means: everything in the world can have its own URL. Until now, only computers or pieces of equipment have had their own address in the World Wide Web, however they will soon be followed by cars, containers, pullovers, or packets of milk, in order to communicate with other items, machines, or whatever. The actual and virtual worlds are increasingly growing together to become an "Internet of Things". Expectations are high: some estimates are for more than 300 million networked items in 2015, others are for more than 50 billion by 2020.

Experts are already expecting series cars that "talk" to each other in just two to three years. Famous car companies are developing cars with sensors that can recognize an icy road, and send a warning to the vehicles following behind. Thanks to a digital product memory, in future cars will also be able to tell their life story from when they were built until when they are scrapped. That means that car mechanics can use their smartphone to read which spare parts have been used in the car. To do so, his mobile phone just has to be fitted with the international transfer standard NFC – Near Field Communication. NFC allows contactless data exchanges over short distances of up to 10 cm.

The logistics sector is also facing a major transition: Robot vehicles will fetch goods from the shelves and take them to the supermarket with satellite control. Even intelligent production methods will become possible thanks to the Internet of Things: Merchandise tells the "smart factory" how to make them even better. This results in highly individualized products that perfectly meet customer needs.

In the healthcare sector, chips could soon replace laboratories. Networked patients – a horrific vision? On the contrary: If sensors automatically send blood values to the responsible doctor, this can mean that senior citizens no longer need to spend long periods waiting in the doctor's surgery. An aging population will demand these services, and may even choose to pay for them using a fully-automated system. If machines start to communicate with one another, the economy is about to face the fourth industrial revolution: That is why the future-proof project that has been called into life for this purpose is called “Industrie 4.0”, which the German government is using to subsidize German companies. The aim is, for example, to increase automation in industry still further, as well as the development of autonomous decision-making processes, so that companies can optimize their value chains even faster.

In the case of software-intensive, so-called embedded systems, the Federal Republic of Germany already has a leading position on the global market, in particular in the automotive and engineering industries. If German companies also continue to consistently use their opportunities, Germany will have a substantial competitive advantage. Millions of networked devices require infinite applications and services: and if you can offer these, you have access to a gigantic market.

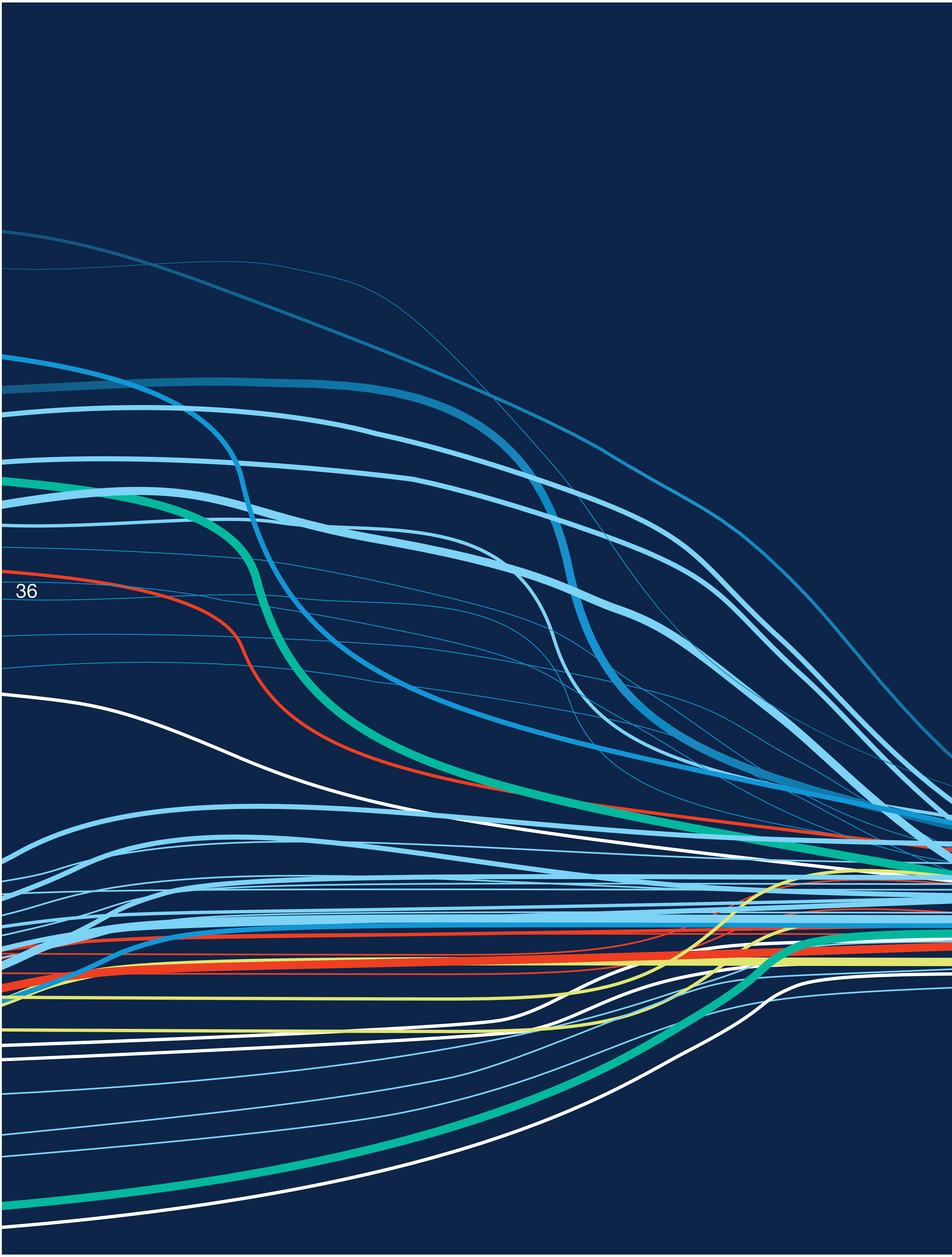
Contactless at the point of sale – cellphones as digital wallets

In tomorrow’s supermarkets, we will simply push our carts past the checkout without having to put the goods on the conveyor belt. A scanner recognizes everything we have bought “at a glance”, and sends the information to the till, which then debits the amount from our cellphone. And it’s all totally contactless: Internet and NFC are revolutionizing processes at the point of sale.

The latest technology makes mobile, contactless payments increasingly simple: A so-called NFC sticker, which is attached to the cellphone, enters into contactless contact with the till. The next stage in the development is for the cellphone’s SIM card to include NFC technology for contactless payments: Together with an NFC-enabled cellphone and a mobile application, this allows contactless transactions. There are also already solutions for bank transfers from smartphones to smartphones, practically in real time. This doesn’t even require the recipient’s banking details – all that is needed is their cellphone number.

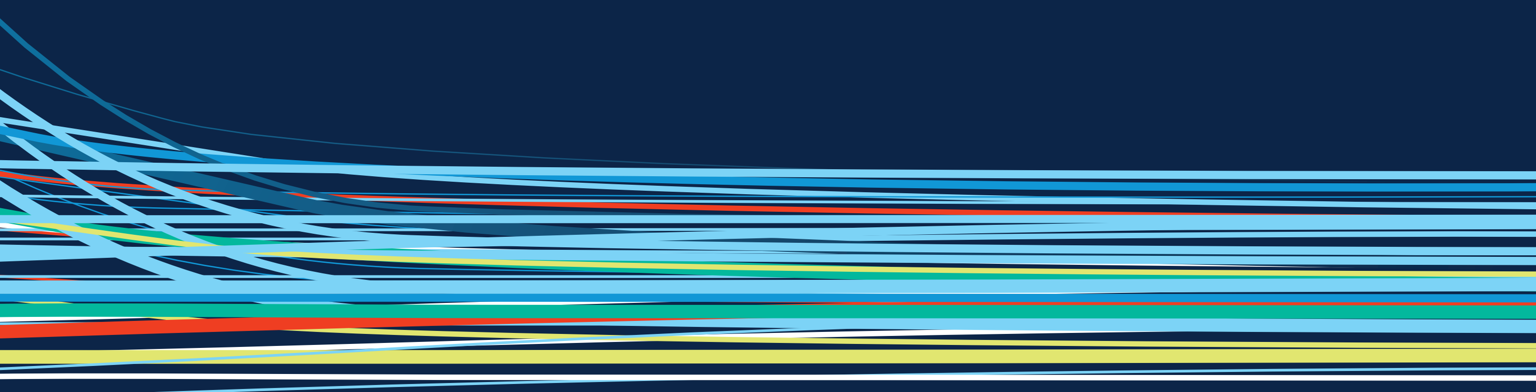
That means that we are on the brink of a cash-free society, because contactless payments at the point of sale are certainly going to be here to stay. Smartphones will become our wallets. And instead of paying cash or with a credit card, we just pay with our cellphones – at the travel agent, at the gas station, or at the pool.

The market for payment services is benefiting from mobile technology to a great extent, as new divisions with enormous growth potential are opening up. An example: Almost every retailer now has Internet access in their store.



EVERYTHING IS GROWING TOGETHER

Convergence refers to the merger of functionalities from various individual media. Media are growing together to form multi-functional units, and allow access to content that was previously transferred using various channels. This development is rooted in the progress of digital technology, improved opportunities for compression, and new opportunities for mobile data transfer.



That means they can use the latest payment solutions using Internet-enabled terminals. In particular SMUs that want to save on traditional terminal hardware can thus receive payments simply and safely using mobile devices. Marketing and information services also supplement the traditional terminal function. Many of these new solutions are available as “software as a service”, used via cloud computing: that means that retailers use the Internet to access both software and also the IT infrastructure of an external service provider. They pay a fee to use this service, however then they only need an Internet-enabled PC and an Internet connection. Advantages for retailers: They save on acquisition costs for software and computer capacity, and also expenses for IT administration, maintenance and updates.

Wirecard – trend to convergence is opening up new areas of business

Many digital trends are directly linked to the issue of financial transactions – and that applies to the trend to convergence in particular. Innovations for payment processes are followed by highly dynamic market developments around the world, which Wirecard AG uses to grow further. In addition to its successful eCommerce activities, the company is constantly expanding new areas of business that serve convergence, making it easier for the actual and digital worlds to grow together.

Together with leading European and Asian companies in the telecommunications industry, Wirecard has already launched pioneering initiatives for mobile payments. An example: If you get into a bus in Singapore, you can enjoy contactless payment with an electronic ticket. This rechargeable chip card also allows people in the island city to pay for their taxi journeys, parking fees or for shopping. The card, which is strictly speaking a digital wallet, uses an electronic wallet application. You can view your account status in real time, and recharge it using OTA (over the air) technology – at any time, from wherever you are. The functionality provided by Wirecard supports the recharging process and makes mobile payments safe, fast and simple.

In addition, Wirecard has added key highlights with wide-ranging solutions for everything to do with mobile payments: The service bandwidth ranges from traditional and contactless cards to NFC-based stickers, through to real-time provisioning of virtual cards in NFC-enabled smartphones. Wirecard offers end-to-end services, from card issuing, backend processes through to mobile apps as white label-enabled product concepts and guarantees its partners the utmost in flexibility as well as key time-to-market advantages. The Wirecard Group plays a leading role for mobile payments worldwide, with far-reaching projects in Germany, the United Kingdom, Spain, The Netherlands, France and Singapore.

The company also provides its innovational prowess for mobile acceptance at the point of sale with its card reader and app. The white-label program comprises various card-reader solutions, the associated card acceptance and wallet application, as well as open interfaces for developers. The card readers are connected to smartphones or tablets and support both the EMV standard as well as magnetic strips for mobile card payments at the point of sale.

Wirecard constantly observes relevant developments on the markets, as well as the constant changes in digital technology. This also includes developments such as convergence and multichannel. The strategy is simple: recognizing key trends at an early stage, with direct development of customer solutions for these trends. Wirecard AG proves its innovational prowess with its customers from all sectors of the European telecommunications industry and multichannel solutions, who unite the strengths of online and offline technology.

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WIRECARD HIGHLIGHTS 2012

POSITIONING AS A **MOBILE PAYMENT ENABLER**

TRANSACTION VOLUME 20.8 EUR BILLION

MOBILE CARD READER LAUNCH

EBITDA 109.2 EUR MILLION

ACQUISITION OF **PT PRIMA VISTA SOLUSI**, INDONESIA

ACQUISITION OF **TRANS INFOTECH PTE. LTD.**, SINGAPORE; CLOSING APRIL 9, 2013

ASSET DEAL WITH **NETRADA PAYMENT GMBH**, GERMANY

TOKENIZATION SERVER FOR THE TOURISM INDUSTRY

FSA LICENSE FOR WIRECARD CARD SOLUTIONS

1. Business, General conditions and performance

1.1. Business activities and products

With more than 14,000 customers and 13 years of experience on the market, Wirecard AG offers its customers state-of-the-art technology, transparent real-time reporting services and support in developing their international payment strategies, be these offline, online or mobile.

Overview

Wirecard AG is one of the world's leading independent providers of outsourcing and white label solutions for electronic payment transactions.

The Wirecard Group has been supporting companies in accepting electronic payments from all sales channels. A global multi-channel platform bundles international payment acceptances and methods, flanked by fraud prevention solutions. When it comes to issuing their own payment instruments in the form of cards or mobile payment solutions, Wirecard provides companies with an end-to-end infrastructure, including the requisite issuing licenses for card and account products.

As a software and IT specialist, Wirecard is also constantly expanding its portfolio with innovative payment technologies.

Business model

The Wirecard Group's business model is mostly based on transaction-based fees for the use of software or services. End-to-end solutions spanning the entire value chain are offered in customers' own corporate designs as co-branded solutions (with card organizations) as well as under the Wirecard brand. The flexible combination of technology, service and banking services makes the Wirecard platform unique for customers in all industries.

Multi-Channel Payment Gateway – global payment processing

The Multi-Channel Payment Gateway, which is linked to 200 international payment networks (banks, payment solutions, card networks) provides payment and acquiring acceptance via the Wirecard Bank and global banking partners, including the integrated risk and fraud management systems. In addition, for example country-specific payment and debit systems as well as industry-specific access solutions such as BSP (Billing and Settlement Plan) or the encryption of payment data during payment transfers (tokenization) are provided. In addition, Wirecard offers call center services (24/7) with trained native speakers in 16 languages.

A modular, service-oriented software architecture allows Wirecard the flexibility to change its business processes in conformity with market conditions at any time, and to respond speedily 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.

Payment Acceptance Solutions – payment acceptance/credit card acquiring

Wirecard supports all sales channels with payment acceptance for credit cards and alternative payment solutions (multi-brand), technical transaction processing and settlement in several currencies, and it offers the corresponding POS terminal infrastructure as well as numerous other services. In addition to Principal Membership with Visa and MasterCard, there are also acquiring license agreements with JCB, American Express, Discover/Diners and UnionPay. Banking services such as forex management supplement outsourcing for financial processes.

Risk Management Solutions – Risk management

Wide-ranging tools are available for the use of risk management technology to minimize fraud scenarios and to prevent fraud (fraud/risk management). The Fraud Prevention Suite (FPS) uses rule-based decision-making logic (rule engine) and offers extensive reports, for example which proportion of transactions was rejected and why. In addition, FPS analyzes whether exclusively fraudulent transactions are rejected. Age verification, KYC identification (know your customer), analysis using device fingerprinting, hotlists and much more is included in the risk management strategies. An international network of service providers who have specialized in creditworthiness checks can also be included depending on the merchant's business model.

Issuing Solutions – card-based solutions

The offering for issuing solutions has been constantly expanded since 2007 and includes managing card accounts and processing card transactions (issuing processing) as well as issuing various card types, mostly Visa and MasterCard. The card number can be used in connection with a plastic card, virtually or in connection with a SIM card in mobile devices, or it can be used on a sticker or in the chip and magnetic strips on a plastic card for dual use (dual interface).

Wirecard offers an SP-TSM Gateway (service provider-trusted service manager), which can be integrated into all major systems. In addition, Wirecard operates its own SP-TSM server. SP-TSM is used to provision card data in the form of secure elements in a mobile device, and includes, for example, card management, card personalization and PIN management.

Wallet Solutions – solutions for mobile payments

The Wallet Solution is based on a (white-label) platform which makes it possible to manage credit balance accounts and provides technical support for customer legitimation processes (KYC), peer-to-peer money transfers and various top-up processes – and is compliant with national and regional regulations for the issue of Visa or MasterCard products. The platform has user interfaces for administrative functions (e.g., call center) and for consumers. These can access their wallet both via the Internet and also using their cellphone in the form of smartphone apps. The wallet solution supports peer-to-peer money transfers and also Internet payments, via the cellphone (in-app payment) and also in bricks-and-mortar retail via NFC and QR codes.

Payment Innovations – convergence of online, offline and mobile

As one of the leading providers for payment and risk management solutions, Wirecard's work is based on developing its own innovations and it also implements customer-specific special solutions. In-app payments are just one of many future-oriented technologies in this regard. The mobile card reader solution on a white label basis simplifies mobile acceptance of card payments. In the couponing and loyalty segment, at present new value-added services are arising, which Wirecard is making possible by merging acquiring and issuing. Mobile advertising services with payouts and vouchers are also being offered, right in line with the trend for convergence in sales channels and payment systems.

WIRECARD

	MULTI-CHANNEL PAYMENT GATEWAY	PAYMENT ACCEPTANCE SOLUTIONS	RISK AND FRAUD MANAGEMENT
TECHNOLOGY	> More than 200 connections to banks, payment solutions and card networks > Tokenization of sensitive payment data > Adapters for industry software solutions > Real-time reporting and business intelligence > Subscription management > Billing and Settlement Plan (BSP) > Automated dispute management > White-label user- and system-interfaces	> Card acquiring processing > Acquiring processing of alternative payment schemes > Multi-currency processing and settlement > Terminal software for payment and value added services > Terminal management solutions	> Automated fraud pattern detection > Address verification > Credit rating agency gateway > Device fingerprinting > Real-time rule-engine > Bespoke decision logic and score cards > Hotlists (black/white/grey)
SERVICES	> Global payment strategy advisory > Multi-lingual 24/7 merchant helpdesk > Case management and exception handling > Payment guarantee	> Corporate banking services > Acquiring services for Visa, MasterCard, JCB, American Express, Discover/Diners, UnionPay and alternative payment methods > Consolidated settlement and treasury services > Terminal network deployment and operation	> Credit risk and fraud management advisory > Case management and exception handling > Anti-money-laundry monitoring

END-TO-END-SOLUTIONS FOR

ONLINE POS MOBILE

WHITE-LABEL CO-BRANDED

PLATFORM

ISSUING SOLUTIONS

TECHNOLOGY

- Card issuing processing
- Multiple card types (credit, debit and prepaid cards)
- Multiple form factors: plastic, virtual, mobile, sticker, dual-interface
- Instant card creation
- SP-TSM* gateway

SERVICES

- Card program management
- Issuing licenses from Visa, MasterCard, JCB
- BIN sponsorship services
- Supplier selection and management
- Card personalization and data preparation
- PIN-management
- Hosted SP-TSM* service

WALLET SOLUTIONS

TECHNOLOGY

- Multi-channel consumer enrolment and base-data management
- Zero-balance and pass-through accounts
- Credit facility management
- Multiple top-up and funding sources
- Mobile and Internet apps
- Peer-to-peer funds transfer (P2P)

SERVICES

- Multi-lingual 24/7 helpdesk facilities
- Consumer banking services
- eMoney institution
- Managed know-your-customer (KYC) service
- Marketing and merchant enrolment support

PAYMENT INNOVATIONS

TECHNOLOGY

- International money remittance
- In-app payments
- Mobile card reader solutions
- Loyalty and couponing services
- Contextual advertising and cash-back
- Biometric and "mini ATM" solutions for emerging markets
- Industry solutions (e.g. public transport, taxi, airline,...)

SERVICES

- Management of multi-channel payment products for financial institutions and mobile operators
- Merchant and consumer acquisition for payment products with outbound callcenter

ALL INDUSTRY-VERTICALS

MAIL ORDER/TELEPHONE ORDER (MOTO)

WIRECARD-BRANDED

* Service Provider - Trusted Service Manager

1.2. General economic conditions

Global economic conditions

The International Monetary Fund (IMF) is forecasting global economic growth of 3.2 percent for 2012. A downturn of 0.4 percent is expected for the Eurozone.

In the fourth quarter of 2012, Eurostat (statistical office of the European Union) announced a downturn in gross domestic product (GDP) to 0.6 percent in the Eurozone for 2012 compared to the same quarter of the previous year. In 2012 as a whole, a downturn in GDP in the Eurozone to 0.6 percent is expected, and to 0.3 percent in the EU27 group.

Industry-specific underlying conditions

In 2012 the European eCommerce market grew by around 11 percent. Wirecard calculates this figure from the anticipated percentage growth figures from various market research institutes for commerce, tourism and digital goods in Western European countries. According to the Bundesverband des Deutschen Versandhandels (bvh - German Federal Mail-Order Industry Association), mail-order business in Germany is dominated by the Internet. Revenues from online retailing are already more than EUR 27.6 billion, or 70 percent of the industry total.

1.3. Business performance

Wirecard AG was able to reach its targets in fiscal year 2012 with more than 14,000 existing customers and continuously increasing new customer acquisitions.

During the period under review, the company constantly expanded its portfolio of solutions and also developed new projects with key accounts. In the core eCommerce business, the trend to internationalization continued. 2012 was also a successful year with regard to new contracts. New customers include well-known manufacturers, who pursue international eCommerce strategies, and also companies demanding innovative payment products.

2012 was also characterized by the service-providers positioning for mobile payments. Mobile devices such as smartphones and tablets are increasingly forming a platform that will make decisive changes to consumers’ purchasing behavior.

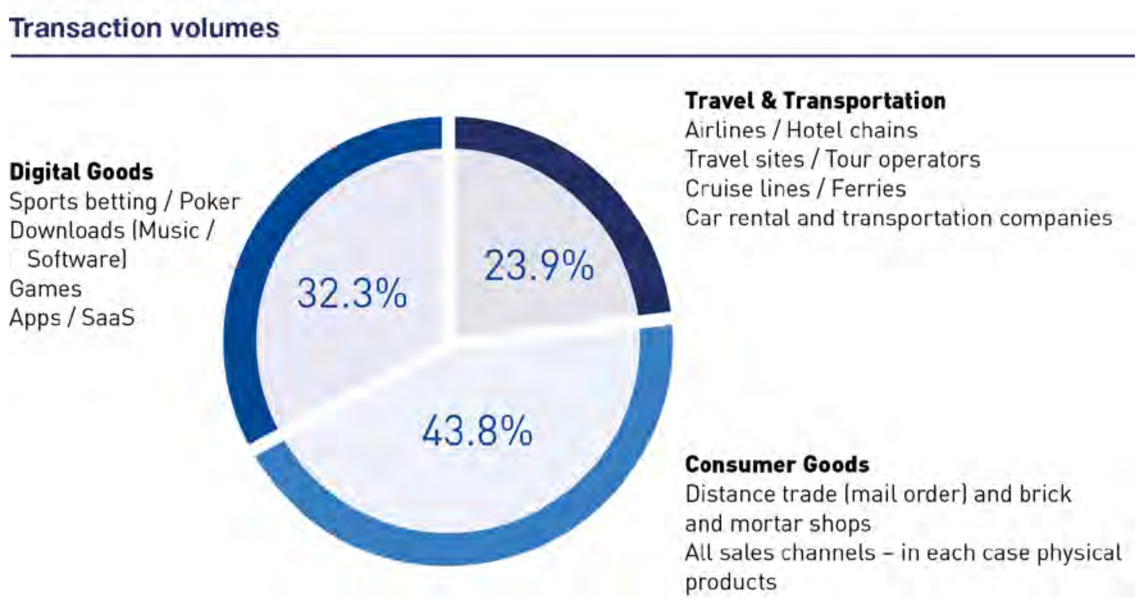
Transaction volume 2012

Wirecard's key unique selling points include its combination of software technology and banking products, the global orientation of the payment platform and innovative solutions that allow online payments to be processed efficiently and securely for customers.

The lion's share of Group sales revenues is generated on the basis of business relations with providers of merchandise or services on the Internet, who outsource their payment processes to Wirecard AG. This means that the conventional services for the 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.

Economies of scale from the growing proportion of business customers who increase the transaction volume via acquiring bank services, as well as new product offerings are immanent in the technical platform.

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally proportionate to the transaction volumes processed. In fiscal year 2012 the transaction volume totaled EUR 20.8 billion (previous year: EUR 15.5 billion). On average, it was broken down into the target industries as follows:



Target industries

With direct sales distributed across the Company's target industries, technological expertise and service depth, in 2012 Wirecard AG continued its operational growth and at the same time extended yet further its international network of cooperation and distribution partners.

A particular unique selling point of the Wirecard Group is the centralization of cash-free 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, there are significant cross-selling and up-selling opportunities in business with existing portfolio customers, contributing to consistent growth as the business relationships expand.

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

Approx. 49 percent of consolidated revenues in the year under review were recorded in the consumer goods segment (previous year: 48 percent). Digital goods accounted for around 32 percent (previous year: 31 percent) of revenues, and tourism contributed 19 percent of consolidated revenues (previous year: 21 percent).

Consumer goods

Our customers include merchants who sell physical products to their target group (B2C or B2B). Our customer segment comprises companies of various sizes, from eCommerce start-ups through to groups with international activities. These include Internet pure players, multi-channel, teleshopping and/or purely bricks-and-mortar merchants.

The industry segmentation is highly varied: from traditional industries such as clothing, shoes, sporting equipment, books/DVDs, entertainment systems, computer/IT peripherals, furniture/fittings, tickets, cosmetics, etc. through to multi-platform structures and marketplaces.

During the past fiscal year, we also concluded additional strategic alliances with eCommerce solution partners, such as hybris, a leading provider of multi-channel commerce and communication software. In the agreements concluded with new customers from all areas of business, 2012 was a very successful year for us in the fashion industry.

Wirecard has been cooperating with Netrada's management for payment and risk management since the asset deal for Netrada Payment concluded on April 1, 2012. This deal also includes customer contracts. Netrada offers eCommerce fulfillment solutions especially for well-known fashion and luxury brands, including Buffalo, Puma and Triumph. Positive synergies have already been achieved as part of this strategic alliance, as existing customers have ordered additional services, and Wirecard has been able to conclude agreements with new customers, such as the Detmold-based Wortmann Group for the new online shop for its shoe label “Tamaris”.

In addition several big global fashion names in the premium and luxury segments also decided to go with Wirecard's payment services in 2012. These include the Italian Luxury label Versace, which is using our range of services for its international online strategy. In addition, Wirecard supports the leading US fashion label Tory Burch with its payments as part of its European expansion.

Business to business is another growth area: For example, Wirecard is supporting several eCommerce shops for business customers for Bechtle AG's IT eCommerce division. In addition to payment processing, our Fraud Prevention Suite provides sustainable fraud recognition.

Digital goods

The target industry digital goods comprises business models such as Internet portals, App software companies, career portals, Internet telephony and lotteries such as sports betting and poker.

During the past fiscal year, we concluded agreements with new customers in a wide range of industries. The segment for digital business models is enjoying the fastest growth. These mostly use Software-as-a-Service (SaaS), and include, for example, myTaxi, socialbakers.com and Tekkadate.com.

New digital business models, such as myTaxi Payment are signs of an evolutionary development which only became possible thanks to mobile devices such as smartphones and tablets. This also applies to linking mobile payment functions with the real world.

Travel and transport

Customers in the tourism sector mostly comprise airlines, hotel chains, travel portals, tour operators, travel agents, car rental companies, ferries and cruise lines as well as transport and logistics companies.

In 2012, Wirecard was able to acquire a large number of new customers in the tourism sector. Additional online travel portals have decided to use the Supplier and Commission Payments (SCP) solution, a B2B settlement system. This solution simplifies payout processes to service providers. We offered an innovative solution for multi-channel commerce in 2012 together with TravelTainment GmbH, a company in the Amadeus IT Group. This strategic alliance focuses on expanding the dynamic packaging product TT-DataMix, which enables seamless payment processes together with Wirecard's Supplier and Commission Payments (SCP) solution. TT-DataMix combines dynamically packaged all-inclusive tours for travel agents, which are marketed directly via the connected sales channels. 14 well-known German and European travel operators are already using the solution, including Thomas Cook and JT Touristik.

Leipzig-based LMX Touristik GmbH has expanded its strategic alliance with our company. In addition to payment processing, LMX Touristik has decided to use our Tokenization Server, which guarantees that its customers' credit card information is dealt with in a secure and PCI-conform manner. Tokenization is a method in which sensitive data, such as credit card numbers, is replaced by reference values or so-called tokens. A token can be used without restriction by systems and applications, whereas the original data is saved in a secure, PCI-conform data-safe.

The Device Finger Printing risk management module has been added to the Fraud Prevention Suite, specifically for airlines. As part of the reconfiguration of the Internet Booking Engine from SITA Travel Service, in 2012 we jointly added a pilot program for a payment interface. The pilot customer is the Czech airline SmartWings.

Business development in Asia

In Asia, we are already productively using technology developments for Mobile Payments, for which the launch is only now being planned in Europe. Here, for example, Wirecard is supporting EZ-Link Pte. Limited Singapore, the largest national issuer of contactless cards. Mobile electronic radio chip cards for public transport are topped up by Wirecard using over the air (OTA) technology, irrespective of the place or time.

Business trend in the field of banking services

Wirecard Bank generates most of its revenues within the group via sister companies' sales structures. This comprises banking services for companies as well as payment and card acceptance contracts and business and foreign currency accounts.

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

Business trend in the field of issuing services

Income in the issuing division comprises stemmed from B2B product lines such as the Supplier and Commission Payments solution as well as B2C prepaid card products. The contributions to revenues and earnings from the acquisition of the UK prepaid card portfolio from the Newcastle Building Society were a new addition in December 2011. The acquisition of the UK prepaid card portfolio and the business growth for physical and virtual card products from Visa and MasterCard, which has been positive on the whole, means that this division has grown just as dynamically as Wirecard AG's core business.

Wirecard has been involved in the Issuing business since 2007, and this spans the issue of prepaid cards based on the card platform we developed in house. The existing technology and the specialist knowledge we have established are now being used for mobile payments.

Business field Mobile Payments

Wirecard AG is an end-to-end solution and service provider for the technical processing of multi-functional mobile payment solutions. During the past fiscal year, innovative solutions were presented and key transactions were concluded in the three key areas of mobile payments.

- Payment on mobile
- Mobile as the point of sale
- Mobile at the point of sale

If payments are made using cellphones (payment on mobile), the customer either pays directly from a mobile application (in-app payment) or, for example, via the Wirecard Payment Page or the smartphone's mobile browser. In-app payments always demand that the customer previously registers with the respective provider. Payment data can also be stored, as allowed by Wirecard for the myTaxi payment functions. In the case of browser-based payment processes, traditional eCommerce transactions are performed. The mobile device is only used as a front-end device, such as a laptop.

However a mobile device can also be used as a payment terminal (mobile as the point of sale). i.e., a tablet or smartphone becomes the point of acceptance using a card reader. The Wirecard Card Reader solution was already launched in the second half of 2012 for a customer in the gastronomy industry, the orderbird AG. Wirecard uses a white-label program for its Mobile Card Reader. This program comprises various card reader solutions, the associated card acceptance together with wallet applications, and open interfaces for developers. The card readers are add-on devices for smartphones or tablets, and support both the EMV standard and also magnetic strips for mobile card payments at the point of sale. The end customer confirms payment by signing the touchscreen or with their PIN.

In fiscal year 2012 the Wirecard Group concluded initial transactions in the mobile at the point of sale segment with Deutsche Telekom, Telefónica Germany, SFR and Vodafone. Telecommunications systems are currently establishing new ecosystems with the introduction of contactless payments. We are supporting these companies in introducing their own mobile payment products based on Near-Field-Communication (NFC) technology. Payments are made via a wireless connection to the payment terminal. The requisite card data is transferred using NFC technology via a contactless interface, for example between the end customer's physical or virtual card and the merchant's payment terminal. Corresponding encryption technologies are used for the transfer as they are applied today in EMV cards.

Our end-to-end solutions are independent of specific transfer technologies, and include providing mobile wallets on a white-label basis including the associated technical services, end-to-end card management and the issue of virtual or plastic cards. In addition, as a Service Provider-Trusted Service Manager (SP-TSM) we store, or provision, virtual card data in the SIM cards for NFC-enabled cellphones. Wirecard Bank AG and Wirecard Card Solutions Ltd. have the licenses required to issue virtual or contactless cards that are based on eMoney credit cards or 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.

Call Center & Communication Services Division

Wirecard Communication Services GmbH concentrates primarily on providing core services to the Wirecard Group.

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

- Financial Services
- First & Second Level User Helpdesk (specifically in the field of console, PC and mobile games as well as commercial software, security and navigation)
- Mail order/direct response TV (DRTV) and targeted customer service (outbond)
- Market and opinion research/Web hosting

During the past fiscal year, Wirecard Communication Services further expanded its partnerships with existing customers.

1.4. Reporting segments

Wirecard AG reports on its business development in three segments, as follows.

Payment Processing & Risk Management (PP&RM)

This reporting segment includes the business activities of Wirecard Technologies GmbH, Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) and its subsidiaries, Wirecard Asia Group (Singapore) comprising Wirecard Asia Pte. Ltd. (Singapore) and its subsidiaries, Wirecard Processing FZ-LLC (formerly: Procard FZ-LLC) and cardSystems Middle East FZ-LLC (formerly: cardSystems FZ-LLC) with its registered office in Dubai (United Arab Emirates), Systems@Work Pte. Ltd., with its registered office in Singapore and its subsidiaries, PT Prima Vista Solusi, Jakarta (Indonesia), Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH and Wirecard Central Eastern Europe GmbH.

Branches and companies of the Wirecard Group at locations outside Germany serve primarily to promote regional sales and localization of the products and services of the Group as a whole.

The business activities of the companies included in the Payment Processing & Risk Management reporting segment exclusively comprise products and service for the acceptance or implementation and the downstream processing of electronic payments and the associated processes.

We offer our customers access to a large number of payment and risk management methods via a uniform technical platform which spans our various products and services.

Acquiring & Issuing (A&I)

This reporting segment spans the entire current business activities of Wirecard Bank AG, the Wirecard Card Solutions Ltd. and Wirecard Acquiring & Issuing GmbH. This segment includes acceptance (acquiring) and issuing credit and prepaid cards as well as account and payment transaction services for corporate and private customers.

The Acquiring & Issuing segment also includes the interest incurred at Wirecard Bank from cash deposits and income from exchange rate differences when processing transactions in foreign currencies.

Call Center & Communication Services (CC&CS)

This reporting segment includes all of the products and services of Wirecard Communication Services GmbH which deal with the call-center assisted support of corporate and private customers. In addition to its primary task of supporting the two main segments named above, this reporting segment also has its own portfolio of customers.

2. Earnings-, financial and asset position

Wirecard AG mostly publishes its figures in thousands of euro (EUR K). The use of rounding means that it is possible that some figures do not add up exactly to form the totals stated, and that the figures and percentages do not exactly reflect the absolute values on which they are based.

2.1. Earnings

In fiscal year 2012, Wirecard AG once again substantially increased its revenues and also its operating profits.

Revenue growth

In the fiscal year 2012 consolidated revenues increased from EUR 324,797K by 21.5 percent to EUR 394,601K.

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 earnings, financial and asset position. 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 have been disclosed in the Acquiring & Issuing (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 result in lower revenues in the Payment Processing & Risk Management (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.

Revenue recorded in the core segment Payment Processing & Risk Management stemming from risk management services and processing online payment transactions lifted in the fiscal year 2012 by 5.6 percent to EUR 278,206K (2011: EUR 263,359K). With the corresponding change assumed on January 1, 2011, revenues in the fiscal year 2012 in the PP&RM segment would have been up by EUR 33,518K.

The proportion of consolidated revenues accounted for by Acquiring & Issuing increased in the fiscal year 2012 by 43,2 percent to EUR 140,510K (2011: EUR 98.139K). When contracts changed on January 1, 2011 as a result of the change resulting from the EU payment services directive, the percentage difference in revenues for fiscal year 2012 would have been 34.9 percent in the A&I segment.

Income from Acquiring & Issuing in the fiscal year 2012 primarily comprised out of commissions, interest from financial investments and income from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. Customer deposits to be invested by the Wirecard Bank and Wirecard Card Solutions (December 31, 2012: EUR 241,893K; December 31, 2011: EUR 105,042K) are held only in sight deposits, overnight or fixed-term deposits and bearer bonds with or held by other banks which meet the creditworthiness requirements from the group's own risk valuation and - to the extent that third-party ratings are available - are assessed by rating agencies of note as being subject to minimal risk. In addition, the group prepares its own risk valuation for the counterparty. There were not yet any notable contributions to revenues in the new Mobile Payments business field.

The interest income recorded by the Acquiring & Issuing segment in the fiscal year 2012 totaled EUR 3,313K (2011: EUR 2,424K), and is presented as revenues. Accordingly, it is not included in the Group's net financial income but is also reported here as revenues. It comprises interest income on investment of own as well as customer funds (deposits and acquiring money) with external banks.

The Call Center & Communication Services (CC&CS) segment generated revenues of EUR 4,774K in the period under review, compared with EUR 4,267K in the fiscal year 2011.

Development of key expenditure items

Other own work capitalized consists primarily of the continued development of the core system for payment processing activities. In this regard, own work is only capitalized if it is subject to mandatory capitalization in accordance with IFRS accounting principles. In the fiscal year 2012 the total own work capitalized amounted to EUR 10,260K (previous year: EUR 7,442K). 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 fiscal year 2012 to EUR 229,785K, compared to EUR 189,141K in the previous year. In particular, the cost of materials includes commission payables to banks issuing credit cards (Interchange), charges payable to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-based fees to third party suppliers (e.g. in the field of risk management and acquiring). For risk management, it also includes expenses for payment guarantees and factoring. In the field of acquiring it comprises commission costs for external distributions.

In the Acquiring and Issuing segment, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as Interchange, and primarily processing costs for 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 the fiscal year 2012 the cost of materials, not adjusted for consolidation effects, amounted to EUR 88,945K at Wirecard Bank, compared with EUR 66,161K in the fiscal year 2011.

Gross earnings (revenues including other own work capitalized less cost of materials) increased in the fiscal year 2012 by 22.3 percent, amounting to EUR 175,076K (2011: EUR 143,098K).

Group personnel expenses in the fiscal year 2012 increased to EUR 37,076K, and thus increased by 31.3 percent year-on-year (2011: EUR 28,240K). The consolidated personnel expense ratio lifted by 0.7 percentage points year-on-year, to 9.4 percent. The increase in personnel expenses is also due to the acquisitions made in the last year, which also restrict the comparability of this item.

Other operating expenses essentially comprise expenses on sales and marketing, operating equipment and leasing, consultancy and similar fees, value adjustments as well as office expenses. These totaled EUR 33,104K in the Wirecard Group in 2012 (previous year: EUR 31,750K). They thus totaled 8.4 percent (previous year: 9.8 percent) of revenues.

Furthermore expenses include integration costs for the new companies and the previous year's item also includes the non-recurring expenditure incurred in the first six months of 2011 for the relocation of the corporate headquarters and for accelerated expansion in Asia.

Depreciation and amortization in fiscal year 2012 amounted to EUR 15,649K (2011: 8,485K) and was formed mostly for investments in products for the payment platform. Amortization/depreciation increased in the fiscal year 2012 compared to the same period of the previous year, mostly due to investments in property, plant and equipment, the initial consolidation of Systems@Work Pte. Ltd., Singapore and its subsidiaries and Wirecard Card Solutions Ltd., Newcastle (UK) and the acquisition of the assets of NETRADA Payment GmbH. In addition, amortization/depreciation increased by EUR 1,069K as a result of a change in the remaining useful life of some customer relationships, which have been written down over a period of 20 years for the first time since the third quarter of 2011.

Other operating income comprised primarily income from the reversal of provisions and income from contractual agreements in the fiscal year 2012 this totaled EUR 4,333K for the Group as a whole, compared with EUR 1,289K in the previous year.

EBITDA development

The pleasing earnings growth is due to the increase of the transaction volume processed by the Wirecard Group, economies of scale from the transaction-oriented business model and from the increased use of our banking services.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up in the fiscal year 2012 by 29.4 percent in the Group, from EUR 84,398K in the previous period to EUR 109,231K. The EBITDA margin in the fiscal year 2012 amounted to 27.7 percent (previous year: 26.0 percent).

EBITDA in the Payment Processing & Risk Management segment in the fiscal year 2012 totaled EUR 82,608K, and was thus up by 24.7 percent (2011: EUR 66,260K). In the fiscal year 2012 the Acquiring & Issuing segment accounted for EUR 26,263K of EBITDA (2011: EUR 18,166K), and in the fiscal year 2012 Issuing accounted for EUR 11,329K.

Financial result

Net financial income in the fiscal year 2012 totaled EUR - 2,446K (2011: EUR - 1,993K). Group financial expenditure in the fiscal year 2012 amounted to EUR 5,091K (previous year: EUR 2,379K) and resulted primarily from loans taken out for past corporate acquisitions and the revaluation of financial assets. Financial income does not include interest income generated by the Wirecard Bank, which must be reported as revenue in accordance with IFRS accounting principles.

Taxes

Owing to the international orientation of the business, the cash-to-taxes ratio for the fiscal year 2012 (without deferred taxes) amounted to 17.8 percent (2011: 15.1 percent). Including deferred taxes, the tax rate came to 19.6 percent (previous year: 17.2 percent). As a result of the relocation of major parts of the business from Grasbrunn to Aschheim in 2011, the company has to bear a higher trade tax rate of 11.55 percent (in Grasbrunn: 10.15 percent).

Profit after taxes

In the fiscal year 2012 earnings after taxes increased from EUR 61,186K in the previous year by 19.8 percent to EUR 73,297K.

Earnings per share

The number of shares issued on December 31, 2012 was 112,192,241 shares (December 31, 2011: 101,803,139). Earnings per share (basic) in the fiscal year 2012 totaled EUR 0.67 (2011: EUR 0.60).

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 is responsible for monitoring currency hedges. Following individual inspections, risks are restricted by additional deployment of financial derivatives. As in the previous year, currency options were deployed as financial derivatives to hedge revenues in foreign currencies in the period under review. It has been stipulated throughout the Group that no speculative transactions are entered into with financial derivatives (see Chapter 7.7 Financial Risks).

Capital and financing analysis

Wirecard AG reports equity of EUR 541,730K (December 31, 2011: EUR 340,887K). 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 granted Wirecard AG loans as at December 31, 2012 amounting to EUR 94,970K at variable interest rates of between 1.7 and 3.95 percent as of the balance sheet date, do not include these items in the credit 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 Wirecard AG’s equity ratio 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 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 gives an equity ratio of 58.6 percent for Wirecard AG (previous year: 57.3 percent).

Capital expenditure

The criteria for investment decisions in the Wirecard Group are, as a rule: the capital employed, the securing of a comfortable inventory of cash and cash equivalents, the results of an in-depth 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 capital expenditure, the chronological course of investment return flows is taken fully into account. In the period under review, capital expenditure was essentially for further expansion and internationalization. The capital expenditure for corporate acquisitions concluded in 2012 related to Prima Vista Solusi, NETRADA Payment GmbH and Systems@Work as well as investments in further expanding Asian customer relationships. The Systems@Work acquisition (EUR 1,932K) relates to part of the purchase price which was not paid in 2011. The acquisition of NETRADA Payment GmbH (EUR 2,508K) was made in view of Wirecard's entry into the fashion lable sector. The acquisition of Prima Vista Solusi in Indonesia (EUR 38,697K) was concluded in the fourth quarter of 2012. In addition, EUR 32,171K was invested in corporate acquisitions which had not yet been concluded as of the balance sheet date. Capital expenditure of EUR 7,500K was due to medium-term agreements with distribution partners. Investments in externally developed software totaled EUR 4,293K, and investments in internally developed software totaled EUR 10,260K.

Liquidity analysis

Current customer deposits 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) account loans or overdraft facilities. For customer deposits (on December 31, 2012 these amounted to EUR 241,893K; December 31, 2011: EUR 105,042K) separate accounts have been set up for these funds on the assets side, 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 128,425K (December 31, 2011: EUR 33,549K) 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 118,036K (December 31, 2011: EUR 71,493K). 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. As of December 31, 2012 this totaled EUR 239,696K (previous year: EUR 141,910K).

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 from operating activities, Wirecard AG reports a further cash flow statement to eliminate items that are of a merely transitory nature. These addenda help to identify and present the cash-relevant portion of the Company's earnings.

The cash flow from operating activities (adjusted) amounting to EUR 94,900K, clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times.

Interest-bearing liabilities are mostly non-current and were used for M&A transactions performed, or are available for potential future M&A transactions. As a result, the group's interest-bearing liabilities to banks increased slightly by EUR 8,946K to EUR 94,970K (December 31, 2011: EUR 86,024K). In addition, EUR 17,128K was used by guarantee credit.

In June 2012 Wirecard AG's Annual General Meeting resolved to distribute a dividend. Accordingly, the shareholders received a dividend of EUR 0.10 per share for fiscal year 2011 and a total of EUR 11,198K was disbursed to the 111,983,452 dividend-entitled shares.

Asset position

Assets reported in the balance sheet of Wirecard AG in the fiscal year 2012 increased by EUR 420,825K from EUR 707,059K to EUR 1,127,884K. In the period under review the current assets increased from EUR 411,075K to EUR 668,009K. In addition to the capital expenditure in the period under review and the growth in operating business, the changes are primarily due to the consolidation of the assets and liabilities acquired as part of the purchase of Newcastle Building Society's prepaid card portfolio. This has caused various balance sheet items to increase substantially. As a result, the figures can only be compared with prior periods to a limited extent. In particular these include the asset items of receivables and cash and cash equivalents, which correspond to the customer deposits item on the equity and liabilities side. The capital increase caused the current assets to increase, in particular Wirecard's cash and cash equivalents. In order to be able to realize opportunities for consolidation using equity Wirecard performed a capital increase in March 2012. This increased current assets, in particular Wirecard's cash and cash equivalents. The majority of the new capital has already been used for the repay of interest-bearing liabilities and investments in M&A projects. There are still sufficient funds available in connection with master credit agreements with banks to avail of opportunities for acquisitions at any time.

In addition to the assets reported in the balance sheet, in the Wirecard Group there are also 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 2012. With after-tax earnings of EUR 73,297K, earnings per share of EUR 0,66 (diluted) and EUR 0.67 (basic) and an equity ratio of 48,0 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 very good liquidity position.

In 2013, 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, 2012, Wirecard AG's equity amounted to EUR 541,730K compared with EUR 340,887K at the same time a year earlier.

The Company's subscribed capital as at December 31, 2012 amounted to EUR 112,192,241 and was divided up into 112,192,241 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 789K. Conversions that were performed in fiscal year 2012 caused conditional capital to fall by EUR 209K.

In addition, the Annual General Meeting on June 26, 2012 authorized the Board of Management, with the approval of the Supervisory Board up to June 25, 2017, to issue bearer bonds with warrants and/or convertible bonds on one or several occasions with a total nominal amount of up to EUR 300,000K, and to grant the bearers of bonds with warrants option rights or the bearers of convertible bonds conversion rights for bearer shares of the Company up to a total proportionate amount of up to EUR 25,000K in the share capital according to the details set out in the conditions for the bonds with warrants or the convertible bonds.

Pursuant to a resolution adopted at the Annual General Meeting of June 26, 2012, the Board of Management was authorized to increase the capital stock with the consent of the Supervisory Board by June 25, 2017 on one or several occasions by up to a maximum total of EUR 30,000K against cash and/or non-cash capital contributions, including so-called “mixed contributions in kind”, by issuing up to 30 million new no-par-value bearer shares (authorized capital 2012) and to determine that profit participation is to begin at a time other than that stipulated by legislation, including retroactively for a fiscal year which has already commenced, to the extent that no resolution has yet been passed for the profits of this past fiscal year.

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, 2012. 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 WpHG (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 research and development activities aim to constantly expand the existing portfolio of products and services in order to increase the added value offered to customers. In addition, we also focus on developing new, innovative solutions to expand our range of products and solutions. The top-level target is to offer customers a scalable and expandable platform with leading technology and which meets the most recent and future requirements, and which is clearly a step ahead of the competition. We focus on a market and customer-oriented innovation policy to sustainably secure and develop new sales potential. In order to include market trends in our product development at an early stage, Wirecard has several strategic alliances, including with well-known market research institutes.

The Wirecard Group's global presence with a geographic huge sales and partner network enables an end-to-end understanding of its dynamic market environment and special local features. This means that Wirecard can not only recognize trends at an early stage, but also actively structure and impact these. In this regard, the Wirecard Group pursues a holistic approach, including technology and banking services and innovative product concepts.

The scalable and modular platform with its Software-as-a-Service (SaaS) approach enables Wirecard AG to offer its customers customized, flexible solutions along the entire payment value chain. State-of-the-art technologies and agile development methods form the foundations for the efficient and effective use of resources in a highly dynamic market environment.

3.2. Capital expenditure for research and development

Expenditure on research and development increased to EUR 16.1 million in fiscal year 2012 (2011: EUR 14.5 million). The proportion of research and development expenses to total revenues (R&D ratio), was 4.1 percent in the period under review (2011: 4.5 percent).

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

3.3. Employees in research and development

Employees in research and development are one of the key pillars of the Wirecard Group and contribute to the success of its business. There were an average of 194 employees during the year (2011: 140 employees). They are responsible for Product and Project Management, Architecture, Development and Quality Assurance and follow a product-based organizational structure. In terms of the number of employees this corresponds to 29 percent (2011: 28 percent).

The employees' qualifications, experience and dedication are key factors behind the success of our research and development activities. Our technological competitive advantage is secured via an open culture and space for creative ideas, to nurture and grow our employees and their innovational abilities.

A comprehensive internal basic and advanced training program secures and expands the high-to-very-high standard of qualifications of the staff that we employ in research and development. The Wirecard Group offers an active HR policy, an attractive working environment with competitive remuneration and incentive models, allowing it to enhance the loyalty of its key players.

3.4. Research and development results

During the past fiscal year, in addition to constant further development, the focus was on expanding the multi-channel capabilities of the Wirecard platform. In particular this also covered mobile payments, as well as further expanding the range of services along the payment value chain.

The Wirecard Enterprise Portal (WEP) has been providing new state-of-the-art Web 2.0 functionalities as a Rich Internet Application (RIA) since 2012, and also provides additional functionalities for reporting and business intelligence.

At the same time, we also drove the consolidation and integration of products and systems from our M&A activities, in order to offer our merchants additional functions on the Wirecard platform and to offer internal benefits from synergy effects. A particular highlight was the integration of the technical infrastructure for point of sale terminals from PT Prima Vista Solusi Ltd. in Indonesia in order to offer customers customized solutions in this area.

Last year, we specifically drove new industry solutions such as integration with hybris and other eCommerce systems, in order to further expand market shares in existing segments. In addition, we successfully addressed other industries such as fashion in the Consumer Goods segment with specifically developed solutions.

We were able to substantially increase vertical integration in terms of technology, in particular for card acceptance and direct acquiring, e.g., American Express for Wirecard Bank, thus creating process advantages and improved customer service.

In 2012 we also focused on establishing and expanding mobile payment functionalities on the Wirecard platform. With regard to acceptance, here, in particular, the provision of a white-label-enabled environment for the mobile acceptance of card payments and German direct debits are just two of the innovations. For card issuing and consumer products, a mobile wallet was added to the platform, and equipped with corresponding native support for various mobile operating systems. In addition, we provided functionality for issued cards with NFC for contactless payments and made this available via NFC stickers on the telephone.

The expansion of the mywirecard platform to form a white label platform that was completed last year forms the basis for the creation of an end-to-end, integrated solution for activities in the telecommunications sector. The solution was launched in 2012 with two major European mobile telecommunications company and includes the management of eMoney, the issue of a prepaid card with a contactless payment function and a mobile Wallet App with an account status overview, transaction history, top-up function, and other services, depending on customer wishes.

In the past fiscal year we initiated the development of new services to round-off the portfolio of solutions for mobile payments. These activities also reach into the next fiscal year and are part of the capital expenditure program we have announced. This includes the personalization and provision of cards on the secure element, which turns NFC-enabled end devices into fully-fledged credit cards. During the past fiscal year, a coupon and loyalty solution was also offered. This can be used as a stand-alone or fully integrated solution in the mobile environment.

In addition to investments in expanding and creating products and solutions, we also focuse on operating the IT infrastructure and IT security. Sustainable business with natural resources is a particular challenge for IT. By consistently expanding innovative technologies for virtualization and infrastructure, the Wirecard Group has created the basis to simultaneously reduce requirements for electricity and cooling while increasing performance (in terms of transactions per second). In addition, the efficiency and scalability of the infrastructure have further improved. As a result, we can do our business more economically from start to finish. This all supports the Wirecard Group's claim to sustainably cutting its performance-based CO2 footprint and combating the environmental challenges in a manner that makes economic sense.

4. Group structure and organization

4.1. Subsidiaries

The Wirecard Group includes various subsidiaries.

Europe

The parent company, Wirecard AG, is headquartered in Aschheim near Munich, Germany, which is also the head office of Wirecard Bank AG, Wirecard Technologies GmbH (formerly: Wirecard Technologies AG), Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH), Wirecard Sales International GmbH (formerly Trustpay International GmbH), Wirecard Retail Services GmbH, and Click2Pay GmbH. The head office of Wirecard Communication Services GmbH is in Leipzig.

Wirecard Technologies GmbH 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.

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.

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. Click2Pay GmbH operates wallet products.

Wirecard Card Solutions Ltd., based in Newcastle (United Kingdom) received its eMoney license from the UK Financial Services Authority with effect from September 7, 2012. Wirecard acquired the entire prepaid card issuing business from Newcastle Building Society in the United Kingdom was taken over in 2012.

Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH) and Wirecard Sales International (formerly: Trustpay International GmbH), both headquartered in Aschheim, act as intermediate holding companies for subsidiaries within the Group and have no operating activities.

United Arab Emirates

Wirecard Processing FZ-LLC (formerly: Procard Services FZ-LLC) with its registered office in Dubai, United Arab Emirates, 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.

The company cardSystems Middle East FZ-LLC (formerly: cardSystems FZ-LLC), Dubai focuses on sales of affiliate products along with associated value added services.

Asia

The Wirecard Asia Group, comprising Wirecard Asia Pte. Ltd. and its subsidiaries E-Credit Plus Corp., Las Pinas City (Philippines), Wirecard Malaysia SDN BHD, Petaling Jaya (Malaysia), E-Payments Singapore Pte. Ltd. (Singapore), is engaged in the field of online payment processing, predominantly on behalf of eCommerce merchants in the eastern Asian region.

Singapore-based Systems@Work Pte. Ltd. with its subsidiaries and TeleMoney brand 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 December 2012 we completed the acquisition of PT Prima Vista Solusi, which is headquartered in Jakarta, Indonesia. The company is a leading provider of payment transaction, network operation and technology services for banks and retail companies in Indonesia.

On December 21, 2012 we announced the acquisition of a 100% interest in Trans Infotech Pte. Ltd., Singapore.

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, 2012, consisting of three members:

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

There were no changes to Wirecard AG's Supervisory Board. The Supervisory Board had the following members on December 31, 2012:

- 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 international 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. Our executives have an inter-cultural mindset and live a participative management style, with greater involvement by employees in decision-making processes. The Human Resources department attaches great importance to supporting employees individually, in order to ensure their optimum development.

Development in 2012

There were 674 employees on average in 2012 (previous year: 498), without members of the Management Board and trainees. Of this team, 30 (previous year: 19) are employed by a subsidiary as members of the Management Board/managing directors. Of the second-tier management, the female employees in Germany accounted for 38 percent.

The closing of the acquisition made in December 2012 brought an additional 275 employees from PT PrimaVista Solusi in Jakarta, Indonesia.

Wirecard AG employs a multinational team. Employees at the foreign subsidiaries were broken down as follows on average in 2012:

- Wirecard Central Eastern Europe GmbH: 22 (previous year: 17)
- Wirecard UK & Ireland Ltd.: 24 (previous year: 20)
- Wirecard Gibraltar Ltd.: 6 (previous year: 7)
- Wirecard Asia Pte. Ltd.: 18 (previous year: 24)
- Wirecard Processing FZ-LLC: 14 (previous year: 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 top-level objective of Wirecard AG's image as an attractive employer. Regular development dialog, associated with the performance targets agreed between superiors and their employees support them in enhancing abilities, performance and personality potential in both parties' interests. This is coupled with HR development activities to further develop our employees' abilities.

Where possible, we also support the development of our employees by assisting with transfers to subsidiaries in our international locations or changes to different areas of activities, 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.

We use specific employer branding activities to position Wirecard as an attractive employer in order to recruit specialists in all areas worldwide.

Positive working environment

Our headquarters, located close to the Munich Trade Fair grounds, offer our highly qualified employees an attractive working environment. In addition, we have a culture of mobile presence, which allows our employees to unite caring for their children and working hours in the best possible way. The office 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 foster 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 dated May 15, 2012 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 the corporate governance of Wirecard AG and the remuneration report.

The standards of excellent, 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 corporate governance in the Wirecard Group can be found on our Web site, where the current declaration of compliance is available along with those issued in previous years.

Service and Internet information for our Shareholders

On our Web site (http://www.wirecard.com/investor-relations) under the “Financial 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 when 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 Web site along with the invitation to the meeting.

The Annual General Meeting is organized and held with the aim of effectively providing all of the 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 and Supervisory Boards

As a German Aktiengesellschaft (public stock corporation), Wirecard AG has a dual management and control structure consisting of two bodies - the Management and Supervisory Boards, each with its own set of competences. The Management and Supervisory Boards cooperate very closely and with mutual trust in the company's interests. The critical joint objective is to sustainably boost the company's market position and profitability.

The Management and Supervisory Boards each have three members. To guarantee the 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 Supervisory Board has not formed any committees as it only has three members. The Management Board makes regular, comprehensive and timely repots 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 activities put in place by Wirecard AG to observe legal and regulatory parameters as well as internal corporate guidelines. The Supervisory Board must approve business transactions of a material nature. The Supervisory Board has created rules of procedure to govern its activities. In addition, the Supervisory Board regularly reviews the efficiency and productivity of its cooperation. The Chairman of the Supervisory Board is in constant contact with the Management Board. He visits the company on a regular basis in order 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 (Directors' and Officers' (D&O) Insurance) with an appropriate deductible for members of the Management and Supervisory Boards of Wirecard AG as well as members of the management of affiliates. Further particulars on D&O insurance policies for members of the Management and Supervisory Boards of Wirecard AG are listed in the following remuneration report. There were no known conflicts of interest between members of the Management Board and Supervisory Board that must be disclosed immediately to the Supervisory Board. 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 of other Supervisory Board committees.

Further particulars on the members and work of the Supervisory Board in fiscal year 2012 can be found in the Supervisory Board Report as well as in the Management Repot (Chapter 4) as well as in the Notes to the consolidated financial statements (Chapter 8.1 - 8.3).

Remuneration Report

The remuneration report comprises the principles which apply to the definition of total remuneration for the members of Wirecard AG's Management Board, and explains the structure and amount of the remuneration for the members of the Management Board. In addition, it describes the principles and amount of remuneration for members of the Supervisory 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
Chief Executive Officer
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 Management Board of Wirecard AG is designed to create an incentive for long-term corporate governance based on sustainability. The system and extend of the remuneration paid to the Management Board are determined and reviewed on a regular basis by the Supervisory Board. The members of the Management Board are paid on the basis of Section 87 of the German Stock Corporation Act (Aktiengesetz - AktG). Remuneration comprises fixed and variable components.

The Supervisory Board changed the remuneration system for the Management Board at the start of fiscal year 2012. The new contracts with the members of the Management Board were concluded with a fixed term through to December 31, 2014 and can only be terminated for good cause prior to this date.

The criteria for variable remuneration were subject to material change. Up to and including December 2011, the variable remuneration was based on the group's EBITDA (annual bonus variable remuneration I) and the criterion of making essential contributions to the company's sustained development (long-term variable remuneration II). Since January 2012, the variable remuneration for members of the Management Board has been based on Wirecard AG's share price.

Remuneration in 2012 comprised the following components: (1) fixed annual remuneration, (2) an annual bonus (variable remuneration I), which is calculated based on Wirecard AG's share price performance, (3) long-term variable remuneration (variable remuneration II), which is linked to the multi-year performance of Wirecard AG's share price and (4) a fixed amount as a contribution to retirement benefits. In addition, it is possible for the members of the Management Board to receive the following performance-related remuneration if certain conditions are fulfilled: (5) an extraordinary bonus for sustained, particularly extraordinary performance by the Management Board, (6) a special bonus for retirement benefits (Burkhard Ley only) and (7) a special bonus 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.

Remuneration for the Management Board in fiscal year 2012

The members of the Management Board received a total of EUR 2,350K in the year under review as a fixed salary (previous year: EUR 1,250K). No further remuneration was paid for activities as a member of the Management or Supervisory Board at subsidiaries. The remainder of the remuneration paid to the Management Board in fiscal year 2012 was as follows:

Variable remuneration has two components, variable remuneration I and variable remuneration II; it is calculated based on the performance of Wirecard AG's share price. In this regard, the base price is the average price in the month of December, weighted for turnover, for Wirecard AG's shares on the regulated market of the Frankfurt Stock Exchange (Xetra trading, ISIN DE0007472060), identified by the stock market information service Bloomberg. However, the base price has been contractually set at EUR 11.00 for 2011. In addition, the contracts stipulate that - for the purposes of calculating the variable remuneration, the base price for 2012 is at most EUR 13.00, the base price for 2013 is at most EUR 15.00 and the base price for 2014 is at most EUR 17.00. If the base price should fall during the bonus years, the respective part of the bonus lapses, there is no claim (back) against the member of the Management Board.

The annual variable remuneration is capped by a maximum amount. The maximum amount in the case of Dr. Markus Braun is EUR 550K, EUR 750K for Burkhard Ley, and EUR 400K for Jan Marsalek.

Variable remuneration I is then calculated as follows: The Management Board receives an annual bonus for each calendar year (bonus year I). This bonus is calculated on 49% of the difference between the base price of shares of Wirecard AG in bonus year I less the base price in the previous year, multiplied by the factor. For Dr. Markus Braun this factor in thousand is 275, and 375 for Burkhard Ley and 200 for Jan Marsalek. In addition, it has been contractually determined that the base price for the respective previous year may not be less than EUR 11.00. In order to regulate the bonus, the base price for 2012 has been restricted to a maximum of EUR 13.00. The base price for 2011 is to be deducted, which is contractually set at EUR 11.00. The difference is multiplied by 49% and then by the factor.

Variable remuneration II is then calculated as follows: The Management Board receives a sustainability bonus for a two-year period (2012/2013, 2013/2014 and 2014/2015). This amount is calculated on 51% of the difference between the base price of shares of Wirecard AG in the second calendar year of the two-year period (bonus year II) less the base price in the year prior to the two-year period, multiplied by the respective factor. The factor in thousand for variable remuneration II is also 275 for Dr. Markus Braun, 375 for Burkhard Ley and 200 for Jan Marsalek. Here too, it has been contractually determined that the base price for the respective previous year (prior to the two-year period) may not be less than EUR 11.00.

The first sustainability bonus for 2012/2013 is due, if incurred, in 2014.

In addition, the Management board can also receive an extraordinary bonus in individual cases for sustainable, particularly extraordinary performance. The decision on granting and the amount of the extraordinary bonus is up to the company's Supervisory Board, at its discretion. This type of sustainable, particularly extraordinary performance includes, in particular, extraordinary contributions for customer relations, contributions from corporate acquisitions and/or further advances in technology. No extraordinary bonuses were awarded in fiscal year 2012.

In addition, the company pays the members of its Management Board an annual contribution to their retirement benefits. This contribution totals EUR 250K gross for Dr. Markus Braun, EUR 150K gross for Burkhard Ley, and EUR 150K gross for Jan Marsalek. It is paid in twelve monthly installments. In addition, the company pays a monthly contribution of EUR 150 for a life insurance policy (direct insurance) as retirement benefits with a capital component or as a monthly pension for the members of the Management Board. There is no other entitlement to a pension commitment or other retirement benefits. The Management Board member Burkhard Ley can also claim an extraordinary bonus for retirement benefits of up to EUR 1,000K comprising two parts, each of EUR 500K, under the following conditions. The payment of the first part of the extraordinary bonus for retirement benefits is conditional upon the Management Board member not having terminated his employment contract prior to the end of the term, that the employment contract is not extend on or prior to the end of the term, and that the Management Board member does not have any entitlement to payment of an extraordinary bonus prior to January 1, 2015 as a result of a change of control (as set out below). The payment of the second part of the extraordinary bonus for retirement benefits is also conditional on the base price in 2014 being at least EUR 14.00.

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 Supervisory Board granted the Management Board member Burkhard Ley 240,000 convertible bonds from the Stock Option Plan 2004 at the start of his activities, of which as of December 31, 2012 112,000 were still in existence. Statutory dilution protection must be considered in this regard. The expense was taken into account in the previous years. The fair value at the time of issue amounted to EUR 1,293K.

As a result of a resolution by the Annual General Meeting on June 26, 2012, there is also the opportunity to issue employees shares from authorized capital (Authorized Capital 2012) to increase the long-term loyalty of executives and employees according to Section 204 (3) of the AktG if the issuing amount of the new shares issued excluding subscription rights is not materially lower than the stock market price within the meaning of Section 186 (3) Sentence 4 of the AktG. 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 is entitled to payment of a special bonus depending on the company's enterprise value. The special bonus in the case of Dr. Markus Braun and 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 the purpose 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 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 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 from the commencement of an illness. In the event of the death of a member of the Management Board, his or her surviving dependents will receive the member's salary payments for six months, and at most through to the end of the contractual term.

In addition, the Company has undertaken to take out the following insurance policies for the members of the Management Board: (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) D&O insurance for the activities of the activities of the board member as a member of the company's Management Board with minimum cover of EUR 5,000K (currently EUR 10,000K) and a deductible of ten percent of the damage up to at least one-and-a-half times the fixed annual remuneration of the Management Board member. The company has concluded this insurance for the benefit of its Management Board members. The amount of the insurance premiums for these insurance policies totaled EUR 110K in fiscal year 2012.

There were no loans, advance or other liabilities entered into in favor of the members of the Management Board by the company or the subsidiaries in fiscal year 2012. In fiscal year 2012 the total emoluments of all members of the company's Management Board, i.e., the total remuneration during the fiscal year for the duration of the individual person's tenure on the Management Board, including amounts not yet disbursed for variable remuneration I, variable remuneration II and other payments amounted to EUR 4,642K (previous year: EUR 2,645K).

The following remuneration was set for the individual members of the Management Board for fiscal year 2012 (individualized):

Remuneration of Management Board 2012

	Acting Management Board members			2012
in '000	Markus Braun	Burkhard Ley	Jan Marsalek	Total
Not performance related remuneration				
Fixed remuneration	950	750	650	2,350
Retirement benefits	250	150	150	550
Non-cash perquisites and other benefits[1]	20	19	3	42
	1,220	919	803	2,942
Performance related remuneration				
Variable remuneration I	270	368	196	833
Variable remuneration II[2]	281	383	204	867
	550	750	400	1,700
Total	1,770	1,669	1,203	4,642

Remuneration of Management Board 2011

	Acting Management Board members			2011
in '000	Markus Braun	Burkhard Ley	Jan Marsalek	Total
Not performance related 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**
Performance related remuneration				
Variable remuneration I	150	140	120	410
Variable remuneration II	200	160	130	490
	350	**300**	**250**	**900**
Total	**1,020**	**922**	**703**	**2,645**

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

[2] Variable remuneration II is only paid after the end of fiscal year 2013 and may lapse in full or in part if the sustainability of the contribution by members of the Management Board cannot be guaranteed.

Remuneration for the Supervisory Board in fiscal year 2012

Remuneration of the Supervisory Board is governed by Article 14 of Wirecard AG's articles of incorporation. Accordingly, members of the Supervisory Board receive fixed and variable compensation for any out-of-pocket expenses incurred in connection with exercising their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). Annual fixed remuneration totals EUR 55K. Variable remuneration depends on the company's performance and is geared to consolidated EBIT. For each million euros earned by which the company's consolidated EBIT (Earnings before interest and taxes) on December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component totals EUR 1K net. This minimum amount of EUR 30 million increases from the start of fiscal year 2009 by ten percent per year and accordingly amounts to EUR 43.92 million in fiscal year 2012.

Pursuant to the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman are taken into consideration separately. There are no committees in the company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board receives 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 pro-rata remuneration. 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.

The Supervisory Board also acts, with the same members, the Supervisory Board of the subsidiary Wirecard Bank AG and, until its change of legal form, also for Wirecard Technologies AG. No other remuneration or benefits for personally rendered services, in particular consulting and agency service, were paid in fiscal year 2012.

As at December 31, 2012, no loans have been granted to members of the Supervisory Board. A loan with a nominal value of EUR 195K, which was granted to the Supervisory Board member Wulf Matthias, was repaid in full in fiscal year 2012.

Remuneration of Wirecard AG's Supervisory Board in 2012

Supervisory Board remuneration 2012

in EUR '000	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidiaries	Total
Wulf Matthias	Chairman	01/01/2012	12/31/2012	**110**	**5**	**98**	**0**	**71**	**284**
Alfons W. Henseler	Deputy	01/01/2012	12/31/2012	**83**	**5**	**74**	**0**	**66**	**227**
Stefan Klestil	Member	01/01/2012	12/31/2012	**55**	**5**	**49**	**0**	**61**	**170**
Total remuneration				**248**	**15**	**221**	**0**	**198**	**681**

Supervisory Board remuneration 2011

in EUR '000	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidiaries	Total
Wulf Matthias	Chairman	01/01/2011	12/31/2011	110	8	70	0	60	**248**
Alfons W. Henseler	Deputy	01/01/2011	12/31/2011	83	8	53	0	48	**190**
Stefan Klestil	Member	01/01/2011	12/31/2011	55	8	35	0	35	**133**
Total remuneration				**248**	**23**	**158**	**0**	**143**	**570**

In fiscal year 2012, remuneration for the Supervisory Board totaled EUR 681K (previous year: EUR 570K). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries in the amount of EUR 198K (previous year: EUR 143K). A provision was formed and recognized in expenses in the amount of EUR 295K, and will be paid in 2013.

Directors' Dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG), the members of the Management Board and Supervisory Board of Wirecard AG are required to disclose the acquisition and sale of Wirecard AG shares and related financial instruments. In the third quarter of 2012 the following notices were received, which are published online at

http://www.wirecard.com/investorrelations/corporate-governance/directorsdealings/

On August 20, 2012, Burkhard Ley used part of his subscription rights from the Stock Option Plan 2004, which is based on convertible bonds and acquired 200,000 shares of the company at a price of EUR 8.059 with a total value of EUR 1,612K. On August 21, 2012, Burkhard Ley sold these at a price of EUR 16.40 (Frankfurt, OTC) for a total amount of EUR 3,280K.

On August 31, 2012, MB Beteiligungsgesellschaft mbH as a legal entity with a relationship with a person with management duties (reporting party: Dr. Markus Braun) sold 739,050 shares of the company at a price of EUR 16.91 in XETRA trading with a total amount of EUR 12,501K, and on September 3, 2012 it sold 675,000 shares at a price of EUR 16.91 in XETRA trading with a total amount of EUR 11,417K.

In total, the Management Board directly or indirectly holds a shareholding of 5.9 percent. The Supervisory Board does not hold any shares of the company.

Responsible risk management

Responsible risk management constitutes an important basis for excellent 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 thereof. Details relating to risk management can be found 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 fro 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 growth on the Internet. All press releases and ad-hoc disclosures on Wirecard AG are published on the company's Web site.

Audit of the annual financial statements and accounting

Since fiscal year 2005, Wirecard AG has used International Financial Reporting Standards (IFRS) as the basis for its accounting. At the Annual General Meeting, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, 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. Semi-annual 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 its audit. In addition, the auditor is required to inform the Supervisory Board and/or to make a note in the audit repot if he or she encounters facts in the course of the audit that are irreconcilable with the declaration of compliance issued by the Management Board and Supervisory Board in accordance with Section 161 of the 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 responsible ecological, ethical and social performance, the Wirecard Group will also not be able to realize a successful future in business terms. 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 its 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. These targets, defined in the sustainability strategy, will be strictly monitored as part of 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 on the relevant requirements of the international labor organization for guidance 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 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 of 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, supervisory 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 a speedy and smooth exchange of information. As far as possible within applicable restrictions, expertise 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 goal to open up personal and vocational perspectives to its employees in order to promote outstanding performance and results. As a result, the Wirecard Group invests in the qualifications and competence of its employees and simultaneously expects that all employees have exacting requirements of themselves, their performance and their health, and to engage proactively in their own development.

Equal opportunities and mutual respect

The Wirecard Group guarantees equal opportunities and equal treatment, notwithstanding a person's ethnic origin, skin color, gender, disability, philosophy, religion, citizenship, sexual orientation, social origin or political attitude, to the extent that 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 kind 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. An example of success 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 2013. 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 exercising voting rights at the Annual General Meeting scheduled for June 20, 2013. 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 Paragraph 161 German Stock Corporation Act (AktG)

The Board of Management and the Supervisory Board declare that since the submission of the last declaration of compliance dated March 28, 2012, 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 recommendations of the Code in its version dated May 15, 2012.

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

1. Art. 3.8(3) of the Code provides for the Company to take out D&O insurance for its management entities, the Board of Management and Supervisory Board with an excess (deductible) in the amount required by Paragraph 93(2) sentence 3 German Stock Corporation Act (Aktiengesetz – AktG). Wirecard AG has taken out a D&O insurance policy in respect of its managerial bodies, the Board of Management and the Supervisory Board. This policy provides for excess (deductible) provisions both for members of the Board of Management and for members of the Supervisory Board. The excess (deductible) for members of the Supervisory Board does not correspond to the amount required for members of the Board of Management by Paragraph 93(2) sentence 3 German Stock Corporation Act (AktG). According to the overwhelming prevailing opinion, the statutory provision does not apply to members of the Supervisory Board. Accordingly, the Company does not plan to raise the excess (deductible) payments for members of the Supervisory Board at this time. The Board of Management and the Supervisory Board consider it important to ensure 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 an excess (deductible).

2. Art. 5.2(2) and Arts. 5.3.1 – 5.3.3 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 have always been dealt with by the plenary Supervisory Board. The Supervisory Board also plans to proceed in this manner in future.

3. Art. 5.4.1(2) and (3) of the Code contain recommendations on the composition of the Supervisory Board. Pursuant to Art. 5.4.1(2) of the Code the Supervisory Board should specify concrete objectives regarding its composition which, whilst having regard for the company's specific situation, take into account the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2 of the Code, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. Pursuant to Art. 5.4.1(3) of the Code the proposals, which the Supervisory Board makes to the competent election bodies, should take these concrete objectives into account.

The Supervisory Board of Wirecard AG has not defined any concrete objectives for its composition. 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 shall ensure that it has such number of independent members as it, in its estimation considers appropriate. It 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 concrete objectives to this end. Instead, the definition of such objectives would impede the Supervisory Board in its selection of suitable members. A derogation from Art. 5.4.1(2) of the Code is therefore declared. Art. 5.4.1(3) of the Code has been and will therefore also be derogated from. Nevertheless, the Supervisory Board has based its election proposals to the competent election bodies on the recommendations of the Code and will also continue to do so in future.

4. Art. 5.4.6(2) sentence 2 of the Code recommends that any success-oriented remuneration of the members of the Supervisory Board, to the extent any such remuneration is promised, should be commensurate with a sustainable development of the company.

The currently applicable Articles of Association of Wirecard AG provides for a success-oriented remuneration of the members of the Supervisory Board. Said remuneration depends on the results of the ordinary course of business before interest and taxes on earnings of the past financial year and does not provide for any calculation by comparing the results of several financial years. Wirecard AG therefore currently derogates from the recommendation that any success-oriented remuneration should be commensurate with a sustainable development of the company.

The Management Board and the Supervisory Board of Wirecard AG intend to adhere to the hitherto system for remunerating the Supervisory Board. They are of the opinion that the success-oriented remuneration component regulated in Art. 14(1) of the Articles of Association of Wirecard AG has proven to be appropriate consideration for the execution of the supervisory obligations incumbent upon the Supervisory Board and that the past remuneration system is also appropriate for the future.

5. Art. 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 financial 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 said regulations, interim reports are to be published within two months. Up until now the Company has adhered to these periods laid down by the Frankfurt Stock Exchange since the Board of Management 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

M&A

As at April 09, 2013 Wirecard Sales International GmbH has taken over control about Trans Infotech Pte. Ltd. based in Singapore.

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

Wirecard AG published its provisional annual results for 2012 in an ad hoc disclosure dated January 30, 2013. At the same time, the forecast EBITDA for 2013 was also published, which is expected to be between EUR 120 and 130 million.

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/

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

After the balance sheet date Trans Infotech Pte. Ltd. has been fully consolidated into Wirecard Group since April 09, 2013. The considerations in connection with this transaction comprise cash payments (all converted into Euro) in an amount of approx. EUR 21.1 million and earn out-components of up to approx. EUR 4.4 million, dependent on the operational profit (EBITDA) of the acquired group in the years 2013 through 2015. An advanced cash payment in the amount of EUR 17.321K was done in December 2012. It is expected that the acquired group of companies will reach an EBITDA of approx. EUR 2.5 million in fiscal 2013, taking one-off expenses in the amount of EUR 0.75 million into account.

Additional information in section 1.1 (Notes): Acquisitions

7. Risk Report

The following chapter explains the systems deployed by the Wirecard Group for risk management purposes and comprises 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 should 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 scope and 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 Chairman of the Supervisory Board is in regular contact with the Management Board, in particular the CEO, and discusses current issues concerning the risk situation and risk management with him.

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 and group companies. 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.

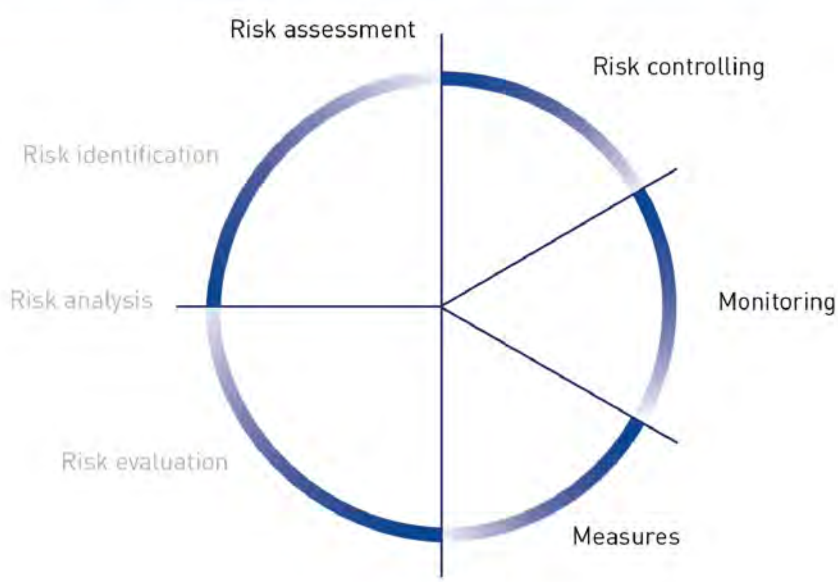
The Wirecard Group perceives risk management as an ongoing process, as changes to the legal, economic or corporate governance parameters or changes within the organization may lead to new risks or to a reassessment of known risks.

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.

Risk management within the Wirecard Group



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 group of experts that is separate from the preparation process is responsible for special functional questions and complex issues.

While reviewing the reliability of the accounting system of the German and foreign companies the following issues were taken into account:

- 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 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 2012. 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 stores 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 continued growth is forecast for the next several years, particularly in the target markets of Europe and Asia, which means that the Management Board believes the risk here is minimal.

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 business, 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 positive growth of 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. Deviations 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. Additional factors, such as entering new market segments and the contractual acquisition of responsibility for new products for customers could increase these risks. 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 avoids the manufacture of faulty products. Wherever possible, and whenever this makes sense, Wirecard works hand-in-hand with its customers in order to be able to react to possible changes to requirements at an early stage. 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 safety measures or due to deployed or poor judgments, in specific cases high investments may be made that fall short of the expectations placed in them, or for which income practically fails to materialize.

In view of the strict quality standards of our product development and the internal approval processes, despite the significant risks the Management Board does not anticipate any substantial 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 believes 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. In individual cases, this can also lead to defaults on substantial receivables if these cannot be paid out permanently or if the capital cannot be removed from the affected country on a permanent basis.

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. Technical developments for the end devices used for Internet payments or mobile payments also means that hardware manufacturers and telecommunication and Internet companies are increasingly developing their own payment solutions and offering these - in some cases with wide-scale marketing. In addition, smaller payment providers are increasingly entering the market with innovative products. 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 for Wirecard. 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. The availability of highly qualified employees, and thus opportunities to adjust our own capacity to requirements impacts, in particular, the successful project realization.

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 2013. 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

As a rule, customer projects bear risks. Delays in realizing the projects could result in higher costs and reputational damage, or even culminate in substantial contractual penalties.

The successful realization of a customer project 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 or they could endanger the realization of the project 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.

Even if customer-specific solutions are implemented for some projects, the majority of customer projects are for standardized integration. As a result, the overall risk structure of the project portfolio does not lead the Wirecard Group to anticipate a much higher risk compared to 2012 of a negative impact on business performance for the future, either.

Risks from specific customer requirements and technical limitation

Some customer groups have very specialized requirements as regards the technical solutions 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 products and services. Qualitative deficiencies of the products supplied or services rendered, delayed or incomplete deliveries or services, or the total failure of these products or services may have a detrimental impact on the Wirecard Group's performance. This bears the risks that the Wirecard Group may suffer lower revenues or reputational damage, or that customer projects are endangered or customers could raise claims for damage compensation.

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 also 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.

Wirecard uses third parties, in particular to sell its prepaid products. In this regard, Wirecard has to monitor the reliability of the sales agents it uses, and that these uphold the law and directives. Any omissions could result in sanctions by the supervisory authorities and also - in the form of contractual penalties - by credit card organizations and other contractual partners.

The Management Board is of the opinion that the system of active supplier management within the Wirecard Group, provide far-reaching protection from the risks resulting from the use of third-party services and third-party products. This system includes 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. Wirecard selects its sales partners very carefully, provides them with ongoing training, and monitors their activities using random samples. In view of the protection and hedging measures indicated, the Management Board considers 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. The Management Board combats this risk by always reviewing the target company very carefully itself prior to making an acquisition (in thorough due diligence), and also having it reviewed by consultants engaged for specific areas, and by obtaining guarantees to the greatest extent possible that the information provided by the seller concerning the target company is correct. Based on experience from the successful integration of previous acquisitions the Management Board only believes the risk for current projects is only slight.

7.6. Information and IT risks

The Wirecard Group defines information and IT risks as the possibility 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, who in turn are subject to a non-disclosure agreement, to audit the Group's procedures and infrastructure on an ongoing basis in order to detect any security gaps. The Management Board 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, also providing 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 as well as comprehensive technological backup and protective measures such as monitoring and early warning systems serve to effectively counteract the risk of publication or falsification of customer data even when an attack is being prepared. Wirecard Technologies GmbH 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 optimizing its infrastructure, the Management Board perceives the risk that the Wirecard Group’s business activity will be impaired by problems with our 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

The Wirecard Group receives part of its transaction fees in US dollars, pounds sterling and in other currencies. It hedges part of these foreign currency receivables via corresponding 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, or if the market interest rates rise and the interest level of interest rates does not have a correspondingly positive impact on the security's return (lost interest income).

The Wirecard Group has decided to make short-term investments in securities with a term of between one and up six years in order to optimize interest income for Wirecard Bank AG. Various types of securities are used in this regard, including collared floaters, bearer bonds, fixed deposits or promissory note bonds from various issuers. Only banks with a minimum rating of A- (S&P) or A3 (Moodys) are considered as issuers. In addition, Wirecard Bank AG performs its own internal rating for the respective counterparty based on an in-house calculation method. An investment is only made in this security if this rating shows a correspondingly positive result.

The securities have variable interest rates or a minimum interest rate with EURIBO or LIBOR (for USD) used as a reference, plus a fixed margin. 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.

Despite the current economic developments and the "euro-crisis", the Management Board believes that the risks from investing in securities and derivatives is low, in particular as a result of the investment horizon and the credit ratings of the issuers' whose bonds Wirecard buys. However, the Management Board will continue to monitor economic developments on an ongoing basis and will perform regular reviews as to whether a change to the investment strategy appears pertinent.

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. Bearer bonds are repaid at 100 percent on final maturity. In the event of a potential disposal of the long-term bearer bonds 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. 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.

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, if external ratings are available these also enter into the review carried out by the Wirecard Group. Receivables also include material items from business relationships with other acquiring banks in the Asian region.

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. The Management Board believes that the risk of a sustained negative impact on the Wirecard Group's business activities from fluctuations in interest rates is minor.

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.

Wirecard AG's Management Board carefully and constantly checks to ensure that these contractual conditions are upheld. The Management Board does not believe that these contractual conditions 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. All measures are adjusted on a regular basis thanks to close monitoring of merchant business operations. 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 monitormerchants, the Management Board finds the risk to the business operations of the Wirecard Group to be minimal.

Risks from abuse of credit cards by their holders or 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. In addition, in the past few years credit card organizations have developed extensive fraud-prevention activities. The Management Board believes that the risks relating to receivables from cardholders and third parties due to card abuse are low on the whole.

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 litigation 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 and payment products thus influence business performance in all countries in which the Wirecard Group operates. 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.

The underlying legal and regulatory conditions have a material impact on product design, sales processes and sales structures. Future activities by legislators or a stricter interpretation of existing acts or regulations by courts or authorities could significantly restrict the sale of various products, in particular prepaid products; this results in the risk it may not be possible to offer individual products any more or not in the current form.

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. 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 the 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 IT-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 Management Board assesses the risk of specific regulations or standards not being complied with, or only in part, as low.

Risks arising from litigation

At present, litigation for the payment of purported outstanding commission or the payment of retained collateral has been submitted against the company or individual group companies. At present, the risks from this litigation are regarded as being low. As the Wirecard Group has collateralized assets for its opponent in this suit in the amount of the calculated risk, the Management Board currently believes that these risks will not have any material impact on the Wirecard Group's business activities.

Risks of contractual violations by contracting partners

Further legal risks result from a possible non-fulfillment of contractual obligations by the Wirecard Group's contractual partners. There is the risk that it may not be possible to implement existing receivables, or only with difficulty, for example due to bankruptcy by the contractual partner or as a result of different statutory requirements in other countries (for example with regard to foreclosure). 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 using the requisite activities, and 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 forms provisions for legal disputes whenever an obligation is likely to arise and an adequate assessment can be made of the amount involved. The Management Board checks, at regular intervals, to ensure that the amount of the cover agreed and the amount of the provisions are still reasonable. If required, the Management Board adjusts the amounts accordingly. There is the risk that the cover from insurance or provisions formed for litigation are not sufficient to fully compensate for any pecuniary losses. As a result of the regular controls by the Management Board, it believes that the risk that the Wirecard Group's business activities could be negatively affected as a result of insufficient insurance protection or insufficient provisions is, however, low.

Risks from license agreements with credit card organizations

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 UnionPay and for Discover/Diners Club and is a contractual partner for Universal Air Travel Plan (UATP), Inc. for issuing and acquiring. 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 are reregulated, in particular under European law, there is the risk that the reduced income in the "issuing" segment may not be balanced out by a reduction in costs in the "acquiring" segment if the cost cut mostly has to be passed on to customers.

However, the Management Board believes that even a substantial cut in interbank fees would not have a significant impact on Wirecard's business.

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 2013.

8. Corporate management, objectives and strategy

8.1. Corporate management

The Wirecard Group's internal management system constantly controls and tracks defined key performance indicators. It is based on independent control models for each business segment.

These are consolidated at a group level, and entered into an ongoing forecast of future business growth together with the financial results. This is based on a rolling forecast. The individual key performance indicators allow us to measure whether the various corporate targets have or will be reached.

The central indicators for corporate management are predominantly quantitative in nature, such as transaction and customer numbers or revenue and minute volumes, as well as additional indicators such as the profitability of customer relationships. Here, the focus is on profitability measured using EBITDA as well as the relevant balance sheet ratios. In parallel, the responsible departments regularly record quality indicators such as customer and employee satisfaction as well as product and service quality.

A central control element is the constant comparison of the indicators recorded against the business forecast. These indicators play a particularly important role in recognizing changes in business development at an early stage, allowing corresponding counter activities to be put in place in the early stages of any difference to forecast. The Management Board and the division managers are constantly informed of the status of the key performance indicators as part of company-wide reporting.

The Wirecard Group's sustained growth is due, not least, to this internal control system, which allows management to react flexibly to changes in a dynamic market environment.

8.2. Financial and non-financial targets

One objective is to maintain our innovation and technology leadership via the early recognition of key market trends and actively structuring these. Top quality products and services form the foundations for sustained, long-term customer relationships and this thus also ranks among our key corporate targets.

In fiscal year 2013, the Wirecard Group will invest EUR 25 million in its new Mobile Payments business field, and EUR 10 to 15 million of this will be recognized as expenses. This will mostly comprise personnel expenses. Wirecard is creating many new jobs for IT and software specialists as well as project managers, in order to expand this new division to meet the new requirements that are emerging on the market. The other half of the investment will mostly be used for non-current assets such as hardware components. In operating terms, the funds will be used for the further development of applications for mobile payment acceptance, mobile money transfers and the technical provision of loyalty and couponing programs that are integrated in the mobile payment process.

Wirecard AG's central operating financial KPI is EBITDA.

Taking the investments detailed above into account, we are forecasting EBITDA in the current fiscal year of between EUR 120 and 130 million. This forecast is based on dynamic growth of the eCommerce market and constant acquisitions of new customers, cross-selling effects with existing customers as well as earnings contributions from acquisitions made in the previous year.

As the result of the constantly increasing number of customer relationships and growing transaction volumes, we expect further economies of scale from the transaction-oriented business model and substantial synergies with our banking services and from cross-selling effects.

Additional material operating financial targets for the Wirecard Group are retaining our comfortable level of equity as well as keeping liabilities at a moderate level.

We discuss additional financial objectives in the section "Anticipated financial position and results of operations" in Section 9.7.

Sustainable, income-oriented company growth is at the heart of all of our financial and non-financial targets, with this growth also having a positive impact on our enterprise value. This is mostly based on motivating highly qualified employees. Target agreements are used in this regard, which are not only measured in terms of our company's success, but also the individual employee's personal development and abilities.

The Wirecard Group constantly assesses its strategic decisions under these aspects.

Our aim is to use Wirecard AG's fundamental strengths in order to also increase our earnings in the next two years. At the same time we aim to support our customers in combating the increasing complexity in the underlying conditions with comfortable solutions, so that they can increase and simultaneously secure their revenues. In doing so, we keep an eye on market developments, so that we can react flexibly and responsibly with regard to costs, regulations, and events that are not yet present.

Sustainability

Wirecard AG is a group with a global presence and a primarily organic growth strategy. Sustainable corporate management, which pays particular attention to the group's civic responsibility as well as the needs of its employees, customers, investors and suppliers and also the groups associated with the company, is thus an increasingly important factor in upholding the concept of stakeholder value.

Our business model replaces manual, paper-bound processes with processing of electronic payments online and protects resources by avoiding waste.

In future, Wirecard AG will deal in even greater detail with economic, environmental and socially relevant issues, in order to here too make its contribution to a sustainable, responsible society.

Our values are unconditionally linked with our business model, and its success is based on security, dependability and trust. We provide solutions that allow merchants to process their cash flows via a platform. We record the quality of our customer relationships in regular customer surveys. Customer satisfaction is a central non-financial objective for the Wirecard Group.

In order to uphold its responsibility, the Wirecard Group intends to define concrete targets in its sustainability strategy based on the orientation of its core business, for example minimum standards for energy consumption and the review of environmental risks.

These targets, defined in the sustainability strategy, will be strictly followed as part of sustainability management.

8.3. Corporate strategy

During the past fiscal year 2012 the Wirecard Group reached its own operating targets and successfully implemented its strategy of mostly organic growth as well as targeted expansion in Europe and Asia.

Wirecard has an international presence with locally networked units and provides multinational card and payment acceptance agreements. Both locally and globally relevant payment methods are available via the Wirecard platform.

Wirecard Technologies GmbH, a Wirecard Group company, took over material assets from NETRADA Payment GmbH with its registered office in Mainz (Germany) as of April 1, 2012. These include customer agreements for payment and risk management services for international online shops for well-known premium brands from the fashion industry. A multi-year strategic alliance agreement has been concluded with the NETRADA Group for cooperation on payment and risk management services.

Our acquisition of all of a 100% interest in PT Prima Vista Solusi, headquartered in Jakarta (Indonesia), has given us customer relationships with the leading banks in Indonesia, several global banks and numerous retail companies in Indonesia.

In addition, in 2012 we were able to expand our geographic presence by adding high-growth markets in the Indo-Chinese region. Trans Infotech Pte. Ltd., Singapore ranks among the leading providers in the payment services sector for banks in Vietnam, Cambodia and Laos and is a technology partner for banks, transport companies and retail companies in Singapore, Myanmar and on the Philippines.

Our acquisition of the Newcastle Building Society's prepaid card business in December 2011 has substantially expanded our existing Issuing division. The Wirecard Group is now one of the leading providers on the European prepaid card market. In the first eight months of 2012 the newly formed Wirecard Card Solutions Ltd. took over key functions, first of all as an outsourcing service provider. In September 2012, Wirecard Card Solutions Ltd. received its license from the UK Financial Services Authority (FSA) to act as a card-issuing eMoney institution. Control of the company was then transferred to Wirecard Card Solutions Ltd. with its registered office in Newcastle.

The fact that we have once again enjoyed a successful year in our operations confirms our general strategic orientation and once again underscores the sustainability of the potential synergies from linking technology and banking. The great depth of our group's value chain made a major contribution to our profitability in the period under review. Our end-to-end solutions and substantial cost advantages will also reinforce our position on the market in future, even in a difficult economy.

The strategic objective of far-reaching, fully integrated coverage of the entire value chain for electronic payment processing will continue to form the basis of our business and product policy in the coming years.

With regard to our growth strategy, in 2013 we will continue to pursue organic growth on our core markets of Europe and Asia. We will also review acquisition opportunities according to a strict list of criteria.

9. Forecast

9.1. Underlying economic conditions in the next two fiscal years

The International Monetary Fund (IMF) is forecasting weaker growth on the whole for the global economy at 3.5 percent in 2013, and a slight improvement in economic output to 4.1 percent in the following year. This corresponds to a reduction of 0.1 percent in each case compared to the IMF forecast made in October 2012. The IMF is forecasting GDP to fall by 0.2 percent in the eurozone, and to lift by 1.0 percent in 2014.

The European Commission is currently forecasting a downturn in GDP of 0.3 percent and growth of 0.1 percent in the European Union (EU27). At present, growth of 1.4 percent is being forecast for the Eurozone in 2014, and growth of 1.6 percent for the EU27. The Commission offers a more optimistic forecast for Germany. After tepid growth of 0.5 percent in 2013, it is forecasting a substantial increase of 2 percent in 2014.

9.2. Future industry situation

We are convinced that the European eCommerce market still offers enormous growth potential.

As a result of the forecasts that have been summarized for us by market research institutes such as Forrester Research, PhoCusWright, Deutscher Versandhandelsverband des deutschen Einzelhandels and others, we are expecting growth on the European eCommerce market of around 11 to 12 percent in 2013 for all industries.

According to a publication by eMarketer in February 2013, the Asia/Pacific region, with growth of 30 percent, already has the potential to overtake North America as the world’s largest market for eCommerce sales. This is due, in particular, to the volume in China. Our customer mix in Asia comprises eCommerce merchants, telecommunications and financial service providers, banks as well as the operators of public transport and infrastructure offerings, and ensures the growth of our business, irrespective of the economy. The IMF is forecasting growth of 2.9 percent in 2013 in the Singapore metropolitan region. The Asia5 countries (Indonesia, Malaysia, Philippines, Thailand and Vietnam) rank among the high-growth regions with forecast GDP of 5.5 percent in the current year, and 5.7 percent next year.

eCommerce here is still in its infancy, and will converge directly with mobile commerce applications as part of the rapid spread of smartphones, because mobile devices are or will become the sole source of access to the Internet for millions of people. Our early investments in companies which base their growth on state-of-the-art technologies for multi-channel enabled payment transaction solutions, mean that we already enjoy an excellent position in these regions.

Perspectives in target industries

Consumer goods

The progressing convergence of bricks-and-mortar and online-based trading will be impacted by consumers' varying purchasing behavior. Mobile devices have long since been changing the face of online shopping. Last year we already dealt with the issue of the thresholds between the consumer coming into contact with the merchant's shop being in a state of flux. In future, customers will no longer make a clear distinction between the sales channels, but will use various modes of access: offline, online and mobile.

In its current report dated February 2013, "European Online Retail: Five Trends to Watch in 2013 - European Retail Woke Up To Multichannel And Mobile In 2012", Forrester Research deals with the issue of international markets and new touchpoints being the key to success for merchants.

According to Forrester Research, through to 2017 the average annual increase in European online trading will be 11 percent: "European Online Retail Forecast: 2012 to 2017: Economic Instability Across Europe Will Do Little To Slow Retail eCommerce Growth".

Online commerce and opportunities

Merchants are increasingly addressing more than one sales channel. Branded goods manufacturers and fashion brands are pursuing an international eCommerce strategy and operate their own online shops. The proportion of purely bricks and mortar retailers also pursuing an online sales strategy is increasing constantly. Consumers are tending to research online and purchase offline. Merchants have to use this ROPO effect. Integrated processes are needed to collect customers at the various online and offline touchpoints, and a flexible offering for payment solutions becomes a key instrument for customer loyalty. Wirecard addresses these necessities precisely with its flexible cross-channel solutions - from back-office interfaces in a merchant's existing infrastructure to a seamlessly integrated, PCI compatible checkout payment page, which has been customized to the shop's corporate design. Supplementary solutions to prevent fraud link various methods withintelligent sets of rules and decision-making strategies, according to which transactions are checked before a deal is concluded. Individual industry-specific and transaction-specific parameters are included in this process. Merchants are able to recognize different fraud patterns in good time, and to take well-founded decisions on whether they permit or reject a sale.

Digital goods

In February 2013, BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) announced that 38 percent of smartphone users download paid apps.

In the fall of 2012 Forrester forecasted that the number of users of paid content will increase by 8 to 12 percent through to 2017. This is due to, for example, the increasing number of subscription model users. In addition, the experts believe that in 2017 around 20 percent of all users of mobile tablets will pay for news.

In February 2013, Ipsos MediaCT presented a new report based on nine markets on four continents, and arrived at the conclusion that during the past six months 62 percent of those surveyed used a licensed music service (The Digital Music Consumer – A Global Perspective February 2013). In its “Digital Music Report 2013”, ifpi, which represents the global music industry, estimated that global sales of digital music increased by 9 percent in 2012 (2011: 8 percent).

Digital goods and opportunities

Digital business offers enormous potential thanks to the rapid pace of innovation. There is an unrelenting flood of new applications on the market that address smartphone and tablet users with applications including business apps. Some of these apps are offered as free basic versions, and are mostly linked to paid subscription models. Experts believe that people will increasingly be prepared to pay for quality content or services. In addition they also expect an increase in software downloads or the volume of software as a service.

Tourism

According to forecasts by the leading market research company for the travel industry PhoCusWright, the European online travel market will grow by 7 percent in both of the next two years (PhoCusWright's European Online Travel Overview Eight Edition). The United Kingdom and Scandinavia are saturated markets, however there is still growth potential in Europe. In 2013 the online travel market will already account for a little more than 40 percent of the total travel market. PhoCusWright has also investigated the impact of bookings made using mobile devices and believes that, for example, mobile travel bookings on the US market will triple over the next two years. There could also be similar developments in Europe.

Tourism and opportunities

Wirecard AG has an excellent market position thanks to its strategic alliances and interfaces to all of the key industry-specific providers in the tourism segment, for example booking engines and also globally networked booking systems, and this position allows it to acquire airlines, transport companies, online travel portals and tour operators as customers.

New mobile technologies also impact the market. The new mobile card reader solution for card payments using smartphones are suitable, for example, for sales partners such as travel operators, chauffeurs and taxi service providers, as well as bus and train travel operators who sell tickets on board.

The European credit and debit card market

According to the “European Payment Cards Yearbook 2012 - 2013”, which includes data from 33 countries in continental Europe, at the end of 2011 there were almost 900 million credit and debit cards in circulation. The majority of these cards are debit cards, also including prepaid cards, with approx. 600 million cards issued. Many European banks already issued prepaid Visa and MasterCards in order to address young target groups or people who do not have access to regular credit cards.

Visa Europe and MasterCard, the market leaders for credit and debit card brands in Europe, have driven contactless payments with their initiatives Visa PayWave and MasterCard PayPass. The proportion of cards which allow secure contactless payment transactions in bricks-and-mortar retail using Near Field Communication (NFC) will increase in the coming years with the spread of NFC-enabled terminals. In addition, contactless payments will enjoy particularly dynamic growth as a result of the rapid increase in the prevalence of mobile wallets. SIM card-based solutions are key technology in this regard with card information stored on the SIM card.

Opportunities for the Wirecard Group on the prepaid market

As a result of the acquisition of a UK prepaid card portfolio, since 2012 the Wirecard Group has ranked among the largest European prepaid card issuers. In particular developments for mobile payment methods mean that prepaid cards are a valuable instrument for customer loyalty for retail companies and telecommunication service providers.

Mobile Payments

There are already 136 million smartphone users in Europe - a 30 percent year-on-year increase. This is the result of the ComScore Data Mine in March 2013. The 50 percent mark was passed in December 2012 for the spread of smartphones in five European countries (Germany, Spain, the United Kingdom, France and Italy).

In its report “Western European Mobile Forecast, 2011 to 2016”, Forrester Research forecast that the European market for mobile devices will boom in the coming five years. Smartphones will already account for 67 percent in 2016.

In a study published in February 2012, Juniper Research forecast that revenues from consumer mobile apps could total more than UDS 50 billion in 2016.

ABI Research estimates that payments based on NFC technology totaled around USD 4 billion in 2012, and that these will already pass the USD 100 billion mark in 2016. An increase to USD 191 billion is expected through to 2017.

According to a current study by Frost & Sullivan, cash payments for smaller amounts in bricks-and-mortar business in Europe will fall in the coming years (“Opportunities in the Micropayments Market”). New solutions (prepaid or online-based or mobile, contactless payments) will increase the proportion of micropayments. Although cash is still consumers’ preferred means of paying for smaller amounts, there will be a constant shift towards digital money, especially because handling money is becoming increasingly cost-intensive. According to the analysis, there will be an average annual growth rate of 28.7 percent through to 2017 for contactless payment card systems. In addition, in general mobile commerce is to grow by 10.6 percent on average per year through to 2018 as a result of the spread of smartphones and tablets.

The term “Mobile Payments” is generally used to refer to the entire bandwidth of different payment processes. This includes payments using NFC-enabled smartphones at the point of sale as well as payments of goods and services using mobile browsers or in mobile applications. Credit and debit cards are playing an increasingly important role in all of these methods, as its international nature, the high level of standardization, its ease-of-use and, last but not least, its wide spread are key factors.

The next step is to link the card with the mobile phone, be this via a mobile application which is connected to the card via the server, or by storing credit card data in an NFC-enabled cellphone. Even mobile telephones that are not absolutely state of the art can use NFC stickers as bridge technology. For example, in Europe telecommunications companies are preparing the path for payments using smartphones in bricks-and-mortar stores.

If payments are made using the mobile device (payment on mobile), the customer either pays directly using a mobile application as an in-app payment or via the smartphone’s mobile browser.

The technical link between the card and the smartphone app makes this intelligent, as it is enriched and enhanced with additional information. This results in substantial added value for the end customer and also for the card issuer and its partners: for example interaction with social networks, direct communication between the issuer and the cardholder, personalized services such as coupons, location-based services, offers as part of customer loyalty solutions, installment payments and other financial services.

Opportunities for the Wirecard Group for mobile payment services

Within the Wirecard Group, we already have key competitive advantages in order to further expand our position for mobile payment services and the associated added value services to form an end-to-end solution within the group. Our mobile services support the use of all relevant transfer technologies, such as NFC, QR Codes or RFID.

So-called “everywhere commerce”, or the merger of the online, offline and mobile sales channels, will increase at a rapid pace in the digital age.

Perspectives for call centers and communication

The services offered in this segment by Wirecard Communication Services GmbH are mostly performed for the Wirecard Group. However, this business unit also supports third-party customers who operate their own call centers, allowing them to outsource operations during peak periods thanks to its hybrid call center structure which bundles a bricks-and-mortar call center with a virtual call center. Wirecard Communication Services is excellently positioned for international user support in particular, with 16 foreign languages on offer and year-round 24/7 availability helping it to acquire additional new customers.

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

The future growth and positioning of the Wirecard Group is geared to a primarily organic growth strategy and is based on the activities put in place to date.

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

9.4. Planned changes to business policy

No major changes to business policy are planned for the current year or next year. Our activities focus on constant investments in expanding our range of products and services in order to expand the value chain in our core business. Our new divisions for mobile payment services link seamlessly with the group’s fundamental strategic orientation.

9.5. Future sales markets

The majority of our growth in the years 2013 and 2014 will be generated in our core market of Europe, where we will also continue to increase our revenues. In addition, we are planning to expand our position on the Asian market.

9.6. Future use of new methods, products and services

We control our 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). We will create new growth potential from existing technology and innovative new developments with the Mobile Services product line that we have newly added. In addition, we will constantly drive the development of new products and services, including together with our partners.

Our organic growth will continue to be based on our innovational prowess, a competitive range of products and services, and our strength in rapidly implementing industry and customer-specific requirements. Our ability to link state-of-the-art software technology with banking products allows us to pursue our strategy of fluently expanding our group's value chain.

In order to ensure constant expansion of our payment acceptance offering, be this for card-based or alternative methods, we will constantly integrate solutions that are relevant for the market into our platform.

9.7. Anticipated financial position and results of operations

Financial position

Wirecard's financial position will continue to have its current very solid structure in the next two years. This also includes a continued, comfortable equity ratio. This figure also includes a dividend disbursement of EUR 0.11 per share, which will be proposed to this year's annual general meeting.

The Management Board is sticking to its principle of either financing future investments and potential acquisitions from its own cash flow, or by using a sensible amount of borrowing or alternative forms of financing. One of the group's strategic targets is only to use bank loans to a moderate extent, mostly in connection with M&A transactions. In this regard we establish long-term relationships with banks, in order to guarantee the requisite flexibility for both our operating business and also as master credit agreements for M&A transactions.

Potential acquisitions are also analyzed and assessed under strict conditions in this regard. During the review, the focus is on profitability and pertinent additions to the existing product range and customer portfolio.

Results of operations

Wirecard AG's central operating financial KPI is EBITDA. This sets standards throughout the company, from financial control through to assessing the profitability of the individual divisions. As a result the profit forecast for 2013 is also based on EBITDA.

Taking the announced investments into account, we are forecasting EBITDA of between EUR 120 and 130 million for fiscal year 2013. This forecast is based on:

- the growth of the eCommerce market
- the increase in the transaction volume processed with existing and new customers for the Wirecard Group
- economies of scale from the transaction-oriented business model
- cross-selling effects with existing customers
- expanding issuing and bank services
- earnings contributions from M&A transactions 2012

The forecast does not include possible effects from potential corporate acquisitions. We are also forecasting continued positive revenues and earnings in the following year. In addition, in 2014 we are expecting the new Mobile Payments business field to make substantial contributions to earnings.

As a result of the strong demand for international solutions, our unique links between technology and innovative banking services and current customer projects, and our progressing expansion, we are convinced that the Wirecard Group will grow faster than the eCommerce market in 2013.

In addition, we believe that new products and further developing new products as well as efficiency increases in operating workflows will have a positive impact on the business result. Strict cost management will also continue to play a key role in this regard.

9.8. Opportunities from the development of underlying conditions

The Wirecard Group's international orientation and innovational prowess will form key foundations for continued positive corporate growth in the next two fiscal years.

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

We are expecting a successful fiscal year. The growing eCommerce market in Europe and Asia is having a positive impact on growth in Wirecard AG's core business.

Over time, the requirements being made of our customers have become increasingly complex. Internationalization, multi-channel sales, security and fraud prevention are just some of the key items on the agenda.

Wirecard AG plays a pioneering role in its payment processing market segment, as we anticipate developments and future issues in good time, as was also the case in previous years. We expand our strong competitive position with new business fields.

In 2013 we will invest an additional EUR 25 million in our new Mobile Payments business field with EUR 10 to 15 million of this amount being recognized as expenses in this year. These investments aim to further expand Wirecard's leading position in this area. We are expecting substantial contributions to earnings from mobile payment products and the associated added value services from fiscal year 2014.

We are continuing our successful strategy of mostly organic growth in connection with moderate acquisitions.

Taking these expenses into account, Wirecard AG's Management Board is forecasting EBITDA of between EUR 120 and EUR 130 million in fiscal year 2013.

Aschheim (Munich), April 16, 2013

Wirecard AG

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

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Consolidated Balance Sheet – Assets

in EUR '000s	Notes	12/31/2012	12/31/2011
ASSETS	(3.1.), (2.2.)		
I. Non-current assets			
1. Intangible assets	(3.1.), (2.3.)		
Goodwill		**142,149**	127,565
Internally generated intangible assets		**28,797**	21,748
Other intangible assets		**25,607**	28,530
Customer relationships		**151,279**	87,570
		347,832	**265,413**
2. Property, plant and equipment	(3.2.), (2.3.)		
Other property, plant and equipment		**11,802**	2,921
3. Financial and other assets / interest-bearing securities	(3.3.), (2.2.)	**99,128**	26,714
4. Tax credits			
Deferred tax assets	(3.4.), (2.4.)	**1,112**	936
Total non-current assets		**459,875**	**295,984**
II. Current assets			
1. Inventories and work in progress	(3.5.), (2.3.)	**1,626**	779
2. Trade receivables and other receivables	(3.6.), (2.3.)	**215,496**	182,146
3. Tax credits	(3.7.), (2.4.)		
Tax refund entitlements		**8,384**	5,747
4. Interest-bearing securities and fixed deposits		**84,332**	9,000
5. Cash and cash equivalents	(3.8.), (6.)	**358,172**	213,403
Total current assets		**668,009**	**411,075**
Total assets		**1,127,884**	**707,059**

Consolidated Balance Sheet – Equity and Liabilities

in EUR '000s	Notes	12/31/2012	12/31/2011
EQUITY AND LIABILITIES			
I. Shareholders' equity	**(4.)**		
1. Subscribed capital	(4.1.)	**112,192**	101,803
2. Capital reserve	(4.2.)	**140,425**	11,261
3. Retained earnings	(4.3.)	**289,746**	227,648
4. Foreign currency translation reserve	(4.4.)	**- 634**	175
Total shareholders' equity		**541,730**	**340,887**
II. Liabilities	**(4.), (2.2.)**		
1. Non-current liabilities	(4.5.), (2.3.)		
Non-current interest-bearing bank liabilities		**80,031**	85,024
Other non-current liabilities		**12,305**	12,919
Deferred tax liabilities		**13,232**	9,344
		105,568	**107,287**
2. Current liabilities	(4.5.), (2.3.)		
Trade payables		**187,249**	135,428
Current interest-bearing liabilities		**14,939**	1,000
Other current provisions		**1,298**	992
Other current liabilities		**28,971**	15,104
Customer deposits from banking operations		**241,893**	105,042
Tax provisions	(2.4.)	**6,236**	1,319
		480,586	**258,885**
Total liabilities		**586,154**	**366,172**
Total shareholders' equity and liabilities		**1,127,884**	**707,059**

Consolidated Income Statement

in EUR '000s	Notes	01/01/2012 - 12/31/2012		01/01/2011 - 12/31/2011	
I. Revenues	**(5.1.), (2.3.)**		**394,601**		**324,797**
II. Other own work capitalized			**10,260**		**7,442**
1. Own work capitalized	(5.2.)	10,260		7,442	
III. Operating expenses			**282,509**		**225,866**
1. Cost of materials	(5.3.)	229,785		189,141	
2. Personnel expenses	(5.4.)	37,076		28,240	
3. Amortization and depreciation	(3.1.), (3.2.)	15,649		8,485	
IV. Other operating income and expenses			**- 28,771**		**- 30,461**
1. Other operating income	(5.5.)	4,333		1,289	
2. Other operating expenses	(5.6.)	33,104		31,750	
Net operating income			**93,582**		**75,913**
V. Financial result	**(5.7.)**		**- 2,446**		**- 1,993**
1. Other financial income		2,645		386	
2. Financial expenses		5,091		2,379	
VI. Profit before taxes			**91,136**		**73,920**
VII. Income tax	**(5.8.)**		**17,839**		**12,734**
VIII. Profit after taxes			**73,297**		**61,186**
Earnings per share (basic) in EUR	(5.9.)		0.67		0.60
Earnings per share (diluted) in EUR	(5.9.)		0.66		0.60
Average shares outstanding (basic)	(5.9.), (4.1.)		110,167,899		101,803,139
Average shares outstanding (diluted)	(5.9.), (4.1.)		110,306,028		101,989,062

Consolidated Statement of Comprehensive Income

in EUR '000s	Notes	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
Profit after taxes	(5.)	73,297	61,186
Change in exchange differences from translation of operations outside the euro zone	(4.4.)	- 809	38
Total comprehensive income		72,488	61,224

Consolidated Statement of Changes in Equity

	Subscribed capital Nominal value / number of shares issued EUR '000s / NO.'000s	Capital reserve EUR '000s	Retained earnings EUR '000s	Foreign currency translation reserve EUR '000s	Total Shareholders' Equity EUR '000s
Balance as of December 31, 2010	**101,803**	**11,261**	**176,643**	**137**	**289,844**
Profit after taxes			61,186		61,186
Currency translation differences				38	38
Total comprehensive income	**0**	**0**	**61,186**	**38**	**61,224**
Dividends paid			- 10,180		- 10,180
Contingent capital increase (convertible bonds)	0	0			0
Balance as of December 31, 2011	**101,803**	**11,261**	**227,648**	**175**	**340,887**
Balance as of December 31, 2011	**101,803**	**11,261**	**227,648**	**175**	**340,887**
Profit after taxes			73,297		73,297
Currency translation differences				- 809	- 809
Total comprehensive income	**0**	**0**	**73,297**	**- 809**	**72,488**
Dividends paid			- 11,198		- 11,198
Capital increase	10,180	127,691			137,871
Contingent capital increase (convertible bonds)	209	1,473			1,682
Balance as of December 31, 2012	**112,192**	**140,425**	**289,746**	**- 634**	**541,730**

Notes to the consolidated Statement of Changes in Equity under (4.)

Consolidated Cash Flow Statement

in EUR '000s	Notes	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
EBIT	(5.)	**93,582**	**75,913**
Gains/Losses from the disposal of non-current assets		**- 49**	78
Amortization/depreciation/write-ups of non-current assets		**15,649**	8,485
Impact on foreign currency translation		**966**	- 650
Changes in inventories		**- 847**	- 420
Changes in trade and other receivables		**- 35,108**	- 63,559
Changes in other assets		**- 13,818**	1,428
Changes in provisions		**- 769**	- 920
Changes in non-current liabilities excluding financial liabilities		**- 4,049**	12,587
Changes in trade payables		**51,837**	37,415
Changes in other current liabilities		**7,615**	6,559
Income taxes paid		**- 11,608**	- 19,112
Interest paid (excl. interest on loans)		**- 313**	- 431
Interest received		**199**	71
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation		**- 7,595**	- 11,841
Cash flow from operating activities	(6.1.)	**95,690**	**45,602**
Cash paid for investments in intangible assets and property, plant and equipment		**- 50,544**	- 37,205
Cash received from the sale of intangible assets and property, plant and equipment		**0**	34
Cash paid for investments in financial assets and interest bearing securities		**- 39,671**	0
Cash paid for the acquisition of entities and investments in consolidated entities		**- 41,207**	- 21,111
Cash flow from investing activities	(6.2.)	**- 131,423**	**- 58,282**
Cash received from the issue of shares		**141,152**	0
Cash paid for expenses from the issue of shares		**- 2,202**	0
Drawdown/redemption of lease liabilities		**228**	0
Cash received from financial liabilities		**53,531**	65,023
Cash paid for expenses from financial liabilities		**- 506**	- 779
Cash paid from repayments of financial liabilities		**- 45,024**	- 11,000
Dividends paid		**- 11,198**	- 10,180
Interest paid on loans		**- 1,654**	- 549
Cash flow from financing activities	(6.3.)	**134,327**	**42,515**
Net change in cash and cash equivalents		**98,595**	**29,836**
Adjustments due to currency translation		**- 808**	38
Financial resources fund at the beginning of period		**141,910**	112,036
Financial resources fund at the end of period	(6.4.)	**239,696**	**141,910**

Consolidated cash flow from operating activities (Adjusted)

in EUR '000s	01/01/2012 - 12/31/2012	01/01/2011 - 12/31/2011
EBIT	**93,582**	**75,913**
Gains/losses from the disposal of non-current assets	- 49	78
Amortization/depreciation/write-ups of non-current assets	15,649	8,485
Impact from foreign currency translation	- 428	- 7
Changes in inventories	- 847	- 420
Changes in trade receivables and other assets (adjusted)	- 1,635	- 23,938
Changes in provisions	- 769	- 920
Changes in non-current liabilities excluding financial liabilities	- 4,049	12,587
Changes in trade payables (adjusted)	3,914	9,980
Changes in other current liabilities	7,705	6,542
Income taxes paid (adjusted)	- 10,462	- 15,066
Interest paid (excl. interest on loans)	- 313	- 431
Interest received	199	71
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation	- 7,595	- 11,841
Cash flow from operating activities	**94,900**	**61,033**

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.

Changes in non-current assets

2012 in TEUR	Cost						
	01/01/2012	Adjustments from currency translation	Additions and disposals from first-time consolidation	Additions	Disposals	Reclassi-fication	12/31/2012
Non-current assets*							
1. Intangible assets							
Goodwill	132,311	- 201	14,785	0	0	0	**146,895**
Internally-generated intangible assets	29,723	15	222	10,260	0	0	**40,220**
Other intangible assets	28,326	- 187	5,521	3,858	- 8	220	**37,730**
Customer relationships	89,881	- 77	36,768	32,000	0	2,500	**161,071**
Advance payments made	11,201	465	- 9,464	3,323	0	- 4,908	**618**
	291,442	**14**	**47,832**	**49,441**	**- 8**	**- 2,188**	**386,534**
2. Property, plant and equipment							
Other property, plant and equipment	6,836	- 3	3,657	5,957	- 378	2,188	**18,258**
3. Financial assets	24,551	- 1,071	0	61,707	- 141	0	**85,047**
	322,830	**- 1,059**	**51,489**	**117,105**	**- 526**	**0**	**489,838**

2011 in TEUR	Cost						
	01/01/2011	Adjustments from currency translation	Additions and disposals from first-time consolidation	Additions	Disposals	Reclassi-fication	12/31/2011
Non-current assets*							
1. Intangible assets							
Goodwill	106,085	0	26,225	0	0	0	132,310
Internally-generated intangible assets	22,281	0	0	7,443	0	0	29,724
Other intangible assets	19,717	0	5,123	4,429	- 943	0	28,326
Customer relationships	51,207	0	13,674	12,000	0	13,000	89,881
Advance payments made	13,000	0	8,999	2,202	0	- 13,000	11,201
	212,290	**0**	**54,021**	**26,074**	**- 943**	**0**	**291,442**
2. Property, plant and equipment							
Other property, plant and equipment	4,927	0	220	2,132	- 442	0	6,837
3. Financial assets	35,607	0	0	0	- 11,056	0	24,551
	252,824	**0**	**54,241**	**28,206**	**- 12,441**	**0**	**322,830**

* *Without deferred tax assets and other non-current assets

Accumulated amortization, depreciation and write-downs						Net book value	Net book value	
01/01/2012	Adjustments from currency translation	Additions	Disposals	Reclassifi-cation	12/31/2012	12/31/2012	12/31/2011	Amortization, depreciation and write-downs 2012
4,746	0	0	0	0	**4,746**	**142,149**	**127,565**	**0**
7,976	0	3,447	0	0	**11,422**	**28,797**	**21,748**	**3,447**
9,197	0	3,553	- 8	0	**12,742**	**24,989**	**19,129**	**3,553**
4,111	0	5,732	- 50	0	**9,792**	**151,279**	**85,770**	**5,732**
0	0	0	0	0	**0**	**618**	**11,201**	**0**
26,029	**- 1**	**12,731**	**- 58**	**0**	**38,702**	**347,832**	**265,413**	**12,731**
3,915	0	2,918	- 377	0	**6,455**	**11,802**	**2,921**	**2,918**
1,167	789	673	- 1,344	0	**1,285**	**83,761**	**23,384**	**673**
31,111	**788**	**16,322**	**- 1,778**	**0**	**46,442**	**443,396**	**291,719**	**16,322**

Accumulated amortization, depreciation and write-downs						Net book value	Net book value	
01/01/2011	Adjustments from currency translation	Additions	Disposals	Reclassifi-cation	12/31/2011	12/31/2011	12/31/2010	Amortization, depreciation and write-downs 2011
4,746	0	0	0	0	4,746	127,564	101,340	0
5,380	0	2,596	0	0	7,976	21,748	16,901	2,596
6,667	0	2,701	- 171	0	9,197	19,129	13,050	2,701
1,756	0	2,355	0	0	4,111	85,770	49,451	2,355
0	0	0	0	0	0	11,201	13,000	0
18,549	**0**	**7,652**	**- 171**	**0**	**26,030**	**265,413**	**193,742**	**7,652**
3,348	0	833	- 267	0	3,914	2,921	1,578	833
742	- 177	602	0	0	1,167	23,384	34,865	602
22,639	**- 177**	**9,087**	**- 438**	**0**	**31,111**	**291,719**	**230,185**	**9,087**

Explanatory Notes

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 broken down into three reporting segments: 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 office of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH), Wirecard Technologies GmbH (formerly: Wirecard Technologies AG), Wirecard Retail Services GmbH, Click2Pay GmbH and Wirecard Sales International GmbH (formerly: Trustpay International GmbH). In April 2011, Wirecard AG and the above mentioned subsidiaries relocated to Aschheim (Munich, Germany). In this connection, the registered office of Wirecard AG and the subsidiaries indicated above was relocated. Wirecard Communication Services GmbH is headquartered in Leipzig. Wirecard Technologies GmbH, and Wirecard (Gibraltar) Ltd. based in Gibraltar develop and operate the software platform that represents the central element of our product and service range and our international 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., Herview Ltd., all with head offices in Dublin (Ireland), and 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 affiliates to include the sale and operation of the 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 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 quality requirements with end-to-end, flexible services, focusing chiefly on B2B and private customers of the Wirecard Group, especially Wirecard Bank AG.

CardSystems Middle East FZ-LLC, Dubai (formerly: cardSystems FZ-LLC) focuses on the sale of affiliate products along with associated value-added services.

Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH) and Wirecard Sales International GmbH (formerly: Trustpay International GmbH), both headquartered in Aschheim (Munich) act as holding companies for the group's subsidiaries 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.

Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC), with its registered office in Dubai, United Arab Emirates, specializes in services for electronic payment processing, credit card acceptance and the issue of debit and credit cards.

Systems@Work Pte. Ltd., headquartered in Singapore, and its subsidiaries Safe2Pay Pte. Ltd. (Singapore) and Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) using the TeleMoney brand is one of the leading technical payment service providers for merchants and banks in the eastern Asian region.

Wirecard Card Solutions Ltd., with its registered office in Newcastle (United Kingdom) was formed in December 2011 and is used to operate the prepaid card business.

In December 2012, we bought PT Prima Vista Solusi, with its registered office in Indonesia, together with its companies. PT Prima Vista Solusi offers a broad range of innovative payment solutions for emerging markets, such as mini and mobile ATMs, solutions for cash payments for utilities bills (gas/water/electricity) and Internet purchases as well as biometric verification solutions. PrimaVista offers banks and merchants in Indonesia a large range of products for contactless and mobile payments, and also the technical infrastructure for the future acceptance of contactless payments using cellphones. PrimaVista's customers include Indonesia's leading banks and several global financial institutions, as well as numerous trading companies in Indonesia.

Group of consolidated companies

As of December 31, 2012 a total of 23 subsidiaries were fully consolidated. On December 31, 2011 this figure totaled 22 companies.

Subsidiaries of Wirecard AG

	Shares
Wirecard Technologies GmbH (formerly: Wirecard Technologies AG), Aschheim (Germany)	100%
Wirecard Communication Services GmbH, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Aschheim (Germany)	100%
cardSystems Middle East FZ-LLC (formerly: cardSystems FZ-LLC), Dubai (United Arab Emirates)	100%
Click2Pay GmbH, Aschheim (Germany)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Wirecard Sales International GmbH (formerly: 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%
Systems@Work Pte. Ltd. (Singapore)	100%
Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia)	100%
Safe2Pay Pte. Ltd. (Singapore)	100%
PT Prima Vista Solusi, Jakarta (Indonesia)	100%
Wirecard Asia Pte. Ltd. (Singapore)	100%
E-Credit Plus Corp., Las Pinas City (Philippines)	100%
Wirecard Malaysia SDN BHD, Petaling Jaya (Malaysia)	100%
E-Payments Singapore Pte. Ltd. (Singapore)	100%
Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC), Dubai (United Arab Emirates)	100%
Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH, Aschheim (Germany)	100%
Wirecard Bank AG, Aschheim (Germany)	100%
Wirecard Card Solutions Ltd., Newcastle (United Kingdom)	100%

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 2012.

Business combinations

Assets of NETRADA Payment GmbH

Wirecard Technologies GmbH took over material assets from NETRADA Payment GmbH with its registered office in Mainz (Germany) as of April 1, 2012. With this acquisition and the agreed strategic alliance, Wirecard AG has reinforced its position as a payment service provider for the fashion industry. NETRADA Payment GmbH specializes in providing 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 in the fashion, beauty and lifestyle segments as a leading international outsourcing service provider. As part of the acquisition, a long-term strategic alliance was 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 up to EUR 500K could be payable in 2012. The portfolio's revenues in 2011 totaled EUR 1,976K and earnings totaled EUR -565K. Including synergy effects and the sale of other products, the portfolio recorded revenues of EUR 1.3 million for group earnings in 2012, and made a contribution to EBITDA of EUR 304K, however this was offset by one-off expenses of the same amount. In the first three months of 2012 prior to its acquisition by the Wirecard Group, NETRADA Payment GmbH recorded revenues of EUR 0.6 million and negative EBITDA of EUR 0.1 million. The essential assets acquired are customer relationships and their strategic importance.

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	1,186
Customer relationships	1,623
Property, plant and equipment	14
Other non-current intangible assets	146

Prepaid portfolio of Newcastle Building Society

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.

The card portfolio was purchased by a recently formed UK subsidiary of the Wirecard Group, Wirecard Card Solutions Limited, Newcastle (United Kingdom). The cash purchase price totaled GBP 7.5 million (around EUR 9.5 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.

The card portfolio currently comprises approx. 1.5 million prepaid cards issued in six European countries. The employees in Newcastle will continue to be employed by Wirecard in order to operate the business. In fiscal year 2012 Wirecard Card Solutions made a contribution to EBITDA of EUR 0.7 million. This also includes the attorney's costs in connection with the issue of the license by the Financial Services Authority (FSA) and the consulting costs for projects in the Mobile Payments segment.

As a result of this transaction, Wirecard AG has reinforced its position as one of the leading providers on the European prepaid card market.

The acquisition was performed in two phases and has now been concluded as a result of the formal recognition by the Financial Services Authority (FSA) and the issue of the license to act as an eMoney bank.

In the first phase, Wirecard Card Solutions Ltd. took over key functions as part of Newcastle Building Society's prepaid card business as an outsourcing service provider. In the second phase, from September 2012, Wirecard Card Solutions Ltd. took over control of the company.

As the company was not transferred according to IFRS until the second phase was executed, the assets and liabilities acquired were not included in the consolidated financial statements until then. The cash purchase price was carried as an advance payment for intangible assets and the earn out was not carried as a liability until this was the case.

After approval by the Financial Services Authority in September 2012, the conditions required for consolidation have now been met. As a result, the advance payment is no longer carried and the assets and liabilities from the purchase price are recognized. In addition, the variable components of the purchase price are carried as liabilities.

The material assets are customer relationships or the corresponding issued prepaid cards with their credit balances (customer deposits) and the corresponding bank balances.

Amounts recorded and fair value per main category arising from the corporate acquisition
Prepaidcard Portfolio Newcastle

in EUR '000s	Fair value
Cash & cash equivalents	71,467
Goodwill	8,443
Customer relationships	3,247
Other non-current intangible assets	818
Deferred tax liabilities	0
Customer deposits	71,467
Shareholders' equity	0

PT Prima Vista Solusi

In December 2012, we bought a 100% interest in PT Prima Vista Solusi, with its registered office in Jakarta, Indonesia. PT Prima Vista Solusi offers a broad range of innovative payment solutions for emerging markets, such as mini and mobile ATMs, solutions for cash payments for utilities bills (gas/water/electricity) and Internet purchases as well as biometric verification solutions. Prima Vista offers banks and merchants in Indonesia a large range of products for contactless and mobile payments, and also the technical infrastructure for the future acceptance of contactless payments using cellphones. PrimaVista's customers include Indonesia's leading banks and several global financial institutions, as well as numerous trading companies in Indonesia.

The compensation due as part of the transaction comprises cash payments of around EUR 39.7 million plus earn-out components which could total up to approx. EUR 4.7 million. These earn-out components are based on the operating profits for the purchased companies from 2012 to 2014. The Wirecard Group has recorded earnings before taxes of EUR 0.1 million in the consolidated income statement in the short period since the transaction was completed in December 2012, with revenues of EUR 2.7 million. Prima Vista's EBITDA totaled EUR 2.4 million in 2012 as a whole, with revenues of EUR 10.7 million. In 2013, this acquisition is expected to contribute approx. EUR 4.0 million to consolidated EBITDA. Closing was executed in fiscal year 2012. As a result of the short period before preparation of the annual financial statements the amounts recognized are not final. As things stand today, the assets and liabilities acquired are as follows:

Amounts recorded and fair value per main category arising from the corporate acquisition
PT Prima Vista Solusi

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	1,929	**1,929**
Goodwill	0	**5,155**
Customer relationships	25,700	**31,898**
Property, plant and equipment	5,555	**5,555**
Other non-current intangible assets	231	**4,780**
Deferred tax assets	0	**0**
Receivables	1,026	**1,026**
Other assets	2,620	**2,620**
Deferred tax liabilities	10	**2,697**
Non-current Liabilities	312	**312**
Current liabilities	6,376	**6,376**
Shareholders' equity	30,363	**43,578**

Trans Infotech Pte. Ltd.

The Wirecard Group agreed to purchase a 100% Interest in Trans Infotech Pte. Ltd., Singapore, together with its companies, on December 21, 2012. Trans Infotech Pte. Ltd. was formed in 1997 and has 80 employees. The group ranks among the leading providers in the payment services sector for banks in Vietnam, Cambodia and Laos. In addition, Trans Infotech acts as a technology partner for banks, transport companies and trading companies in Singapore, The Philippines and Myanmar, offering payment, network operation and technology services. The compensation due as part of the transaction comprises cash payments of around EUR 21.1 million (translated) plus earn-out components which could total up to approx. EUR 4.4 million. These earn-out components are based on the operating profits (EBITDA) for the purchased companies from 2013 to 2015. The company is expected to record EBITDA of around EUR 2.5 million in fiscal year 2013. The group recorded a practically balanced result in fiscal year 2012 with revenues of EUR 9.1 million. This transaction was closed at April 9, 2013. Integration costs are put at EUR 0.75 million. As one of the leading payment service providers in the Indo-Chinese region, Trans Infotech is an ideal supplement to Wirecard's activities in Singapore and Indonesia. The company has a strong orientation to the region's high-growth markets, and already has, for example, card management for local prepaid and debit cards as well as contactless and mobile card payments in its program. This step broadens the basis for Wirecard's sales in South-East Asia. Trans Infotech plays a key role on markets in the Indo-Chinese region, which are growing at a dynamic pace, and it currently has more than 60,000 terminals. According to preliminary estimates and valuations, the following assets have been acquired:

Amounts recorded and fair value per main category arising from the corporate acquisition
Trans Infotech Pte. Ltd., Singapur

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	579	**579**
Goodwill	0	**770**
Customer relationships	16,700	**20,411**
Other non-current intangible assets	1,400	**4,396**
Other assets	6,166	**6,166**
Deferred tax liabilities	0	**1,056**
Non-current Liabilities	431	**431**
Current liabilities	5,865	**5,865**
Shareholders' equity	18,549	**24,970**

Prior-year business combinations

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

At the same time, a management team which is both anchored in this 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. Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC) has a state-of-the-art technical platform. It can be safely assumed that the integration into the Wirecard platform and the extension of complementary regional functionalities will generate additional technical synergy effects in the course of time.

The purchase price for the company totaled EUR 670K. In addition, debt amounting to EUR 11,561K was assumed. Beside the strategic relevance, the material assets of the companies taken over are customer relationships and the technical platform.

The breakdown is as follows:

Amounts recorded and fair value per main category arising from the corporate acquisition
Wirecard Processing FZ LLC (formerly: 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 assumed was financed from the company's cash funds and using borrowing. No equity instruments were issued. In fiscal year 2011, the income statement recognizes a net loss of EUR 113K and revenues of EUR 969K from the participating interest in Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC).

Systems@Work Pte. Ltd.

As of December 1, 2011, the Wirecard Group acquired a 100% interest in Systems@Work Pte. Ltd. Singapore from its shareholders. Systems@Work Pte. Ltd., which uses the 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 acquisition has reinforced the Wirecard Group's position in this region.

The compensation due as part of the transaction comprises cash payments of around EUR 34,726K (translated) plus two earn-out components which could total up to SGD 22.5 million (approx. EUR 13.4 million). These earn-out components are based on the operating profits for the purchased companies from 2012 to 2013.

The material assets of the companies on the date of first-time consolidation taken over are the potential offered by 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 funds and using borrowing. No equity instruments were issued.

In fiscal year 2011, the income statement recognizes net income for the year of EUR 35K and revenues of EUR 352K from the participating interest in Systems@Work. Systems@Work recorded revenues of EUR 7,857K and net income of EUR 3,319K in 2011 as a whole in the structure acquired.

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

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

Wirecard AG confirms that the sub-group financial statements of Wirecard Technologies GmbH (formerly: Wirecard Technologies AG), Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH), Wirecard Sales International GmbH (formerly: Trustpay International GmbH) and also Wirecard Payment Solutions Holdings Ltd. are 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 within the meaning of Section 264 (3) of the HGB:

- Click2Pay GmbH, Aschheim (Germany)
- Wirecard Technologies GmbH (formerly: Wirecard Technologies AG), Aschheim (Germany)
- Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH), Aschheim (Germany)
- Wirecard Sales International GmbH (formerly: Trustpay International GmbH), Aschheim (Germany)

The necessary requirements under commercial regard will be met.

2. Principles used in preparing the annual financial statements

Wirecard AG mostly publishes its figures in thousands of euro (EUR K). The use of rounding means that it is possible that some figures do not add up exactly to form the totals stated, and that the figures and percentages do not exactly reflect the absolute values on which they are based.

2.1. Principles and assumptions used in preparing the annual 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 company’s assets and repayment of liabilities outstanding are assumed to occur within the ordinary course of business.

Accounting in accordance with 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 International Accounting Standards (IAS) as adopted by the EU and the supplementary regulations applicable in accordance with Section 315a (1) of the HGB.

All interpretations valid for fiscal year 2012 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 translation

The reporting currency is the euro. The functional currency of the foreign subsidiary Wirecard Card Solutions Ltd. is the pound sterling, and for Systems@Work this is the Singapore dollar. PT Prima Vista Solusi has the Indonesian Rupee as its functional currency. 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 and loss and reported separately under 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 in foreign currencies in fiscal year 2012, totaled EUR - 966K (previous year: EUR 650K).

Judgments, estimates, assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that reflect 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 regarded as being current if they are due for payment or sale within one year. Accordingly, assets and liabilities are classified as long-current if they remain within the company for longer than one year. The consolidated income statement was prepared in accordance with the nature of expense method.

Consolidation principles

The consolidated financial statements comprise the annual financial statements of Wirecard AG and its subsidiaries as at December 31, 2012 Subsidiaries are fully consolidated from the date of acquisition, i.e., from the point in time at which the Group acquires control. Consolidation ends as soon as the parent effectively loses control. The financial statements of subsidiaries are prepared as at the same balance sheet date as those of the parent company. Sales revenues, expenses and income, receivables, provisions and between the companies included were eliminated.

For new company acquisitions, capital is consolidated 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 the 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 2012 and 2011 there were no interests in associated companies.

Comparability

Comparability with the previous period is limited owing to the first time consolidation of the acquired companies or interests therein.

As a result of the consolidation of the assets and liabilities acquired as part of the purchase of the prepaid card portfolio from Newcastle Building Society, the assets of NETRADA Payment GmbH and PT Prima Vista Solusi during the period under review, several items in the financial statements have changed substantially. As a result, comparability is only possible to a limited extent. In particular, this relates to the asset items of receivables, cash and cash equivalents and the liability item of customer deposits.

In addition, customer relationships in the amount of EUR 42,775K from the third quarter of 2011 have been written down over a remaining useful life of 20 years for the first time, which is why amortization and depreciation increased by EUR 1,069K in fiscal year 2012.

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 affected. Detailed information and reconciliations for comparability are included in Chapter 6.1 Segment Reporting.

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 fair value through profit or loss
- financial investments held until final maturity
- financial assets available for sale
- loans and receivables
- financial liabilities measured at amortized cost

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 the 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.

The Group's financial assets comprise cash as well as current deposits, trade receivables, loans 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 at fair value through profit or loss

The group of financial assets to be measured at fair value through profit or loss comprises financial assets held for trading and financial assets classified as having been measured at fair value through profit or 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 are designated as being at fair value if these are controlled based on their changes in fair value, their earnings strength is correspondingly assessed and internally transferred to the group's management level. In so doing, control is performed in accordance with the Group's documented risk management or investment strategy. Financial assets recognized at fair value through profit or 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 their fair value being recognized in profit and loss. A reassessment is made only in the event of a change in the contractual terms and conditions if this leads to a significant change in the payment flows that would otherwise have resulted from the contractual terms and conditions. No agreements of this kind were in place in fiscal year 2011 and 2012.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on 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 of 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 assets held to final maturity if the Group has the intention and is in the 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 of the books or impaired or within the scope of amortizations. In 2011 the Group invested in fixed-interest bonds.

Available-for-sale financial assets

Available-for-sale financial assets 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, available-for-sale financial assets are measured at fair value. Investments whose fair value cannot be reliably 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 or loss. If the value of such an asset is impaired, the cumulative loss directly recognized in equity is recognized in profit or loss.

Derecognition

A financial asset (or part thereof, or part of a group of similar financial asset) 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 which 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 and 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 liabilities 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 only 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 anticipated future cash flows of the financial asset or the group of financial asset that 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 anticipated 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. Financial liabilities are recognized initially at fair value and in the case of loans, plus directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, bank overdrafts, loans, financial guarantees and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification as detailed below:

Financial liabilities 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 liabilities 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 losses 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 at amortized cost using the effective interest method. Gains and losses are recognized in the income statement if the financial investments 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 liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability 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 financial liability 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 a quoted market price. 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 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 in connection with financial instruments

If the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be determined with the aid of data from 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 regarding these factors may have an impact on the fair value recognized for financial instruments.

2.3. Essential accounting and valuation policies

Accounting for goodwill

The goodwill arising when a subsidiary is acquired or business operations are created 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 or operations 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 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 to a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is less 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 recoverable amount of a business segment to which goodwill was assigned is determined on the basis of 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 estimate by management of future trends, which are compared with the assessment of external market research companies.

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

- Risk-free interest rate: 2.25 percent (previous year: 2.75 percent)
- Market risk premium: 6.25 percent (previous year: 5.50 percent)
- Unlevered beta factor: 0.83 (previous year: 0.88)
- Weighted average costs of capital (WACC): 7.17 - 8.58 percent (previous year: 7.59 percent)
- Weighted average costs of capital (WACC) before tax: 8.88 - 11.59 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 2012 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 of December 31, 2012 the basic interest rate amounted to 2.25 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 6.25 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 with a growth rate of 1 percent.

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 amortized using the straight line method over their expected 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 costs 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 2012, as was the case in the previous year. The software constituting the Group's core operations, most of which was internally generated, has a longer estimated useful life and is amortized over a period of ten years.

The useful life and amortization methods are reviewed annually. In fiscal year 2011 there was a change to the useful lives of some customer relationships, based on the constant review of parameters set out in IFRS regarding accounting treatment. Given this background, the amortization period for these customer relationships has been amended to 20 years. This led to annual amortization of EUR 2,139K.

Research costs are recorded as expenses through profit or loss on the date on which they occur. 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. Initial capitalization of costs is based on the assessment by management that the technical and commercial viability 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 assumptions of management are reviewed. The development costs capitalized in the fiscal year totaled EUR 10,260K (previous: year: EUR 7,442K).

Accounting for property, plant and equipment

The original costs of acquisition or manufacture of property, plant and equipment comprise the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the item of property, plant and equipment was deployed, such as maintenance or repair costs, are recognized as expenses 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 2012, as was the case in the previous year.

Office equipment 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, as a rule, thirteen years for office equipment and furniture.

Any gains and losses on disposal of fixed 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 useful life and amortization methods are reviewed annually. 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. If there are such indicators, the company estimates the recoverable value of the respective asset. 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, the estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates 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 recoverable amount, 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 a partial or full reversal is verified as soon as there is evidence that the reasons for impairment charges effected in previous years no longer apply. Any impairment charge previously recognized 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 or in the previous year.

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 arising until the time of sale, the lower fair value is used as 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 fluctuation sin 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 37K (previous year: EUR 54K) 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 expenses 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 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:

- 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 of 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 value of share-based remuneration, the best method of measurement must be determined; this depends on the terms and conditions at 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 year 2013.

2.4. Accounting for and valuation 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 on 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 asset are set up accordingly for all temporary differences between the value of the assets and liabilities in the tax base 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 base 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 generate sufficient taxable income in future.

Deferred taxes are determined in line 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 or 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: 11.55 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; Gibraltar 10 percent; United Kingdom 24 percent; Indonesia 25 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 on 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 are unchanged compared to those applied in the previous year. The amendments to standards listed below forms an exception to this. These were applied from January 1, 2012:

- Adjustments from IAS 12 Income taxes – deferred taxes Realization of underlying assets
- IFRS 1, First-time Application of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Adjustment)
- IFRS 7 Financial Instruments: Disclosures - Improvement of disclosures on the transfer of financial assets

Application of these standards and interpretations is explained in greater detail below.

Adjustments from IAS 12 Income taxes – deferred taxes: Realization of underlying assets

This adjustment includes clarification of the measurement of deferred taxes for investment properties and, in so doing, it introduces a rebuttable presumption that, the for measurement of deferred tax for investment property measured using the fair value model in IAS 40 the recovered of the carrying amount through sale is the key factor. When measuring deferred taxes for non-wasting assets that are measured according to the revaluation model according to IAS 16, a sale should always be assumed. This amendment is to be applied for the first time for fiscal years beginning on or after January 1, 2012. This adjustment does not impact the Group's financial position and results of operations and cash flows and the disclosures in the notes.

IFRS 1, First-time Application of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Adjustment)

In this adjustment, the IASB has presented guidelines as to how a company can recommence preparation of its financial statements in line with IFRS when its functional currency is no longer subject to severe hyperinflation. This amendment is to be applied for the first time for fiscal years beginning on or after July 1, 2011. This adjustment does not impact the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures - Improvement of disclosures on the transfer of financial assets

In this adjustment, the IASB requires extensive new information on financial assets transferred but not derecognized, in order to provide the addressees of the financial statements with an understanding of these assets and the associated liabilities. In addition, disclosures are required for continuing exposure on the balance sheet date for assets transferred or derecognized in their entirety, thus providing users with useful information about the type of continuing involvement and the associated risks associated. This amendment is to be applied for the first time for fiscal years beginning on or after July 1, 2011. As the Group does not have any assets with these characteristics, this adjustment does not impact the Group's financial statements.

2.6. Changes to 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 fiscal year 2012. The Group does not use these standards and interpretations ahead of time.

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

The change to IAS 1 leads to a changed grouping of items that are presented under other comprehensive income. Items that are reclassified to earnings for the period at a later date (including profits from hedging a net investment, currency translation differences from currency translation for foreign operations, losses and gains from cash flow hedges and from available-for-sale financial assets) are to be disclosed separately from the items for which there will be no reclassification (including actuarial gains and losses from defined benefit pension plans and effects from the revaluation of land and buildings). The change only affects presentation and does not impact the Group's financial position and results of operations. This amendment is to be applied for the first time for fiscal years beginning on or after July 1, 2012, and the Group will use this in its first annual report after it came into effect.

Amendments to IAS 32 - Offsetting of Financial Assets and Liabilities

The change clarifies the wording "currently has a legally enforceable right of set-off". In addition, it adds greater detail to the application of offsetting criteria in IAS 32 for processing systems (such as central clearing agents) which perform gross netting with individual transactions not taking place simultaneously. The revised standard is to be applied for the first time for fiscal years beginning on or after January 1, 2014 and is not expected to have any impact on the consolidated financial statements.

Amendments to IFRS 7 - Offsetting of Financial Assets and Liabilities

According to this amendment, an entity must provide information on offsetting rights and the associated agreements (e.g., hedge agreements). This provides the users of the financial statements with information that they can use to assess the impact of offsetting agreements on the entity's financial position. The new disclosures are required for all financial instruments in the financial statements that are offset according to IAS 32 Financial instruments: Presentation. The disclosures also apply to financial instruments carried that are subject to subject to an enforceable master netting arrangement or similar agreement, irrespective of whether these are offset according to IAS 32. The change is to be applied for the first time for fiscal years beginning on or after January 1, 2013 and is not expected to have any impact on the presentation of the group's financial position, net assets or results of operations.

IFRS 13 Fair value measurement

This standard sets out uniform guidelines for identifying fair value. This standard does not deal with the issue of when assets and liabilities are to be or can be measured at fair value, rather it provides guidelines as to how the fair value should be properly calculated according to IFRS. At present, the Group is investigating the impact that the new standard is expected to have on the Group's financial position, net asset and results of operations. Initial reviews suggest that no material impact is expected. This standard is to be applied for the first time for fiscal years beginning on or after January 1, 2013.

Additional standards and interpretations

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 which are not expected to impact Wirecard AG's consolidated financial statements:

- IAS 19 Employee Benefits (revised)
- IAS 28 Interests in Associated Companies and Joint Ventures (revised 2011)
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRC 20 Stripping Costs in the Production Phase of a Surface Mine

2.7. Changes to 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 application in fiscal year 2012. These standards and interpretations have not been endorsed by the EU and are not used by the Group.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 reflects the first phase in the IASB project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities according to IAS 39. This standard was to be applied for the first time for fiscal years beginning on or after January 1, 2013. With the change published in December 2011 for IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, the date of mandatory first-time application has been shifted to January 1, 2015. In further project phases, the IASB will deal with hedge accounting and the impairment of financial assets. Application of the new regulations from the first phase of IFRS 9 will impact the classification and valuation of the

Group's financial assets, however it will not impact the classification and valuation of financial liabilities. When the final standard including all phases has been published, the Group will be able to quantify the impact in connection with the other phases.

Improvements to IFRS (May 2012)

The changes from this pronouncement will not have any impact on the consolidated financial statements.

- **IFRS 1, First-time Application of International Financial Reporting Standards Clarification,** that a company which has terminated IFRS accounting and which resolves or is obliged to continue with IFRS accounting, has the opportunity to apply IFRS 1 again. If the company does not use IFRS 1 again, it must adjust its financial statements retroactively, as if the use of IFRS had never been terminated.
- **IAS 1, Presentation of Financial Statements:** Clarification of the difference between voluntary comparable information and prescribed comparable information, which generally spans the prior reporting period.
- **IAS 16, Property, plant and equipment:** Clarification that material replacement parts and maintenance equipment which qualify as property, plant and equipment, are not covered by the application provisions for inventories.
- **IAS 32, Financial instruments:** Clarification that income taxes on disbursements to the holders of equity instruments are covered by the application provisions of IAS 12 Income Taxes.
- **IAS 34, Interim reporting:** Regulation for the comparison of information on segment assets with the information on segment liabilities as well as the comparison of information in interim reporting with the information in annual reporting.

The change from this project is to be applied for the first time for fiscal years beginning on or after January 1, 2013.

Additional standards and interpretations

The IASB has published additional standards and interpretations for which application was not yet mandatory in fiscal year 2012. These standards and interpretations have not been endorsed by the EU. They are not used by the Group and would not have any impact on Wirecard's consolidated financial statements.

- Amendment to IFRS 1 - Government loans
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment companies

3. Explanatory notes on consolidated balance sheet assets

For a breakdown of non-current assets relating to intangible assets, property, plant and 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 assets movements from January 1, 2012 to December 31, 2012 (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, 2012). The determination of the recoverable amount of a business segment (cash-generating unit) 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 fiscal year 2012 as a result of the acquisition of assets of NETRADA Payment GmbH, the consolidation of the prepaid card portfolio of Newcastle Building Society and PT Prima Vista Solusi, and totals EUR 142,149K (December 31, 2011: EUR 127,565K) and is reported in the following cash-generating units:

Goodwill

in EUR '000s	12/31/2012	12/31/2011
Payment Processing & Risk Management	107,422	101,081
Acquiring & Issuing	34,439	26,196
Call Center & Communication Services	288	288
Total	**142,149**	**127,565**

For information on goodwill, please refer to the statement of changes in non-current assets.

Internally generated intangible assets

In fiscal year 2012 internally-generated software was developed and capitalized in the amount of EUR 10,260K (December 31, 2011: EUR 7,442K). Compared to the previous year, this item has increased in particular as a result of the increased development activities at Wirecard Processing FZ LLC and

Wirecard Technologies GmbH. This relates to software for the payment platform and “Mobile Payment” projects. It is written off using the straight-line method over its anticipated useful economic life of is 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. These will be amortized using the straight-line method The relevant period ranges from three to ten years. This item decreased in the period under review from EUR 28,530K to EUR 25,607K. As a result of the consolidation of the prepaid card portfolio of Newcastle Building Society this item was reduced by the purchase price (EUR 8,999K), which was previously carried as an advance payment under this item. It increased in particular in connection with the acquisition of PT Prima Vista Solusi. For further information, please refer to the information in Chapter 1.1. Business activities and legal background - business combinations.

Customer relationships

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. The acquisitions made by Wirecard focused on acquiring regional customer relationships in order to expand the market position with the acquisitions made. The increase in this item of EUR 63,709K in the period under review is connected, in particular, with the completed acquisitions of PT Prima Vista Solusi, NETRADA and Wirecard Card Solutions Ltd., as well as the further expansion of Asian customer relationships. As a rule, amortization starts together with the flow of benefits and is performed over the expected useful life. Further information on the business combinations can be found in 1.1. Business activities and legal background - business combinations.

The customer bases are subject to the following amortization rules:

Amortization of customer relationships

Useful life in years	Remaining period of use	Remaining carrying amount in EUR '000
20	20	**64,400**
20	19	**55,883**
10	10	**18,124**
10	9	**8,364**
10	5	**1,040**
10	7	**3,136**
4	1	**334**
		151,279

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, as a rule, thirteen years for office equipment and furniture. The main increases in this item are due to investments in expanding the computer centers and also to the first-time consolidation of the companies acquired.

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

Financing and leases

The carrying amount of the technical equipment and operating and office equipment held as part of finance leases on December 31, 2012 totaled EUR 4,826K (December 31, 2011: EUR 0K). Of the additions during the fiscal year, EUR 6,184K (2011: EUR 0K) was due to technical equipment and operating and office equipment held as part of finance leases agreements. The leased items serve as security for the respective obligations from the finance leases agreements.

3.3. Financial and other assets / interest bearing securities

Financial and other assets on December 31, 2012 totaled EUR 99,128K (December 31, 2011: EUR 26,714K). In order to improve interest income, various interest-bearing securities were held. These mostly bear income based on the money market, in some cases minimum and maximum interest rates have been agreed (collared floaters). As a result of the additional acquisition of interest-bearing securities, these totaled EUR 44,720K on the balance sheet date (December 31, 2011: EUR 23,205K). In addition, medium-term financing agreements are included for sales partners (December 31, 2012: EUR 18,852K; December 31, 2011: EUR 2,365K). In addition, advance payments made in connection with corporate acquisitions that have not yet been concluded were included in this item in the amount of EUR 32,171K.

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, 2011, tax notices issued up to the assessment year 2011 for fiscal year 2011 and the consolidated taxable earnings in fiscal year 2012, the deferred tax assets as at December 31, 2012 amounted to EUR 1,112K following a valuation allowance (December 31, 2011: EUR 936K).

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

3.5. Inventories and work in progress

As at December 31, 2012, the inventories and work in progress reported amounting to EUR 1,626K (December 31, 2011: EUR 779K) reflected merchandise such as terminals and debit cards, which are kept, in particular, for payments using cellphones. This item increased as a result of the first-time consolidation of Prima Vista. Their value was measured in accordance with IAS 2.

Inventories and work in progress are measured at the lower of cost (of acquisition or manufacture) and their net realizable 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 also 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 commissions and charges) are mostly transitory in nature and subject to substantial fluctuations from one balance sheet date to another. The increase as at December 31, 2012 is essentially due to an increase in receivables in the acquiring segment as at that particular date, in addition to organic growth. Moreover, cooperation with other acquiring banks in the Asian region led to an increase in receivables year-on-year for accounting reasons. In addition, comparability is restricted due to the new company and the new business operations.

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

Depending on the age structure of the 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. Trade receivables and other receivables are broken down as follows:

Structure of trade receivables and other receivables

in EUR '000s	12/31/2012	12/31/2011
Trade receivables (before value adjustments)	221,881	185,524
Value adjustments	- 6,385	- 3,378
Book value trade receivables	**215,496**	**182,146**

Prior to accepting a new business customer, the Group utilizes external and internal 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. 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 - 1,349K (December 31, 2011: EUR 60K) with an impact on expenses at the exchange rate prevailing on the balance sheet date.

3.7. Tax credits

Tax credits on December 31, 2012 include claims for tax refunds amounting to EUR 5,919K (December 31, 2011: EUR 5,570K) and claims for value added tax refunds amounting to EUR 2,465K (December 31, 2011: EUR 177K).

3.8. Interest-bearing securities and fixed-term deposits

To improve its interest income, apart from investing in various interest-bearing securities, the Wirecard Group has also invested in fixed-term deposits. All investments were only concluded with banks or counterparties that meet the creditworthiness requirements from the Group's own risk evaluation and - to the extent that external ratings are available - are assessed as having a minimum creditworthiness risk by well-known ratings agencies. Fixed-term deposits with a term of more than three months are disclosed under "Interest-bearing securities and fixed-term deposits", which reduces the item Cash and cash equivalents. Fixed-term deposits have been transferred as collateral for credit card acquiring for the duration of the business relationship in the amount of EUR 4,613K. Fixed-term deposits with a term of up to three months are disclosed under the item Cash and cash equivalents.

3.9. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2012: EUR 358,172K; December 31, 2011: EUR 213,403K includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months 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, 2012: EUR 118,036K; December 31, 2011: EUR 71,493K) 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 interest-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 and the fixed-term deposits with a term of more than three months, cash and cash equivalents would have been higher by EUR 128,425K (December 31, 2011: EUR 33,549K).

The strong increase in cash and cash equivalents is due to the first-time consolidation of Newcastle Building Society's prepaid card portfolio, which led to an increase of EUR 71,467K, and also to the capital increase which Wirecard AG successfully placed with institutional investors on March 8, 2012 at a price of EUR 13.70. As a result, Wirecard received net proceeds of EUR 137,268K. These were used to repay financial debt in the amount of EUR - 45,024K, and also to finance the acquisitions performed.

4. Explanatory notes on consolidated balance sheet equity and liabilities

As regards the development of Group equity for fiscal year 2012, 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 increased by EUR 10,180K after the capital increase performed on March 8, 2012 and entered in the commercial register on March 9, 2012. In addition, it also increased by EUR 209K as a result of the conversion of convertible bonds from the 2004 staff option program. On December 31, 2012, it totaled EUR 112,192K, and comprised 112,192,241 no-par value shares with a notional common stock of EUR 1.00 per share.

Authorized capital

According to the resolution by the General Meeting on June 26, 2012, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by up to EUR 30,000K by June 25, 2017 on one or several occasions by up to a maximum total of EUR 30,000K against cash and/or non-cash capital contributions, including so-called “mixed contributions in kind”, by issuing up to 30 million new no-par-value bearer shares (authorized capital 2012) and to determine that profit participation is to begin at a time other than that stipulated by legislation, to the extent that no resolution has been passed to date regarding the profits for this past fiscal year.

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 Management Board with the obligation to offer them to shareholders (indirect subscription right).

However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders’ statutory subscription rights in the following cases:

- in order to avoid fractional amounts;
- If the capital increase is made against cash contributions and issue price, excluding subscription rights within the meaning of Section 186 (3) Sentence 4 of the AktG, of the new shares is not significantly below the company’s stock market price and the new shares issued to the exclusion of subscription rights according to Section 186 (3) Sentence 4 of the AktG do not exceed 10% of the share capital, neither at the time the authorization takes effect, nor at the time of exercising. Shares must be included in this limit that were sold, issued or are to be issued during the term of this authorization as a result of other authorizations in direct or corresponding application of Section 186 (3) Sentence 4 of the AktG while excluding subscription rights;
- In the event of a capital increase against non-cash contributions, in particular for the purpose of acquiring a company, parts of a company, a participating interest in a company or other material operating equipment;

- In order to grant the holders of options or convertible bonds or bonds with warrants subscription rights to the extent that these would be due to them in the event that a conversion right or option is exercised or in fulfillment of a conversion obligation as a shareholder; and
- In the event of a capital increase to issue staff shares according to Section 204 (3) of the AktG) if the issue price, excluding subscription rights, of the new shares is no more than a maximum of 30% below the company's stock market price and the new shares issued to the exclusion of subscription rights do not exceed 5% of the share capital, neither at the time the authorization takes effect, nor at the time of exercising. All shares are included in the above 5% threshold that are issued during the term of this authorization as a result of other authorizations excluding shareholders' subscription rights as staff shares to employees of the company and members of management and employees of companies associated with the company at a price which is lower than the stock market price. The 5% 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 total number of shares to be issued and that have been issued excluding subscription rights as a result of one of these authorizations may not exceed 20% on the date the authorization is exercised; shares must be included that were sold, issued or are to be issued during the term of this authorization as a result of other authorizations.

The Management Board is authorized, with the approval of the Supervisory Board, to decide on the further details of the capital increase and its execution, in particular the content of the share rights and the conditions of issue including the issue amount. The Supervisory Board is authorized to change the wording of the Articles of Incorporation accordingly to the extent of the respective capital increase from authorized capital.

Authorized capital 2009/I no longer exists as a result of this resolution. On the balance sheet date there was authorized capital (Authorized capital 2012I) of EUR 30,000K.

Contingent capital

As a result of the conversions performed in fiscal year 2012, the contingent capital (contingent capital 2004) fell in the period under review and totals EUR 789K (December 31, 2011: EUR 998K).

Following the resolution passed by the Annual General Meeting on 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 decide on the further details of the capital increase and the execution thereof. On December 31, 2012 a total of 743,250 convertible bonds (December 31, 2011: 743,250) had been subscribed to, of which 198,296 (previous year: 331,922) are still outstanding for conversion and capable of being exercised. According to the 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. This corresponded to a price of EUR 8.059 with an average closing price of EUR 16.118. The convertible bonds are convertible daily within the exercise periods, have a term to maturity of ten years and do not bear interest. 112,000 convertible bonds have a residual term to maturity until December 2017, and all other convertible bonds outstanding expire in 2015.

In addition, the Annual General Meeting on June 26, 2012 authorized the Management Board, with the consent of the Supervisory Board, to issue, on one or several occasions, bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to EUR 300,000K, and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights to new bearer shares of the company with a proportionate amount in the share capital of up to EUR 25,000K, according to the details in the conditions for the bonds with warrants or the convertible bonds. The share capital has been conditionally increased by up to EUR 25,000K, comprising 25 million bearer shares (conditional capital 2012). The conditional capital increase will only be executed to the extent that the bearers of the convertible bonds or bonds with warrants issued by the company or its direct or indirect majority associates as a result of the authorization for the Management Board resolved by the Annual General Meeting on June 26, 2012 use their conversion or option rights by June 25, 2017, or how the bearers of the convertible bonds who are obliged to convert the convertible bonds issued by the company or its direct or indirect majority associates fulfill their conversion obligation by exercising their conversion obligation by June 25, 2017.

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, 2012, 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

On March 7, 2012, Wirecard AG resolved a capital increase of 10,180,313 new shares, which were successfully placed with institutional investors at a price of EUR 13.70. Wirecard generated a premium from this issue of EUR 129,290K. This was offset by directly allocable transaction costs of EUR 2,202K, which were reduced by all of the associated income tax advantages, with the result that the premium is offset by EUR 1,599K. In addition, the conversion of convertible bonds meant that a premium of EUR 1,473K was recorded in the capital reserve. As a result the capital reserve increased in the period under review by EUR 129,164K and on December 31, 2012 this totaled EUR 140,425K.

4.3. Retained earnings

The General Meeting on June 26, 2012 resolved to carry forward an amount from the disclosed net retained profits of Wirecard AG (separate company) for fiscal year 2011 in the amount of EUR 31,908K totaling EUR 20,710K to new account, and to disburse a total amount of EUR 11,198K as a dividend in the amount of EUR 0.10 per ordinary share for the 111,983,452 dividend-entitled ordinary shares. A proposal will be made at the 2013 General Meeting to pay a dividend of EUR 0.11 per share to the shareholders, which corresponds to a total amount of EUR 12,341K.

4.4. Foreign currency translation reserve

The foreign currency translation reserve changed in fiscal year 2012 due to exchange rate factors and with no impact on profit or loss from EUR 175K in the previous year to EUR - 634K. With regard to the foreign currency translation reserve, reverence is made to the relevant passage under 2.1 Principles and assumptions used in preparing the annual 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 interest-bearing liabilities were repaid in part. In the fourth quarter, in turn, new funds were drawn down to finance corporate acquisitions. In total non-current interest-bearing liabilities fell from EUR 85,024K on December 31, 2011 to EUR 80,031K.

Other non-current liabilities

Other non-current liabilities on December 31, 2012 mostly comprise the non-current portion of earn-out components in the amount of EUR 7,805K (December 31, 2011: EUR 12,135K), which are due in 2014. In addition, on December 31, 2012, this item included lease liabilities of EUR 3,434K (December 31, 2011: EUR 0K), liabilities for variable remuneration for members of the Management Board in the amount of EUR 867K (December 31, 2011: EUR 0K) and EUR 198K (December 31, 2011: EUR 332K) in (convertible) bonds.

The earn-out components and current purchase price liabilities in the amount of EUR 13,081K that are due in 2013 are carried under current liabilities.

Deferred tax liabilities

Deferred tax liabilities, amounting to EUR 13,232K (December 31, 2011: EUR 9,344K) 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 expense 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 and Wirecard Card Solutions Ltd., 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 - 14K (December 31, 2011: EUR 2K) 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 171,404K (December 31, 2011: EUR 122,139K). Trade payables increased significantly compared to the previous year as a result of the Wirecard Group's organic growth and also due to the balance sheet date. In addition, comparability is restricted due to first-time consolidation of the new company and the new business operations.

Interest-bearing liabilities

Interest-bearing liabilities, in the amount of EUR 14,939K (December 31, 2011: EUR 1,000K) mostly include loans, which are due in the first half of 2013 in the amount of EUR 11,250K and in the second half of 2013 in the amount of EUR 3,250K.

Other provisions

Provisions are generally short-term in nature and will presumably be used in the first half of 2013. Other current provisions in the amount of EUR 1,298K (December 31, 2011: EUR 992K) include the costs of preparing and auditing the financial statements as the largest single item in the amount of EUR 648K (December 31, 2011: EUR 508K).

The individual provisions changed as follows during the fiscal year:

Statement of changes in provisions

in EUR '000s	01/01/2012	Addition first-time consolidation	Consumption	Reversal	Addition	12/31/2012
Litigation risks	103	0	- 46	0	74	**131**
Archiving	65	0	- 65	0	65	**65**
Annual General Meeting	155	0	- 145	- 10	155	**155**
Financial statement and other audit costs	508	0	- 454	- 8	602	**648**
Other provisions	161	0	- 46	0	183	**299**
Other current provisions	**992**	**0**	**- 755**	**- 18**	**1,079**	**1,298**
Bonuses & commissions from wages and salaries	2,532	0	- 2,134	- 398	2,959	**2,959**
Emoluments of the Supervisory Board	263	0	- 263	0	295	**295**
Vacation	559	0	- 559	0	656	**656**
Berufsgenossenschaft (employees' industrial compensation society)	92	0	- 77	- 3	102	**114**
Outstanding invoices	2,173	0	- 1,174	- 739	2,333	**2,593**
Outstanding interest	230	0	- 230	0	479	**479**
Other accrued liabilities	202	0	- 202	0	554	**554**
Accrued liabilities	**6,051**	**0**	**- 4,639**	**- 1,140**	**7,379**	**7,650**
Tax provisions	**1,319**	**9**	**- 1,171**	**- 7**	**6,086**	**6,236**
Total	**8,362**	**9**	**- 6,566**	**- 1,165**	**14,544**	**15,184**

Other liabilities

Other liabilities in the amount of EUR 28,971K (December 31, 2011: EUR 15,104K) comprised EUR 7,650K (December 31, 2011: EUR 6,051K) accrued liabilities in the amount of EUR 1,648K (December 31, 2011: EUR 0K) the current portion of lease liabilities and EUR 13,081K (December 31, 2011: EUR 1,868K) current purchase price liabilities from variable remuneration for M&A transactions. In addition, this item includes liabilities from payment transactions, wages and salaries, social security and the like.

Customer deposits from banking operations

This item includes customer deposits in the amount of EUR 241,893K (December 31, 2011: EUR 105,042K) with Wirecard Bank AG and Wirecard Card Solutions Ltd.

In particular the consolidation of the prepaid portfolio of Newcastle Building Society caused this item to increase. An amount of EUR 79,792K lapse on the balance sheet date. This is offset by cash and cash equivalents.

Provisions for taxes

Provisions for taxes related to provisions set up for income taxes of Wirecard Bank AG (EUR 438K) and Wirecard AG (EUR 100K). Due to the tax prepayments for the period under review, provisions of EUR 5,698K 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 2012

in EUR '000s	up to 1 year	1 to 5 years	more than 5 years
Interest-bearing bank liabilities	**14,939**	**80,031**	**0**
Trade payables	**187,249**	**0**	**0**
Customer deposits	**241,893**	**0**	**0**
Other liabilities and provisions	**36,505**	**12,305**	**0**
Total	**480,586**	**92,336**	**0**

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**

5. Notes to the consolidated income statement

5.1. Revenues

The Group's principle products and services are broken down as follows:

Revenues by operating divisions (as if)

in EUR '000s	2012	* 2011
Payment Processing & Risk Management	**278,206**	244,688
Acquiring & Issuing	**140,510**	104,147
Call Center & Communication Services	**4,774**	4,267
	423,490	**353,102**
Consolidation PP&RM	**- 26,240**	- 23,246
Consolidation A&I	**- 915**	- 3,694
Consolidation CC&CS	**- 1,734**	- 1,365
Total	**394,601**	**324,797**

*Figures adjusted to create comparability according to IFRS 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 Wirecard Group's financial position and results of operations, 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.

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 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 services 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. On the balance sheet date, more than 14,000 companies were connected to the FSCM software platform.

In terms of sales of card products by Wirecard Bank AG and with the CLICK2PAY product, revenues were 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. In the field of Issuing, so-called interchanges are generated, for which Wirecard receives a volume-dependent fee from credit card organizations. Moreover, Wirecard offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it not only earns a fixed charge, but also generates sales revenues within the scope of the card agreements entered into. The interest income generated in the Acquiring & Issuing segment in the amount of EUR 3,313K (previous year: EUR 2,424K) is reported as revenue in accordance with IAS 18.5(a). This includes EUR 1,081K from the so-called collared floaters (previous year: EUR 962K).

The “Call Center & Communication 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 services 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 in fiscal year 2012 amounted to EUR 16.1 million (previous year: EUR 14.5 million). The R&D ratio, or research and development costs as a percentage of total sales revenue was 4.1 percent in the period under review (previous year: 4.5 percent).

The individual expenditure items are included in the personnel expenses of the relevant departments (Product Management, Development, Quality Assurance, etc.), in the advisory costs as well as in other expenses. Of this amount, EUR 10,260K (previous year: EUR 7,442K) was taken into account as own work capitalized in the period under review. Compared to the previous year, this item has increased as a result of the development activities for the Mobile Payment Platform.

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). Expenses of payment guarantees and factoring activities are also recorded under risk management. 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, comprising Interchange and in particular processing costs from external service providers, from production, personalization and transaction costs for prepaid cards and the payment transactions performed with these cards, as well as account management and transaction fees for managing customer accounts.

5.4. Personnel expenses

Personnel expenses in fiscal year 2012 totaled EUR 37,076K (previous year: EUR 28,240K), comprising salaries amounting to EUR 32,840K (previous year: EUR 25,115K), and social security contributions in the amount of EUR 4,212K (previous year: EUR 3,125K).

In fiscal year 2012 Wirecard Group had an average of 674 employees (previous year: 498 employees) (excluding the Management Board and apprentices), 147 of whom (previous year: 128) worked on a part-time basis. Of the 674 employees, 30 (previous year: 19) were employed as Management Board members / general managers of a subsidiary.

These employees were engaged in the following functions:

Employees

	2012	2011
Sales	**123**	95
Administration	**126**	102
Customer service	**231**	161
Research/Development and IT	**194**	140
Total	**674**	**498**
of which part-time	**147**	**128**

In the event of a change of control of the company the Management and Supervisory Boards 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 26, 2012 to offer employee shares from authorized capital excluding subscription rights to members of the company's management at a price which 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 of affiliated companies 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 broken down as follows:

Other operating income

in EUR '000s	2012	2011
Reversal of provisions/accrued liabilities	**1,159**	552
Income from contractual agreements	**1,333**	0
Currency translation differences	**19**	0
Income due to the revaluation of receivables	**608**	202
Netted remuneration in kind	**284**	263
Other	**930**	272
Total	**4,333**	**1,289**

The item Income from contractual relationship mostly includes earn-out obligations carried as a liability but which do not have to be made in the amount of EUR 461K and the entitlement to refund of the purchase price in the amount of EUR 355K from NETRADA Payment GmbH, which is recognized in profit and loss as targets have not been reached.

5.6. Other operating expenses

Breakdown of other operating expenses:

Other operating expenses

in EUR '000s	2012	2011
Legal and financial statement costs	**5,542**	4,588
Consulting expenses and consulting-related expenses	**2,938**	2,730
Office expenses	**4,504**	3,699
Equipment and leasing	**4,978**	5,119
Sales and marketing	**4,981**	3,712
Human recources-related expenses	**3,399**	2,398
Insurances, contributions and duties	**844**	463
Other	**5,918**	9,041
Total	**33,104**	**31,750**

Others includes items such as write-downs on receivables. Further details can be found under 3.6. Trade receivables and other receivables.

5.7. Financial result

The financial result totaled EUR - 2,446K (previous year: EUR - 1,993K). Expenses in the amount of EUR 5,091K include interest in the amount of EUR 4,570K (previous year: EUR 1,500K) amortization of financial investments in the amount of EUR 415K (previous year: EUR 602K) and currency-related expenses of EUR 106K (previous year: EUR 277K), which were offset by currency-related income in the amount of EUR 7K (previous year: EUR 0K). In addition, interest income of EUR 699K (previous year: EUR 362K) and EUR 1,939K (previous year: EUR 0K) from income from securities and loans, with the result that financial income of EUR 2,645K (previous year: EUR 386K) was recorded. Interest income in the Acquiring & Issuing segment in the amount of EUR 3,313K (previous year: EUR 2,424K) is not disclosed under the financial result according to IAS 18.5 (a), but under revenues. Please refer to Chapters 5.1. Sales Revenues and 7.1. Segment Reporting.

5.8. Income tax expense and deferred taxes

Tax reconciliation account

in EUR '000s	2012	2011
Profit before taxes	**91,136**	**73,920**
Expected income tax expense on corporate net income before such taxes 27.375% (Prev. year: 27.152 %)	**- 24,948**	- 20,070
Effect from taxation of holdings from subsidiary companies	**269**	- 269
Different effective tax rates abroad	**8,073**	9,265
Changes in tax rates	**0**	- 61
Value adjustment and non-carried deferred tax assets	**202**	- 1,454
Tax increase owing to non-deductible expenses for tax purposes	**- 1,108**	- 516
Tax effects from prior years	**- 291**	331
Other tax effects	**- 36**	40
Income tax expense reported	**- 17,839**	**- 12,734**

The following deferred tax assets and liabilities were accounted for due to recognition and measurement differences for the individual balance sheet items:

Deferred taxes

	Deferred tax assets		Deferred tax liabilities	
In EUR '000s	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Expenses on starting up and extending business operations	**4**	10		
Internally generated intangible assets			**6,491**	5,109
Other intangible assets	**0**	74	**1,519**	416
Customer relationships	**0**	51	**4,706**	3,470
Financial assets	**0**	121	**274**	10
Work in progress			**0**	65
Trade receivables and other receivables	**20**		**242**	5
Capital reserve	**603**	0		
Other provisions	**42**	78	**0**	0
Other liabilities	**70**	52		
	739	386	**13,232**	9,075
Loss carry-forwards	**373**	550		
Outside basis differences			**0**	269
Deferred taxes recognized	**1,112**	**936**	**13,232**	**9,344**

Deferred tax assets are as follows:

Deferred tax assets

in EUR '000s	12/31/2012	12/31/2011
Tax loss carry-forwards		
Deferred tax assets (previous year)	2,521	1,742
Increase in previous value allowances	0	371
Additions due to loss carry-forwards being taken into account for the first time	220	550
Disposals due to unusable loss carry-forwards	- 1054	0
Use of loss carry-forward	- 397	- 109
Additions/use of loss carry-forwards miscellaneous companies	- 10	- 33
Tax loss carry-forwards before valuation allowances	**1,280**	2,521
(Cumulative) valuation allowances after adjustments	- 907	- 1971
Tax loss carry-forwards	**373**	550
Temporary differences		
Deferred tax assets (previous year)	386	316
Additions/reversals	353	70
Deferred tax assets	**1,112**	**936**

Deferred tax assets and liabilities have been set up on account of temporary differences between tax law and IAS/IFRS.

Deferred tax liabilities are as follows:

Deferred tax liabilities - Temporary differences

in EUR '000s	12/31/2012	12/31/2011
Deferred tax liabilities (previous year)	9,344	6,584
Additions/reversals	3,888	2,760
Deferred tax liabilities	**13,232**	**9,344**

Temporary differences between the values reported in the tax base and the consolidated financial statements were taken into account on both the assets and liabilities side. The calculation of deferred taxes as at December 31, 2012 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 for starting up and extending business operations, provisions to be carried under tax law, different depreciation rates under tax law and IAS/IFRS for other intangible assets and customer relationships.

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, 2012: EUR 13,232K; December 31, 2011: EUR 9,075K). The deferred tax liabilities 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 were reversed again in 2012. 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 13,139K (previous year: EUR 10,561K). The basis of the tax reconciliation account was the tax rate applicable to tax groups, amounting to 27.375 percent (previous year: 27.152 percent). The increase in the tax rate is due to the relocation of material parts of the company from Grasbrunn to Aschheim during the course of 2011.

On December 31, 2012, the Group reported corporation-tax related loss carry-forwards of approximately EUR 5,180K, accounted for by Wirecard Retail Services GmbH (EUR 2,172K), Wirecard Communication Services GmbH (EUR 855K), Wirecard Card Solutions Ltd. (EUR 1,254K) and Systems@Work Pte. Ltd (EUR 899K). The trade tax loss carry-forwards on December 31, 2011 amounted to EUR 3,004K, accounted for by Wirecard Retail Services GmbH (EUR 2,155K) and Wirecard Communication Services GmbH (EUR 849K). The loss carry-forwards on December 31, 2011 for Wirecard Sales International GmbH (formerly Trustpay International GmbH) (EUR 4,301K) became obsolete as a result of the profit and loss transfer agreement concluded with Wirecard AG in 2012.

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 loss under certain conditions.

However, the company perceives risks within the tax-related recognition of loss carry-forwards and therefore implemented valuation allowances for part of the 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 deferred tax assets as at December 31, 2012 of EUR 1,280K (previous year: EUR 2,521K) by the amount of EUR 907K to EUR 373K (previous year: EUR 550K). The deferred tax assets formed on remaining loss carry-forwards is due to a purchase price allocation from 2011. In addition, it resulted from the successful growth of the company Wirecard Communication Services, for which deferred tax assets had been formed and recognized in profit and loss in 2012. In the earnings for 2012, EUR 177K (previous year: EUR 889K) of the deferred tax assets were reversed to income and included in the income tax expenses.

With regard to 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 number of shares outstanding during the fiscal year. In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into accountt in accordance with IAS 33.30-60. As of December 31, 2012, EUR 198,296 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 fiscal year 2012 the number of potential bonus shares came to 138,129. In the preceding year, there were 185,923 potential bonus shares.

The changes in convertible bonds issued is dealt with under Section 4.1 of this repot Subscribed capital. The development of the number of no-par value shares issued is presented in the “Consolidated statement of changes in equity for fiscal year 2012”.

Earnings per share

Description	Unit	2012	2011
Earnings after taxes	EUR	**73,296,594.14**	61,185,503.31
Average number of shares - basic	Qty	**110,167,899**	101,803,139
Potential bonus shares resulting from the dilutive effect of the convertible bonds	Qty	**138,129**	185,923
Average number of shares - diluted	Qty	**110,306,028**	101,989,062
Earnings per share - basic	**EUR**	**0.67**	**0.60**
Earnings per share - diluted	**EUR**	**0.66**	**0.60**

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, 2012, and December 31, 2011 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, 2012: EUR 358,172K; December 31, 2011: EUR 213,403K), less current (immediately due and payable) liabilities to banks (December 31, 2012: EUR - 439K; December 31, 2011: EUR 0K) included in the line item current, interest-bearing liabilities. In addition, corresponding financial resources of current customer deposits from banking operations (December 31, 2012: EUR - 118,036K; December 31, 2011: EUR - 71,493K) were deducted or recorded as a reduction of the financial resources fund in the consolidated cash flow statement (IAS 7.22).

Current customer deposits are reported under Other liabilities (customer deposits) on the equity and liabilities side in Wirecard's consolidated annual financial statements. Depending on the type and size of the investment, the chronological course of investment return flows is taken fully into account. 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 short and medium-term interest-bearing securities) with a nominal value of EUR 128,425K (December 31, 2011: EUR 33,549K) are held, and deposits with the central bank, sight and short-term time deposits with banks are maintained in the amount of EUR 118,036K (December 31, 2011: EUR 71,493K). 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 1,929K (previous year: EUR 1,699K).

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		12/31/2012		12/31/2011
Cash and cash equivalents		**358,172**		**213,403**
Current interest-bearing liabilities	**- 14,939**		- 1,000	
of which, current liabilities to bank		**- 439**		0
Reconciliation to cash and cash equivalents		**357,733**		**213,403**
of which, current customer deposits from banking operations		**- 118,036**		- 71,493
of which, Acquiring deposits in Wirecard Bank AG	**- 109,006**		- 66,383	
Financial resources fund at the end of period		**239,696**		**141,910**

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

In fiscal year 2012 the assets of Netrada Payment GmbH were acquired. This was valued as a business combination according to IFRS 3. The disclosure requirements according to IAS 7.40 are as follows:

Customer portfolio acquired (Netrada)

in EUR '000s	
Purchase price	
Total purchase price 04/01/2012	2,969
of which, incidental acquisition costs	8
of which, earn-out components	461
Purchase price without incidental acquisition and implementation costs	**2,961**
Paid in cash in 2012	2,508
Unpaid purchase price	- 461
Acquired assets and liabilities (fair values)	
Intangible assets	1,769
of which, customer relationships	1,623
Goodwill	1,186
Property, plant and equipment	14
Total fair values acquired	**2,969**
Purchase price	2,969

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

The prepaid card portfolio of Newcastle Building Society was acquired in fiscal year 2011, and control over this portfolio within the meaning of IFRS was achieved in 2012. This was valued as a business combination according to IFRS 3. The disclosure requirements according to IAS 7.40 are as follows:

Prepaid card portfolio acquired Newcastle

in EUR '000s	
Purchase price	
Total purchase price	12,508
of which, incidental acquisition costs	0
of which, earn-out components	3,044
Purchase price without incidental acquisition and implementation costs	**12,508**
Paid in cash in 2011	8,999
Currency effects	- 465
Residual purchase price debt as at December 31, 2012	3,044
Acquired assets and liabilities (fair values)	
Intangible assets	4,065
of which, customer relationships	3,247
Goodwill	8,443
Current assets and cash and cash equivalents	71,467
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	71,467
Current liabilities	71,467
Total fair values acquired	**12,508**

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

PT Prima Vista Solusi was acquired in fiscal year 2012. This was valued as a business combination according to IFRS 3. The disclosure requirements according to IAS 7.40 are as follows:

PT Prima Vista Solusi, Jakarta (Indonesia)

in EUR '000s	
Purchase price	**43,578**
Total consideration paid in 2012	38,697
Adjustment of purchase price through profit or loss	0
Residual purchase price debt as at December 31, 2012	4,881
of which, earn-out components	3,881
Acquired assets and liabilities (fair values)	
Intangible assets	36,678
of which, customer relationships	31,898
Property, plant and equipment	5,555
Deferred tax assets	0
Current assets and cash and cash equivalents	5,575
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	1,929
Current liabilities	312
Non-current liabilities	6,376
Deferred tax liabilities	2,697
Goodwill	5,155
Total fair values acquired	**43,578**

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 and in 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 from the business combinations was performed here.

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 2012 increased from EUR 45,602K in the previous year to EUR 95,690K, 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 addition, material effects from the payment of income taxes led to a negative impact on the 2011 cash flow. In fiscal year 2011, EUR 4,046K was due to capital gains on dividends that were refunded again in 2012, and which thus are only of a transitory nature. The amount was thus also removed from the cash flow from operating activities (adjusted). The cash flow from operating activities (adjusted) amounts to EUR 94,900K (previous year: EUR 61,033K). In line with the business model, the transaction volumes generated by the Acquiring business were reported under Trade 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 commissions and charges) are mostly transitory in nature and subject to substantial fluctuations from one balance sheet date to another.

Interest received/paid in accordance with IAS 7.31

In fiscal year 2012 the interest received amounted to EUR 199K (previous year: EUR 71K). In fiscal year 2012 the interest paid, excluding the interest on loans, amounted to EUR - 313K (previous year: EUR - 431K). 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 fiscal year 2012 came to EUR - 1,654K (previous year: EUR - 549K) and was included in the cash flow from financing activities.

Cash flows from income taxes in accordance with IAS 7.35 and 7.36

The cash-effective balance of income taxes in fiscal year 2012 (cash flow from income taxes) totaled EUR - 11,608K (previous year: EUR - 19,112K) and was constantly classified as operating activities.

6.2. Cash flow from investing activities

The cash flow from investing 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 investing activities totaled EUR - 131,423K in the year under review (previous year: EUR - 58,282K).

The following are essentially affected by this:

Substantial cash outflows for investments

in EUR '000s	
M&A transactions and acquisition of customer relationships	**106,078**
Internally generated intangible assets	**10,260**
Medium-term financing-agreements with sales partners	**7,500**
Other intangible assets (software)	**4,293**
Property, plant and equipment	**3,292**

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 cash flow from operations.

Cash flow from financing activities in fiscal year 2012 essentially concerns the cash paid for the dividend payment in the amount of EUR - 11,198K, the receipt from the draw-down of financial liabilities in the amount of EUR 53,531K and the payment from the redemption of financial liabilities in the amount of EUR - 45,024K. The capital increase which Wirecard AG successfully placed with institutional investors on March 8, 2012 at a price of EUR 13.70, generated net proceeds from the issue of EUR 137,268K which accrued to the company. In addition, financing was performed as part of finance leases, which resulted in a net cash flow of EUR 228K (2011: EUR 0K).

6.4. Financial resource fund at the end of period

Taking into account these inflows and outflows (2012: EUR 98,595K; 2011: EUR 29,836K), exchange-rate related changes (2012: EUR - 808K; 2011: EUR 38K) and changes to cash and cash equivalents on account of the group of consolidated companies (2012: EUR 0K; 2011: EUR 0K) as of the financial resource fund at the beginning of the period (2012: EUR 141,910K; 2011: EUR 112,036K) the financial resource fund at the end of the period amounted to EUR 239,696K (December 31, 2011: EUR 141,910K).

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 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 of the business divisions of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH and Wirecard Card Solutions Ltd.

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 chain of the Wirecard Group with the financial services provided via Wirecard Bank AG, Wirecard Card Solutions Ltd. and the financial services offered by Wirecard Acquiring & Issuing 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 “Europe” segment contains Wirecard (Gibraltar) Ltd., and the companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland), along with its subsidiaries, Wirecard Card Solutions Ltd., Newcastle (United Kingdom) and Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria). The segment “Other foreign countries” includes the companies cardSystems Middle East FZ-LLC, Dubai (United Arab Emirates), Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC), Dubai (United Arab Emirates), Wirecard Asia Pte. Ltd. (Singapore), Systems@Work Pte. Ltd. (Singapore) with its respective subsidiaries and PT Prima Vista Solusi (Indonesia). 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 the Wirecard Group’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.

As a result, from May 2011 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 present the prior periods as if the change to the contract in fiscal year 2011 was not only performed in May 2011, but already applied from January 1, 2011.

Revenues by operating divisions

in EUR '000s	2012	2011
Payment Processing & Risk Management (PP&RM)	**278,206**	263,359
Acquiring & Issuing (A&I)	**140,510**	98,139
Call Center & Communication Services (CC&CS)	**4,774**	4,267
	423,490	**365,765**
Consolidation PP&RM	**- 26,240**	- 17,238
Consolidation A&I	**- 915**	- 22,365
Consolidation CC&CS	**- 1,734**	- 1,365
Total	**394,601**	**324,797**

Revenues by operating divisions (as if)

in EUR '000s	2012	* 2011
Payment Processing & Risk Management	**278,206**	244,688
Acquiring & Issuing	**140,510**	104,147
Call Center & Communication Services	**4,774**	4,267
	423,490	**353,102**
Consolidation PP&RM	**- 26,240**	- 23,246
Consolidation A&I	**- 915**	- 3,694
Consolidation CC&CS	**- 1,734**	- 1,365
Total	**394,601**	**324,797**

*Figures adjusted to create comparability according to IFRS 8.

EBITDA by operating divisions

in EUR '000s	2012	2011
Payment Processing & Risk Management	**82,608**	66,260
Acquiring & Issuing	**26,263**	18,166
Call Center & Communication Services	**433**	139
	109,304	**84,565**
Consolidation	**- 73**	- 167
Total	**109,231**	**84,398**

Regional revenue breakdown

in EUR '000s	2012	2011
Germany	**197,389**	185,054
Europe	**184,400**	130,684
Other countries	**26,147**	24,537
	407,936	**340,276**
Consolidation Germany	**- 6,005**	- 11,498
Consolidation Europe	**- 7,098**	- 3,981
Consolidation Other countries	**- 233**	0
Total	**394,601**	**324,797**

Regional revenues (as if)

in EUR '000s	2012	2011
Germany	**197,389**	186,009
Europe	**184,400**	128,261
Other countries	**26,147**	24,537
	407,936	**338,806**
Consolidation Germany	**- 6,005**	- 9,074
Consolidation Europe	**- 7,098**	- 4,935
Consolidation Other countries	**- 233**	0
Total	**394,601**	**324,797**

EBITDA by regions

in EUR '000s	2012	2011
Germany	**42,419**	34,314
Europe	**60,927**	41,560
Other countries	**5,870**	8,527
	109,215	**84,401**
Consolidation	**16**	- 3
Total	**109,231**	**84,398**

Segment assets by regions

in EUR '000s	12/31/2012	12/31/2011
Germany	**339,084**	202,053
Europe	**96,909**	94,579
Other countries	**103,833**	65,923
	539,826	**362,555**
Consolidations	**- 180,192**	- 94,221
Total	**359,634**	**268,334**

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, which is why we refer to this information. 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 set limits based on underlying transactions, define approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risk 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 were only concluded with banks that meet the high creditworthiness requirements from the Group's own risk assessments and - to the extent that external ratings are available - have been categorized as having a minimum creditworthiness 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 well-known banks. 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 which may impact 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 358 million in line with the portfolio as of December 31, 2012, would result in unrealized income amounting to EUR 1.79 million. Accordingly, an increase by half a percentage point would produce additional income of EUR 1.79 million.

As at December 31, 2012, the Group's interest-bearing liabilities to banks were reported at EUR 94,970K. This related to redemption loans taken out in connection with acquisitions made, for which variable interest rates have been agreed, calculated based on Euribor plus a premium. As a result, there is a fundamental risk of interest rate changes, even if it is possible to react quickly to the changes as a result of the redemption possibilities. In addition, as a result of the high level of cash and cash equivalents from its operating business, the Wirecard Group has a corresponding volume of investments, so that if interest rates increase its interest expenses would increase, but also that the increasing interest income would compensate for this additional expense.

No derivative hedge instruments (e.g., interest-rate 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 and 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 substantial part of their revenues in foreign currencies (essentially USD). A reduction in the exchange rates of relevance to the Wirecard Group by one percentage point, based on gross income in foreign currency of approx. EUR 97 million would result in unrealized income amounting to EUR 970K. Accordingly, an increase by one percentage point would produce additional income of EUR 970K. In these segments, both receivables from and liabilities to merchants and to banks exist in foreign currencies. In negotiating contracts with merchants 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 2012, forex options in USD were used as derivative financial instruments to hedge sales revenues in foreign currencies. In fiscal year 2012, 12 forex options were transacted with a nominal volume equivalent to approx. EUR 4.6 million (USD 6.0 million). Expenses for premiums totaled around EUR 97K.

The use of derivative financial instruments 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, 2012 and the year before the Wirecard Group did not have any currency options in its portfolio for fiscal year 2013.

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 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, 2012

in EUR '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing loans and credit facilities	**- 16,632**	**- 83,217**	**- 720**	**- 100,569**
Other liabilities	**- 28,971**	**- 12,305**	**0**	**- 41,276**
Trade payables	**- 187,249**	**0**	**0**	**- 187,249**
Customer deposits	**- 241,893**	**0**	**0**	**- 241,893**
Interest-bearing securities - assets	**85,596**	**35,810**	**10,224**	**131,630**
Cash and cash equivalents	**358,172**	**0**	**0**	**358,172**

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	- 15,105	- 12,679	- 240	- 28,023
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

Debtor risks

To counteract the risk of business partners of the Wirecard Group defaulting on their contractual 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 risk 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.

Receivables also include material items from business relationships with other acquiring banks in the Asian region.

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 or loss.

7.3. Capital risk management

The Group controls its capital with the objective of maximizing the shareholders' return by optimizing the ration of equity capital to borrowed capital. In doing so, it ensures that all group member companies can operate as a going concern. In particular, information 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 transactions performed in 2012, the company aims to maintain a comfortable equity ratio for fiscal years 2013 and 2014. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by sourcing the company's own cash flow, or by moderate deployment of borrowed funding or alternative forms of financing. Potential acquisitions will also continue to be analyzed and assessed under strict conditions in future; in the process, the focus will be especially on profitability and a sensible supplementation of our existing portfolio of products and customers.

Capital is monitored based on 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 %)	12/31/2012	12/31/2011
Equity	**541,730**	340,887
Equity in % of total capital	**48%**	48%
Borrowed capital	**586,154**	366,172
Borrowed capital in % of total capital	**52%**	52%
Total capital (equity and borrowed capital)	**1,127,884**	**707,059**

The group reviews its capital structure on a regular basis.

7.4. Breakdown of balance sheet carrying amounts according to valuation categories

Balance sheet carrying amounts in 2012 according to IFRS 7.8

in EUR ‘000s	Financial and other assets/inter-est bearing securities	Trade receivables and other 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	44,725	0	4,990	0	0	0
thereof held for trading	0	0	4,990	0	0	0
thereof fair value option	44,725					
Available-for-sale financial assets	36	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Loans and receivables	21,551	213,092	79,342	358,172	0	0
thereof cash and cash equivalents	0	0	0	358,172	0	0
Financial liabilities measured at amortized cost	0	0	0	0	187,249	372,511
Total financial instruments	66,312	213,092	84,332	358,172	187,249	372,511
Items not within the scope of IAS 39	32,816	2,404	0	0	0	26,394
Total	99,128	215,496	84,332	358,172	187,249	398,905

Balance sheet carrying amounts in 2011 according to IFRS 7.8

in EUR '000s	Financial and other assets/interest bearing securities	Trade receivables and other 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	180,520	0	213,403	0	0
thereof cash and cash equivalents	0	0	0	213,403	0	0
Financial liabilities measured at amortized cost	0	0	0	0	135,428	219,076
Total financial instruments	**25,755**	**180,520**	**9,000**	**213,403**	**135,428**	**219,076**
Items not within the scope of IAS 39	959	1,626	0	0	0	11,668
Total	**26,714**	**182,146**	**9,000**	**213,403**	**135,428**	**230,744**

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 is based on the balance sheet items, with the exception of the balance sheet item “Financial and other asset/interest-bearing securities”, which includes additional sub-categories.

The market values of financial assets and liabilities are as follows:

Market value

	Book value		Current market value	
in EUR '000s	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Financial assets at fair value through profit or loss	**49,715**	23,205	**49,715**	23,205
Financial liabilities at fair value through profit or loss	**0**	0	**0**	0
Available-for-sale financial assets	**36**	179	**36**	179
Held-to-maturity investments	**0**	9,000	**0**	9,000
Loans and receivables	**672,157**	396,294	**672,157**	396,294
Financial liabilities measured at amortized cost	**- 559,760**	- 354,504	**- 559,760**	- 354,504
Total	**162,148**	**74,174**	**162,148**	**74,174**

* Investments measured at cost of acquisition.

Hierarchy of fair values

As at December 31, 2012 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	12/31/2012	Stage 1	Stage 2	Stage 3
Financial assets measured at their fair value through profit or loss				
Collared floaters	**49,715**		**49,715**	

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 Floater / bonds	23,205		23,205	

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 collared floaters included on December 31, 2011 resulted in revaluation income of EUR 1,633K (previous year: EUR -145K) in fiscal year 2012. The collared floaters acquired in 2012 resulted in revaluation expenses of EUR 311K. The measurement was carried out for collared floaters on the basis of current exchange and interest rate trends and the current rating of the issuer.

7.5. Financial relations with related companies

In fiscal year 2012, financing agreements were in place among various companies in 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	2013	2014	2015	2016	2017
Annual commitments	6,410	3,978	2,725	2,504	2,137

After the period indicated, there are payment obligations for the Wirecard Group in the amount of EUR 3,905K through to 2020. No obligations existed vis-à-vis non-consolidated subsidiaries.

In addition to the obligations from operating leases included under other obligations in the total amount of EUR 3,493K, the Group has concluded finance leases agreements for terminals and IT- components. The agreements include purchase options for the assets. The future minimum lease payments from finance leases agreements can be reconciled to their present values as follows:

Obligations from finance leases agreements

	2012		2011	
in EUR '000s	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
up to 1 year	1.912	1,638	0	0
1 to 5 years	3,985	3,425	0	0
more than 5 years	0	0	0	0
Total	**5,897**	**5,063**	**0**	**0**
Less interest portion	834			
Present value of minimum lease payments	**5,063**	**5,063**	**0**	**0**

For interest-bearing debt, Wirecard has 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 the 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 58.6 percent (previous year: 57.3 percent). Furthermore, in relation to lending banks, Wirecard undertakes to generate a minimum EBITDA and to incur financial liabilities proportionately 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 a lessor are shown as follows:

Claims arising from leasing

in EUR '000s	2013	2014	2015	2016	2017
Annual claims	3,037	1,412	560	265	10

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

Remuneration paid to the Management Board

In fiscal year 2012 the total emoluments of all members of the company's Management Board, i.e., the total remuneration during the fiscal year for the duration of the individual person's tenure on the Management Board, including amounts not yet disbursed for variable remuneration I (EUR 833K) and variable remuneration II (EUR 867K) amounted to EUR 4,642K (previous year: EUR 2,645K).

No loans were made to members of the executive bodies during the fiscal year.

Further particulars in this regard can be found 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 der Bank Sarasin AG, Frankfurt a. Main
Other supervisory board mandates:
Wirecard Bank AG, Aschheim (Germany)
Wirecard Technologies AG), Aschheim (Germany) to July 2012
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) to July 2012
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) to July 2012

Remuneration of the Supervisory Board is governed by Article 14 of Wirecard AG's articles of incorporation. Accordingly, members of the Supervisory Board receive fixed and variable compensation for any out-of-pocket expenses incurred in connection with exercising their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). Annual fixed remuneration totals EUR 55K. Variable remuneration depends on the company's performance and is geared to consolidated EBIT. For each million euros earned by which the company's consolidated EBIT on December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component totals EUR 1K. This minimum amount of EUR 30 million increases from the start of fiscal year 2009 by ten percent per year and accordingly amounts to EUR 43.93 million in fiscal year 2012.

Pursuant to the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman are taken into consideration separately. There are no committees in the company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board receives 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 pro-rata remuneration. 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 2012

EUR ´000s	Function	from	to	Not perfor-mance-related	Meeting	Per-formance-related	Long-term incentive effect	Relating to sub-sidaries	Total
Wulf Matthias	Chairman	01/01/2012	12/31/2012	**110**	**5**	**98**	**0**	**71**	**284**
Alfons W. Henseler	Deputy	01/01/2012	12/31/2012	**83**	**5**	**74**	**0**	**66**	**227**
Stefan Klestil	Member	01/01/2012	12/31/2012	**55**	**5**	**49**	**0**	**61**	**170**
Total remuneration				**248**	**15**	**221**	**0**	**198**	**681**

Supervisory Board Remuneration 2011

EUR ´000s	Function	from	to	Not perfor-mance-related	Meeting	Per-formance-related	Long-term incentive effect	Relating to sub-sidaries	Total
Wulf Matthias	Chairman	01/01/2011	12/31/2011	110	8	70	0	60	248
Alfons W. Henseler	Deputy	01/01/2011	12/31/2011	83	8	53	0	48	190
Stefan Klestil	Member	01/01/2011	12/31/2011	55	8	35	0	35	133
Total remuneration				**248**	**23**	**158**	**0**	**143**	**570**

In fiscal year 2012 remuneration for the Supervisory Board totaled EUR 681K (previous year: EUR 570K). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries in the amount of EUR 198K (previous year: EUR 143K). A provision was formed and recognized in expenses in the amount of EUR 295K, and will be paid in 2013.

8.3. Related party transactions

Related parties

In accordance with IAS 24 (related party disclosure), persons closely related to Wirecard AG are the members of the Management Board and the Supervisory Board along with their family members. The details in this respect are reported below.

In fiscal year 2012 the following legal transactions were entered into by Wirecard AG with a related company indicated above or at the insistence 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 December 31, 2012 in EUR '000s	Explanatory note
Wulf Matthias	Supervisory Board mandate	6	**0**	Supervisory Board of Wirecard Technologies AG
Wulf Matthias	Supervisory Board mandate	67	**0**	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	6	**6**	Supervisory Board of Wirecard Technologies AG
Stefan Klestil	Supervisory Board mandate	55	**55**	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	6	**6**	Supervisory Board of Wirecard Technologies AG
Alfons W. Henseler	Supervisory Board mandate	61	**61**	Supervisory Board of Wirecard Bank AG
Wire Card ESP S.L.	Services	11	**0**	Wire Card ESP S.L. is engaged as a service provider for Wirecard Technologies GmbH 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 December 31, 2012 in EUR '000s	Explanatory note
Wulf Matthias	Credit	195	**0**	There was an overdraft facility of max. EUR 200K with Wirecard Bank AG. Credit bore interest of 6 percent and was repaid in full.

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 2012 to March 2013 and April 2013 to March 2014 was signed in March 2012 and March 2013, respectively, and also made available to the shareholders for download from the Web site of Wirecard AG in March 2012 and March 2013.

8.5. Auditors' fees

Neither the value added tax deductible for the Wirecard Group nor the non-deductible value added tax amounting to EUR 3K (previous year: EUR 4K) is included in the disclosures on auditors' fees.

In the fiscal year, the following auditors' fees were recorded (Section 314 (1) No. 9 of the HGB):

Auditors' fees

in EUR '000s	01/01/2012 - 12/31/2012		01/01/2011 - 12/31/2011	
	Total	thereof subsidiaries	Total	thereof subsidiaries
Ernst & Young GmbH				
Audit of the annual financial statements	**400**	**172**	395	170
Tax services	**0**	**0**	0	0
Other confirmation services	**0**	**0**	0	0
Other services	**180**	**26**	38	10
Total Ernst & Young GmbH	**580**	**198**	**433**	**180**

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:

Wirecard Sales International GmbH obtained control of Trans Infotech Pte. Ltd. with its registered office in Singapore with effect from April 9, 2013. The compensation due as part of the transaction comprises cash payments of around EUR 21.1 million (translated) plus earn-out components which could total up to approx. EUR 4.4 million. These earn-out components are based on the operating profits (EBITDA) for the purchased companies from 2013 to 2015. The company is expected to record EBITDA of around EUR 2.5 million in fiscal year 2013, and one-off transaction costs of EUR 0.75 million must be taken into account. Further details can be found in Section 1.1 Corporate acquisitions.

8.7. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as of December 31, 2012 were signed on April 16, 2013 and given clearance to be passed on to the Supervisory Board.

Aschheim, April 16, 2013

Wirecard AG

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

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 reporting principles the consolidated financial statements convey a true and fair view of the assets, financial and earnings position and that the Group Management Report includes a fair review 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, 2013

Wirecard AG

Dr. Markus Braun Burkhard Ley Jan Marsalek

GLOSSARY

3-D Secure™	Security standard developed by Visa and MasterCard for the authentication of online card payments.
Acquirer/Acquiring Bank	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)	Checking method for Visa, MasterCard and American Express to prevent fraud for credit card payments in long-distance transactions in which the numerical address data provided by the customer is compared with the address data stored at the credit card company.
Alternative payment methods	These mostly comprise non-card based payment methods such as payment services, wallets, vouchers and bank-account based or prepaid methods.
Bank Identification Number (BIN)	The first six figures in a credit or debit card number.
Bank Identifier Code (BIC)	BIC (also known as SWIFT Code) is an 8 or 11-digit international bank sorting code for international bank transfers.
Billing and Settlement Plan (BSP)	The Billing and Settlement Plan (BSP) is the most widespread system in the world for simple processing of airline ticket sales.
Blacklist	See restricted list.
Chargeback	A process in which the card issuer can call back a transaction either in full or in part. The chargeback applies if a card holder disputes having performed a card transaction. In this case, the issuer files an objection with the acquirer and demands that transaction amount be returned from the merchant's account.
Creditworthiness check	A method used by banks to check consumers' creditworthiness.
CNP, Card Not Present	Card transaction in which the card is not physically presented to the merchant, e.g. for an order in long-distance trading (Internet or MOTO).
Co-Branded Card	A Co-branded card is a card issued by a licensed card issuer which bears the design of a third-party company.
Contractual merchant number	A contractual merchant number, also known as a contractual company number is used to identify a credit card acceptance agreement between a merchant and an acquirer. It is issued by the acquirer. See also Merchant Identification Number (MID)
CVC1, CVV1	Card Verification Code 1, Card Verification Value 1. An encrypted security characteristic on a credit card's magnetic strip which is read by the card reader when purchases are made.
CVC2, CVD, CVV2	A 3 or 4 digit card verification number on the front or back of a credit card that 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 electronically recorded payment data representing a monetary value in a specific currency and which is accepted by a customer/contractual merchant or a bank instead of cash as a means of payment.
Electronic direct debits	Method in which purchasers issue the merchant with authorization to debit funds directly from their account for a cash-free transaction (in online trading by confirming the basket of goods and in POS trading with their signature or PIN). The amount is booked automatically from the consumer's account and credited to the recipient's account.
EMV	Abbreviation for Europay, MasterCard and Visa. Specification for payment cards that bear a chip.

Fraud Prevention Suite (FPS)
Wirecard's risk management system which identifies suspicious data and/or behavior patterns in real time and effectively prevents fraud.

IBAN, International Bank Account Number
Standardized international bank account number (comprising account number, sorting code and prefix) for international payment transactions.

In-App Payment
In-app payment refers to payment for goods or services via a mobile terminal in connection with a mobile application. Customers can store their desired payment type, such as credit cards or alternative payment methods, in their user account and the next time they log in they can make one-click payments.

IP/BIN Check
Method to check fraud patterns for credit card transactions. The IP address is used to find the customer's current location or Internet access point, while the bank identification number (BIN) identifies the card-issuing bank and its country of origin. This allows specific combinations of two countries thus identified to be accepted or rejected.

Issuer/Issuing Bank
Financial institution which issues payment cards (credit, debit and prepaid cards) as a member bank of the card organizations and receives transactions from its cardholders from other member banks or merchants.

Loyalty and Couponing Program
Serve to control specific marketing campaigns and are used in connection with mobile payments for location and/or transaction based customer loyalty programs.

Luhn-Check
Risk testing method to verify the authenticity of a credit card number.

Merchant
Term used for people and companies who have entered into an undertaking in a contract with the acquirer to accept credit cards (Visa, MasterCard).

Merchant Account
A bank account set up by a merchant for credit card revenues.

Merchant Bank
A bank which is licensed as a member of Visa/MasterCard to provide merchants with an account and to thus allow them to accept credit cards.

Merchant Identification Number (MID)
See contractual merchant number.

Mobile Card Reader
The card reader is a mobile add-on device which is attached to smartphones or tablets, turning the device into a payment terminal.

Mobile Payment
Includes, for example, the payment of digital or physical merchandise or a service on the cellphone (payment on mobile/in-app payment) using the cellphone (mobile at the point of sale) or the cellphone as the payment terminal (mobile as the point of sale).

Mobile Wallet
A mobile wallet managed via the cellphone. Various digital cards can be stored in a mobile wallet.

MOTO, Mail Order/Telephone Order
The purchase of goods or services, with the purchase order issued by phone or in writing by fax or using an order card.

mywirecard MasterCard
mywirecard MasterCard is a prepaid-based credit card. The virtual card can be acquired free of charge on the Internet and is available for online and telephone purchases. In addition, a physical card can be acquired which can also be used in bricks-and-mortar retail.

mywirecard 2go Visa
mywirecard 2go Visa is a prepaid-based credit card. The prepaid card is immediately available at service stations and kiosks throughout Germany and can be topped up directly at the point of sale.

Near Field Communication (NFC) Technology
NFC technology is the wireless transfer of data over a short distance (near field). Conditions for payments using cellphone and NFC are: an NFC-enabled acceptance point and an NFC-enabled cellphone with an NFC-enabled SIM card or an NFC sticker.

NFC Sticker Bridge technology to equip smartphones with contactless technology. NFC stickers can be attached to the rear of the mobile terminal and used to initiate payments in connection with a mobile wallet.

Payment authorization Confirmation of a payment using a PIN at the POS.

Payment Page A Web-based payment page for simple and secure acceptance of various payment methods. End customers input their data into a Web site hosted by Wirecard to make online payments. The Payment Page enables merchants to accept credit cards and other national and international means of payment such as direct debits, giropay, iDEAL, eps, paybox, paysafecard and others in a fast, secure manner with PCI compliance.

PCI DSS PCI DSS (Payment Card Industry Data Security Standard) is a security standard initiated by VISA and Mastercard for merchants and payment service providers who process credit card payments using their systems or which store or transfer card data.

Personal Identification Number (PIN) Secret number which is only allocated to one single card, and which enables the card holder to confirm a POS payment or to access their account using a cashpoint.

Phishing Phishing (password harvesting fishing) refers to criminal activities to obtain passwords from customers using fake Web sites. The attackers mostly pose as persons who can be trusted, and thus try to make customers input sensitive information (user name, password, credit card data).

POS, Point of Sale A terminal (card reader) in retail operations where the customer pays using a bank card and authorizes the transaction using their PIN.

Prepaid card Has all of the features of a standard credit card and mostly licensed by VISA or MasterCard on a prepaid basis.

Provisioning Storing card data in NFC-enabled smartphones in order to be able to make payments using the cellphone. The card data is stored on the SIM card or in a secure area of the smartphone.

PSP, Payment Service Provider A company which receives electronic payment transactions for merchants etc., authenticates these, processes them and in this regard also provides the merchant with the corresponding software if required.

Restricted list A list of negative data which are automatically recognized and not accepted when a transaction is processed. For example, if a merchant has a negative payment experience with a credit card, he can place this on a restricted list in order to avoid further payments with this card in future.

Risk management Recording and analyzing transaction data to minimize the risk of fraud and to protect the merchant against payment default.

SaaS, Software-as-a-Service Demand-orientated provision of software applications (download)

Scoring A method to forecast customer behavior. Using data for a specific person, other people with the same characteristics are bundled to form a group. This is then used to calculate the group's payment practices and risk.

SCP, Supplier and Commission Payments SCP is an automated solution for global payments to companies which receive payments via their credit card acceptance agreement. The virtual prepaid cards are available in 27 currencies. Bookings and settlements can be integrated automatically into the customer's ERP system.

SEPA, Single Euro Payment Area Refers to the Euro payment area, which currently comprises 32 countries including the 27 EU member states as well as Ireland, Norway, Lichtenstein, Monaco and Switzerland. Wirecard Bank AG has been SEPA-enabled since it was introduced at the start of 2008.

Settlement Processing transactions and depositing the processed transaction with the merchant's contractual bank (acquirer).

Settlement Currency The currency in which settlement is performed in a bank account.

SP-TSM, Service Provider Trusted Service Manager SP-TSMs ensure secure, smooth connections between the card issuer and an NFC smartphone. Services include adding virtual card data to NFC-enabled SIM cards, and also managing cards in the smartphone (blocking, deleting the card, etc.).

SWIFT code An 8 or 11-digit international bank sorting code issued by SWIFT (Society for Worldwide Interbank Financial Telecommunication) to identify a bank in international payment transactions. Wirecard Bank's BIC (SWIFT) Code WIREDEMM means that international payments using foreign currency accounts in standardized forms are possible.

Tokenization This is a method in which sensitive data, such as credit card numbers, is replaced by reference values or so-called tokens. A token can be used without restriction by systems and applications, whereas the original data is saved in a secure, PCI-conform data-safe.

Transaction number (TAN) A unique password issued by the card-issuing bank, which is used in addition to the PIN as additional security to confirm a transaction in Internet banking.

Transaction currency Currency in which a transaction is performed.

Velocity check A frequency check, in which payment transactions are reviewed for repeating patterns within a defined (short) period. The check can be performed based on various data for a payment transaction (e.g., if a certain pattern repeats during a period, or even appears in clusters).

Virtual card A payment card that only comprises a card number, a validity period and a security code, and which can only be used in distance transactions (Internet, MOTO payments) due to the missing physical features (such as a magnetic strip, EMV chip).

Virtual account number A 10-digit, purpose-linked account number with Wirecard Bank AG, comprising a 3-digit constant part and a 7-digit variable part, which can be freely selected by the company, and which clearly identifies the designated purpose and the sender.

Virtual terminal Internet-assisted user interface for payment acceptance (including via MOTO), which is used, for example, in call centers. Allows direct payment acceptance without signature by the paying party. Risk management checks are performed as for online payments.

WEP, Wirecard Enterprise Portal Wirecard AG's web-based management and reporting application which provides merchants with all of the functions needed to manage payment transactions, adding risk strategies, managing card portfolios and creating reports and statistics.

White label solution Wirecard solutions which companies create with their own corporate design and offer under their own name.

Financial diary

Apr 17, 2013	Publication of the Annual Financial Statements 2012, Press Conference and Analyst Meeting, Press Release for Annual Report
May 16, 2013	Publication of Q1 Report
Jun 20, 2013	Annual General Meeting
Aug 14, 2013	Publication of Q2 Report
Nov 19, 2013	Publication of Q3 Report

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Editorial staff
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www.wirecard.com

The Wirecard Group operates an international strategy and offers merchants various national and international payment schemes

NORTH AMERICA

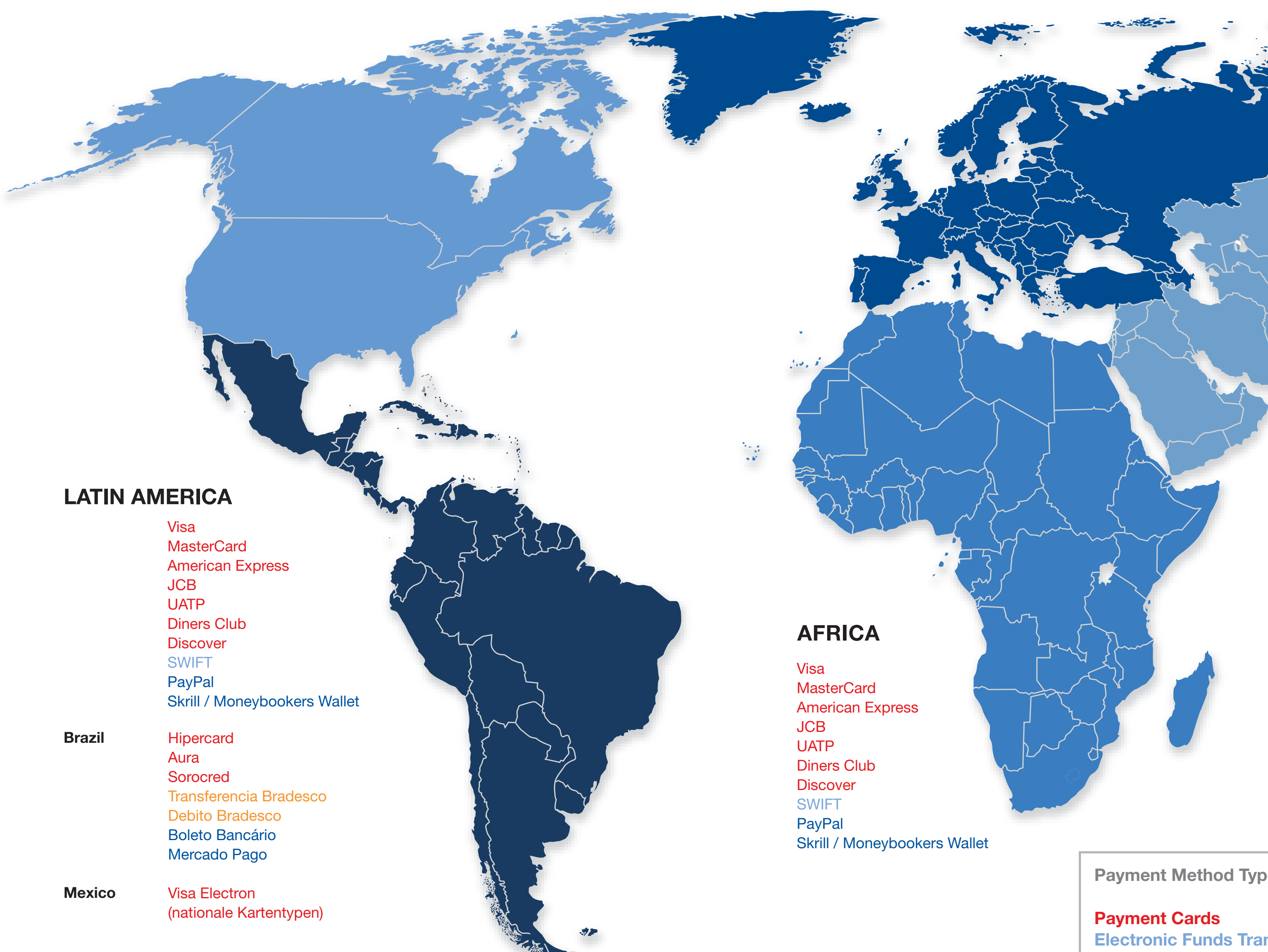
Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal
Skrill / Moneybookers Wallet

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
Skrill / Moneybookers Wallet

Austria	EPS Direct Debit Sofortüberweisung.de @Quick paybox
Belgium	Sofortüberweisung.de Bancontact/Mister Cash
Czech Republic	eKonto
Denmark	Dankort
Estonia	InstantBank



LATIN AMERICA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal
Skrill / Moneybookers Wallet

Brazil	Hipercard Aura Sorocred Transferencia Bradesco Debito Bradesco Boleto Bancário Mercado Pago
Mexico	Visa Electron (nationale Kartentypen)

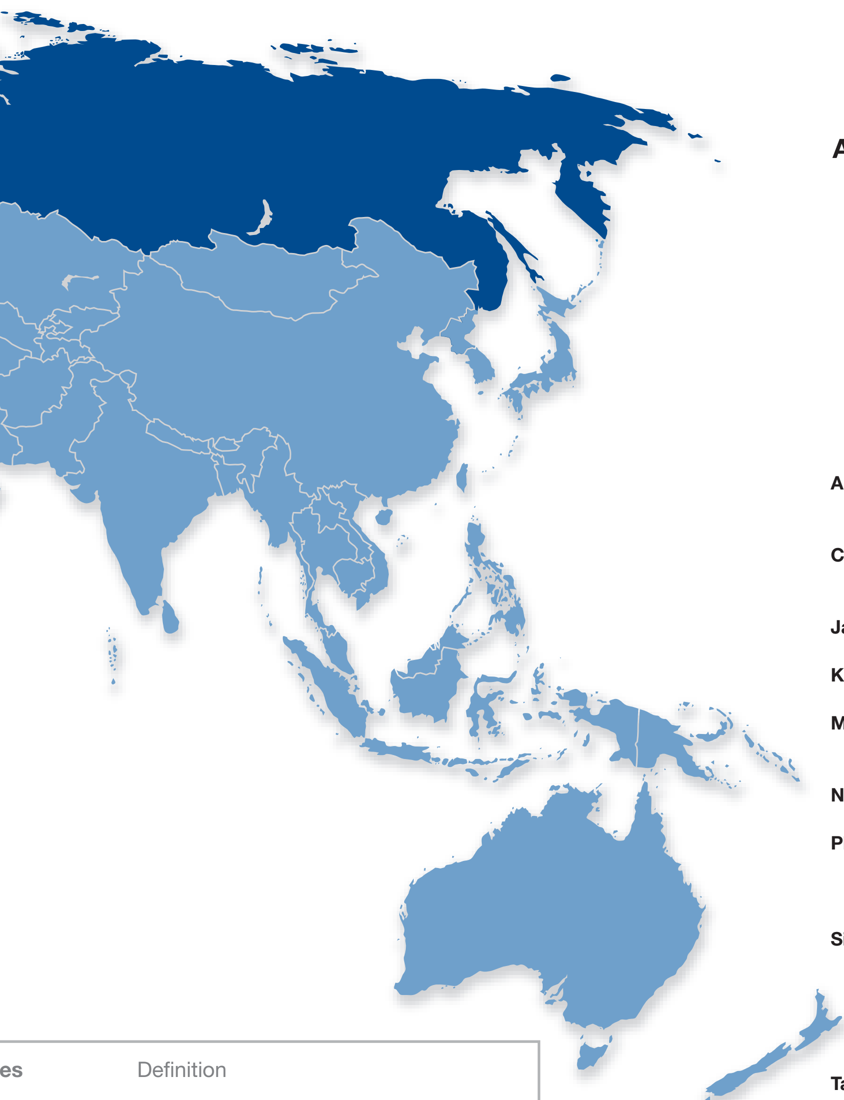
AFRICA

Visa
MasterCard
American Express
JCB
UATP
Diners Club
Discover
SWIFT
PayPal
Skrill / Moneybookers Wallet

Payment Method Typ

Payment Cards
Electronic Funds Trar
Online Banking Paym
Alternative Payment S
Mobile Services

Finland	InstantBank	**Ireland**	Laser	**Russia**	Moneta.ru YandexMoney
France	Carte Bleue Carte Bancaire Sofortüberweisung.de	**Italy**	CartaSi PostePay Sofortüberweisung.de	**Spain**	Sofortüberweisung.de
				Sweden	InstantBank
Germany	Direct Debit giropay Sofortüberweisung.de RatePay Payment by Installments RatePay Direct Debit RatePay Payment on Invoice Wire Transfer to Virtual Bank Accounts	**Netherlands**	Direct Debit iDEAL Sofortüberweisung.de	**Switzerland**	Sofortüberweisung.de
				Ukraine	Moneta.ru YandexMoney
		Poland	InstantBank Przelewy24 Sofortüberweisung.de	**United Kingdom**	Sofortüberweisung.de Cabcharge cards

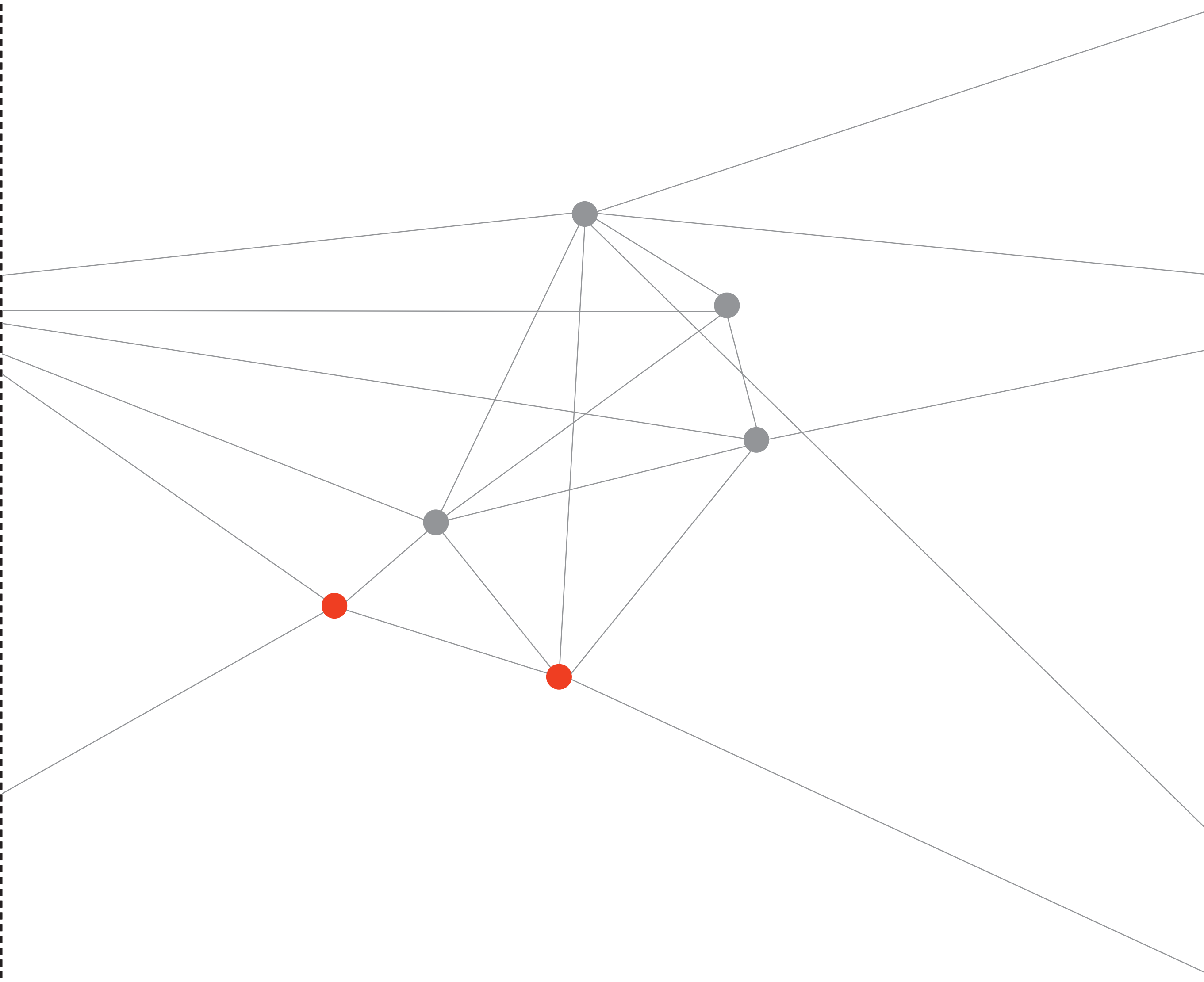


ASIA/PACIFIC, MIDDLE EAST

	Visa MasterCard American Express JCB UATP Diners Club Discover China UnionPay SWIFT PayPal Skrill / Moneybookers Wallet
Australia	Cabcharge cards POLi
China	42 nationale Kartentypen Alipay
Japan	Wire Transfer to Virtual Bank Accounts
Korea	Wire Transfer to Virtual Bank Accounts
Malaysia	Maybank2u CIMB Clicks
New Zealand	POLi
Philippines	Bankkarten (8 nationale Kartentypen) Maybank2u CIMB Clicks
Singapore	Cabcharge cards Ez-Link payments 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 2013/subject to errors.



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