ANNUAL REPORT 2010

wirecard

WIRECARD

DYNAMIC GROWTH OF THE DIGITAL WORLD

WITH DIRECT SALES DISTRIBUTED ACROSS TARGET INDUSTRIES, AND WITH ITS ACCUMULATED TECHNOLOGICAL EXPERTISE AND PRODUCT DEPTH, IN 2010 WIRECARD AG CONTINUED TO GROW ITS OPERATIONS, WHILE BROADENING ITS INTERNATIONAL NETWORK OF BUSINESS PARTNERS.

KEY FIGURES

WIRECARD GROUP

		2010	2009
Sales revenues	TEUR	**271,619**	228,508
EBITDA	TEUR	**73,264**	60,732
EBIT	TEUR	**67,423**	56,527
Earnings after taxes	TEUR	**53,973**	45,522
Earnings per share (diluted)	EUR	**0.53**	0.45
Shareholder's equity	TEUR	**289,844**	244,882
Total assets	TEUR	**549,859**	540,568
Cash flow on ordinary trading activity*	TEUR	**60,900**	69,502
Employees		**500**	468
of which part-time		**128**	123

*adjusted by transaction volume of transitory nature

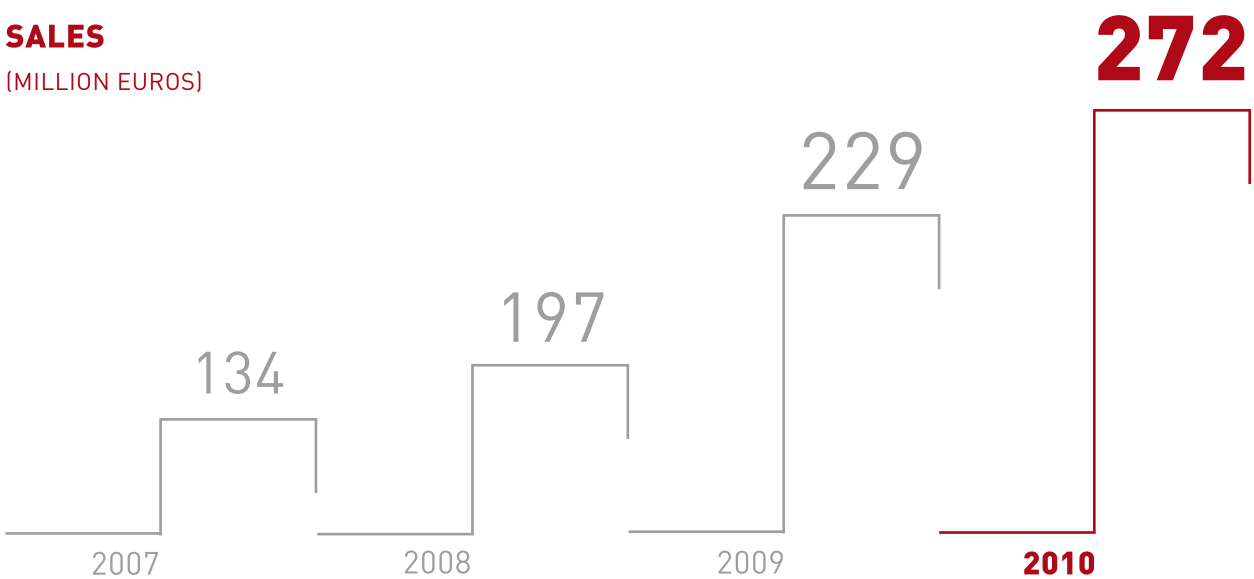
SEGMENTS

			2010	2009
Payment Processing & Risk Management	Sales revenues	TEUR	**256,722**	216,611
	EBITDA	TEUR	**49,460**	40,936
Acquiring & Issuing	Sales revenues	TEUR	**95,562**	76,988
	EBITDA	TEUR	**23,663**	19,740
Call Center & Communication Services	Sales revenues	TEUR	**4,453**	4,453
	EBITDA	TEUR	**141**	56
Consolidation	Sales revenues	TEUR	**(85,118)**	(69,544)
	EBITDA	TEUR	**0**	0
Total	Sales revenues	TEUR	**271,619**	228,508
	EBITDA	TEUR	**73,264**	60,732

The Wirecard Group once again extended its portfolio of payment solutions in order to attain an even better level of diversification. The close **synchronization between technology and banking services** represents one of the most vital ways for us to ensure that our customers are provided with the very latest solutions of relevance to the market.

Dr. Markus Braun, CEO

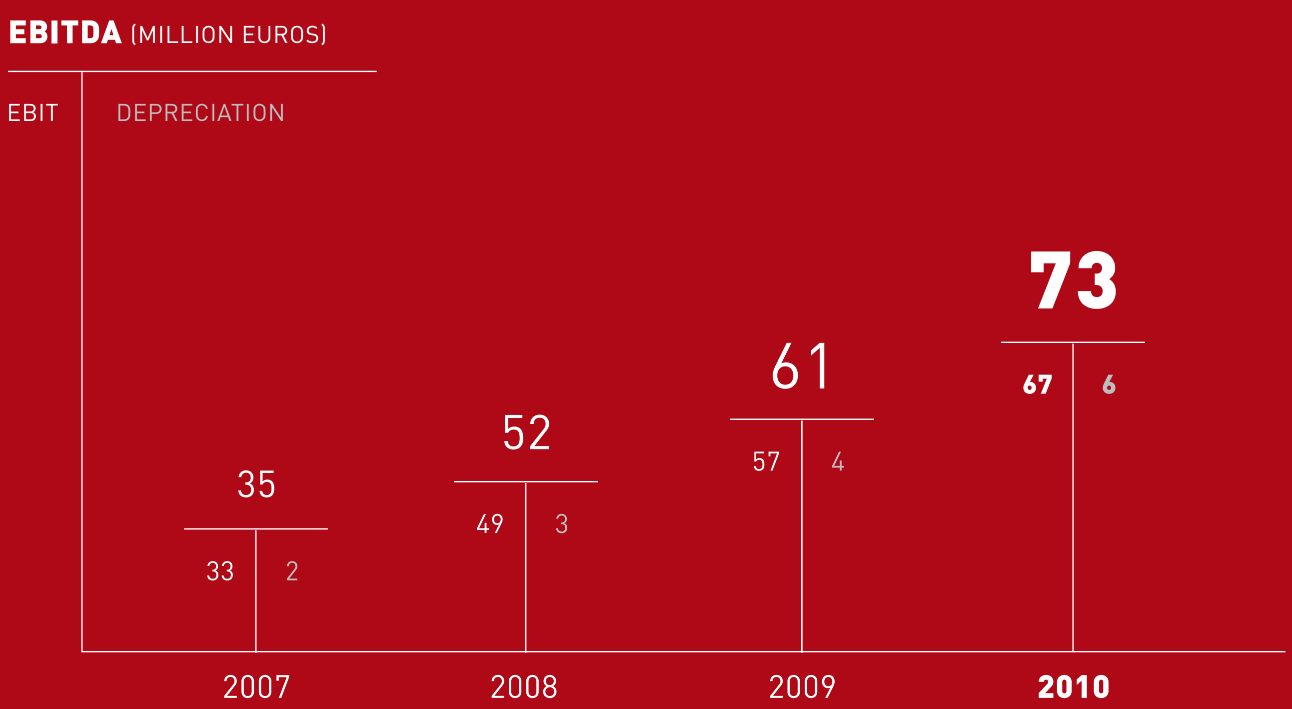
SALES
(MILLION EUROS)



In 2010, **WIRECARD GROUP SALES REVENUES** increased by 19 percent year-on-year to 272 million euros.

In 2010, Wirecard AG increased EBITDA by 21 percent year-on-year to **73 MILLION EUROS**.

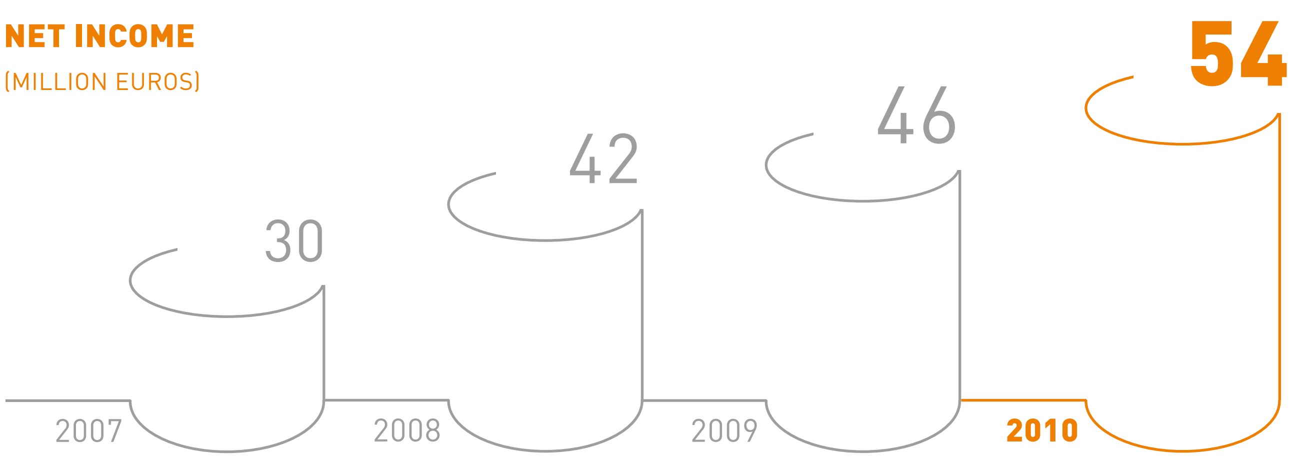
+21%



In 2010, Wirecard AG managed to **CONSIDERABLY IMPROVE ITS NET PROFIT**, which was 8 million euros higher than the previous year.

NET INCOME

(MILLION EUROS)

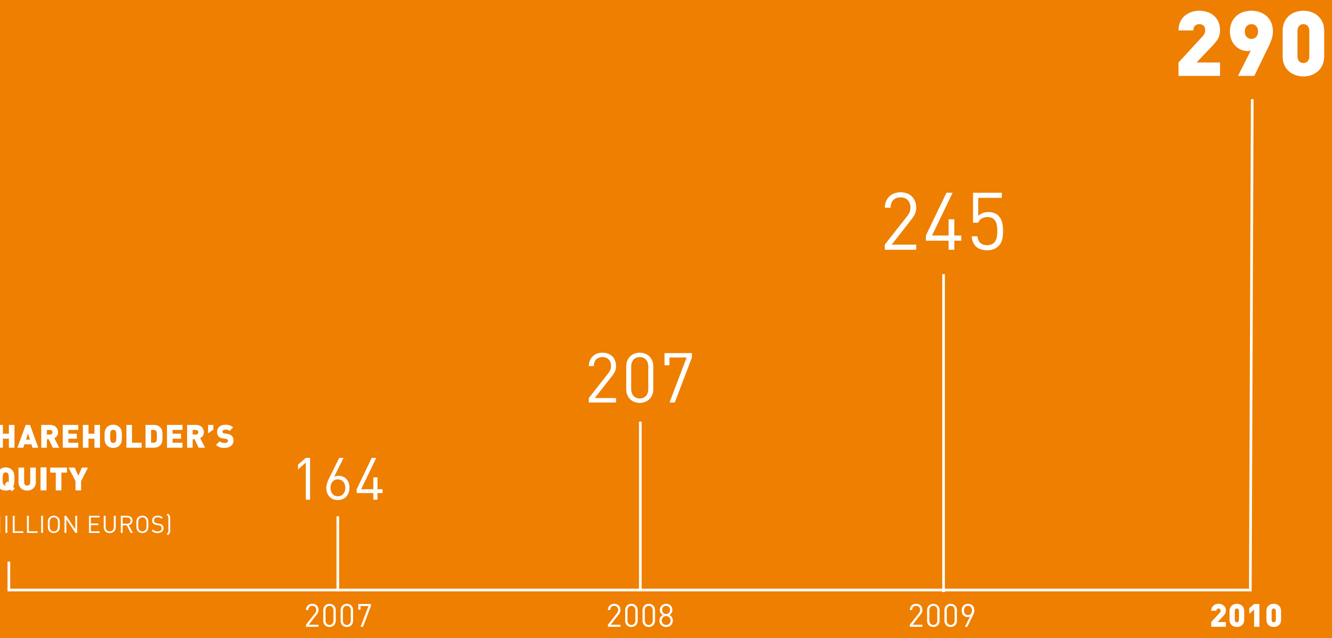


With regard to the Company's shareholders' equity, Wirecard AG continued its growth trend in 2010. Shareholders' equity improved year-on-year by 45 million euros to **290 MILLION EUROS.**

+45,000,000

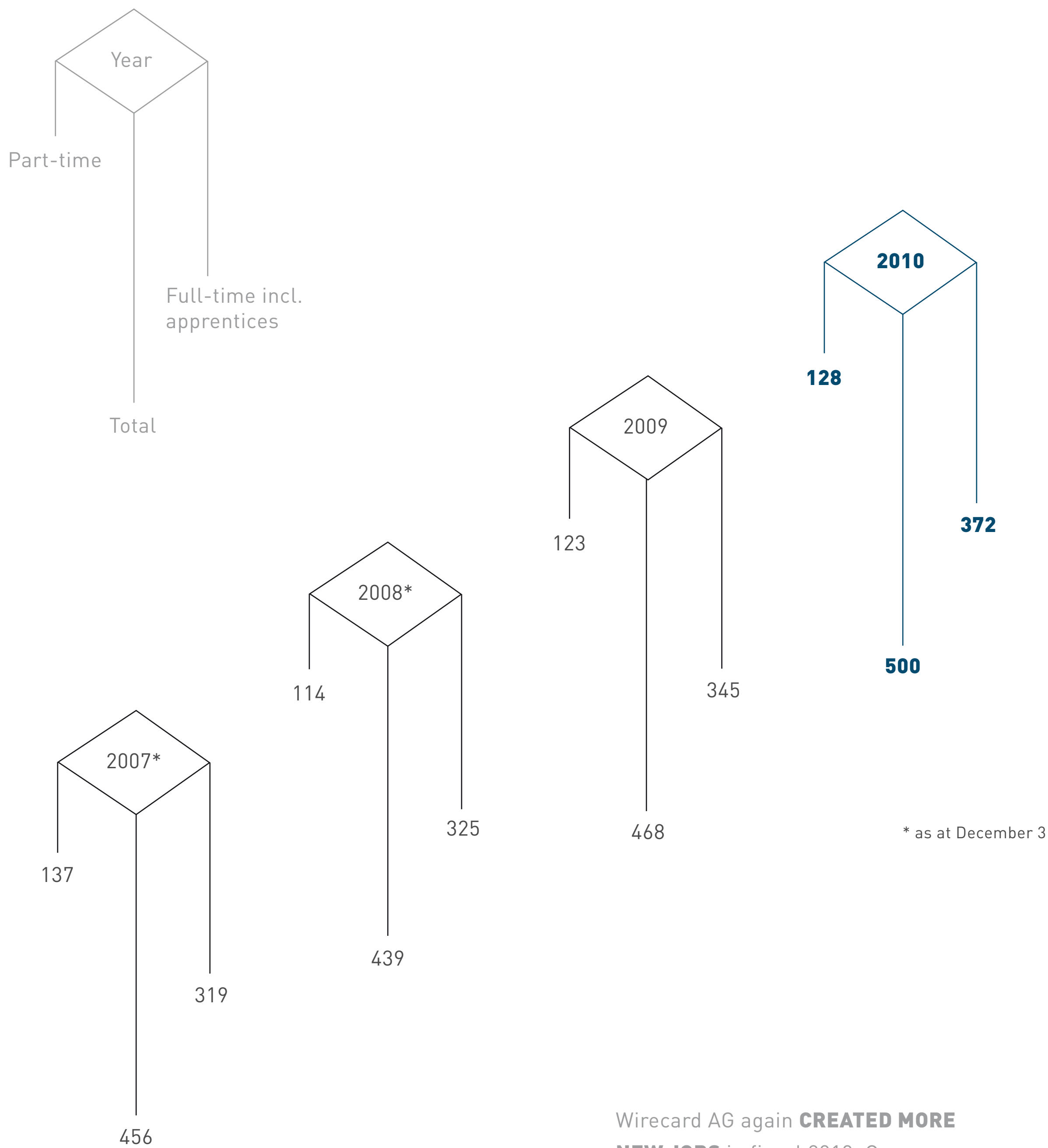
SHAREHOLDER'S EQUITY

(MILLION EUROS)



EMPLOYEES

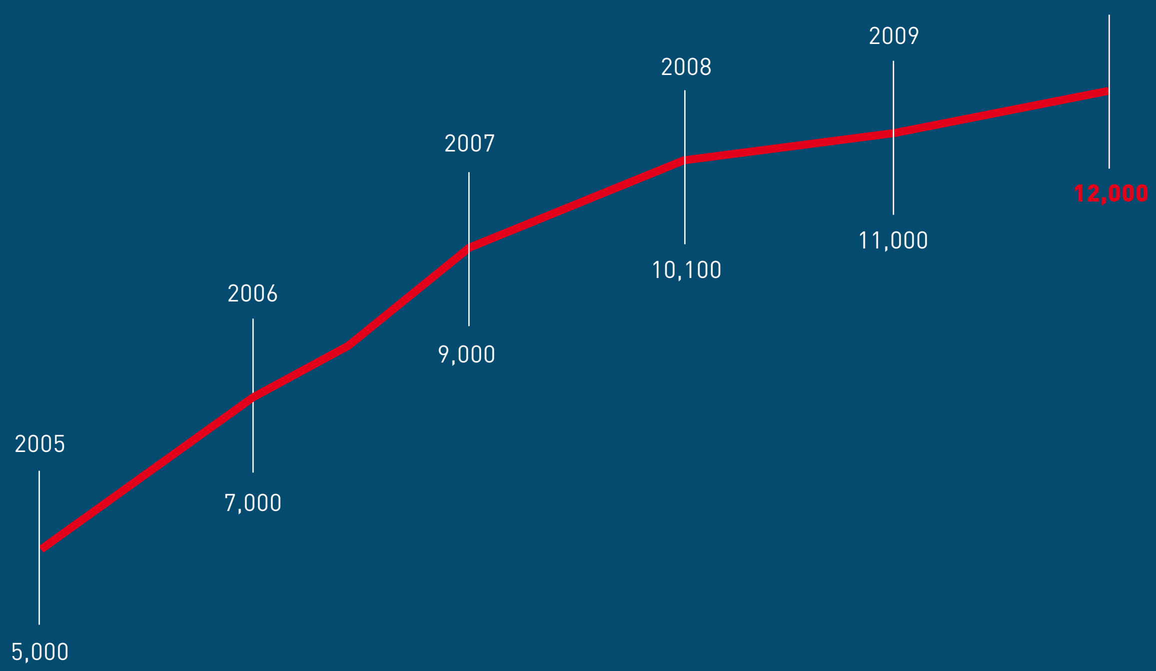
AS AN ANNUAL AVERAGE



Wirecard AG again **CREATED MORE NEW JOBS** in fiscal 2010. On average for the year as a whole, our various locations employed a workforce of 500 (previous year: 468). The number of full-time employees rose by 27, from 345 to 372.

In 2010, the **DYNAMIC DEVELOPMENT** of the eCommerce market formed a solid basis for growth. During fiscal 2010 the Group attracted 1000 new merchant customers.

BUSINESS CUSTOMER DEVELOPMENT



DYNAMIC GROWTH OF THE DIGITAL WORLD

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PAYMENT PROCESSING AND RISK MANAGEMENT SERVICES have become key technologies supporting the growth of Internet-based commerce – because the sustained dynamic growth of global e-commerce depends absolutely on the secure, transparent and instantaneous flow of transactions.

Burkhard Ley,
CFO

Dr. Markus Braun,
CEO, CTO

Jan Marsalek,
COO*

* since February 1, 2010

Dear Shareholders,

The dynamism of the digital age continues unabated. The Internet has been a powerful distribution channel to match the retail sector for some time now. Online merchants face ever increasing fresh challenges as soon as their own territorial borders are crossed. After all, apart from numerous other factors that need to be borne in mind, the complexity of electronic payment processing has also increased substantially.

This is exactly where Wirecard AG and its services come to the fore. We support merchants in selecting the solutions of relevance to them from the multitude of solutions available on the market for their industry segments and distribution channels, taking account of their various target markets in the process.

During the last fiscal year, Wirecard AG generated sales revenue growth of 19 percent, to reach 271.6 million euros; earnings before interest, taxes, depreciation and amortization (EBITDA) were up by 21 percent, to 73.3 million euros.

In recent years, Wirecard AG has attained a market scale large enough to enable the company to anticipate technological advances at an early stage. In the process, it was possible to achieve all objectives held in store on the way—be it the smooth establishment and expansion of the Wirecard Bank, our extremely successful solutions on an international scale to prevent fraud in online payment transactions, or the technologically sophisticated prepaid card platform based on fully automated procedures and workflows.

With over 12,000 business customers at present, we have a representative insight into the development of the individual industries of European eCommerce. This also facilitates our efforts to make more accurate forecasts with regard to market trends.

Business performance

As expected, the European eCommerce market developed better in 2010 than in the previous year. We managed to achieve our objective of outperforming the market once again with a roughly 50 percent growth surge, both due to the continual acquisition of new customers as well as through innovative products and solutions.

Some aspects of the course of business are worth considering, apart from the overall positive development of our core business in Europe.

The Wirecard Group once again extended its portfolio of payment solutions in order to attain an even better level of diversification. The close synchronization between technology and banking services represents one of the most vital ways for us to ensure that our customers are provided with the very latest solutions of relevance to the market. In our core business, numerous new cooperative ventures, such as with Diners Club/Discover, allowed us to expand our business.

Our expectations of the fraud prevention solution, the Fraud Prevention Suite, presented in 2009 in the field of online payments processing, have been exceeded. As it turned out, using this instrument our international customers were able to lower their fraud quotas considerably.

A further key business focus in fiscal 2010 was on extending the prepaid card business of the Wirecard Bank. Cooperation agreements with Lekkerland and ICP were critical to the expansion of the mywirecard label. This made it possible to place our newly presented product, the mywirecard 2go Visa, through the Lekkerland program, at the point of sale. At the same time, via both partners all mywirecard products can be topped up with cash at some 20,000 PoS stations in Germany at this time.

Finally, allow me to underscore that it was possible to complete the December 2009 acquisition of the subsidiary in Singapore, in terms of customer migration, as early as the first half of 2010. Furthermore, thanks to a highly dedicated and committed team, we were able to conclude essential projects via this new location, as was impressively shown in the partnerships with Alipay and China UnionPay, announced this year.

Competitive environment

In 2010, there was substantial movement in the market environment of online payment processing services. Numerous competitors changed hands.

In principle, this has not fundamentally changed our competitive situation; nevertheless, Wirecard AG is one of the few organizations in this industry segment that operate independently and on an international scale.

We plan to extend this competitive edge even further. In future, we will continue to focus not only on being a reliable partner for our business customers; with our innovative strength, we also plan to offer the best solutions of relevance to the market for the benefit of our merchants.

One of our key unique selling points is the innovative interlinking of software technology with banking products and, in particular, the ability to handle a large number of different payment methods, irrespective of the distribution channel and terminal device, and of whether payment is made by PC, an IP-compliant PoS terminal or by smartphone.

Market trends

Several trends are discernible on the eCommerce market at present. For one thing, as far as merchants are concerned, the focus is on a multi-channel distribution model with which customers can be efficiently served at favorable prices across all distribution channels. For another, the increasing significance of the Asian market—and especially the Chinese Internet trade—is reflected in the breathtaking growth figures of China Unionpay and Alipay.

Alternative payment solutions, such as the bank-based and country-specific processes, will play an increasingly important role in online payment processing in future.

Europe will see in particular the establishment of the SEPA debit note system. Thanks to the efforts of the ECB and the EU Commission, continual progress is being made toward the Europe-wide implementation of this system. We advise our merchants to begin looking into this new procedure without delay.

Outlook

Ladies and gentlemen, we once again plan to enable you—our shareholders—to participate in the profit of Wirecard AG this year. Accordingly, at this year's Annual General Meeting, the Management Board and Supervisory Board will again propose that a dividend amounting to 0.10 euros be paid per share.

Our strategy of primarily relying on organic growth in Europe and Asia remains unchanged. Apart from a highly dynamic market trend in Asia, in future eCommerce in Europe will also be driven by a host of influential factors—for instance by an increasing number of high-speed Internet access points, particularly in southern and eastern Europe—and therefore higher user numbers, but also by the increase in spending on online purchases per annum and per user in Europe as a whole.

In the second half of 2011, we expect to realize increasingly positive results from the prepaid card business and our continued expansion in Asia. I'm convinced that we have reinforced our current activities in Asia by means of targeted investments at the right time in order to extend our growth in the region on a sustained basis over the next several years.

Unless the macro-economic fundamentals undergo a profound change in 2011, Wirecard AG is very likely to reach its financial targets. For fiscal 2011, the Management Board of Wirecard AG expects earnings before interest taxes, depreciation and amortization (EBITDA) to reach between 81 and 89 million euros.

On behalf of my colleagues on the Management Board, I would like to express our thanks to our dedicated employees, who bring the Wirecard Group forward with their performance each day. At the same time, we wish to thank our customers and partners for their collaborative efforts in a spirit of mutual trust.

We thank our shareholders for the confidence they have placed in us.

Sincerely,

Dr. Markus Braun

Dr. Markus Braun
CEO of Wirecard AG

Wulf Matthias,
Chairman od the Supervisory Board

Dear shareholders,

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

Report on the activities of the Supervisory Board

To exercise its control function, the Supervisory Board cooperated intensively with the Board of Management, which briefed the Supervisory Board orally and in writing on a timely basis with regard to all relevant business transactions and strategic approaches adopted. Furthermore, at each meeting the Supervisory Board dealt with the reports of the Board of Management on risk management activities and on the risks to the Wirecard Group identified by the Board of Management. Circumstances 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 documentations and queries addressed to the Board of Management. The Board of Management briefed the Supervisory Board in monthly reports on the key financials and provided it with quarterly finance reports as well as the half-year report in good time prior to publication.

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

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

Focal points of discussions

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

The focal topics dealt with at meetings of the Supervisory Board in January 2010 were the preliminary results for fiscal 2009, the Business Plan for the year 2010, the adoption of the budget for 2010 as well as the Group's investment strategy for fiscal 2010. Moreover, at the meeting in January, Mr. Jan Maralek was appointed a member of the Company's Board of Management, effective February 1, to succeed to Rüdiger Trautmann, who retired effective January 31, 2010.

At its meeting in April 2010 the Supervisory Board discussed the annual and consolidated financial statements as at 31 December 2009. It also dealt with the accusations made against the Wirecard Group, published *inter alia* on the GoMoPa website, and with the countermeasures required.

In May 2010, a Supervisory Board meeting of Wirecard AG took place, at which its risk and opportunities strategy was discussed along with risk management within the Group.

At its meeting in June 2010, the Supervisory Board discussed in particular the forthcoming Annual General Meeting as well as the development of various legal issues.

A focal point of the Supervisory Board meeting in September 2010 was the Company's acquisition strategy.

At its final meeting in November 2010, the Supervisory Board discussed the Company's performance in fiscal 2010 as well as the budget process and the evaluation of the Company's objectives for the year 2011.

Capital measures

The Company's subscribed capital amounted to EUR 101,803,139.00 as at December 31, 2010, divided up into 101,803,139 no-par-value bearer shares with a value based on a notional common stock of EUR 1.00 each. There was no change to the subscribed capital year on year.

Corporate Governance Code/declaration on corporate governance

During the period under review the Supervisory Board dealt with and continues to deal with the content of the Corporate Governance Code in preparing the declaration of conformity in accordance with § 161 of the German Stock Corporations Act (AktG). For information on corporate governance within the company and a detailed report on the extent and structure of remuneration paid to the Supervisory Board and the Board of Management, please refer to the Corporate Governance Report/declaration on corporate government. At their meeting of April 13, 2011, the Board of Management and Supervisory Board adopted a resolution to submit the declaration of conformity dated March 28, 2011, in accordance with § 161 of AktG, which was made available on a permanent basis to the Company's shareholders on the Company's website. The declaration of conformity is reproduced in full in the Corporate Governance Report/the report on the Company's management.

Annual and consolidated financial statements

The auditing firms RP Richter GmbH Wirtschafts-prüfungsgesellschaft and Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft jointly audited the individual annual financial statements of Wirecard AG as at December 31, 2010; the consolidated annual financial statements as at December 31, 2010; as well as the management report and consolidated management report, issuing an unqualified audit certificate in each case. The annual financial statements were prepared according to the German Commercial Code (HGB) and the consolidated annual financial statements according to IFRS.

The above-mentioned documents, the proposal for the appropriation of profits and reports of the auditors were made available to all members of the Supervisory Board in time for the meeting of the Supervisory Board held on April 13, 2011. The auditors attended this meeting and reported on the material findings of their audit and were available to provide the members of the Supervisory Board with additional information. They also explained their findings on the company's control and risk management system in relation to the accounting methods used. Beyond that, the auditors furnished proof of their independence and information on services they carried out in addition to auditing the financial statements in fiscal 2010 and fiscal 2011. Following a careful audit of its own, the Supervisory Board came to the conclusion that the annual financial statements, the summarized management report for the Company and the Group, the consolidated annual financial statements and the reports by the auditors gave rise to no objections. In its resolution of April 13, 2011, the Supervisory Board approved the annual financial statements of Wirecard AG prepared by the Company in March 2011 and the consolidated annual financial statements prepared by the Company in March 2011 in accordance with IAS/IFRS for fiscal 2010. Accordingly, the annual financial statements have been confirmed in accordance with § 173 of AktG.

The Board of Management plans to propose that a dividend of EUR 0.10 per share be paid to our shareholders at the Annual General Meeting. The Supervisory Board concurs with this proposal.

Change of control clause

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

Personnel-related details and conflicts of interest

Effective January 31, 2010, Mr. Rüdiger Trautmann resigned from his mandate as the Company's Chief Sales Office for personal reasons; Mr. Jan Marsalek was appointed to the Board of Management with effect on February 1, 2010. Other than that, there were no changes to the composition of the Company's management bodies.

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

Outlook

On account of the anticipated trend relating to overall demand in Europe and Asia and the ongoing migration from previously POS sales to the Internet, the Company is expected to record sound growth figures for 2011 as it did for 2010. Additional economy-of-scale effects in the technology sector will also make a positive contribution in this regard. Services in the field of alternative payment methods were further extended and will represent an additional growth driver for the Company in 2011.

The Supervisory Board once again wishes to express its thanks to retired Board of Management member Rüdiger Trautmann for his services to the Company. The Supervisory Board would like to express its recognition and thanks to the Board of Management and to the workforce for their immense dedication and commitment in fiscal 2010.

Grasbrunn, April 2011

Wulf Matthias
Chairman of the Supervisory Board

WIRECARD STOCK

A global index comparison showed that the DAX 2010 was one of the top performers. The index was up by 16 percent, from 5,975.52 to 6,914.19 points.

Unlike the even more positive performance of the second-line stock index MDAX and the SDAX, the TecDAX increased by only four percent from its end-2009 level of 817.58 to 850.67 points.

Wirecard's share price closed at EUR 9.91 on the first day of trading in 2010 and climbed to EUR 10.25 in January 2010. In the course of the first half-year, share price performance was not satisfactory even though business trends remained positive. On March 30, 2010, the share price reached its low for the year of EUR 6.35. A significant price recovery occurred in the course of the second half of the year. It was not possible to sustain the annual high of EUR 11.31 on November 4, 2010; the share price closed the trading year at EUR 10.25.

Calculated from the Xetra closing price on December 30, 2009, Wirecard's share price rose by 6.2 percent in 2010, at an average annual price of EUR 9.02. The Xetra trading volume of Wirecard stock averaged approx. 670,000 shares per day. As at December 31, 2010, Wirecard's market capitalization amounted to EUR 1.04 billion.

Investor Relations

Wirecard AG is continually in contact with its investors and analysts. In the course of numerous road shows and investor conferences at home and abroad, as well as telephone conferences and individual, one-on-one talks, the Management Board and Investor Relations field questions and provide answers to them. Interest in the business model of Wirecard AG, which operates solely in growth markets, increased as the year progressed. Due to the fact that numerous M&A activities took place in its competitive environment, Wirecard stock attracted the attention of additional international investors.

In 2010, two internal banks, Goldman Sachs International and Barclays Capital, began analyzing Wirecard's stock. At present, a total of twelve analysts are monitoring the Company's share price. An overview is available in the Investor Relations section of the company's website www.wirecard.de under "Stock." This is where private investors can also obtain a great deal of information and contact the Investor Relations staff if they have any further questions.

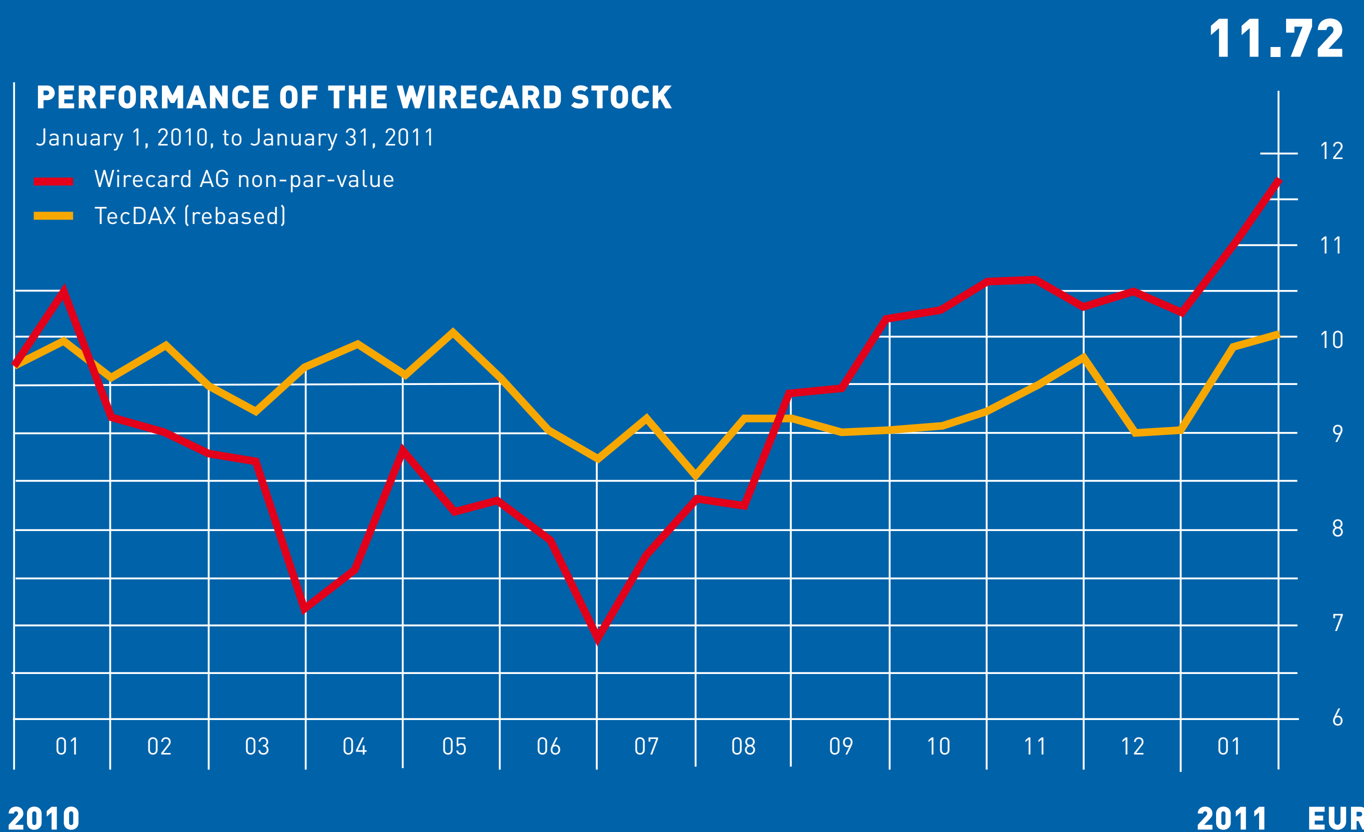
Shareholder structure

The free float amounting to 92.4 percent is predominantly accounted for by institutional investors. In geographical terms, the Anglo-American region, Europe and to a lesser extent Australia account for the dominant share.

The Board of Management and the Supervisory Board 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. Special measures taken for this purpose are our listing on the Prime Standard and accounting according to IAS/IFRS.

Wirecard's share price closed at EUR 9.91 on the first day of trading in 2010 and closed the trading year at EUR 10.25. As at December 2010, Wirecard's market capitalization amounted to **EUR 1.04 billion.**

1.04 BILLION



KEY FIGURES WIRECARD STOCK

		2010	2009
Number of shares (Dec. 31) - all entitled to a dividend		**101,803,139**	101,803,139
Capital stock (Dec. 31)	EUR	**101,803,139.00**	101,803,139.00
Market capitalization (Dec. 31)	EUR mn.	**1,043**	982
End-of-year closing price (Dec. 31)	EUR	***10.25**	*9.65
Annual high	EUR	***11.31**	*9.73
Annual low	EUR	**6.35**	3.78
Earnings per share (basic)	EUR	**0.53**	0.45
Earnings per share (diluted)	EUR	**0.53**	0.45
Cash flow on ordinary trading activity (adjusted by transaction volume of transitory nature)	EUR	**0.60**	0.68
Equity per share	EUR	**2.85**	2.41
Dividend per share	EUR	**0.09**	0.08
Dividend payout	EUR	**9,162,282.51**	8,144,251.12

Price data: Xetra *ex dividend, adjusted by EUR 0.09 (2010) and. EUR 0.08 (2009)

Capital measures in the year under review

The Company's subscribed capital as at December 31, 2010, amounted to EUR 101,803,139.00, divided up into 101,803,139 non-par-value bearer shares based on a notional capital stock of EUR 1.00 per share. No capital measures were carried out in the reporting year.

Annual General Meeting/Dividend approval

The Annual General Meeting of Wirecard AG was held in Munich on June 17, 2010. Among other things a resolution was adopted to carry forward an amount of EUR 4,499,887.51 of the net profit of EUR 13,662,170.02 for fiscal 2009 to the new accounts and to pay a dividend of EUR 9,162,282.51 in aggregate, i.e. a dividend of EUR 0.09 per non-par-value share of the 101,803,139 non-par-value shares entitled to a dividend. Majority votes were registered for all items on the agenda that were put to the vote. The details of the voting results are available on the Internet: http://www.wirecard.de/investor-relations-de/hauptversammlung

At this year's Annual General Meeting scheduled to be held in Munich on June 22, 2011, the Management and Supervisory Boards will once again submit a proposal to the stockholders to pay a dividend of EUR 0.10 for fiscal 2010 to enable them to participate in the Company's gratifying performance.

The status of the actions to challenge resolutions adopted at the Annual General Meetings of 2007 and 2008 is explained in the Risk Report (see section 7.6, Management Report).

BASIC INFORMATION ON WIRECARD STOCK

Year established	1999	
Market segment	Prime Standard	
Indices	TecDAX	
Type of equity	No-par-value common bearer shares	
Stock exchange ticker	WDI; Reuters: WDIG.DE; Bloomberg: WDI@GR	
WKN (SIN)	747206	
ISIN	DE0007472060	
Authorized capital, in number of shares	101,803,139	
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, 2010	EUR 101,803,139.00	
Beginning of stock-market listing	Oct. 25, 2000	
Board of Management	Dr. Markus Braun	CEO, CTO
	Burkhard Ley	CFO
	Jan Marsalek	COO
Supervisory Board	Wulf Matthias	Chairman
	Alfons W. Henseler	Deputy Chairman
	Stefan Klestil	Member
Shareholder structure on Dec. 31, 2010 (Shareholders with more than 3 percent of voting rights)		
	7.60 % MB Beteiligungsgesellschaft mbH	
	6.26 % Jupiter Asset Management Ltd. (UK)	
	5.00 % Alken Fund Sicav (LU)	
	4.97 % Artisan Partners (US)	
	3.10 % Wasatch Holdings, Inc. (US)	
	3.08 % Columbia Wanger AM LLC (US)	
	3.04 % Ameriprise Financial Inc. (US)	
	92.4 % Freefloat	
	(Alken, Ameriprise, Artisan, Columbia Wanger, Jupiter und Wasatch are considered part of the free float according to the definition of the German Securities Exchange)	

DYNAMIC GROWTH OF THE DIGITAL WORLD

The Internet has been developing into society's digital nervous system at a **BREATHTAKING RATE**; at the same time, the Web is turning into a booming economic sphere spanning the entire globe. Payment processing and risk management services have become key technologies supporting the growth of Internet-based commerce—because the sustained dynamic growth of global e-commerce depends absolutely on the secure, transparent and instantaneous flow of transactions.

+444%

GLOBAL INTERNET USE *

In 2010, the world's population came to 6,845,609,906 inhabitants.
Of these, **1,966,514,816** used the Internet.
The growth rate of the number of Internet users in the past
10 years came to **444%**.

* Internet World Stats 2010.

WELCOME TO THE NETWORK OF SUPERLATIVES: almost two billion people now use the Net on a daily basis. On average, each month the global online network carries 11,627 petabytes of data. This volume of data is many times greater than the amount of information contained in all the books ever written to date. What's more, in 2010, Internet users around the world sent a total of around 107 trillion e-mails. This translates into some 294 billion electronic messages making their way to their recipients every day.

The sheer immensity of this flood of communications is also evident in the number of web sites worldwide. It is estimated that the number of online pages today stands at around 255 million. In 2010 alone, 21.4 million new web sites went online. The Net is clearly developing at breakneck speed. It has come to the point where many of us would find it difficult to imagine life, work and shopping without this worldwide data structure.

And yet, this "greatest invention since the printing press" started out rather unspectacularly in 1989, with file sizes limited to 30,000 characters. The young computer scientist Tim Berners-Lee wrote a thesis aimed at bringing order to the data chaos prevailing at the CERN nuclear research facility, simply titled, "Information management: a proposal."

In this paper, published in March 1989, Berners-Lee noted that "the technical details of past projects at the CERN nuclear research facility are sometimes lost forever." The reasons, Berners-Lee continued, were changes in personnel, a lack of commitment to communication, and the rapid pace at which research was progressing. Even as far back as 1989, Berners-Lee had the vision to recognize that "within ten years, the rest of the world may well be experiencing the same problems that CERN is wrestling with now."

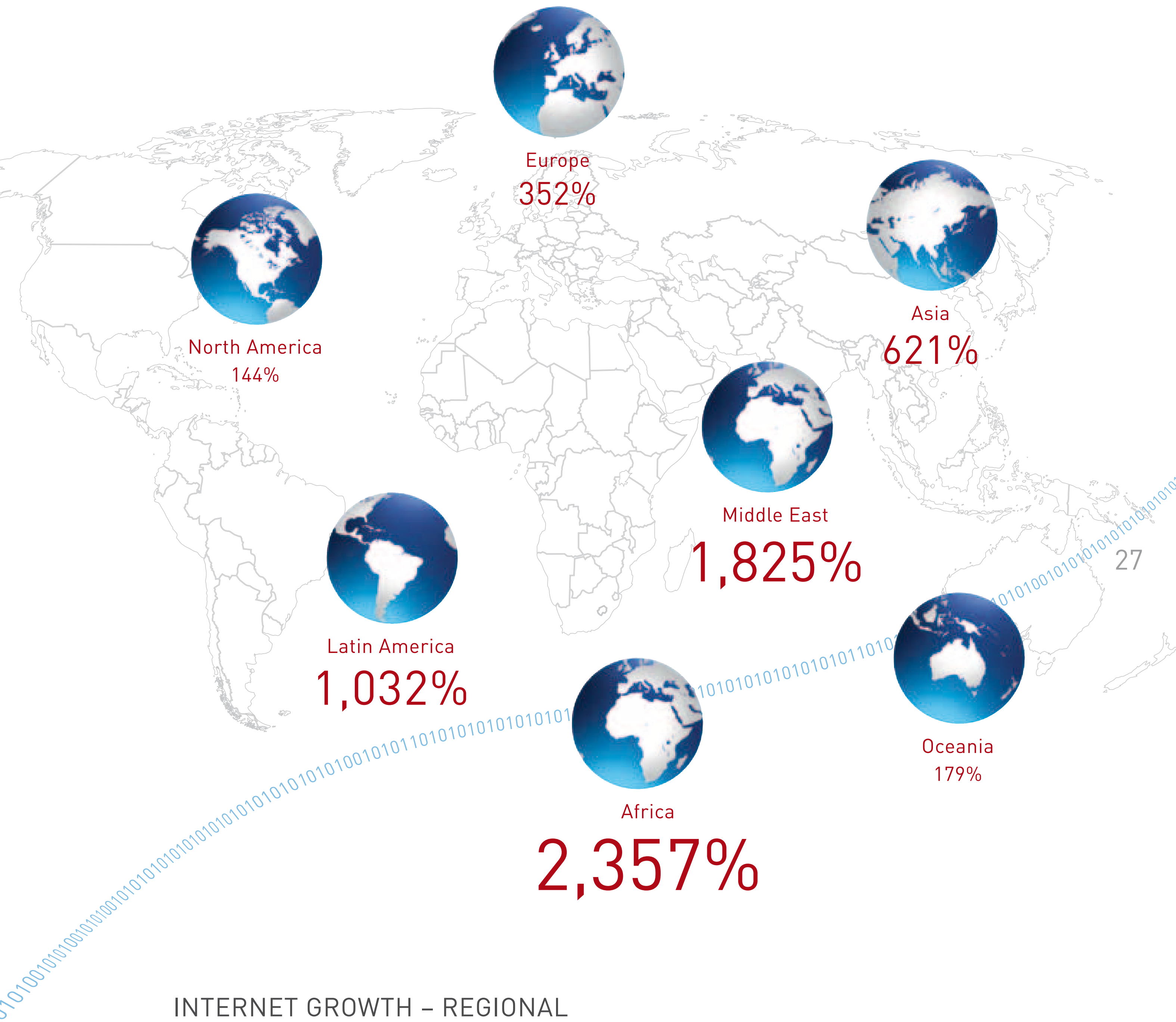
THE GREATEST INVENTION STARTED OUT IN A RATHER UNSPECTACULAR MANNER BACK IN 1989, INVOLVING THE GRAND TOTAL OF **30,000 CHARACTERS**

Starting from there, Berners-Lee developed the idea of a network that not only archives communications, but also makes it easy to find and retrieve information, even for newcomers – the HyperText Markup Language (HTML) was born. The secret of this innovation's success is that each and every document in the information network conforms to a defined set of standard commands, a uniform system of addresses, and a standardized transmission protocol. This creates what Berners-Lee called a "universal, linked information system, in which generality and portability are more important than fancy graphics techniques and complex extra facilities."

The idea behind the World Wide Web received a mixed reaction from Berners-Lee's supervisors. "Vague, but very interesting," one of his bosses scribbled in the margin of the thesis. Today this assessment of the "birth certificate of the WWW" is displayed in a glass case at the CERN nuclear research facility.

Berners-Lee himself derived virtually no financial benefit from the future development of this new medium. While others who came up with comparatively unspectacular innovations quickly became Internet billionaires, no such monetary reward was forthcoming for the original developer of the Web. This is because Berners-Lee, the man who invented the world's first HTML browser and the HTML standard, backed the open source principle when it came to matters of innovation. As he puts it: "Had the technology been proprietary and remained under my control, it probably would not have been quite so successful. The decision to create the Web as an open system was necessary in order to make it universally accessible."

And the Net has indeed become universally accessible today. Over the last ten years, Internet use worldwide has increased by a staggering 444 percent.

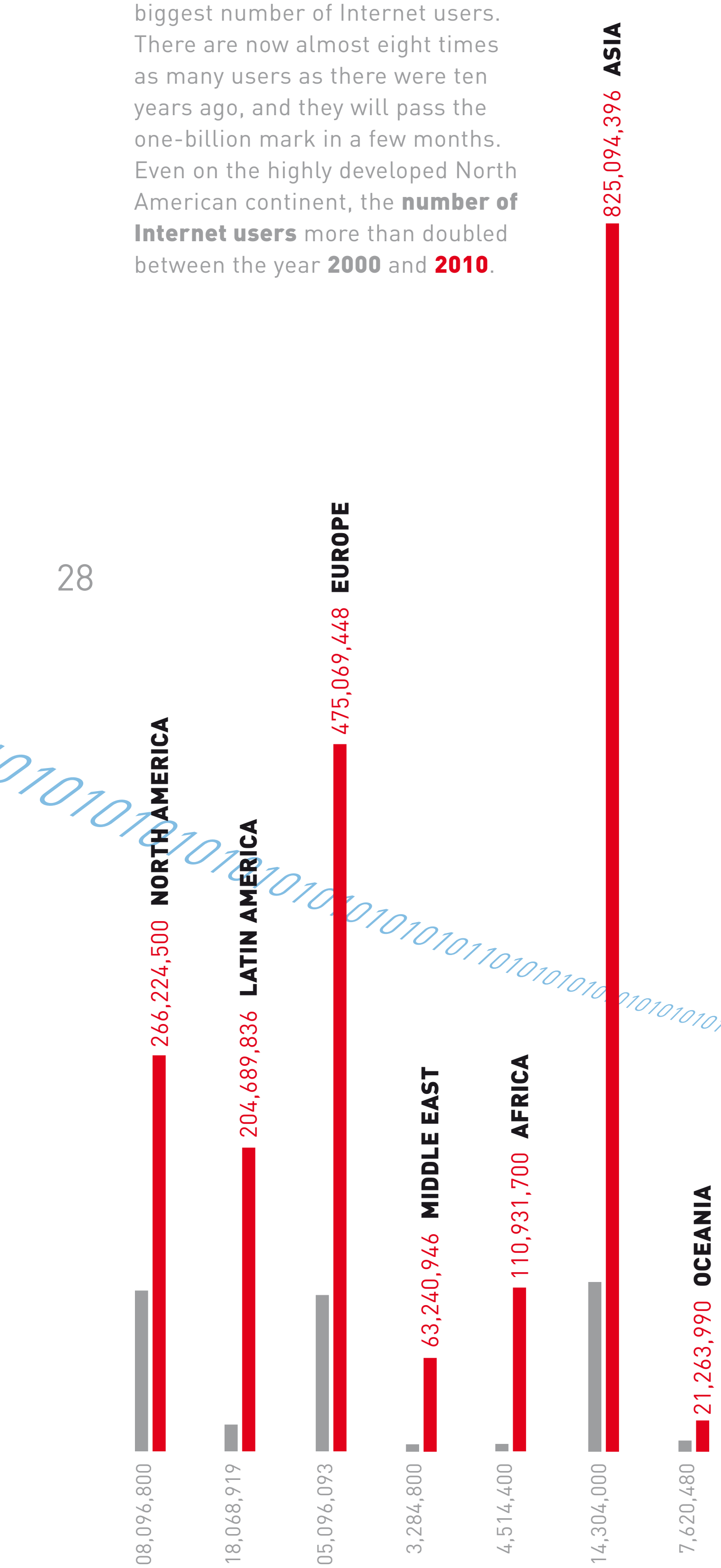


INTERNET GROWTH – REGIONAL

Internet use continues to grow rapidly, especially in Africa, Latin America and in the Middle East. Whereas **growth** in North America was no less than 144% over the last ten years, **in Africa it reached 2,357%**.

INTERNET USERS

In absolute terms, Asia has the biggest number of Internet users. There are now almost eight times as many users as there were ten years ago, and they will pass the one-billion mark in a few months. Even on the highly developed North American continent, the **number of Internet users** more than doubled between the year **2000** and **2010**.



Every corner of the globe has experienced this level of growth. There is hardly a region in the world that has escaped the Internet phenomenon. The African continent is a good case in point. While only four in a thousand people in Africa were online ten years ago, today every tenth person on the continent is networked through the World Wide Web. This represents a growth rate of 2,357 percent.

And even on the highly developed North American continent, the graph showing the growth in Internet use has been going in one direction only for years now: upward. Today 80 percent of American citizens are online—Internet use has increased by no less than 144 percent over the last ten years. The trend in Europe is similar: Internet use over recent years has increased by 352 percent.

However, it is Asia that today has the highest number of Internet users by far: between 2000 and 2010, the number of Internet users multiplied by a factor of eight, from 114,304,000 to 825,094,396. Based on this trend, it can only be a matter of months before Asia will pass the magic mark of one billion Internet users.

Given these numbers, it is hardly surprising that the Web is gradually exhausting its resources in structural terms. The supply of conventional Internet addresses will soon be exhausted. The worldwide address management organization Internet Assigned Numbers Authority (IANA) has already allocated 251 of the original 256 large address blocks. Industry experts estimate that by the end of 2011, the first regional organizations will have allocated all their addresses to businesses and institutions, so that there will not be any more free addresses conforming to the IPv4 standard.

11,627 QUADRILLION

bytes (= 11,627 petabyte) **of data** per month (average) were carried on the global network **in 2010**.

107 TRILLION

emails were sent worldwide in 2010 – **or 294 billion a day.**

1.9 BILLION

people used the Internet in 2010. This represents **28.7% of the world's population.**

255 MILLION

online pages existed in 2010. In that year some **21.4 million** new web sites were put on the net.

11,627,000,000,000,000,000

107,000,000,000,000

1,900,000,000

255,000,000

Tim Berners-Lee, who, having been knighted by the Queen, is now Sir Timothy Berners-Lee, summarizes the dynamic speed of development: “None of us could have imagined that the Internet would evolve into what it is today. And neither would it have been possible to foresee the impact the Web would one day have on people’s everyday lives. On the other hand, we were very much aware back then that we were creating the foundations for this kind of development. We wanted to design the Web in such a way that it would act as an open, future-proof platform. And as a foundation capable of supporting as many diverse applications as possible.”

E-COMMERCE – A MARKET WORTH BILLIONS: TRADITIONAL COMMERCE FACES INCREASING PRESSURE

IN ASIA, TWICE AS MANY PEOPLE AS IN EUROPE OR THE AMERICAS SPEND BETWEEN A QUARTER AND HALF OF THEIR **MONTHLY INCOME ON INTERNET PURCHASES**

IIII

In tandem with the rapid increase in Internet use, the Web has also been growing in importance as an business and economic sphere. There is a worldwide boom in e-commerce. In fact, the Internet is now the fastest-growing distribution channel by far. A prime example for the pace of development is the United States. According to a study by Forrester Research, more than 154 million Americans purchased articles on the Web in 2009, and the trend is rising. The experts from Forrester Research predict that by 2014, eight percent of total purchases in the U.S. will be made via the Internet. At first glance this number looks fairly unimpressive. It should be borne in mind, however, that many types of purchases are atypical for e-commerce. A good example is the food sector.

Yet the United States has long since lost the lead in terms of the fastest growth rate when it comes to online shopping. In western Europe, a record 93 percent of Internet users are reported to have made at least one purchase over the Internet. Certain product groups are favored by people shopping online: books (44 percent), clothing (36 percent), airline tickets/reservations (32 percent), electronic appliances (27 percent) and travel/hotel bookings (26 percent) are the most popular online products.

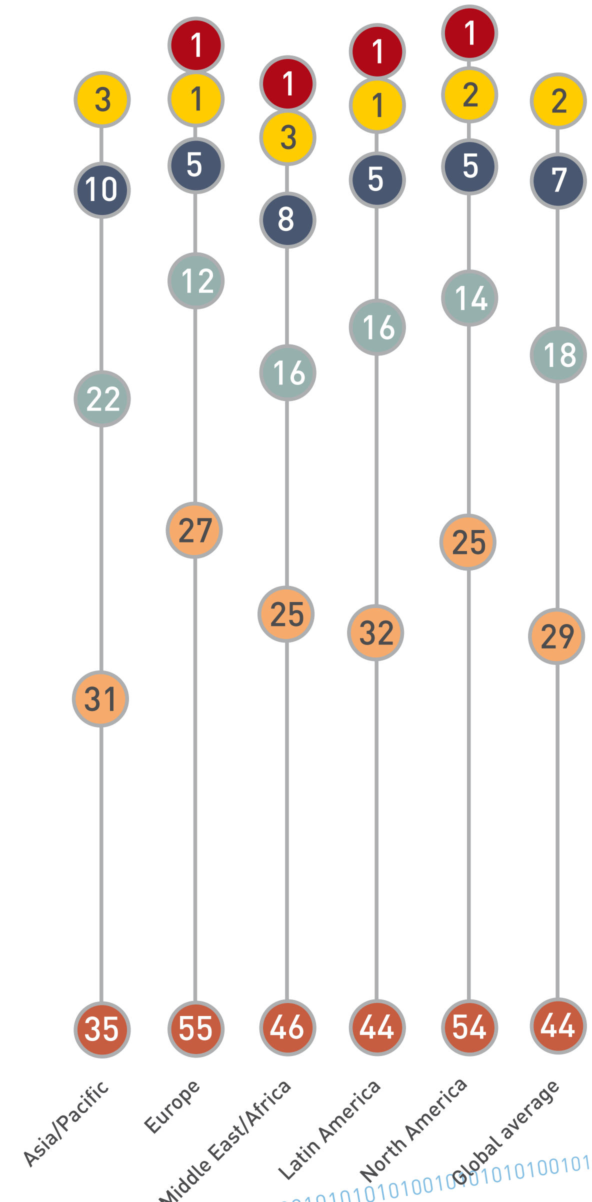
Worldwide, monthly expenditure on online shopping varies considerably. While five percent of the population in the U.S. and Europe use between 26 and 50 percent of their monthly spending on online purchases, this number is almost twice as high in the Asia-Pacific economic region. The volume of e-commerce sales in Asia has risen enormously in recent years. In India online commerce increased by a solid 30 percent in 2009, in Japan by 22 percent. In Thailand insiders put the growth rate at an astounding 76 percent.

It is therefore hardly surprising that growth projections for e-commerce are reaching dizzying heights. The investment bank J. P. Morgan predicts in the “Internet Investment Guide” that worldwide e-commerce sales will increase by 19.4 percent annually by 2013, to 963 billion dollars. For J. P. Morgan, the reasons for this development are self-evident: “Internet commerce is benefiting from a number of different trends,” explains Imran Kahn, Managing Director of the financial institution. “These include the growth in broadband connections, the continued development of technological solutions for product presentation on the Web, and the gradual decline of conventional merchants.”

As J. P. Morgan sees it, the rapid growth in mobile commerce is what will put the most pressure on the business model of traditional merchants In future. In the past, it was vital for merchants to get customers to come to their shops. Now that these potential buyers can use their smartphones to compare prices offered by e-commerce, traditional brick-and-mortar sales outlets will be put under more pressure than ever.

ONLINE SHOPPING WORLDWIDE

TOTAL MONTHLY EXPENDITURE, AS A PERCENTAGE



- More than 75%
- Between 51% and 75%
- Between 26% and 50%
- Between 11% and 25%
- Between 6% and 10%
- Less than 5%

Base: All respondents shopping online (codes 1-4) in Q27 n = 21,505
Consumer Confidence Survey – Q1 2010
Field dates March 8, 2010-March 28, 2010

TOP 5 ONLINE PRODUCTS

The online product sold most frequently online is still the traditional book.

Expected purchases worldwide within the next 6 months.
Source: Nielsen Q1 Global Online Survey

1 BOOKS
2 CLOTHING/SHOES
3 AIRLINE TICKETS
4 ELECTRONIC EQUIPMENT
5 TRAVEL/HOTEL BOOKINGS

However, the experts from J. P. Morgan have also identified some challenges to the unhindered development of e-commerce. Apart from the inconsistent quality of parcel services in the various regions of the world, Imran Khan from J. P. Morgan also sees the variations between the national payment solutions and the growing number of instances of payment fraud as factors that could hamper the growth of online shopping.

CORE COMPETENCE PAYMENT PROCESSING: PAYMENT AS A GUARANTOR FOR E-COMMERCE GROWTH

It is clear that global e-commerce presents both opportunities and risk for merchants and customers alike. For example, the anonymity of the Internet tends to attract criminal elements. Crimes such as identity theft, phishing and payment fraud have increased over the last ten years.

In 2009 alone, more than 220 million data records containing personal information were stolen from IT systems around the world. Experts estimate the losses caused by fraudsters using illegally obtained credit card data to be in the billions. It is therefore no surprise that the security of payment processing and risk management have become top priorities for e-commerce merchants. A study by the Regensburg-based ibi research institute found that “safeguards against payment default” enjoy top priority for 68 percent of German online merchants. In an effort to mitigate their risk, quite a few merchants have begun to limit the range of payment options they offer their customers. Fewer payment methods usually mean lower sales, however.

WIRECARD AG DEPLOYS
85 PAYMENT AND RISK MANAGEMENT PROCESSES

Against this backdrop, the demand for transparent, fast, globally available payment processes backed by innovative risk management will increase at the same rate as e-commerce itself. Payment and fraud protection have long since become core fields of expertise in the development of online commerce.

With a portfolio covering all aspects of electronic payment transactions—from the processing of electronic payments through transaction and customer checks to support services—Wirecard AG holds a leading position in the growth market of e-commerce services. Moreover, by combining banking services with payment solutions, the Wirecard Group has achieved truly unique selling points. Through Wirecard Bank AG, the group of companies can offer banking services such as credit card acceptance, issuing and corporate accounts together with payment solutions from a single source. This creates synergies that benefit merchants and customers in equal measure.

Using the Wirecard platform, online shops now offer a wide range of payment solutions with integrated, state-of-the-art risk management services. Customers enjoy the advantages of having a variety of options combined with the strictest security standards. Thanks to this level of products and services on offer, the Wirecard Group is doing well not only in Europe, but also in the booming markets of the Asia-Pacific economic region and in the Middle East. The worldwide growth of the digital realm is the engine driving the growth of the entire group of companies.

Source for Berners-Lee: http://www.thocp.net/biographies/papers/www_proposal.htm

12,000

BUSINESS COSTUMERS

across the globe are currently taken care of by Wirecard AG.

GROUP MANAGEMENT REPORT

SOLUTIONS FOR CORE INDUSTRIES

TOURISM/AIRLINES – DIGITAL GOODS – CONSUMER GOODS

PP&RM

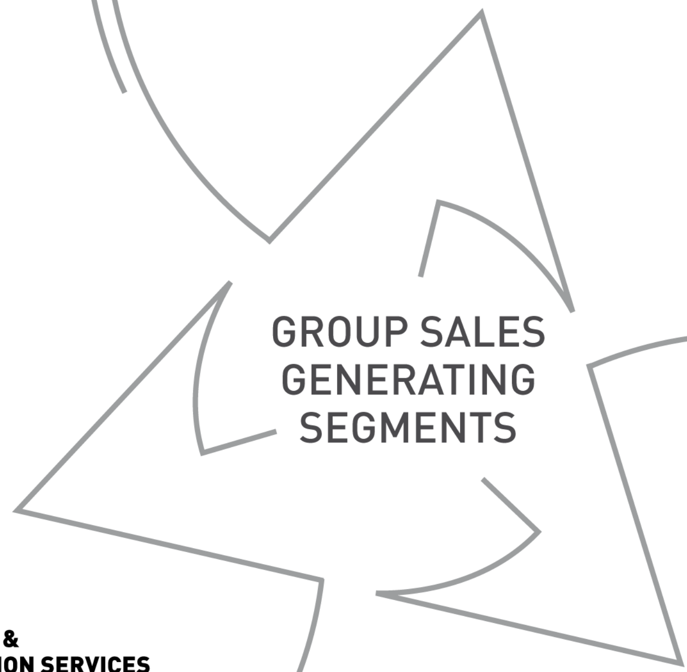
PAYMENT PROCESSING & RISK MANAGEMENT

WIRECARD PAYMENT GATEWAY
Access to more than 85 payment and risk management schemes

CARD PAYMENT PROCESSING
Card payment processing, POS card payment processing, automated electronic payment reconciliation, virtual terminal card payment processing

ALTERNATIVE PAYMENT METHOD PROCESSING
Direct debit, online banking payment methods, Internet payment services, automated electronic payment reconciliation

RISIK MANAGEMENT & FRAUD PREVENTION
Consumer identification & credit rating, fraud prevention



A&I

ACQUIRING & ISSUING (WIRECARD BANK)

CREDIT CARD ACQUIRING
Acquiring licences for Visa, MasterCard, China UnionPay, American Express, Diners Club/ Discover, JCB, Maestro. Alternative payment methods: Acquiring licences for giropay, eps, debit entries, SEPA

CORPORATE BANKING
Account and currency management, corporate accounts, currency accounts (SWIFT membership), virtual account numbers

ISSUING
Visa and MasterCard licences for card issuing, virtual cards (SCP), payout cards, co-branded cards

CC&CS

CALL CENTER & COMMUNICATION SERVICES

VIRTUAL AND STATIONARY CALL CENTER SERVICES
First & second level user helpdesk, Direct Response TV (DRTV) and direct customer services

1. BUSINESS, GENERAL CONDITIONS AND PERFORMANCE

1.1. Business activities

Wirecard AG is one of the world's leading technology and service companies in the fields of electronic payments, risk management and banking services. By providing intelligent solutions from a single source, we support businesses in their efforts to ensure the secure processing of electronic payments on an international scale.

Solutions and products for business customers

Success in eCommerce depends not least on the ability to accept a wide range of national and international payment methods. A large number of complementary products and solutions focusing on risk management ensure extensive protection against payment defaults. The core of the Wirecard portfolio of services is a central platform combining all distribution channels via a common interface, which offers savings in costs and processing effort for the customer. Outsourcing their financial processes allows our customers to focus on what's important: running their own businesses. To be able to meet industry and customer-specific requirements, Wirecard AG offers flexible approaches to solutions. The industry solutions currently available for the consumer goods, tourism and airlines sectors as well as for digital goods are based on our comprehensively integrated and bundled product lines.

Electronic payment processing is backed by customized risk management tools. Banking services like credit card acceptance or dedicated currency management complement the outsourcing of these financial processes. Additional products for point-of-sale and call-center services round off the range of solutions from a single source.

The Wirecard payment platform

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.

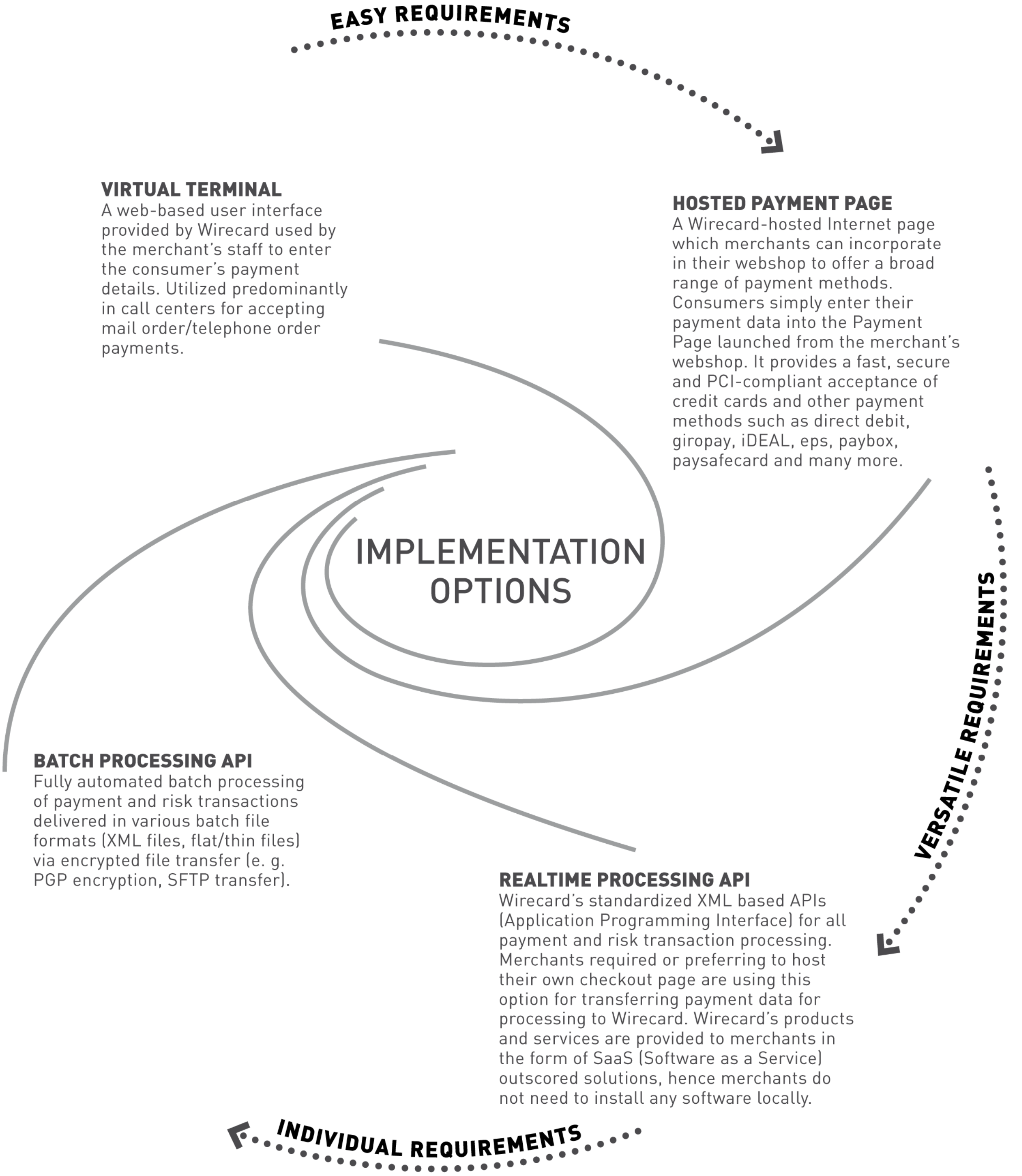
Integration on a central platform provides merchants with immediate access to more than 85 different payment and risk management methods. These include traditional payment methods such as credit cards, direct debits and invoicing, as well as systems developed specifically for use over the Internet, such as Alipay, eps, giropay, iDEAL and paysafecard, all of which offer consumers additional payment options even at an international level. The Wirecard payment platform offers merchants a wide variety of integration options, ranging from easy-to-use virtual terminals and an easily integrated, secure payment site provided by Wirecard to sophisticated technical interfaces (APIs)—thus enabling them to choose the type of interface that suits their individual requirements.

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

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

Compared with buying and running a payment processing software package, working with Wirecard AG reduces operating expenses substantially, so that merchants are supported in their efforts to reduce costs. At the same time, Wirecard AG also provides merchants with advice on the design of their billing and accounting processes. This advisory service includes support in choosing the risk management methods to be implemented, based on the individual risk profile for the various payment methods and the merchant’s specific target markets.

Compared with brick-and-mortar trade, online or call-center sales present the merchant with a large number of new challenges. Different time zones, a range of different currencies, the risk of fraud or payment default and the sheer number of different payment methods, some of which are only available in certain countries—these all raise issues that most merchants will be able to resolve only by working with a competent, experienced partner specializing in the field.


EASY REQUIREMENTS
HOSTED PAYMENT PAGE
A Wirecard-hosted Internet page which merchants can incorporate in their webshop to offer a broad range of payment methods. Consumers simply enter their payment data into the Payment Page launched from the merchant's webshop. It provides a fast, secure and PCI-compliant acceptance of credit cards and other payment methods such as direct debit, giropay, iDEAL, eps, paybox, paysafecard and many more.
VERSATILE REQUIREMENTS
REALTIME PROCESSING API
Wirecard's standardized XML based APIs (Application Programming Interface) for all payment and risk transaction processing. Merchants required or preferring to host their own checkout page are using this option for transferring payment data for processing to Wirecard. Wirecard's products and services are provided to merchants in the form of SaaS (Software as a Service) outscored solutions, hence merchants do not need to install any software locally.
INDIVIDUAL REQUIREMENTS
BATCH PROCESSING API
Fully automated batch processing of payment and risk transactions delivered in various batch file formats (XML files, flat/thin files) via encrypted file transfer (e. g. PGP encryption, SFTP transfer).
VIRTUAL TERMINAL
A web-based user interface provided by Wirecard used by the merchant's staff to enter the consumer's payment details. Utilized predominantly in call centers for accepting mail order/telephone order payments.
IMPLEMENTATION OPTIONS

Alternative payment methods

Non-card-based payment methods, such as payment services and bank-based or prepaid methods are grouped under the heading of Alternative Payment Methods. They also include country-specific payment methods, which are gaining in popularity with consumers and are generally linked to their bank accounts. For this reason, merchants' acceptance of alternative payment methods like giropay in Germany, eps in Austria, and iDEAL in the Netherlands is also on the increase. Offering these payment methods allows merchants to appeal to new target groups, for example, people who don't own a credit card. At the same time, debit cards like Maestro from MasterCard, which can be used throughout Europe, are also gradually becoming available for use in online commerce.

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

Beyond that, in order to continue to improve its support for customers who are developing new markets and new customer groups, the Wirecard Group will carry on expanding its existing, extensive portfolio of alternative payment methods, such as the recently announced Chinese Alipay payment method.

Every payment method available on the market today has its advantages and drawbacks, and therefore each one comes with implications that merchants need to take into consideration—for example, whether they allow easy integration into a merchant's back office processes, and how they handle the reconciliation of bookings. Wirecard can offer support in this area, under the motto "Everything from a single source."

Products and services offered by the Wirecard Bank

The Wirecard Bank caters for its business customers with an extensive range of products and services. These include business and currency accounts as well as the allocation of payment acceptance agreements and the issuing of payment cards within the scope of co-branding and customer loyalty projects (prepaid or co-branded cards).

To be able to accept payments by credit or debit card, the merchant requires a credit card acceptance agreement from a bank licensed by the credit card organization (known as an acquiring bank).

Wirecard Bank has agreements in place with leading card organizations:

- Visa and MasterCard Principal Member—acquiring and issuing (issuing of proprietary cards)
- China UnionPay—online acquiring
- JCB International (Japan Credit Bureau)—full membership / acquiring and issuing
- Discover/Diners Club—online acquiring

For many of the alternative payment methods integrated into the Wirecard payment platform such as direct debit, SEPA direct debit, giropay and Alipay, Wirecard Bank also provides payment acceptance. The continual expansion of the acceptance portfolio is planned for this area as well.

As a credit card acquirer, the Wirecard Bank can offer over 100 transaction currencies and 15 payout currencies in 69 countries worldwide. Moreover, the Wirecard Bank's membership in SWIFT (Society for Worldwide Interbank Financial Telecommunication) enables it to provide its business customers operating with a global reach a large number of supplementary services in the field of foreign payment transactions and forex management services.

The link-up between technology and banking means business customers also have access to the following issuing products within the SEPA region.

- The Supplier and Commission Payments (SCP) product is an industry-specific automated solution that is particularly suitable for tourism operators, offering speedy, secure processing and settlement of global payouts at exact costs. A virtual MasterCard, Visa or Maestro card on a non-borrowing basis is created in real time for each individual booking transaction.
- The issuing product line also includes the Payout Card. This MasterCard, Visa or Maestro prepaid card offers employers a convenient way to pay wages to temporary, seasonal or casual workers: Companies can top up payout cards cheaply and quickly and then use them for payouts to workers throughout the SEPA region.
- Co-branded cards are deployed by corporations more and more frequently as a marketing instrument. From the individual conception and management of credit card projects through innovative software solutions for managing customer loyalty programs to comprehensive services from a single source, Wirecard Bank AG ensures the continuing success of each of its card projects. In future, the prepaid-card mywirecard platform will be made available as a white-label solution. It will then be possible to implement individual co-branded card concepts for prepaid cards with minimum lead time. As a result, not only the card but also the user interfaces will feature the customer company's chosen design or corporate identity. The many and various configuration options nevertheless facilitate maximum personalization. The card programs are available for several types of

cards: virtual or physical, available from the retail trade (2go) or by ordering over the Internet – as MasterCard, Maestro or Visa cards.

Wirecard products for consumers

The mywirecard consumer brand complements the core business of the Wirecard Group. It allows online merchants with Visa or MasterCard acceptance to expand their circle of customers by referring to the mywirecard.com prepaid cards—without the need for any technical integration and without incurring additional costs. Consumers have a choice of two cards on a non-borrowing basis, and these are available in a number of versions:

- The mywirecard 2go Visa is a non-personalized card that can also be used as a gift card. It is available at service stations and kiosks throughout Germany and can be topped up during purchases directly at the point of sale. Once the user activates the mywirecard 2go Visa via SMS or over the Internet, the balance paid in is available immediately. Customers who don't plan to recharge their cards are not required to provide any personal information, but if they choose to do so, the mywirecard 2go Visa can be activated online for top-up in just a few steps.
- The mywirecard MasterCard was conceived as a virtual card aimed at consumers who don't have a credit card or who don't want to use their conventional credit cards on the Internet. The online registration at www.mywirecard.com can be completed in seconds, and as soon as the card reflects a balance, the user is provided with all the card information needed to shop online: card number, expiration date and card verification number. If the amount loaded onto the card is used up, the account can be recharged again and again. And while the mywirecard MasterCard is a virtual product, it can also be topped up with cash at a point of sale. Consumers who wish to do so can order the mywirecard MasterCard in the form of a plastic card.
- With the Prepaid Trio, Wirecard Bank offers private customers an online current account together with an ec/Maestro card and a VISA prepaid card, each on a non-borrowing basis. Thanks to the prepaid principle, not only can users make secure payments conveniently, they also have their finances under control at all times.

Point-of-sale services

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

Call center services

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

THE GROUP's PORTFOLIO OF TECHNOLOGY AND BANKING SERVICES

PAYMENT, RISKMANAGEMENT AND ISSUING PLATFORM

Wirecard Enterprise Portal (WEP)
- administrative application for merchants: transaction management, statistics and reports

Online payment services
- Credit card transactions via the international credit card and bank network
- Alternative payment methods: including giropay, iDEAL, eps, paysafecard, CLICK2PAY, paybox, Alipay, direct debit, payment guarantee, SEPA direct debit, processing of local methods in other countries

Acquiring services/payment acceptance
- Card acceptance for Visa, MasterCard, Maestro, China UnionPay, American Express, Discover/Diners Club and JCB
- Payment acceptance for alternative payment methods: eps, giropay, (SEPA) direct debit

POS payment processing
- Clearing via POS card terminals for all conventional card-based payment methods, including ec-Cash (PIN), Maestro and credit cards

Issuing of innovative card-based payout-solutions
- Supplier and Commission Payments (SCP)
- Payout cards

Issuing of prepaid cards
- mywirecard.com (mywirecard 2go Visa und mywirecard MasterCard)
- Prepaid Trio (online bank account, girocard/Maestro and Visa card)
- Co-branded cards

Risk management
- Decision-making strategies for cash control, fraud identification (Fraud Prevention Suite), new and portfolio customer evaluation and others
- Authentication schemes for online payments such as 3-D Secure™ or CUP-Secure
- Specialized partners: Experian, Quova and others
- Credit status check: CEG Consumer Rating, Bürgel, Arvato infoscore, DeltaVista and many more

Connection of sales channels via XML and/or front-end interface
- Internet/call centers/mail order: access to more than 85 payment and risk management methods
- Point-of-sale processing of payments via stationary and mobile terminals

Extended industry-specific integration options
- Shop software (e.g. integrated into CosmoShop, ePages, Gambio, Magento, osCommerce, OXID eSales, Powergap and Websale)
- Tourism: Integration into leading booking or software systems (CRS, GDS, IBE, BSP); e.g. Sabre, Amadeus, SITA, Midoco, Bosys, AirKiosk, 2e-Systems, Partners Software GmbH, DCS GmbH, TravelTainment, ETACS, Ypsilon.Net AG

FURTHER SERVICES

Banking services
- Account and currency management
- Business and private customer accounts

Call center services
- stationary, virtual and hybrid / multilingual Helpdesk 24/7

1.2. General economic conditions

General global economic conditions

In 2010, the global economy recovered from the recession. Following a 0.6 percent decline in growth in the previous year, the International Monetary Fund (IMF) has estimated that global economic growth was up by 5 percent year-on-year in 2010. While the western industrialized nations generated an average growth rate of 3 percent, China's contribution came to 10.3 percent

According to initial quick estimates by Eurostat (Statististical Office of the European Communities), Gross Domestic Product (GDP) increased by 1.7 percent in 2010, both in the euro zone (Euro-17) and in the EU-27.

Industry-specific fundamentals

European E-Commerce market growth came to approximately 12 percent in 2010. This average value determined by Wirecard is based on studies by individual market research institutions of note, such as Forrester Research or PhoCusWhright, but also on surveys carried out by the German Federal Mail Order Trading Association (*Bundesverband des deutschen Versandhandels—bvh*). We aggregate the percentage-based growth statistics expected from commerce, tourism and digital goods. This approach provides something like a representative average determined from the merchant portfolio of Wirecard AG.

E-Commerce market also benefits from continual increase in user numbers

The number of Internet users is currently expected to have exceeded the barrier of two billion. According to the statistics service Internet World Stats, as many as 1.97 billion people were already using the Internet at the end of June 2010. This continual, unabated increase is stimulating E-Commerce. The Internet is now the fastest-growing distribution channel by far.

Business trends in the period under review

All corporate divisions within the Wirecard Group contributed to the gratifying business trend in the period under review. We were able to implement our sales targets either drive our technological developments forward or bring them to a close. Moreover, we expanded our circle of new customers as planned. More than 12,000 business customers now rely on the Wirecard Group's solution portfolio.

Larger-scale companies are increasingly identifying the savings and optimization potential arising from outsourcing business processes such as in the field of payment processing. At the same time, in the wake of the ongoing internationalization of E-Commerce, it is also easier to settle cross-border payments from all distribution channels via a homogeneous infrastructure.

The resulting challenges, in the context of payment processing services alone, give Wirecard AG the opportunity to continue extending its growth in future.

Transaction volume in 2010

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.

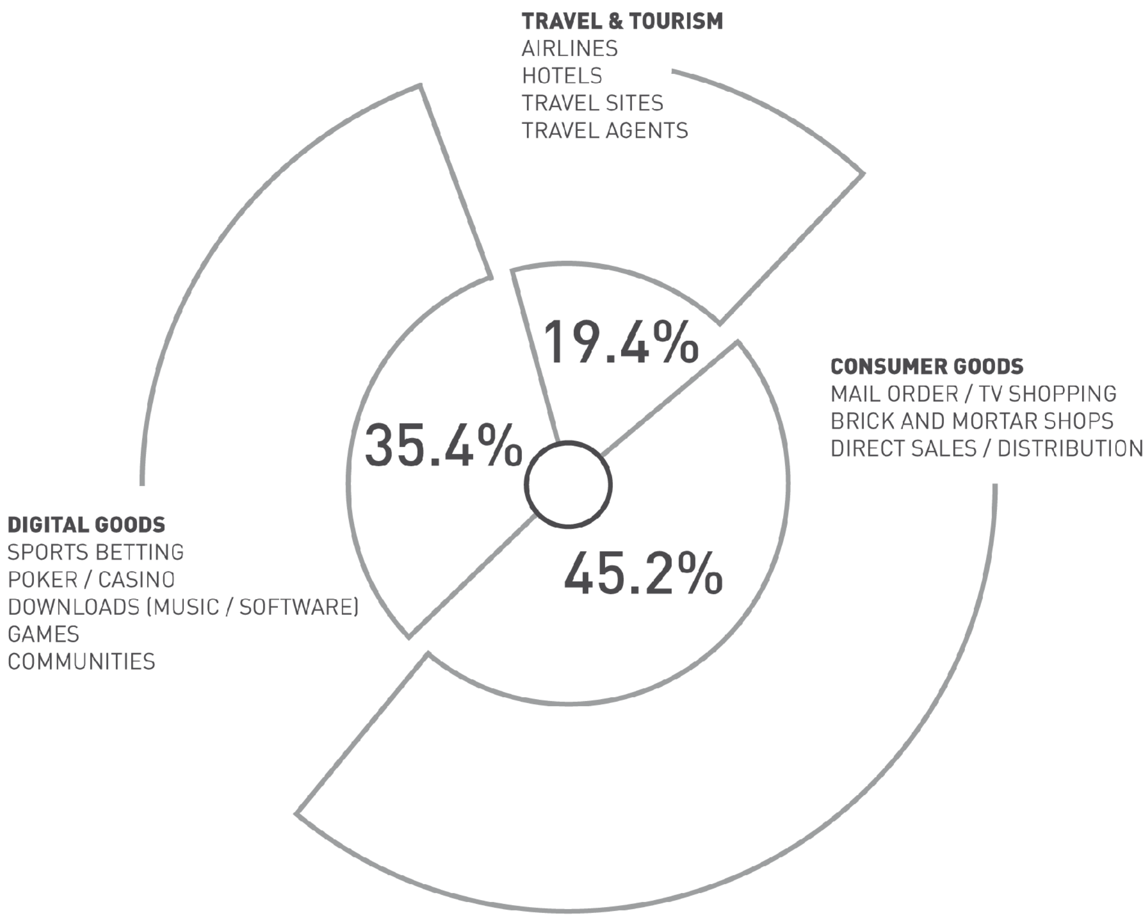
The ongoing profitability of Wirecard AG during the last financial year was also based on the positive market development and the trend in the direction of outsourcing. The economies of scale inherent in the technical platform and arising from the growing share of business customers who are boosting the transaction volume especially through the acquiring banking services as well as new product offers enabled the Wirecard Group to outperform the market once again in the year under review.

The following are the essential unique selling points provided by the "single-source" spectrum of services that the Wirecard Group offers its business customers:

- Combination of software technology and bank products
- International orientation—a single platform for all services
- Centralization of payment transactions from many and various distribution and procurement channels to a single platform
- Depth and range of services (industry and customer-specific products and solutions)
- Online-oriented acquiring bank in the Group (e.g. in 15 payout currencies)
- Supplementary banking services (such as corporate accounts, or foreign currency management)
- Innovative, software-based banking products (SCP—virtual credit cards, payout cards, co-branded cards)

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally dependent on the transaction volumes processed. In fiscal 2010 the transaction volume amounted to 12.6 billion euros. On average, the breakdown according to our target industries in the course of fiscal 2010 was as follows.

TRANSACTION VOLUMES



1.3. Market development and business trend by target industry segments

With direct sales distributed across target industries, its technological expertise and product depth, in the year 2010 Wirecard AG continued its operational growth and at the same time broadened its existing international network of cooperation and distribution partners.

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

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

- Consumer goods
- Digital goods
- Tourism

Approximately 52 percent of Group sales revenues were generated in the consumer goods segment in the year under review. Digital goods have a share of sales revenues of 34 percent, and the tourism industry accounts for 14 percent of total Group revenues.

Consumer goods

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

Business with new customers in the consumer goods division comprised all industry segments mentioned above. Just one example of this is redcoon, one of the leading European specialist discounters for entertainment electronics. A number of additional European countries were already integrated in the course of the financial year. In 2010 the newly founded company, QVC, in Italy, was acquired as a customer. Other new clients include the online portal Tradoria.de and smart tickets.de (www.tickets.de). Business relations with numerous existing customers were extended to include other payment solutions, e.g. risk management processes and banking services. The ongoing internationalization of amiando, now the leading European provider of on-demand event registration and ticketing services, illustrates how customer relations develop in the course of a number of years.

Digital goods

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

In fiscal 2001, new customers were acquired in all segments of the digital goods sector. Numerous customers signed up for settlement of live streaming of various sports broadcasts on the Internet, including Eurosport and German Premiere league clubs of note. Among our successful customers in the entertainment and sports bets industry are renowned providers in the industry engaged in the European region with the relevant licenses; some are listed on the stock markets. In this context we focused our attention on extending the partnership.

Tourism

In the tourism sector, Wirecard AG was able to expand its diversified customer portfolio. Some of the existing portfolio customers, including a large number of Asian airlines based in the Middle East or in the eastern Asian region, opted for additional services such as currency management or the Fraud Prevention Suite, which represents an effective risk management solution to prevent fraud. New customers include travel operators such as TUI Suisse, L'TUR and Switzerland Travel Center.

We recorded encouraging demand, primarily in booking portals, for the Supplier and Commission Payments (SCP) solution, a B2B settlement system. In 2010 new customers of note signed up for this solution, including Travel Republic, Transhotel and Destinations of the World.

1.4. Business trend in the field of banking services

In addition to the acquiring services for corporate customers of the Wirecard Group, Wirecard Bank AG offers numerous additional services to corporate clients. The field of foreign currency accounts and currency management services was extended to include new currencies last year. This gives companies a safe calculation basis, whether for settlement of merchandise and services in foreign currency or when receiving foreign exchange from concluded transactions.

The Wirecard Bank is a Principal Member of MasterCard and Visa and a Full Member of the credit card organization JCB (Japan Credit Bureau). Last year, the Wirecard Bank succeeded in adding yet another card organization to its acquiring portfolio, namely Diners Club/Discover International.

Because it has been a member of SWIFT since 2008, Wirecard Bank AG has been able since then to establish a practically global network of correspondent banks for efficient and secure processing of foreign payment transactions. This same network also supports Wirecard AG in its Group-internal domestic and international payment transactions in the field of cash management. This means that processes can be organized more accurately and cost-efficiently.

Key partnerships were entered into in the Issuing segment in 2010, which deals with the issuance of card products.

The partnership with Lekkerland Deutschland GmbH & Co. KG, a European convenience wholesaler, was the first step toward distributing the mywirecard 2 go Visa card throughout Germany. Lekkerland included this new prepaid card in its product range. In the field of Electronic Value (e-va), the Lekkerland range comprises a selection of payment, SIM, gift and prepaid cards from various providers, which can be topped up with cash at e-va terminals.

In the third quarter of 2010, the partnership we agreed with ICP Companies was a further milestone in expanding the network of cash top-up stations for prepaid cards at the point of sale. Moreover, ICP and Wirecard Bank cooperate closely in issuing and processing e-money-based gift cards. As one of the first cooperative ventures of this kind in the SEPA region, ICP Companies and the Wirecard Bank already provide a holistic solution at this point. The E-Money Directive issued by the European Parliament must be implemented into national law in all EU states by April 30, 2011.

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

1.5. 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 and PC games as well as commercial software)
- Direct Response TV (DRTV) and targeted customer service in the outbound sector

In 2010 an additional customer signed up for our international customer support (user helpdesk), namely Gaming Publisher City Interactive. Moreover, Wirecard Communication Services GmbH was commissioned with taking care of customer service help lines by a hotel reservation portal and a personnel service provider.

1.6. Reporting segments

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

Payment Processing & Risk Management (PP&RM)

This reporting segment comprises business activities by Wirecard Technologies AG, Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH, Wirecard Central Eastern Europe GmbH (formerly trading as Qenta paymentsolutions Beratungs und Informations GmbH), Wirecard UK and Ireland Ltd. (formely trading as Wirecard Payment Solutions Ltd.). Business activities of Wirecard Bank AG are reported in a separate, independent reporting segment. 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.

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

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

Acquiring & Issuing (A&I)

This reporting segment comprises the entire current business activities of Wirecard Bank AG. In addition to acceptance (acquiring) and issuing of credit and prepaid cards, it includes account and payment transaction services for business and private clients.

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

Call Center & Communication Services (CC&CS)

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

2. EARNINGS FINANCIAL AND ASSET POSITION

2.1. Earnings position

In the 2010 financial year, Wirecard AG once again boosted both its sales revenues and operating result considerably.

Development of sales

Consolidated sales revenues were up by 18.9 percent in fiscal 2010, from EUR 228,508K to EUR 271,619K. Sales revenues generated by risk management services and the processing of online payment transactions in the core segment of Payment Processing & Risk Management increased by 18.5 percent, from EUR 216,611K to EUR 256,722K.

The proportion of Group sales generated by the Acquiring & Issuing segment and, therefore, by Wirecard Bank AG grew by 24.1 percent, from EUR 76,988K to EUR 95,562K, impressively reflecting the dynamic development of bank-based services and products.

As in the preceding financial year, revenues of the Wirecard Bank chiefly comprised commission income from the Acquiring & Issuing divisions, from interest on financial investments and income earned on processing payment transactions, along with exchange rate differentials in handling transactions in foreign currencies. Customer deposits to be invested by the Wirecard Bank (December 31, 2010: EUR 118,745K; December 31, 2009: EUR 122,820K) are held only in sight deposits, overnight or fixed-term deposits, with other banks assessed by rating agencies of note as being subject to minimal risk (equivalent to an “Investment Grade” rating by Standard & Poor’s and Moody’s).

The Wirecard Group does not invest in money market instruments, equities, financial derivatives or other speculative financial instruments. The only exceptions are forward exchange and currency options used to hedge sales revenues in foreign currencies.

The level of net interest income generated by the Wirecard Bank during the last financial year amounted to EUR 2,121K and is reported as revenue in the financial statements of the Wirecard Bank. Accordingly, it is not included in the Group’s net financial income but is also reported as revenue in this respect. It comprises interest income on investment of equity and customer funds (deposits and acquiring money) with external banks.

The Call Center & Communication Services segment generated EUR 4,453K in sales revenues in the year under review, compared with EUR 4,453K in fiscal 2009.

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, the only own work that is capitalized is what is subject to mandatory capitalization in accordance with IFRS accounting principles. In fiscal 2010, the sum total of items capitalized amounted to EUR 6,211K (previous year: EUR 4,577K).

The cost of materials within the Group rose to EUR 152,545K in fiscal 2010, compared with EUR 126,645K a year earlier. In particular, the cost of materials includes commissions payable to banks issuing credit cards (Interchange) as well as charges payable to credit card companies.

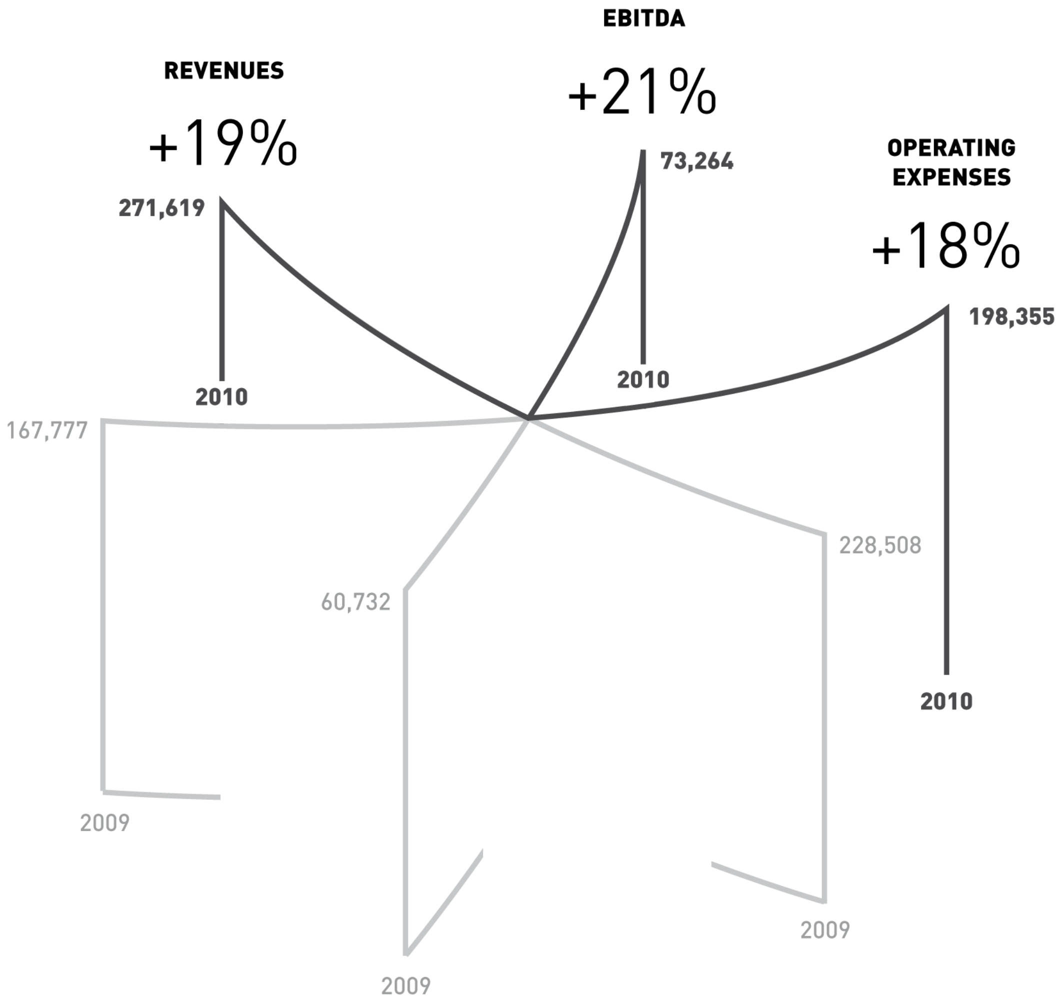
At the Wirecard Bank, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as primarily Interchange, as well as processing costs of external services providers, production and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts. In fiscal 2010 the cost of materials, not adjusted for consolidation effects, amounted to EUR 62,797K at the Wirecard Bank, compared with EUR 50,490K the previous year.

Gross earnings (sales revenues including other own work capitalized less cost of materials) increased by 17.7 percent in fiscal 2010, amounting to EUR 125,285K (previous year: EUR 106,441K). Of this sum, gross earnings generated by the Wirecard Bank in 2010, without taking consolidation effects into account, amounted to EUR 32,765K (previous year: EUR 26,498K).

Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognized and included under cost of materials if the payment is in connection with customer funds; if not, it is reported under other operating expenses/income. The effects associated with foreign currency translation of receivables and liabilities amounted to EUR -466K in fiscal 2010 (previous year: EUR -591K).

DEVELOPMENT 2009/2010:
REVENUES, EBITDA, OPERATING EXPENSES

(EUR '000s)



Group personnel expenditure in fiscal 2010 increased to EUR 27,833K or by 7.6 percent year-on-year (previous year: EUR 25,877K). In comparison with the growth of gross earnings by 17.7 percent, this reflects the high scalability of the business model of Wirecard AG. The consolidated personnel expense ratio declined by 1.1 percent points year-on-year, to 10.2 percent. Personnel expenditure at the Wirecard Bank amounted to EUR 2,763K in fiscal 2010 (previous year: EUR 1,949K).

Other operating expenses essentially comprise expenses on sales and marketing, operating equipment and leasing, consultancy and similar fees, as well as office expenses. In 2010, these amounted to EUR 26,392K in the Wirecard Group (previous year: EUR 23,451K). As a result, they amounted to 9.7 percent (2008: 10.3 percent) of sales revenues. Of these, without taking consolidation effects into consideration, the Wirecard Bank accounted for EUR 6,818K (previous year: EUR 5,176K).

Depreciation and amortization in 2010 amounted to EUR 5,840K (previous year: EUR 4,205K) and comprised for the most part investments in the payment platform. The share of amortization and depreciation effected at the Wirecard Bank in 2010 amounted to EUR 76K (previous year: EUR 75K).

Other operating income comprised primarily other income, based on contractual arrangements as well as income derived from the reversal of provisions and valuation adjustments, amounting to EUR 2,204K for the Group as a whole in fiscal 2010, compared with EUR 3,619K in the preceding year. Of this sum, excluding consolidation effects, the Wirecard Bank accounted for EUR 478K (previous year: EUR 366K).

EBITDA/EBIT development

The gratifying earnings trend is based on an increase in the volume of business transacted with portfolio and new customers via the Wirecard Group, economies of scale arising from our transaction-oriented business model as well as the intensified use of our banking services. Group earnings before interest and taxes (EBIT) were up by 19.3 percent in fiscal 2010, rising from EUR 56,527K in the previous year to EUR 67,423K.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up by 20.6 percent in the Group in fiscal 2010, from EUR 60,732K in the previous year to EUR 73,264K. The EBITDA margin amounted to 27.0 percent in the year 2010 (previous year: 26.6 percent).

Net financial income

Net financial income in fiscal 2010 came to EUR -1,518K (previous year: EUR -1,795K).

Group financial expenditure in the year 2010 amounted to EUR 2,114K (previous year: EUR 3,195K) and resulted primarily from loans taken out for past corporate acquisitions. The Group's net financial income does not include interest income generated by the Wirecard Bank, which is required to be reported as revenue in accordance with IFRS accounting principles.

Taxes

Owing to the international orientation of the business and the use of the loss carry-forward of the Wirecard Bank, the cash-to-taxes ratio for 2010 (excluding deferred taxes) amounted to 13.3 percent (previous year: 9.0 percent). Including deferred taxes, the tax ratio came to 18.1 percent (previous year: 16.8 percent). Owing to the removal of key corporate units from Grasbrunn to Aschheim, in future the Company will be required to pay a higher rate of trade tax, amounting to 11.9 percent (previously: 10.15 percent). Accordingly, deferred taxes were adjusted to the higher tax rate, resulting in a non-recurring additional tax burden of approximately EUR 282K.

Profit for the year

Earnings after taxes rose by 18.4 percent in fiscal 2010 year-on-year, from EUR 45,522K to EUR 53,914K.

Earnings per share

The number of shares issued remained unchanged at 101,803,139 shares, as in the preceding year. Earnings per share in fiscal 2010 rose from EUR 0.45 in the previous year to EUR 0.53 (diluted) and from EUR 0.45 to EUR 0.53 (basic).

2.2. Financial and asset position

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, forward exchange transactions and currency options were deployed as financial derivatives to hedge sales in foreign currencies in the year under review. It has been stipulated throughout the Group that no speculative transactions are entered into with financial derivatives (cf. Chapter 7.7, Financial Risks).

Capital and financing analysis

Wirecard AG reports equity capital amounting to EUR 289,785K (previous year: EUR 244,882K). In business terms, 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 amounting to EUR 22,001K as at December 31, 2010 at interest rates ranging from 2.5 to 5.7 percent, do not include these items in equity capital calculations due to the facts and circumstances associated with this particular business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual situation. These banks determine the equity ratio of Wirecard AG by dividing the amount of liable equity by total assets. Liable equity is determined by subtracting deferred tax assets and 50 percent of intangible investment assets from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these should also be deducted. Total assets are determined by subtracting customer deposits, the acquiring funds of the Wirecard Bank and the reduced level of equity from the audited balance sheet total, which is then added back to leasing commitments. This calculation gives an equity ratio of 70.6 for Wirecard AG (previous year: 64.6 percent).

Investment analysis

The criteria for investment decisions in the Wirecard AG Group are: the capital employed the securing of a comfortable inventory of cash and cash equivalents, the results of an intensive analysis of both potential risks and the opportunity/risk profile, and finally the type of financing (purchase or leasing). Depending on the type and size of the investment, the chronological course of investment return flows is taken fully into account. In the period under review, investments were essentially made in further expansion and internationalization. On the one hand, EUR 13,988K was invested in customer accounts; on the other, part of the variable purchase price for E-Credit in the amount of EUR 465K was invested along with EUR 891K in property, plant and equipment. Additional investments were made in components for the operational payment platform. An investment of EUR 3,377K was made in externally developed and EUR 6,211K in internally created software. In this context, please refer to the statements in Chapter 3 of the Management Report, “Research and Development”. In addition, please refer to the schedule of fixed asset movements in the Annual Report.

Liquidity analysis

Current customer deposits from banking operations are fully due and payable on a daily basis and are reported under Other liabilities (customer deposits) on the liabilities side of Wirecard's consolidated annual financial statements. These customer funds are comparable in economic terms with short-term (bank) current account loans or overdraft facilities. For customer deposits (amounting to EUR 118,745K as at December 31, 2010; December 31, 2009: EUR 122,820K) separate accounts have been set up on the assets side which cannot be used for other business purposes. Against this backdrop, deposits are held with the central bank and sight or short-term deposits are maintained with banks in the total amount of these customer deposits. These are reported both in the Wirecard Group and at the Wirecard Bank under the balance sheet line item Cash and cash equivalents. However, they are not included in the financial resource fund. This amounted to EUR 112,036K as at December 31, 2010 (previous year: EUR 149,699K).

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

Cash flow from operating activities, adjusted for transaction volumes of a transitory nature amounting to EUR 60,900K clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times. In this context, a loan of EUR 20,000K was taken out with credit institutions for investments, including an advance payment for a customer portfolio and for E-Credit Plus Pte. Ltd., Singapore. The loan is short-term and shall be incorporated into a global credit facility for M&A transactions in April 2011. As a result, the Group's liabilities to banks increased by EUR 16,491K to EUR 22,001K (December 31, 2009: EUR 5,510K). Moreover, a resolution was adopted at the Annual General Meeting of Wirecard AG to pay out a dividend in the period under review. Accordingly, for fiscal 2009 shareholders received a dividend of EUR 0.09 per no-par-value share. As a result, a total of 9,162,282.51 euros was paid on the 101,803,139 no-par value shares entitled to a dividend.

The Company has access to approved credit lines. As at the balance sheet date, EUR 22,001K of this sum had been drawn in the form of bank loans and EUR 17,569K in loans by way of guarantee.

Asset position

Assets reported in the balance sheet of Wirecard AG increased by EUR 9,291K in fiscal 2010, from EUR 540,568K to EUR 549,859K. While the value of non-current assets increased, current assets decreased from EUR 355,195K to EUR 314,636K. The change in non-current assets is attributable on the one hand to the reporting date-related reduction in the cash portfolio which is also associated with our business model, corresponding on the liabilities side to the decline in trade payables. On the other, the change occurred on account of a measure adopted by Wirecard Bank AG in 2010 to improve its net interest income position by investing in various securities bearing medium- to long-term interest. These are reported under non-current “financial and other assets.” Compared with the position as at December 21, 2009, this led to a decline in the balance sheet line item “Cash and cash equivalents” amounting to EUR 35,427K.

In addition to the assets reported in the balance sheet in the Group of Wirecard AG, there is also a substantial volume of unreported intangible assets, such as software components, customer relationships, human and supplier capital and others. It is corporate policy to value assets conservatively and to capitalize them only if this is required in terms of international accounting standards.

2.3. Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in fiscal 2010. With after-tax earnings of EUR 53,914K, earnings per share of 0.53 euros (diluted) and 0.53 euros (basic) and an equity ratio of 52.7 percent, the Wirecard Group has a solid financial and accounting position for the current fiscal year. Thanks to reduced liabilities to banks, amounting to EUR 22,001K, and a considerable inflow of funds from current operations, the Wirecard Group has a comfortable liquidity position.

There are good prospects for further growth of the eCommerce market in Europe and Asia even though the global economic situation remains tense. It is worth emphasizing in this regard that when the forecast was released in January of increasing EBITDA from 81 to 89 million euros in fiscal 2011, the significantly poorer economic fundamentals had already been taken into account. The forecast also took into account the fact that the removal of the corporate headquarters from Grasbrunn to Aschheim near Munich for capacity reasons will involve non-recurring costs of approximately 2 million euros in the first half of the year, and non-recurring IT costs amounting to roughly 3 million euros will be incurred in the course of the year to facilitate even speedier expansion in Asia.

In 2011, the Wirecard Group plans to continue its yield-oriented growth strategy. 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 considerable synergies with our banking services.

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

Subscribed capital

As at the December 31, 2010 reporting date, the level of equity at Wirecard AG amounted to EUR 289,844K compared with EUR 244,882K at the same time a year earlier.

The Company's subscribed capital as at December 31, 2010 amounted to EUR 101,803,139.00 and was divided up into 101,803,139 non-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

At the balance sheet date, contingent capital 2004/I amounted to EUR 997,927.25 and contingent capital 2008/I to EUR 3,053,700.00. By resolution of the annual general meeting of June 18, 2009, and with the consent of the Supervisory Board, the Board of Management was authorized to increase the company's common stock by June 18, 2014, on one or several occasions, by issuing new no-par-value bearer shares against cash or non-cash contributions by up to EUR 37,299,652.00 (authorized capital 2009/I).

The Management Board is authorized, with the Supervisory Board's permission, 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 Board of Management did not make use of its authority to acquire and use own (treasury) shares by December 31, 2010. For further details on the capital situation, please refer to the Notes.

Notices relating to 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 Secs. of Incorporation and the Board of Management

The statutory rules and regulations apply to the appointment and dismissal of the members of the Board of Management. Accordingly, the Supervisory Board is generally responsible for such appointments and dismissals. The statutory rules and regulations apply to amendments to the Secs. of Incorporation. Amendments to the Secs. of Incorporation are adopted at the

Annual General Meeting pursuant to Sec. 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

In the event of a change of control of the Company, a total bonus of 1.2 percent of the Company's net asset value has been promised to the Board of Management (for all members). 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 Secs. 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 Secs. 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 such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a royalty 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 royalty shall be payable only if the enterprise value determined in the process reaches at least 500 million euros. An enterprise value in excess of 2 billion euros shall not be taken into account in calculating the royalty. Royalties 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 royalty on similar terms and conditions as for the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value has been made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

3. RESEARCH AND DEVELOPMENT

3.1. Orientation of research and development activities

The objective of the development activities of the Wirecard Group is to continue to increase the added value of the products and solutions offered to customers. Wirecard AG aims to provide technologically superior products and solutions that put it well ahead of the competition. A market and customer-oriented innovation policy ensures long-term sales potential for the Wirecard Group, thus contributing substantially to the Group's success. Cooperative ventures with market research institutes enable the Company to remain in sync with market developments. The involvement of a large number of international partner businesses in the product-design process allows us to identify value-adding innovation potential at an early stage, and to exploit it swiftly and in a targeted manner within the overall Group of companies.

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

Combining agile development methodologies with market and product-oriented organizational structures, results in efficient deployment of resources in a highly dynamic environment. Decision-making structures are also aligned with the specific dynamics prevailing in this field of activity and ensure that investment decisions are sustainable.

Its modular, service-oriented software architecture enables Wirecard AG to flexibly change its business processes in conformity with market conditions at all times, and to respond speedily to new customer requirements. At the same time, the Internet-based architecture of the software makes it possible to run individual work processes on a centralized basis at a single location or, alternatively, to distribute them across the various subsidiaries.

The research and development activities of the Wirecard Group are closely linked to the requirements of the Group's business model with its focus on the online sector. Any IT development projects are strictly in line with the needs of the market, so as to continually expand the existing portfolio of product lines.

3.2. Capital expenditure on Research and Development

Expenditure on research and development increased to 11.1 million euros in fiscal 2010 (2009: 8.9 million euros). The R&D ratio, i.e. the share of total sales revenues accounted for by research and development costs, was 4.1 percent in the period under review (2009: 3.9 percent).

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

3.3. Employees in Research and Development

The high priority that the Wirecard Group assigns to research and development, and the substantial contribution they make to the success of the business are reflected in the personnel and product-oriented organizational structure. Personnel capacities in Product and Project Management, Architecture, Development and Quality Assurance averaged 128 employees last year (2009: 121 employees). This represents a share of 26 percent of the total workforce (2009: 26 percent).

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

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

3.4. Results of Research and Development

Aside from the ongoing optimization and continued development of existing technical solutions and products, the focus of the research and development activities of the Wirecard Group in the last financial year was on the development of new strategic components to complement the product portfolio.

The introduction of the new risk management solution called Fraud Prevention Suite was particularly successful. The Fraud Prevention Suite, an automated solution in the field of fraud pattern recognition, allows suspicious data and/or behavior patterns to be detected in real time. During fiscal 2010, the product suite was expanded so that it could be used for direct debit processing. It allows faster and more efficient detection of attempted fraud involving online direct debit payment processing. The main strengths of the Fraud Prevention Suite are the customized generation of rules based on existing data by the merchant, or with the support of the specialists of the Wirecard Group—a highly efficient process of analysis based on complex decision-making models—and the integration of case management for suspicious cases into the Wirecard Enterprise Portal.

An example to illustrate the added value resulting for the customer thanks to our solution: By deploying the Fraud Prevention Suite, one of our customers in the airline industry managed to cut the incidence of fraud involving card payments by around 80 percent. Simultaneously, the proportion of manual checks, for which the industry average stands at 49 percent of all transactions, was reduced to a mere 1.5 percent.

In addition to our solutions in the fraud prevention segment, we also set ourselves apart in the airline and travel market, particularly thanks to our close cooperation with other solutions providers within the industry. For example, the interface between the Amadeus Altéa reservations system and the Wirecard payment platform, developed in 2010 in close cooperation with Amadeus, the world's leading technology provider for the tourism industry, represents a major addition to our range of services aimed at the travel market. The Amadeus Altéa Customer Management Solution is the new generation IT platform for the airline industry, already being used by 153 airlines.

Over the past year a major focus was on the continued development of our mywirecard.com product family. In the second half of 2010, our Visa and MasterCard product universe for prepaid cards—which provide consumers with a simple, quick safe entry into making payments using cards both on the Internet and in brick & mortar outlets—underwent a major reorganization and redesign. Since February 14, 2011, the mywirecard brand has been online with a new design and an intuitive user interface.

Alongside the implementation of the mywirecard.com platform, progressing the realization of technical solutions linked to co-branded cards represented a major focus in 2010. By supplying businesses with custom-designed card products featuring their own corporate designs, we are catering for the market for innovative customer loyalty tools. Wirecard Bank has the capacity to implement co-branded card projects for individual businesses efficiently and at short notice, even for small production runs, as all processes required are fully standardized, resulting in significant cost benefits. Customization is limited to the design of the cards, however, the mywirecard.com web interface, the customer communication elements, the pricing and various components of the card projects can be broadly adapted to suit the individual requirements of a given enterprise. This solution offers a particularly user-friendly web interface, which provides consumers with a fully automated online application process (registration process). The solution with all the new functionalities will become available in the second quarter of 2011.

The standardization of the SEPA (Single Euro Payment Area) is proceeding apace. The long-term objective that was realized through the introduction of SEPA is the elimination of the national payment methods currently in use throughout Europe. This includes the cancellation of predominantly national card payment systems as well as extensive standardization. In addition to SEPA transfers, the technical integration of the SEPA direct debit facility into the Wirecard payment platform was also completed in 2010. Merchants are now able to accept payment in euros from all the countries of the SEPA zone (currently consisting of 32 countries, including the 27 EU member states as well as Iceland, Norway, Liechtenstein, Monaco and Switzerland). Wirecard Bank AG has been SEPA-capable since its introduction at the beginning of 2008, and since November 2009 has also been able to accept SEPA transfers and SEPA direct debits.

In the spring of 2010, Wirecard Bank was issued with an acquiring license for Diners Club and Discover. The technical integration and implementation of the required IT and process infrastructure for the processing of card payments using these two card types began in the course of the negotiations for this agreement. Since that time, Wirecard Bank has also been offering direct acceptance of Diners and Discover payments.

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

4. GROUP STRUCTURE AND ORGANIZATION

4.1. Subsidiaries

The Wirecard Group is structured into various subsidiaries. The parent company, Wirecard AG, is headquartered in Grasbrunn near Munich, Germany, which is also the head office of Wirecard Bank AG, Wirecard Technologies AG, Wire Card Beteiligungs GmbH, Wirecard Retail Services GmbH, and Click2Pay GmbH. This month, April 2011, Wirecard AG and the above-mentioned subsidiaries are relocating to Aschheim/Dornach, near Munich (Germany). The headquarters for Wirecard AG and for these subsidiaries are being relocated accordingly. The head office of Wirecard Communication Services GmbH is located in Leipzig.

Wirecard Technologies AG and Wirecard (Gibraltar) Ltd., based in Gibraltar, develop and operate the software platform that represents the central element of our portfolio of products and services and of the internal business processes of the Wirecard Group.

Click2Pay GmbH, using the alternative Internet payment system of the same name (CLICK2PAY), generates sales revenues mainly in the markets for digital media, online portals and online games.

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

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

In an effort to streamline the Group's structure, companies previously integrated into the Group through takeovers in earlier years were merged with other companies. Accordingly, Pro Card Kartensysteme GmbH, Grasbrunn (Germany) merged with Wirecard Retail Services GmbH, webcommunication EDV Dienstleistungs- und Entwicklungs GmbH, Graz (Austria) became part of Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria).

WIRECARD SUBSIDIARIES

GERMANY
WIRECARD BANK AG
WIRECARD RETAIL SERVICES GMBH
WIRECARD TECHNOLOGIES AG
WIRECARD COMMUNICATION SERVICES GMBH

EUROPE
WIRECARD UK AND IRELAND LTD.
WIRECARD CENTRAL EASTERN EUROPE GMBH
WIRECARD (GIBRALTAR) LTD.

ASIA
WIRECARD ASIA PTE. LTD.
PROCARD SERVICES FZ LLC

PPRM Payment Processing & Risk Management
A&I Acquiring & Issuing
CCS Call Center & Communication Services

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 E-Credit Group, comprising E-Credit Plus Pte. Ltd. (now trading as Wirecard Asia Pte. Ltd.), Singapore, and its subsidiaries, handles online payment processing primarily for eCommerce merchants in the eastern Asian region. The initial consolidation took place effective January 1, 2010.

With effect from January 13, 2011, Wirecard AG took over Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services specializes on the provision of services for electronic payment processing, credit card acceptance and issuing of debit and credit cards, and has a portfolio of customers within the region. Through this takeover, Wirecard AG has strengthened its position in this region, in keeping with the strategy of expanding through the establishment of important international locations in growth regions.

Wire Card Beteiligungs GmbH and Trustpay International GmbH (formerly trading as Trustpay International AG), both headquartered in Munich/Grasbrunn, act as interim holding companies for subsidiaries within the Group and do not operate as a business.
An overview of the companies consolidated is provided in the Notes to the Consolidated Financial Statements.

4.2. Board of Management and Supervisory Board

Das As in the past, on December 31, 2010, the Board of Management of Wirecard AG consisted of three members. A change in the composition of the Board of Management occurred during the period under review. Effective January 31, 2010, Rüdiger Trautmann left Wirecard AG for personal reasons. The Supervisory Board filled the vacancy through an in-house appointment, and Jan Marsalek became a new member of the Board of Management as of February 1, 2010.

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

As in the past, the Supervisory Board of Wirecard AG consists of three members. At the 2010 Annual General Meeting, Stefan Klestil was appointed as a new member of the Supervisory Board for the period until the end of the General Meeting dealing with the discharge for fiscal 2014.

On December 31, 2010, the Supervisory Board consisted of the following members:

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

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

4.3. Employees

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

Development in 2010

Wirecard AG again created more new jobs in fiscal 2010. On average for the year as a whole, our various locations employed a workforce of 500 (previous year: 468). The number of full-time employees rose by 27, from 345 to 372.

Diversity—the key to success

Wirecard AG endorses diversity not only in terms of employing people of different nationalities. In 2010, the proportion of women holding managerial positions at the 2nd management level was 26 percent.

The employees of Wirecard AG are from more than 20 different nations. In the case of the foreign subsidiaries, the distribution of staff on average for the year 2010 was as follows.

- Wirecard CEE: 16 (prev. year: 13)
- Wirecard UK/Ireland: 40 (prev. year: 61)
- Wirecard Gibraltar: 7 (prev. year: 9)
- Wirecard Asia: 24 (prev. year: 17)

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

Human resources strategy

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

As regards human resources development in the long term, the Wirecard Group is pursuing a specially developed concept which is aimed at boosting the image of Wirecard AG as an attractive employer. Core elements of this concept are expert careers and mentoring schemes, in place across the Group of companies. In 2010, Wirecard AG raised its profile on university campuses in line with the long-term human resources strategy, especially in regard to junior talent, to focus on and scout for university graduates as part of the Company's personnel selection process. In an effort to draw students to Wirecard AG even before they graduate, the Company offers them attractive internships.

Where possible, we also support the development of our employees by assisting with transfers to subsidiaries in our international locations, by exploring interesting career options with them, and by providing them with support in their new positions. At the same time, foreign subsidiaries and branches benefit from improved integration into the Group's structure.

Positive working environment

Our working environment is characterized by openness and consideration in our dealings with each other, by mutual respect and appreciation, and by flat hierarchies. Regarding our human resources strategy, continual improvement in employee satisfaction ratings is a high priority. Thanks to the so-called trust flexi-time, introduced some years ago, our employees are able to work flexible hours in accordance with the working hours of the relevant departments. Numerous company and team events are aimed at fostering team spirit and social interaction on a regular basis.

After the relocation to new premises in the eastern part of Munich scheduled for the end of April 2011, head office staff will be able to work side by side under a single roof. The relocation also provides the opportunity to make further improvements to our working environment. Workstations are designed and equipped in accordance with the latest scientific findings. Visual aspects play a prominent role here, with the corporate identity featuring strongly in the color scheme chosen. The various working levels are arranged so as to foster communication. The entire concept is aimed at creating a modern and inspirational atmosphere to work in, where individual workstations are complemented by meeting points that facilitate the exchange of views and opinions.

5. CORPORATE GOVERNANCE REPORT

Declaration on corporate governance

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

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

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

Service und Internet information for our Shareholders

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

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

Work procedures of the Board of Management and Supervisory Board

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

The Board of Management and the Supervisory Board have three members each. To guarantee independent consultancy and monitoring of the Board of Management by the Supervisory Board, the number of members of the Supervisory Board who were formerly members of the Board of Management has been restricted to a maximum of one. The Board of Management makes regular, comprehensive, timely reports to the Supervisory Board comprehensively 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 of the Board of Management also extends to include the topic of compliance, i.e. the measures adopted by Wirecard AG to observe legal and regulatory parameters as well as internal corporate directives. The Supervisory Board reserves the right to impose conditions on its consent to business transactions of a material nature. The Supervisory Board has created rules of procedure to govern its activities. The Chairman of the Supervisory Board is in constant contact with the Board of Management. He visits the Company on a regular basis to obtain information on site concerning financial performance and to give the Board of Management advice with its decisions.

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

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

Remuneration Report

The remuneration report comprises the principles applied to fixing the overall remuneration of the members of the Board of Management of Wirecard AG and explains the structuring of remuneration and the amounts paid to the members of the Board of Management. The report also contains a description of the principles according to which remuneration is determined and the amounts paid to the members of the Supervisory Board.

The following persons were employed as members of the Board of Management at Wirecard AG. Rüdiger Trautmann, economist, left the Company for personal reasons on January 31, 2010. Following a resolution adopted by the Supervisory Board, Jan Marsalek was appointed his successor as a member of the Board of Management as at February 1, 2010.

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

Remuneration paid to the Board of Management in fiscal 2010

The remuneration system for the Board of Management of Wirecard AG is designed to create an incentive for long-term corporate governance based on sustainability. The system and extent of remuneration paid to the Board of Management are determined and reviewed on a regular basis by the members of the Supervisory Board.

The members of the Board of Management are paid on the basis of § 87 of the German Stock Corporations Act (*Aktiengesetz - AktG*). Remuneration comprises fixed and variable components. The following components apply to such remuneration: (1) a fixed annual remuneration, (2) an annual bonus (variable remuneration I) linked to the Group's earnings targets, (3) long-term variable remuneration for essential contributions to the sustainable development of the Company (variable remuneration II) decided by the Supervisory Board according to its equitable discretion, (4) a contribution toward retirement benefits and (5) share-based remuneration based on participation in the employee stock option program. Moreover, (6) there is a special royalty program in the event of a change of control for the benefit of members of the Board of Management 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.

The members of the Board of Management received a total of EUR 1,508K by way of fixed salary in the period under review (previous year: EUR 1,055K). This includes EUR 5K from subsidiaries.

The annual bonus (variable remuneration I) is capped by a maximum amount (cap or ceiling). The maximum amount in the case of Dr. Markus Braun is EUR 150K, for Mr. Burkhard Ley it is EUR 140K and for Mr. Jan Marsalek—relating to the eleven months of his service on the Board of Management—the amount is EUR 110K. If targets fail to be met, the variable remuneration may be forfeited altogether. Moreover, entitlement to the annual bonus will be canceled if the service agreement is terminated for good cause at the time the annual bonus is due and payable.

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

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

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

Variable remuneration II is also capped by a maximum amount (cap or ceiling). The extent of the maximum amount in the case of Dr. Markus Braun is EUR 200K, for Mr. Burkhard Ley it is EUR 160K and for Mr. Jan Marsalek—relating to the eleven months of his service on the Board of Management—the amount is EUR 119K.

In addition, the Company will pay the members of the Board of Management an amount of EUR 150K per annum toward a retirement pension; in the case of Mr. Marsalek, this amount - in relation to the eleven months of his service on the Board of Management – amounted to EUR 139K in the year 2010. Payment is made in twelve monthly installments. There is no entitlement to a pension commitment or any other old age retirement benefits other than that stated above.

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

In 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 Annual General Meeting of Wirecard AG on June 24, 2008 to issue subscription rights to Wirecard AG stocks to employees and members of the Board of Management (Stock Option Plan 2008). Accordingly, new contingent capital (contingent capital 2008/I) was registered at a level of EUR 3,053,700.00. The subscription rights have not been issued as yet.

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 assignable to them, each member of the Board of Management shall be entitled to the payment of a royalty depending on the enterprise value of the Company. The extent of the royalty in the case of Dr. Markus Braun and Mr. Burkhard Ley amounts to 0.4 percent of the enterprise value and to 0.25 percent of the enterprise value for Jan Marsalek. An enterprise value of the Company exceeding the amount of EUR 2 billion is not taken into account for purposes of calculating the royalties; these royalties are not paid if the purchase price in relation to all shares of Wirecard AG falls below EUR 500 million. The members of the Board of Management are not entitled to extraordinary termination in the event of a change of control.

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

Post-contractual prohibitions on competition (restraint of trade) were agreed with the members of the Board of Management, providing for compensation to be paid by the Company for the duration of the post-contractual restraint of trade of two years. This compensation amounts to 75 percent of the fixed salary last drawn by the members of the Board of Management. Other income generated by the members of the Board of Management 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 Board of Management member's fixed salary for a period of six months after the commencement of an illness. In the event of the death of a member of the Board of Management, his or her surviving dependants will receive the member's salary payments for two months. In addition, the Company has undertaken to take out the following insurance policies for the members of the Board of Management: (i) accident insurance with insurance benefits of at least EUR 250K in the event of death and EUR 500K in the event of invalidity, (ii) life insurance in the form of direct insurance with a monthly premium of EUR 150 and (iii) a D&O insurance policy for the activities of the member of the Board of Management of the Company with a minimum cover sum of EUR 5,000K (currently EUR 10,000K) and an excess (deductible) of at least ten percent of the loss or damage up to at least one-and-a-half times the fixed annual remuneration of the member of the Board of Management. The Company took out these insurance policies in favor of the members of its Board of Management as follows.

As at December 31, 2010 there was a loan amounting to EUR 235K to MB Beteiligungsgesellschaft mbH, whose sole shareholder is Board of Management member Dr. Markus Braun. The maximum level of the general credit facility reached EUR 404K in the course of the year 2010. Of this sum, EUR 175K was repaid. No other loans were on the books.

In fiscal 2010, the total emoluments of all members of the Company's Board of Management, i.e. the total remuneration during the financial year for the duration of the individual persons' tenure on the Board of Management, including amounts not yet disbursed in respect of variable remuneration I, amounted to EUR 2,876K.

Total remuneration paid to former members of the Board of Management came to EUR 283K in fiscal 2010.The following remuneration was fixed for the individual members of the Board of Management for fiscal 2010 (individualized disclosures):

REMUNERATION OF MANAGEMENT BOARD

	Acting Management Board members			Previous Management Board member	2010	2009 [5]
in '000	Markus Braun	Burkhard Ley	Jan Marsalek[3]	Rüdiger Trautmann[4]	Total	Total
Fixed remuneration						
Fixed remuneration	500.0	450.0	275.0	282.5	**1,507.5**	1,055.0
Retirement benefits	150.0	150.0	137.5	0.0	**437.5**	0.0
Non-cash perquisites and other benefits[1]	21.9	28.1	0.7	0.8	**51.5**	65.6
	671.9	**628.1**	**413.2**	**283.3**	**1,996.5**	**1,120.6**
Variable remuneration						
Variable remuneration I	150.0	140.0	110.0	0.0	**400.0**	750.0
Variable remuneration II[2]	200.0	160.0	119.2	0.0	**479.2**	0.0
Share-based remuneration:	0.0	0.0	0.0	0.0	**0.0**	0.0
Stock Option Plan 2004	0.0	0.0	0.0	0.0	**0.0**	0.0
Stock Option Plan 2008	0.0	0.0	0.0	0.0	**0.0**	0.0
	350.0	**300.0**	**229.2**	**0.0**	**879.2**	**750.0**
Total	**1,021.9**	**928.1**	**642.4**	**283.3**	**2,875.7**	**1,870.6**

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

[2] The Company may call for repayment of variable remuneration II, either wholly or in part, if the sustainability of the contribution made by the members of the Board of Management is not guaranteed. In 2009, no distinction was made between variable remuneration I and II.

[3] Jan Marsalek was appointed a member of the Company's Board of Management as of February 1, 2010 following a resolution adopted by the Supervisory Board on January 28, 2010.

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

[5] At the Annual General Meeting of Wirecard AG held August 30, 2005, pursuant to § 286, (5) of the German Commercial Code (HGB) read in conjunction with § 314, (2) HGB, it was decided to dispense with the need for disclosure of remuneration paid to the Board of Management up to and including fiscal 2009.

Remuneration paid to the Supervisory Board in fiscal 2010

Remuneration of the Supervisory Board is governed by § 14 of the articles of incorporation of Wirecard AG. Accordingly, the members of the Supervisory Board receive both fixed and variable remuneration in addition to compensation for any out-of-pocket expenses incurred in connection with the exercise of their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). The annual fixed remuneration comes to EUR 55K. The variable remuneration depends on the Company's performance, geared to the amount of consolidated EBIT (earnings in the ordinary course of business before interest and income taxes). For each million euros earned, by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component increases by EUR 1K net. This minimum amount of EUR 30 million increases by ten percent per annum from the start of fiscal 2009 and therefore amounts to EUR 36.3 million for fiscal 2010.

Pursuant to the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board are considered separately. There are no committees of the Company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board one-and-a-half times the so-called basic rate of fixed and variable remuneration. Any changes to the composition of the Supervisory Board during the financial year lead to pro rata remuneration. In addition, the members of the Supervisory Board receive a session fee of EUR 1,250 exclusive of value added tax for each meeting of the Supervisory Board that they attend.

Remuneration or benefits in kind for services rendered personally, in particular consultancy and intermediary services, were conferred as follows in fiscal 2010: Mr. Klestil received EUR 17K in consultancy fees and brokerage commissions. Mr. Henseler received a remuneration of EUR 11K for consultancy services. In addition, the Company has taken out liability insurance for the Supervisory Board members, covering statutory liability arising from the activities of the Supervisory Board. Excess (deductible) amounts to EUR 5K per event of loss or damage.

As at December 31, 2010, no loans have been granted to members of the Supervisory Board. In fiscal 2010, there was an overdraft facility to a member of the Supervisory Board amounting to EUR 100K, which was fully repaid as at December 31, 2010.

AUFSICHTSRATVERGÜTUNG 2010

in TEUR	Funktion	von	bis	erfolgs-unabhängig	Sitzung	erfolgs-abhängig	langfristige Anreiz-wirkung	von Tochter-firmen	gesamt
Wulf Matthias	Vorsitzender	1.1.2010	31.12.2010	110,0	7,5	62,0	0,0	61,3	240,8
Alfons W. Henseler	Stellvertreter	1.1.2010	31.12.2010	82,5	7,5	46,5	0,0	48,5	185,0
Stefan Klestil	Mitglied	1.1.2010	31.12.2010	55,0	7,5	31,0	0,0	35,6	129,1
Gesamtvergütung				**247,5**	**22,5**	**139,5**	**0,0**	**145,4**	**554,9**

AUFSICHTSRATVERGÜTUNG 2009

in TEUR	Funktion	von	bis	erfolgs-unabhängig	Sitzung	erfolgs-abhängig	langfristige Anreiz-wirkung	von Tochter-firmen	gesamt
Wulf Matthias	Vorsitzender	1.1.2009	31.12.2009	110,0	6,3	46,0	0,0	62,0	224,3
Alfons Henseler	Stellvertreter	1.1.2009	31.12.2009	82,5	6,3	34,5	0,0	36,5	159,8
Paul Bauer-Schlichtegroll	Mitglied	1.1.2009	31.10.2009	45,8	5,0	19,2	0,0	3,3	73,3
Stefan Klestil	Mitglied	1.12.2009	31.12.2009	4,6	1,2	1,9	0,0	3,1	10,8
Gesamtvergütung				**242,9**	**18,8**	**101,6**	**0,0**	**104,9**	**468,2**

Directors' Dealings

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

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

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

Responsible risk management

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

Transparency and communication

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

Audit of the annual financial statements and accounting

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

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

Sustainability strategy and management

The Board of Management is convinced that without a good track record in terms of responsible ecological, ethical and social performance, the Wirecard Group will not be able to realize a successful future in business terms either.

For this reason, the Wirecard Group aims to define specific objectives in its sustainability strategy for the orientation of its core business activities, e.g. minimum standards for energy consumption, audits of environmental risks, etc. These objectives, defined in the Company's sustainability strategy, are followed strictly in the context of its sustainability management initiative. The formulation of its sustainability strategy continues seamlessly from the guidelines for sustainable development in the fields of "responsibility for basic social rights and principles," "leadership structure and cooperation," "equality of opportunity and mutual respect," and "dealing with resources".

Responsibility for fundamental social rights and principles

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

Leadership culture and cooperation

Each supervisor assumes responsibility for his or her staff members. Each supervisor sets an example and is required in particular to rely on the principles of conduct in all his or her actions. By means of regular information and clarification concerning the duties and rights of relevance to his or her field of activity, the supervisor promotes the behavior of his or her staff members in accordance with the applicable rules. The supervisor places trust in the staff members, arranges clear, ambitious and realistic targets, and gives staff members as much own responsibility and freedom of action as possible. The supervisor notices, 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. Good collaboration in a spirit of trust is reflected in mutual, open-minded information and support. In this way, supervisors and employees always inform each other of facts and circumstances and business-related facts to enable them to act and make decisions. Employees and, in particular, supervisors are required to ensure speedy, smooth exchange of information. Know-how and information are to be passed on in full and in good time without being compromised, in order to foster collaborative effort.

The Wirecard Group has made it its objective to open up personal and vocational prospects to its employees in order to promote outstanding performances and results. This is why the

Wirecard Group invests in the qualification and competence of its employees and simultaneously expects all employees to have exacting requirements of themselves, their performance and health, and to engage proactively in their own development.

Equal opportunity and mutual respect

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

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

Management of resources

The Wirecard Group strives for a proactive orientation to products, services and technologies with a positive impact on the Group's sustainability track record. In doing so, we promote environmentally compatible technologies and contribute toward reducing the CO2 balance. Moreover, CO2 emissions arising from business travel, building management, IT data centers and material consumption are to be continually lowered over time. A first successful example is the Wirecard Group's commitment to the "Carbon Disclosure Project Germany 2010."

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

Corporate Governance outlook

Compliance with the corporate governance principles will once again represent a central management task for us in fiscal 2011. We will continue to rely for guidance on the parameters laid down by the German Corporate Governance Code and implement these accordingly. The Board of Management and Supervisory Board will continue to cooperate closely in a spirit of mutual trust and undertake to deal jointly with all business transactions of material relevance. We will provide our shareholders with the usual service regarding proxies and the exercise of votes throughout the Annual General Meeting scheduled for June 22, 2011. The implementation and improvement of 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 Sec. 161 of the 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, 2010 the Company has been and will be in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code". For the past, the above-mentioned declaration refers to the version of the Code dated June 18, 2009. For the current and future corporate governance practice of Wirecard AG, the above-mentioned declaration refers to the recommendations of the Code in its version dated May 26, 2010.

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

1. **No. 3.8 sentence 5** of the Code provides for the Company to take out D&O insurance for its management entities, the Board of Management and Supervisory Board with an excess (deductible) in the amount required by § 93 par. 2 sentence 3 of the German Stock Corporations Act (Aktiengesetz – AktG). Wirecard AG has taken out a D&O insurance policy in respect of its 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 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 in accordance with § 93 par. 2 sentence 3 of AktG. According to the largely 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) stipulated in D&O insurance policy.

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

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

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

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

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

The regulations of the Frankfurt Stock Exchange applicable to the Prime Standard have thus far provided for the consolidated financial statements to be published within a period of four months after the end of a financial year. According to these regulations, interim reports are to be published within two months. In the past, the Company has adhered to these periods laid down by the Frankfurt Stock Exchange since the 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. SUBSEQUENT REPORT

6.1. Information on events of particular importance

M&A transaction

With effect from January 13, 2011, Wirecard AG took over 100 percent of Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards, and the company has a regional customer portfolio. This takeover has enabled Wirecard AG to continue its strategy of intensifying its expansion by establishing key international locations in growth regions.

Ad hoc release according to Sec. 15 WpHG (German Securities Trading Act)

On January 27, 2011, Wirecard AG published its preliminary financial results for fiscal 2010. At the same time, the EBITDA forecast for fiscal 2011 was announced, ranging from 81 to 89 million euros.

Releases according to Sec. 26 para 1 WpHG (The German Securities Trading Act)

(Company notified after the end of reporting period)
By the cut-off date for the 2010 Annual Report, no messages concerning voting rights had been received. All messages relating to voting rights have been published under http://www.wirecard.de/investor-relations in the “Financial news” section.

6.2. Impacts of events on the earnings, financial and asset position

The purchase price for Procard Services FZ LLC amounted to EUR 670K. In addition, debts amounting to EUR 13,965K were assumed. The material assets of the companies taken over are customer and supplier relations and the technical platform. Since the annual financial statements of the group of companies have not been issued with an audit certificate as yet, adjustments to the value of the assets assumed may be necessary.

The contribution to earnings for fiscal 2011, expected to amount to at least EUR 1 million, is largely to be used for the integration into the Group. For 2012, Wirecard expects the company acquired to contribute approx. EUR 1.5 million to Group EBITDA.

7. RISK REPORT

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

7.1. Risk-oriented corporate governance

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

In the interests of securing the Company's success on a long-term, sustainable basis, it is therefore indispensable to identify, analyze, assess and document critical trends and emerging risks at an early stage. As long as it makes economic sense, corrective countermeasures must be adopted and risks mitigated or neutralized 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 impacts of potential damage to a minimum, Wirecard takes out insurance policies—to the extent that they are available and economically justifiable. Wirecard continually monitors the level of coverage they provide.

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

7.2. An 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 control 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 control and controlling. The risk management system is defined by the Management Board in the risk strategies that correspond to the business strategy laid down. Reference values included are the corporate-policy and risk-strategy guidelines for risk management. The Management Board provides regular reports to the Supervisory Board on existing risks and their development.

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

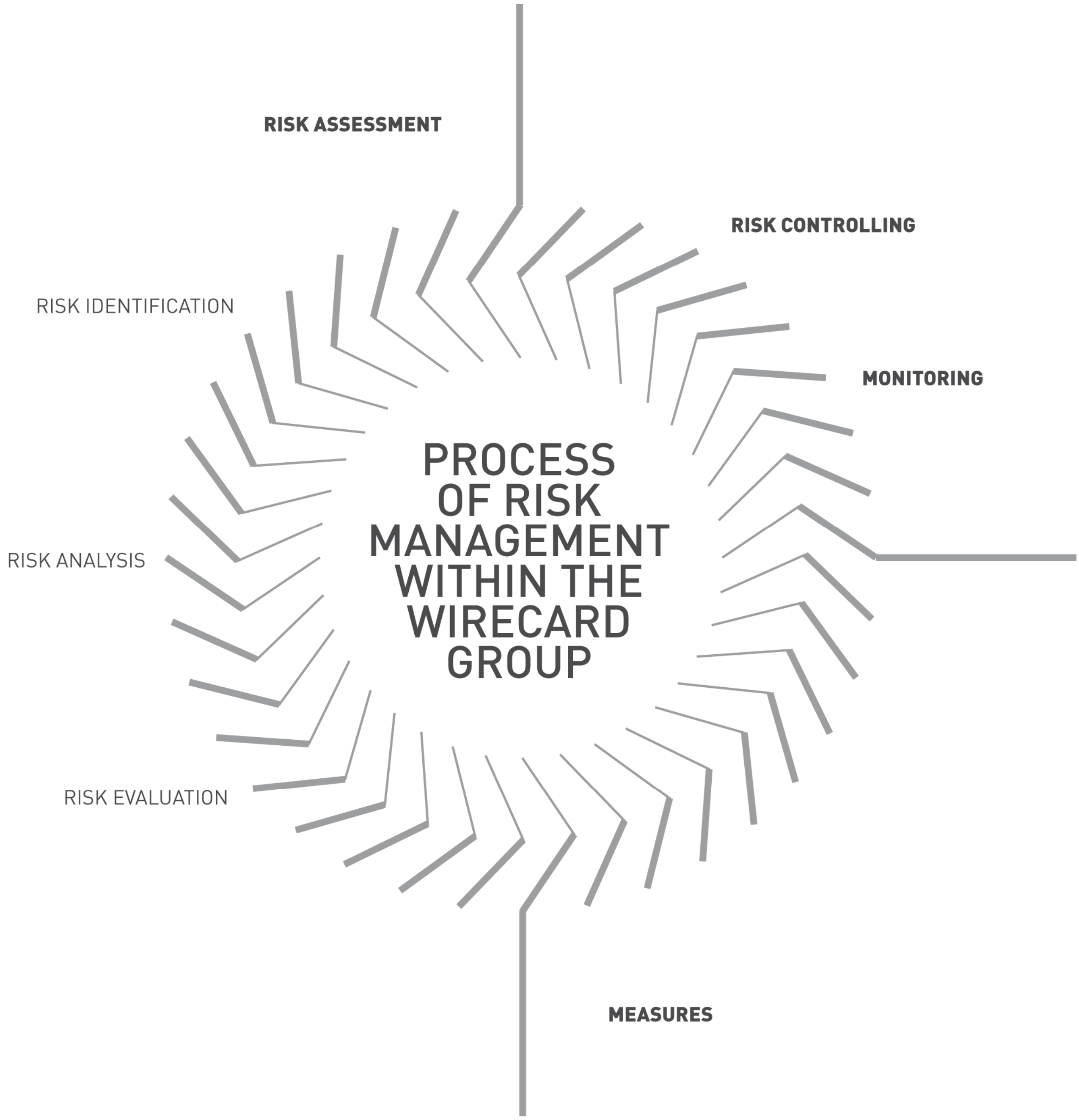
The centralized recording of risks with standardized risk measurement benchmarks enables the Board of Management to obtain an up-to-date impression of the overall risk situation of the Wirecard Group. The reporting system on relevant risks is controlled by pre-defined threshold values. Depending on the significance of the risks, reports are prepared regularly, 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 division. 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 division 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 far-reaching project submissions in which the opportunities and risks are presented and integrated into centralized risk management along with project approvals.

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.


RISK ASSESSMENT
RISK CONTROLLING
MONITORING
RISK IDENTIFICATION
PROCESS OF RISK MANAGEMENT WITHIN THE WIRECARD GROUP
RISK ANALYSIS
RISK EVALUATION
MEASURES

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 mandatory and binding for all companies included in the consolidated annual financial statements. Any amendments to laws, accounting standards and other announcements are continually analyzed for their relevance to and effects on the consolidated annual financial statements; and the internal directives and systems within the Group are adjusted to take account of the resulting changes.

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

The Group member 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 go through regular training sessions on the 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 (the so-called four-eyes principle) and random checks by the local Accounting system, the Group Accounting division, Controlling, and the Board of Management. 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 the data of the subsidiaries included in the consolidation perimeter. 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 four-eyes principle is the minimum requirement at each level. Certain clearance processes are required to be passed throughout the entire accounting process. In addition, a department in charge of fundamental issues that is separate from the preparation process is responsible for special functional issues and complex criteria.

The tasks of the internal Auditing department include reviewing the reliability of the accounting system of the domestic and foreign companies, taking into account in particular the following aspects.

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

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

The Board of Management of Wirecard AG 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 2010. 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 graphic detail below. However, the sequence of the presentation does not imply any assessment of the probability of occurrence or the possible extent of any damage, loss or injury.


OPERATIONAL RISKS
Personnel risks, risks arising from product innovation and utilization of third-party services
BUSINESS RISKS
Economic risks, risks from competitive environment for wirecard and their customers
INFORMATION AND IT RISKS
Risks arising from operation and change of IT systems, risks regarding confidentiality, integrity and availability of data
OTHER RISKS
Environmental and reputational risks and risks arising from emergencies
OVERALL RISK
FINANCIAL RISKS
Risks arising from changes in exchange and interest rates, risks due to default of credit institutions
LEGAL AND REGULATORY RISKS
Risks arising from legal or regulatory changes, legal disputes as well as license risks
DEBTOR RISKS
Risks from charge backs, risks from default on payment obligations of customers of the Wirecard Group and of card holders

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 negative impacts on the course of business and performance of the Wirecard Group. Moreover, the purchasing power of consumers might decline or the credit limit of their credit cards be exhausted, restricting consumers' ability to acquire merchandise and services by credit card. This could affect the volume of transactions handled by Wirecard on behalf of merchants. The current growth of trade and services on the Internet compared with traditional brick & mortar outlets could weaken or be reversed and lead to a decline in the Wirecard Group's business.

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

The Wirecard Group will continue to monitor national and international developments in the political, economic and regulatory environment as well as economic trends so that it can take immediate measures as needed, in the improbable event of an unexpected change.

Risks arising from portfolio customer business

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

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

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

Propensity of customers to invest

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

Risks arising from the development of products

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

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

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

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

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

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.

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

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

Section 7.8 "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. On the basis of current forecasts of future outsourcing trends in the ASP market environment, the Board of Management assesses the risk of a trend reversal as 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 in 2010 when various payment service providers (PSPs) were taken over by private equity companies and credit card organizations in the Wirecard Group's core market, the EU. At the same time, large-scale organizations like Google, eBay or Amazon are making increased efforts to penetrate this market and, in doing so, not only do they represent intensifying competition but they are also accelerating consolidation among existing market participants. In the event of customers being intimidated or experience increased competition from new or stronger rivals, this development could have a negative impact on business performance. Our role as one of the leading European providers of payment processing and risk management solutions implies that the Wirecard Group itself is a driving force behind the current consolidation movement 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 business development of the Wirecard Group depends to a decisive degree on our ability to foster the loyalty of our current employees and also to recruit new, highly qualified members of staff in the face of intense competition for skilled personnel and executives.

A proactive personnel risk management system in place within the Wirecard Group ensures that possible risks relating to motivation, staff attrition and staff shortages are identified, assessed and—where necessary—suitable measures are adopted to mitigate the level of risk. By means of a proactive personnel policy based on the directives laid down by the Board of Management, 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 2011. The positioning of the Wirecard Group as an attractive employer will continue to help foster loyalty of qualified staff and to attract new personnel.

Risks arising in connection with customer projects

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

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

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

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

Risks arising from technical limitations

Some customer groups have very specialized requirements as regards the technical solution of their Application Service Providers (ASPs), sometimes due to their industry environment. Should these requirements change fundamentally and at short notice, there is a risk that the technical limitations in Wirecard Group 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 can't 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 spectrum of products and services of the Wirecard Group call for the commissioning of external software products and services. Defects in the products supplied or services rendered, a bottleneck in supply or the total failure to produce these products or services may have a detrimental impact on the Wirecard Group's performance, if losses in sales or reputation result, or damages are claimed by customers of Wirecard AG or any of its subsidiaries.

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

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

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

7.6. Information and IT risks

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

Risks arising from publication of business secrets

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

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

Risks arising from processing and storing customer data

Due to the nature of its business activities, extensive transaction data is held by the Wirecard Group, providing 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. The falsification of customer data can have a negative impact on the Wirecard Group's performance, through both a direct liquidity 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 serve to effectively counteract the risk of publication or falsification of customer data. Wirecard Technologies AG is certified according to the PCI-DSS standard. In addition, the Wirecard Group counteracts internal misuse through a closed concept, beginning with the selection of staff via a strict "need-to-know" principle all the way through to monitoring all instances of data access. In close cooperation with the Data Protection Officer of the Wirecard Group, experts ensure that personal data is processed solely in accordance with the rules and regulations of the [German] Federal Data Protection Act.

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 providers of note. 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. An infrastructure with high availability facilitates the continuous operation of the Group’s systems. 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 framework and continual investments in the improvement of its infrastructure, we at the Wirecard Group perceive the risk that our 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

Any anticipated holdings of foreign currency arising from transaction charges are partly hedged by suitable forward exchange transactions and/or currency options. No forward exchange operations 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 local currency reduces the risk of exchange rate fluctuations substantially. To the degree that no hedging takes place, the residual risks of exchange rate fluctuations may reduce the Wirecard Group's earnings that are to be reported in euros.

Risks of investments in securities and derivatives

Risks may arise due to investments in securities if price declines occur in the case of the securities purchased, for example as a result of negative macroeconomic developments. Accordingly, the Wirecard Group has decided to make short-term investments in securities or derivatives to hedge open forex positions and non-current investments for a term of up to five years in order to optimize interest income for the liquidity base of Wirecard Bank AG. Among other instruments, "floored floaters" and bearer debentures from various issuers with a minimum rating of "A" are taken into account. The bond issue has a minimum interest rate (floor) and a maximum interest rate, and the reference values are EURIBOR and LIBOR (for USD). The bandwidth of interest lies between a minimum and a maximum interest rate, based on 3-month EURIBOR and LIBOR. Should the current 3-month EURIBOR or LIBOR rate exceed the maximum interest rate, the investor stands to lose the interest gain between the maximum and market interest rate.

Risks arising from mismatches between liquidity investments and liquidity requirements

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

Risks due to default of credit institutions

The free liquidity invested in demand deposits and overnight (call) money, time deposits and bearer debentures with credit institutions outside the Wirecard Group could also be endangered if these credit institutions suffer from insolvency or financial difficulties. The Wirecard Group takes account of this risk both through strict checks on the total amount of such deposits and a conscientious review of counterparties. In addition to specific credit rating and profitability data relating to the relevant counterparties, external ratings enter into the review carried out by the Wirecard Group. Apart from the requirement of a minimum rating of A- (Standard & Poor's), the counterparty must have a system-relevant status in the country in which the parent company is headquartered. On account of the measures adopted as well as the high requirements of counterparties, the Board of Management assesses as low the risk that Wirecard's deposits might be lost as a result of the insolvency of the credit institutions engaged.

Risks in the capital financing segment

In the context of debt financing, the Wirecard Group predominantly arranges deals providing for interest to be fixed until final amortization or covers interest rate fluctuations by means of suitable hedges. At the same time the Wirecard [Group] maintains financing arrangements providing for floating interest rates geared to international reference interest rates (EURIBOR, LIBOR), albeit to a lesser extent. The impact of an increase in the reference interest rates on the Wirecard Group's financial situation arises from their negative influence on the extent of interest on loans as well as their simultaneous positive influence on the amount of interest on financial assets.

7.8. Default risks

Definition: 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* through charge-backs following the insolvency of merchants, through merchants who are subject to increased risk on account of their business models, through 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 reversal debits following a merchant's insolvency or inability to deliver are very low since open receivables from customers are covered by individual security retentions (reserves) or alternative means of hedging such as delayed payouts to merchants, bank guarantees or insurance policies, all of which are adjusted regularly based on close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate, and as a result, justified claims for payment by the Wirecard Group, especially resulting from the reversal of credit card transactions, might not be enforceable against the merchant in question. As a rule, this form of collateral security is adequate.

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

In principle the risk involved in the field of trade receivables depends on the business model of the merchant. There is an increased risk where there is no direct chronological link between goods supplied or services rendered and the transaction, i.e. where the goods or services are to be provided at a later date (e.g. booking of airline tickets or tickets for certain events). The periods within which charge-backs 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 security retentions (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 are: fraud relating to credit notes, fraudulent insolvency, submitting third-party payment records, re-using card data, violating the rules and regulations of card organizations, and offering bogus services to the end customer. To counteract this risk, the Wirecard Group subjects merchants to a comprehensive analysis of their credit rating, reputation and business history before entering into business relations with them. Moreover, once an account has been set up, all business relations are continually monitored for suspicious features or possible fraud patterns. Defaults in payment may occur if, in spite of all preventive and risk management measures, the merchant turns out to be fraudulent and fails to deliver the service, or deliver it properly, to the end customer/cardholder, after payment has been collected.

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

Risks relating to receivables from cardholders and third parties

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

7.9. Legal and regulatory risks

The Wirecard Group understands legal and regulatory risks to mean the possible consequences of a change to the national and/or international legal and regulatory parameters for payment systems, for the development and availability of software, and for Internet use in the course of business. This extends to risks relating to legal disputes with customers and service providers as well as risks of non-compliance with rules and regulations pertaining to commercial and company law, and with the rules embodied in the articles of incorporation for the accounting process for all domestic 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. Legal and regulatory requirements for payment systems therefore influence business performance. However, the legal and regulatory framework and the risks taken with respect to the services of our customers—i.e. for the most part the merchants and services providers operating on the Internet—also have a direct or indirect bearing on our business performance. Contractual negotiations and tax-law related issues are of particular significance in the cross-border segment. The expertise necessary for assessing day-to-day operations is provided by the qualified staff of the Wirecard Group. To further mitigate risks, when dealing with complex issues the Wirecard Group enlists the services of external legal and tax consultants.

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

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

Accounting-related risks

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

Note that an internal accounting manual 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 system, the Group Accounting division, Controlling, and by the Board of Management with regard to consolidated accounting. Internal and external training course prepare staff members concerned with accounting for accounting-related changes and teach them about new products, processes and requirements.

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

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

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

Risks arising from litigation

At present, the Company and/or individual Group member companies have engaged in the following material litigation:

The investor protection association Schutzgemeinschaft der Kapitalanleger e.V. (SDK) filed an action before Regional Court Munich I to challenge the resolutions adopted at the Annual General Meeting in 2008 concerning a discharge of the Board of Management and Supervisory Board as well as a petition for a court order to have the (individual) annual financial statements of the Company for fiscal 2007 be declared null and void. Arguments in favor of these actions are predominantly based on alleged deficiencies in the financial statements of the Company. In the fall of 2008, the Supervisory Board of the Company had arranged for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to prepare a comprehensive expert opinion on the key issues and perceives no need for any corrections in light of the audit findings. The hearing is still under way. If Wirecard AG loses this court case, it would need to assume the costs of litigation of the plaintiff and its own court costs. An additional cost would result if the annual financial statements for 2007 were declared null and void.

After the (additional) expert appointed by the Regional Court in 2009 had also reached the conclusion in his report that there was no need for a correction to the Company's annual financial statements for fiscal 2007, the Board of Management of Wirecard AG assumes that the above risk is low.

The Wirecard Group has filed claims for damages amounting to approximately 2.9 million euros, particularly due to fraud against a customer and individuals who are close to that customer in the United Kingdom. In its ruling handed down on March 10, 2010, the High Court in London endorsed the action filed by Wirecard in full for the cause of action. The amount of the payments to be made to Wirecard by the opposing parties will now be laid down by the court in the course of the proceedings. While the High Court did not agree to an appeal by the adversaries, they can theoretically file a petition with the Court of Appeal to enforce the admissibility of the appeal. The risk for Wirecard that arises from these proceedings is that the ruling handed down by the High Court on March 10, 2010 could be revoked or that Wirecard might not be able to execute claims against the opposing parties if the latter do not have sufficient assets at their disposal or access is denied to such assets. Wirecard considers the chances of the opposing parties succeeding on appeal as slight. Since Wirecard has secured assets of the opposing parties equivalent in value to the receivables claimed, it also anticipates that the receivable claimed in court will be collectible.

Risks of contractual violations by contracting partners

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

Risks of inadequate insurance and inadequate provisions

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

Risks arising from license agreements

Wirecard Bank AG is a member of the credit card companies MasterCard and Visa (a so-called Principal Member) as well as JCB International Co. Ltd. and has licenses both for “Issuing,” i.e. issuing cards to private customers and “Acquiring,” i.e. acquiring merchant acceptances. In 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. By communicating constantly with the credit card companies and complying strictly with contractual and regulatory parameters, the Wirecard Group mitigates this risk.

Risks arising from changes to interbank fees and charges

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

7.10. Other risks

Reputation risk

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

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

The Wirecard Group is aware of this risk and therefore continually reviews the statements on its products as well as the reporting on the Wirecard Group in the market (print media, television, Internet, forums, etc.), in order to take suitable countermeasures in good time where necessary. Furthermore, reports of Internet domains with similar names possibly used with fraudulent intent or to impair a company’s reputation are monitored in collaboration with an external service provider of note, as is the abusive use 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 occuring, 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. Besides, 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 statistics of 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 2011.

8. CORPORATE CONTROL, OBJECTIVES AND STRATEGY

8.1. Corporate control system

The internal corporate control system in use by the Wirecard Group serves to ensure continual control and tracking of predefined control elements (key performance indicators). It is based on independent controlling models for each individual business segment. These are consolidated at Group level and integrated along with the financial results into an ongoing forecast of future business trendsbased on a rolling forecast. The individual key performance indicators make it possible to measure whether the various corporate objectives have been or are in the process of being achieved.

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

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

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

8.2. Financial and non-financial objectives

Die Earnings before interest, taxes, depreciation and amortization (EBIT) represent the central performance indicator for operational and financial controlling purposes for Wirecard AG. For the 2011 financial year, earnings before interest, taxes, depreciation and amortization (EBITDA) are expected to range somewhere between 81 and 89 million euros. This forecast assumes continued strong growth in the eCommerce market as well as a steady increase in the number of new customers. Wirecard AG could reach the upper limit of this forecast if the anticipated positive influences from the Asian business and the issuing business exceed their targets.

The Internet has established itself as a key distribution channel for the tourism and commercial sectors. Companies stand to benefit from significant savings potential by outsourcing their payment processing services. The trend towards outsourcing is gaining strength through the increasingly complex demands being made on payment systems and risk management solutions to protect merchants against payment defaults. Wirecard is meeting these demands with a widely diversified portfolio of solutions and products in the field of technology and banking services that are designed especially to support companies operating on an international scale. The European core market continues to be the main focus of the Group, though it is also pursuing further expansion in Asia.

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

Other essential financial objectives of the Wirecard Group's operations consist in maintaining its comfortable equity capital base and keeping bank debt at its current very low level.

In section 9.7 "Expected earnings and financial position we deal with additional financial objectives.

The underlying goal of both our financial and non-financial objectives is to achieve continued successful and profitable corporate development along with the enhancement in the enterprise value of the Company that results from that development. An additional objective is to maintain our lead in innovation and technology by identifying and proactively shaping essential market trends at an early stage. High product and service quality represents the basis for sustained, long-term customer relations and is therefore among our essential corporate objectives.

The team members of Wirecard AG constitute the foundation for good corporate development in all divisions of the Company. By agreeing on objectives that are measured not just in terms of our entrepreneurial success, but also in terms of the opportunities that each individual is given for personal development, we can work together to strengthen our skills and expertise. To enable the Wirecard Group as a whole to continue outperforming the market, we evaluate our strategic decisions carefully in terms of their sustainability.

Sustainability

Wirecard AG is a globally oriented group of companies which recorded strong growth in recent years and is set to continue to so in the future. Sustainable corporate governance—focused not only on strategic development, but also on the Group's social responsibilities and on the interests of staff, customers, investors and suppliers as well as other groups associated with the Company—is therefore an increasingly important factor in maintaining stakeholder value. The prevention of pollution is inherent to our business model, built as it is around the processing of electronic payments made on the Internet. However, in the future Wirecard AG will focus even more intensively on economically and ecologically relevant issues, in an effort to make its own particular contribution toward a viable and sustainable society.

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

To allow us the meet its social responsibilities, the Wirecard Group aims to set concrete targets for its sustainability strategy that are compatible with the core business, including minimum standards for energy consumption, the analysis of ecological risks, etc. The targets laid down in the sustainability strategy are closely monitored as part of the sustainability management. The sustainability strategy is derived directly from the guiding principles for sustainable development in the areas of “Responsibility for basic social rights and principles,” “Management culture and cooperation,” “Equal opportunity and mutual respect,” and “Use of resources.”

8.3. Corporate strategy

In 2010, the Wirecard Group successfully implemented its targets for organic growth and the continued establishment of its operations in Asia.

Already in the last financial year, the E-Credit Group, acquired in 2009 and trading today as Wirecard Asia Pte. Ltd., made a significant contribution towards the further expansion of the Asian business. Two strategic cooperative ventures were successfully negotiated in China, and these will allow us to pursue our business activities in Asia more quickly. This allowed us to provide customers in the European region with access to millions of additional consumers.

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

Our product strategy is geared towards enabling us to respond flexibly to market requirements as they unfold and, in 2010, we continually adapted and expanded our product portfolio accordingly. The strategic objectives of a system of extensive and fully integrated functional coverage of the entire value-added chain of electronic payment processing will continue to form the foundations of our business and product policy in years to come.

In terms of our growth strategy, we will continue to rely on organic growth in our target markets of Europe and Asia. Acquisitions can’t be ruled out. However, what is critical is that we meet a strict range of criteria so that we can continue to play an active role in the European and Asian ePayment markets.

9. FORECAST REPORT

9.1. General economic conditions in the following two financial years

For 2011 and 2012, the International Monetary Fund (IMF) assumes that the global economy will grow by 4.4 and 4.5 percent, respectively. For the euro zone, the IMF's growth forecast for this year is 1.5 percent, and 1.7 percent for 2012. For Germany, the IMF estimates for the growth of the Gross Domestic Product are 2.2 per cent for 2011, and 2.0 for 2012. Predictions by the German federal government and numerous polling institutes are for a continuing stabilization of the overall economic climate in 2011, with Gross Domestic Product to increase between 2.0 to 2.5 percent.

9.2. Future industry situation

Europe's eCommerce market will continue to record double-digit growth rates over the next several years. For online sales alone, Forrester Research in its most recent study titled "European Online Retail Forecast" expects B2C sales in the EU-17 member states to grow by an average of 10 percent per year until 2015. Online sales of physical goods in the EU-17 countries last year totaled 81.3 billion euros, and it is possible that a volume of 92 billion euros will be reached next year.

We expect growth of around 13 percent averaged across all industries, based on the outlook for the individual target sectors.

B2B gaining in importance

Based on trends we can observe in our own customer structure, we are confident that the volume of business-to-business payments will also grow strongly. These belong to the realm of traditional commerce in the broadest sense, yet divide into a diverse range of sectors, such as professional trades people and workshop requirements, catering equipment, medical and laboratory supplies and office equipment and supplies. In terms of payment processing, procurement over the Internet can very easily be linked to purchasing guidelines, which in turn helps optimize internal processes.

Outlook for target industry segments

Consumer goods

According to Forrester, the growth forecast for the EU-17 states for the current financial year is 13 percent. For Germany, sales are predicted to increase by 12 percent. The German Retail Federation forecasts an increase of 10 percent, with projections by the German E-Commerce and Distance Selling Trade Association (bvh) going as high as 15.5 percent.

According to Forrester, some 157 million Europeans already shop online. This number is expected to rise to 205 million by 2015. The shoppers not only feel a strong affinity for the Internet, they also have broadband Internet access. On average across the EU-17 states, too, online spending in 2010 was up by 8 percent year-on-year, reaching 517 euros per annum.

The ratio between the POS and online business is shifting in favor of the Internet. Merchants are responding to this trend by employing so-called multi-channel retailing services. Even last year we highlighted smart combinations of sales via the Net, catalog and brick & mortar outlets as an important trend. Recently, merchants have been making increasing efforts to accommodate customer choice when it comes to the manner of ordering. Distribution channels should be dovetailed to a greater degree, so as to organize business processes relating to product availability or management of returned articles more efficiently.

Pan-European, that is to say, cross-border online commerce continues to exhibit a strong growth potential. There are still many obstacles to be overcome before both parties–merchants and consumers–can be provided with the required level of safeguards. These include logistical and legal challenges, as well as facilitating the right selection of payment systems and risk management measures.

Online commerce – the opportunities

Wirecard AG is in a very good position to exploit this continuing trend and already has numerous customer relationships with merchants who sell consumer goods in several European countries. In the business with portfolio customers, strong growth is expected over the next two years in the pan-European market. The new customer business is supported by the breadth and diversity of the solutions portfolio, and especially by the option to enter into an acquiring agreement with Wirecard AG that covers all payment acceptance systems of relevance throughout Europe. Not only does this simplify the management of all back-office processes for merchants; it also minimizes their own IT integration effort and expense considerably.

Digital goods

DCF Intelligence, one of the few market researchers to examine trends in the global video games industry, estimates that the combined market for console games, portable equipment, PCs and online video games will generate a total sales volume of 70.1 billion US dollars by 2015. Use of console games is expected to decline in favor of on-demand delivery in the form of Internet downloads or games playable online.

According to the H2 Gambling Capital research institute, the sport bets, poker and casino games segment of digital goods in Europe will reach a total volume of 12.3 billion euros in 2012. The 10-billion mark may even be passed as early as 2011. According to H2 Gambling

Capital, a fully liberalized European gambling market would reach a volume of 22 billion euros by 2015..

Digital goods – the opportunities

The customer portfolio of Wirecard AG contains renowned providers in the area of sport bets, poker and casino games. In addition to the general growth in this market, in which Wirecard participates with existing and new customers, there will be additional potentials if the liberalization processes in Europe continue.

It can be assumed that other areas considered part of digital goods, such as music and software downloads, will also continue to grow.

For the streaming media business, analyzed for the U.S. market by Insight Research Corp., the outlook is very positive. The volume there is expected to reach 78 billion US dollars by 2014. Streaming media is defined here as the transmission of digital audio and video data via an IP or WLAN network, in real time or on demand, with local storage of the transmitted files being prevented. The above-mentioned volume is based on an annual growth rate of 27 percent.

Tourism

The European online travel market is set to grow by 9 percent in 2011, according to projections by the renowned market research company specializing in the travel industry PhoCusWright (PhoCusWright's European Online Travel Overview sixth edition).

Germany and Spain could top the rankings here, with increases of 13 and 14 percent, respectively. Growth expectations for the online travel market this year are 9 percent for Italy, and 6 percent for Great Britain.

The Asia-Pacific region is one of the most desirable travel destinations in the world, according to a survey conducted by Visa and the Pacific Asia Travel Association (PATA) involving just under 7,000 travelers from 13 key countries, including China and India. The third edition of *PhoCusWhright's Indian Online Travel Overview* predicts that India's travel market alone is set to grow from 15.8 billion US dollars in 2009 to 20 billion US dollars in 2011.

Tourism – the opportunities

Wirecard AG holds an outstanding position in the market thanks to its partnerships and interfaces with all the significant industry-specific providers in online tourism, such as booking engines and worldwide networks of reservation and booking systems. Solutions like Supplier and Commission Payments (SCP) harbor enormous development potentials. It is not only the international payment acceptance systems–such as those for Alipay and UnionPay, which will be added in the third quarter–that represent an essential basis for this; also included are the fraud prevention measures for online bookings that are required especially in the airline industry.

Outlook for the call center and communications segment

The services offered by Wirecard Communication Services GmbH in this segment are mainly provided to the Wirecard Group. With a hybrid call center structure, i.e. the bundling of the stationary and the virtual call center, this corporate division also targets third-party customers who operate their own call centers and outsource their operation during busy times (peak-level management) in a targeted fashion. Wirecard Communications is particularly well positioned to acquire new customers by offering international user support, with 16 foreign languages and availability 24/7 throughout the year.

Credit and debit card market

The SOURCE information service, which monitors trends in the German card market, estimates that there were around 30.7 million credit cards in circulation in Germany in 2010. The market is split virtually down the middle between MasterCard (48.9 percent) and Visa (46.2 percent), with American Express a distant third (4.7 percent). The estimated 11-percent growth in the card market in 2010 highlights the fact that the trend toward cashless payments is also on the rise in Germany. However, the Maestro (MasterCard) debit card, based almost entirely on chip and PIN technologies, can increasingly be used for online commerce. The same applies to prepaid cards featuring the MasterCard or Visa logo. Among the main advantages of paying by card are real-time authorization, global acceptance and increased security.

Given its many and various prepaid card products for business customers and consumers, the Wirecard Group will continue to demonstrate is great innovative strength in future. In coming years, the market for prepaid cards will account for a major proportion of debit as well as credit cards.

Development of the prepaid card market in Europe

Prepaid cards can either operate as “closed-loop” or “open-loop” cards. “Closed-loop” cards are voucher or gift cards which can be purchased e.g. within in a retail chain and must be redeemed at an outlet within the same enterprise. In a recently published study (“Opportunities in Prepaid Cards”), Datamonitor concludes that, among other things, large merchants in particular ought to look more towards open-loop cards as a customer loyalty tool in the future. “Open-loop” cards are linked to a payment scheme, associated for example with a particular brand of credit card. Consumers can use the cards to pay wherever this particular form of payment is accepted.

Prepaid cards also represent a secure means of payment for travelers, i.e., as a replacement for cash or traveler's checks. Combined with a credit card brand, they can be used to make payments or withdraw cash while traveling abroad. Prepaid cards are also suitable for business travel, which is increasingly subject to tight budgeting.

Trends in the prepaid market

- Prepaid cards have an outstanding growth outlook as soon as they represent a genuine alternative for consumers, either because of their convenience or for cost reasons.
- Prepaid gift cards are replacing paper-based vouchers.
- Virtual cards are ideal for consumers who are more circumspect and are reluctant to use their traditional credit cards online.
- Individuals who do not have a bank account can use prepaid cards to make online payments. For such consumers the fact that the cards can be recharged using cash is important.
- Issuers of prepaid cards are able to target users with and without bank accounts by promoting specific, cost-effective solutions.
- Acceptance of these cards will increase as charging or topping-up stations become more widely available.

Opportunities for the Wirecard Group in the prepaid market

As already mentioned in the first chapter, in section 1.2, Wirecard AG has created a portfolio of innovative prepaid card solutions that is unique on the market. As a card-issuing bank with licenses for Visa and MasterCard within the SEPA region (Single Euro Payments Area), Wirecard Bank has a vast market potential.

Business-to-Business

With its card products for business customers, Wirecard AG relies on innovative pay-out solutions. The Supplier and Commission Payments (SCP) solution will yield great market opportunities in coming years. This industry-specific, automated solution allows tourism enterprises in particular to process worldwide payouts quickly, safely, and at exact, pre-agreed costs. A virtual MasterCard, Visa or prepaid Maestro card is created real-time for each individual booking transaction.

Our payout solution also holds very good development potential. This prepaid card on a non-borrowing basis, which can be issued as a MasterCard, Visa or Maestro card, provides employers with an alternative solution for paying wages to temporary, seasonal or casual workers. Payout cards can be topped up cheaply and quickly by companies and can then be used for payouts to workers. The product is available throughout the SEPA region.

With the label solution for co-branded cards, we help businesses set up their own individual card programs. The card, and indeed the entire solution, is issued with the corporate design (the “look & feel”) of the individual company, which can then incorporate the card in its marketing activities and loyalty schemes. We are confident that this product has market potential as the acceptance of prepaid cards becomes more widespread. By having standardized processes for the implementation of such projects, we are also achieving a high degree of scalability. The individualized co-branded card concept, where not only the card but also the user interface appears with the specific company's preferred design reflecting its corporate identity, represents a unique selling point for our solution. Thanks to our own extensive experience gained through the basic mywirecard product, this solution features a consistent set of user-friendly functions. Moreover, the card programs are available for several types of cards, virtual or physical, available from the retail trade (2go) or by ordering over the Internet—as MasterCard, Maestro or Visa cards.

Business-to-Consumer

Not only does the Wirecard Bank offer co-branded card projects; it also markets its own card products. Brands such as the Prepaid-Trio are already well positioned in the market. The mywirecard prepaid card platform constitutes the basis for co-branded card projects aimed at retail chains or major brands, and it covers the entire SEPA region.

mywirecard.com

The mywirecard MasterCard product is currently available in seven languages throughout Europe. By the middle of this year, mywirecard 2go Visa will be on sale at thousands of service stations and shops in Germany. Using existing and planned cooperative ventures, the Point-of-Sale segment is to be rolled out gradually to include additional European countries.

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

Following the integration of the Wirecard Bank in to the group of companies and the diversification of our product portfolio through the launching of card and account products for business customers and consumers, the basic foundations for our corporate policy for the coming years are already in place. The future development and positioning of the Wirecard Group will rely on a predominantly organic growth strategy and build on measures implemented to date.

In accordance with the new payment services license requirement, valid as of April 30, 2011, there will be a changeover in accounting in the field of acquiring. The reason for this is the EU Payment Services Directive (PDS), which was implemented in the local laws of the member states throughout the EU.

This amendment will have no consequences for the asset, financial and earnings position of Wirecard AG. In future, too, all contractual services will continue to be handled by the Wirecard Group with no change to performance. All payment services are now to be invoiced by Wirecard Bank AG. The local Group member companies will continue to render technical services and take care of clients, as in the past.

Accordingly, during the first half of 2011 sales revenues of external customers, which used to be reported in the PP&RM segment, will be booked under the A&I segment.

Sales revenues in other business segments within the Group (consolidations) will also undergo corresponding changes. In principle, it can safely be assumed that sales revenues in the PP&RM segment will decline, with a corresponding rise in the A&I segment. Consolidated sales revenues and the profitability of the Group and of individual Group segments will not be impacted by this change.

9.4. Planned corporate policy changes

No major changes to corporate policy are expected for 2011 and 2012. Our activities focus on ongoing investments in an effort to expand our portfolio of products and services and extend the value-adding chain of our core business.

9.5. Future sales markets

The overwhelming share in the growth of our Company over the next two years will again be generated in our European core market. Starting in the second half of 2011 and throughout 2012, we expect an additional strong impetus from the increased level of our activities in Asia.

By entering into partnership agreements with Alipay and UnionPay in China at the beginning of 2011, we created the necessary preconditions for giving our European business customers access to millions of consumers in this new market. We also intend to expand existing local banking relations with a view to supporting our activities here. In addition, we will be using our bases in Asia to expand our local sales and distribution activities.

9.6. Future use of new processes, products and services

Our focus will remain on the continual expansion of our industry and market-specific payment and risk management solutions. Product development measures will be coordinated in accordance with our existing product lines: card-based payment methods, alternative payment methods, risk management and fraud prevention, and issuing (card products). We will also intensify the development of new products and solutions, in some cases in co-operation with partners. We will do this because the basis of our organic growth is our innovative strength, a competitive product and services portfolio, and our ability to implement industry and customer-specific requirements quickly. By applying our capacity for combining leading-edge software technology with banking products, we are pursuing our strategy of continually expanding the value-adding chain within the Group.

Making cross-border payments in conformity with SEPA standards

The goal of having a standardized, Europe-wide payment region for transactions in euros (Single Euro Payments Area, SEPA) is coming within reach. The purpose of SEPA is to standardize cashless payments within the participating countries so as to ensure that there are no longer any differences for bank customers between national and cross-border payments. This will apply not only to money transfers, but also to payments using direct debit and debit cards.

Wirecard AG is well prepared for the move in coming years from national debit card systems to processes that are standardized across Europe and which are also suitable for making payment over the Internet. A SEPA direct debit facility is available for online merchants on the Wirecard platform. In the near future this alternative payment method will assume great importance for online payment processing in Europe. Merchants will gain access to new target groups by using SEPA direct debits. This allows them to accept euro payments from within the SEPA region without the need to open additional bank accounts, and without incurring additional fees and charges.

To ensure a continual expansion of the range of payment acceptance services and systems, both for card-based and alternative methods, solutions likely to affect the market are anticipated at an early stage and integrated into the platform.

Mobile Payments

In the mobile payments segment, mobile phone companies, manufacturers of handsets and operating systems as well as credit card companies are in a race to establish who will set the standards in a market that holds great potential. While most mobile payment initiatives launched in the past have ultimately failed due to insufficient acceptance among consumers and merchants and due to a lack of interoperability, in spite of offering innovative technological solutions, new methods based on the Near Field Communication (NFC) telecommunications standard and using the existing merchant networks of the credit card companies are for the first time holding out the prospect of a sustained and comprehensive breakthrough for mobile payment solutions. Wirecard is very well prepared to take advantage of this new development and intends to establish itself in the emerging mobile payments market with its software and card solutions.

IT infrastructure

To support the above-mentioned developments and dynamic growth in these markets, the Wirecard Group is evaluating flexible infrastructure solutions at its data center operation, with the aim of pursuing its chosen strategy for the efficient use of capacities beyond virtualization technology. Issues such as safe cloud environments and Infrastructure as a Service (IaaS) are being investigated with the aim of achieving the best-possible capacity utilization, as well as being able to dynamically adapt computer capacities to suit prevailing circumstances.

9.7. Expected financial and earnings position

Financial position

We expect the financial situation of Wirecard AG to remain very stable. Maintaining a comfortable equity ratio is therefore a key financial objective. A dividend payment of 0.10 euros per share to be proposed to the annual general meeting is already taken into account here.

It is a strategic objective to use bank loans only to a modest extent, largely in connection with M&A transactions. At the December 31, 2010 cut-off date, credit uses in connection with M&A transactions amounted to only EUR 22,001K.

The Group of companies will continue with its policy of funding future investments and potential acquisitions either from its own cash flow or with a moderate deployment of third-party funding or alternative forms of financing. Potential acquisitions in this regard will continue to be analyzed and assessed according to strict criteria. Attention will focus in particular on profitability and the appropriate supplementation of the existing product and customer portfolios.

Earnings position

Earnings before interest, taxes, depreciation and amortization (EBITDA) represent the central performance indicator for operational and financial controlling purposes for Wirecard AG. It sets the benchmarks for the entire Company, from Controlling right through to the assessment of the profitability of the individual fields of activity. Accordingly, our profit projection for fiscal 2010 is also based on the EBITDA success-oriented key ratio.

For the 2011 financial year, EBITDA are expected to range somewhere between 81 and 89 million euros.

This forecast is based on an increase in the volume of business transacted with portfolio and new customers via the Wirecard Group, economies of scale arising from our transaction-oriented business model, as well as the increased use of our banking services. Possible effects of potential corporate acquisitions are not included in the forecast.

In view of the great demand for international solutions and our current customer projects, we are confident that Wirecard AG will continue to operate profitably in future.

We are confident that our unique positioning in the market–with our combination of technology and software with innovative banking services–will allow the Wirecard Group to outperform the eCommerce market in fiscal 2011.

Furthermore, we expect new products and further advancement of existing ones to result in an expansion of profitable business operations while efficiency enhancements to operating processes will produce a positive impact on our operating income. Strict cost management will continue to play an important role in this regard.

9.8. Opportunities emerging from general trends

In the years to come, we will continue to exploit opportunities resulting from the positive underlying conditions in market and technology trends in an effort to expand our core business.

The international orientation and innovative strength of the Wirecard Group will remain the essential basis for the dynamic development of our business over the next two financial years.

Merchants engaging in eCommerce are increasingly setting up cross-border operations in order to attract new strata of buyers. We support our customers by providing appropriate risk management methods along with a vast range of international payment services. New payment methods with relevance for the market will be integrated into our platform on an ongoing basis. At the same time, we are offering the consumer goods industry and the tourism sector in particular the opportunity to realize cost and process benefits along their value-adding chains.

The targeted outsourcing of partial processes to the Wirecard Group enables businesses to concentrate their resources on their original core business activities and thus helps secure both their innovative and investment capabilities.

9.9. Overall statement on the probable development of the Group (outlook)

Thanks to the positive general conditions prevailing in the eCommerce market described earlier, the positioning of the Company's portfolio, its sound fundamental structures and its ability to foster innovations, Wirecard AG is very well positioned to achieve double-digit earnings growth again in the next two years. This outlook may, however, be affected by negative developments in the global economy or other, currently unforeseeable events that could have detrimental effects on our core market.

We plan to continually exploit the growth in the digital market for the benefit of our customers, by anticipating the potential of new products and solutions in an effort to continue our successful business development.

In fiscal 2011, Wirecard AG will report non-recurring special expenditures in two fields of activity. The first is the relocation of the corporate headquarters necessary for capacity reasons from Grasbrunn to Dornach near Munich, which will involve non-recurring costs of approximately 2 million euros in the first half of the year. Another factor concerns non-recurring IT costs of approximately 3 million euros, to be spread across the year, which will facilitate even faster expansion in Asia. In spite of these non-recurring special expenditures totaling around 5 million euros, the Management Board of Wirecard AG expects earnings before interest taxes, depreciation and amortization (EBITDA) for fiscal 2011 to reach between 81 and 89 million euros.

Grasbrunn/München, April 8, 2011

Wirecard AG

Dr. Markus Braun Burkhard Ley Jan Marsalek

CONSOLIDATED FINANCIAL STATEMENTS

GROUP-BALANCE SHEET – ASSETS

in EUR	Notes	12/31/2010	12/31/2009
ASSETS	(3.1.), (2.2.)		
I. Non-current assets			
1. Intangible assets	(3.1.), (2.3.)		
Goodwill		**101,339,875.98**	90,289,025.39
Internally generated intangible assets		**16,901,071.28**	12,723,396.73
Other intangible assets		**13,050,001.41**	11,576,877.19
Customer relationships		**62,450,775.11**	48,649,808.94
		193,741,723.78	**163,239,108.25**
2. Property, plant and equipment	(3.2.), (2.3.)		
Other property, plant and equipment		**1,578,235.50**	1,497,025.35
3. Financial and other assets / interest bearing securities	(3.3.), (2.2.)	**38,698,849.72**	16,285,831.22
4. Tax credits			
Deferred tax assets	(3.4.), (2.4.)	**1,205,027.26**	4,351,455.95
Total non-current assets		**235,223,836.26**	**185,373,420.77**
II. Current assets			
1. Inventories	(3.5.), (2.3.)	**359,509.39**	353,531.91
2. Trade receivables and other receivables	(3.6.), (2.3.)	**118,740,739.19**	80,561,820.67
3. Tax credits	(3.7.), (2.4.)		
Tax assets		**180,129.86**	1,750,965.38
4. Interest bearing securities	(3.8.)	**10,000,000.00**	0.00
5. Cash and cash equivalents*	(3.9.), (6.)	**185,355,190.19**	272,528,622.02
Total current assets		**314,635,568.63**	**355,194,939.98**
Total assets		**549,859,404.89**	**540,568,360.75**

* Without the investment in interest-bearing securities reported under financial and other assets, the volume of cash and cash equivalents and under other interest-bearing securities would have exceeded the figure reported by EUR 45,427K.

GROUP-BALANCE SHEET – EQUITY AND LIABILITIES

In EUR	Notes	12/31/2010	12/31/2009
EQUITY AND LIABILITIES			
I. Shareholders' equity	(4.)		
1. Subscribed capital	(4.1.)	**101,803,139.00**	101,803,139.00
2. Capital reserve	(4.2.)	**11,261,517.49**	11,261,517.49
3. Retained earnings	(4.3.)	**176,642,694.67**	131,831,808.10
4. Foreign currency translation reserve	(4.4.)	**136,860.98**	(14,094.75)
Total shareholders' equity		**289,844,212.14**	**244,882,369.84**
II. LIABILITIES	(4.), (2.2)		
1. Non-current liabilities	(4.5.), (2.3.)		
Non-current interest bearing bank liabilities		**1,000,000.00**	2,000,000.00
Other non-current liabilities		**331,922.00**	2,054,514.62
Deferred tax liabilities		**6,584,181.73**	6,314,956.86
		7,916,103.73	**10,369,471.48**
2. Current liabilities	(4.6.), (2.3.)		
Trade payables		**98,443,415.67**	140,479,318.80
Current interest-bearing liabilities		**21,001,261.72**	3,509,590.31
Other current provisions		**1,652,111.11**	1,241,015.59
Other current liabilities		**8,524,274.02**	16,167,738.63
Customer deposits from banking operations		**118,745,103.95**	122,819,737.38
Tax provisions	(2.4)	**3,732,922.55**	1,099,118.72
		252,099,089.02	**285,316,519.43**
Total liabilities		**260,015,192.75**	**295,685,990.91**
Total shareholders' equity and liabilities		**549,859,404.89**	**540,568,360.75**

CONSOLIDATED INCOME STATEMENT

in EUR	Notes	01/01/2010 - 12/31/2010		01/01/2009 - 12/31/2009	
I. Sales	(5.1.), (2.3.)		**271,618,709.21**		**228,508,252.04**
II. Other own work capitalized			**6,210,870.42**		**4,577,310.66**
1. Other own work capitalized	(5.2.)	**6,210,870.42**		4,577,310.66	
III. Operating expenses			**186,218,343.96**		**156,726,729.02**
1. Cost of materials	(5.3.)	**152,545,078.83**		126,644,508.14	
2. Personnel expenses	(5.4.)	**27,833,017.13**		25,877,428.40	
3. Amortization and depreciation	(3.1.), (3.2.)	**5,840,248.00**		4,204,792.48	
IV. Other operating income and expenses			**(24,187,932.18)**		**(19,831,985.63)**
1. Other operating income	(5.5.)	**2,204,120.30**		3,619,150.09	
2. Other operating expenses	(5.6.)	**26,392,052.48**		23,451,135.72	
Net operating income			**67,423,303.49**		**56,526,848.05**
V. Financial result	(5.7.)		**(1,518,417.81)**		**(1,794,791.54)**
1. Other interest and similar income		**595,912.96**		1,400,458.67	
2. Financial cost		**2,114,330.77**		3,195,250.21	
VI. Profit before taxes			**65,904,885.68**		**54,732,056.51**
VII. Income tax	(5.8.)		**11,931,716.60**		**9,209,902.73**
VIII. Profit after taxes			**53,973,169.08**		**45,522,153.78**
Earnings per share (basic)	(5.9.)		**0.53**		0.45
Earnings per share (diluted)	(5.9.)		**0.53**		0.45
Weighted average shares outstanding (basic)	(5.9.), (4.1.)		**101,803,139**		101,803,139
Weighted average shares outstanding (diluted)	(5.9.), (4.1.)		**101,982,051**		102,097,893

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR	Notes	01/01/2010 - 12/31/2010	01/01/2009 - 12/31/2009
Profit after taxes	(5.)	**53,973,169.08**	45,522,153.78
Change in exchange differences from translation of operations outside the euro zone	(4.6.)	**150,955.73**	10,348.39
Total comprehensive income		**54,124,124.81**	45,532,502.17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common stock Nominal value / Number of shares issued	Retained earnings	Foreign currency translation reserve	Total Shareholders' Equity	Total Shareholders' Equity
	EUR / STK	EUR	EUR	EUR	EUR
Balance as of December 31, 2008	**101,803,139.00**	**10,722,517.49**	**94,453,905.44**	**(24,443.14)**	**206,955,118.79**
Profit after taxes			45,522,153.78		45,522,153.78
Dividends paid			(8,144,251.12)		(8,144,251.12)
Contingent capital increase (convertible bonds)	0.00	539,000.00			539,000.00
Currency translation differences				10,348.39	10,348.39
Balance as of December 31, 2009	**101,803,139.00**	**11,261,517.49**	**131,831,808.10**	**(14,094.75)**	**244,882,369.84**
Profit after taxes			53,973,169.08		53,973,169.08
Dividends paid			(9,162,282.51)		(9,162,282.51)
Contingent capital increase (convertible bonds)	0.00	0.00			0.00
Currency translation differences				150,955.73	150,955.73
Balance as of December 31, 2010	**101,803,139.00**	**11,261,517.49**	**176,642,694.67**	**136,860.98**	**289,844,212.14**

CONSOLIDATED CASH FLOW STATEMENT

in EUR	Notes	01/01/2010 - 12/31/2010	01/01/2009 - 12/31/2009
EBIT	(5.)	**67,423,303.49**	**56,526,848.05**
Gains/Losses from the disposal of fixed assets		**(51,631.01)**	31,286.95
Amortization/depreciation/write-ups of non-current assets		**5,840,248.00**	4,204,792.48
Impact on foreign currency translation		**(466,237.12)**	(590,763.92)
Changes in inventories		**(5,977.48)**	(290,592.39)
Changes in trade and other receivables		**(38,816,359.99)**	(25,366,943.83)
Changes in other assets		**(242,420.48)**	(2,343,796.80)
Changes in provisions		**411,095.52**	(285,708.15)
Increase/decrease in current liabilities excluding financial liabilities		**(1,482,592.62)**	1,482,592.62
Changes in trade payables		**(41,670,421.51)**	26,631,063.82
Changes in other current liabilities		**(8,078,409.98)**	12,133,486.90
Other non-cash income/expenses		**0.00**	539,000.00
Income taxes paid		**(5,664,973.50)**	(3,931,814.30)
Interest paid (excl. interest on loans)		**(410,055.20)**	(609,791.51)
Interest received		**163,719.13**	1,145,302.23
Elimination of purchase price liabilities and adjustments net working capital from first consolidation	(1.1.), (6.)	**(524,843.18)**	(2,912,603.73)
Cash flow from operating activities	(6.1.)	**(23,575,555.93)**	**66,362,358.42**
Cash paid for investments in intangible assets and property, plant and equipment		**(24,472,039.12)**	(12,509,167.89)
Cash paid for investments in financial assets and interest bearing securities		**0.00**	(10,341,544.08)
Cash received from sale of financial assets		**231,643.63**	67,025.81
Deposits made from bond issues redeemed		**500,000.00**	1,000,000.00
Cash paid for the acquisition of entities and investments in consolidated entities	(1.1.), (6.)	**(465,126.28)**	0.00
Cash flow from investing activities	(6.2.)	**(24,205,521.77)**	**(21,782,046.32)**
Cash received from finance liabilities		**20,000,000.00**	0.00
Cash paid for repayment of financial liabilities		**(3,500,000.00)**	(3,500,000.00)
Dividends paid		**(9,162,282.51)**	(8,144,251.12)
Interest paid on loans		**(243,006.91)**	(446,931.57)
Cash flow from financing activities	(6.3.)	**7,094,710.58**	**(12,091,182.69)**
Net change in cash and cash equivalents		**(40,686,367.12)**	**32,489,129.41**
Adjustments due to currency translation		**150,955.34**	10,348.39
Adjustments due to consolidation	(1.1.), (6.)	**2,872,241.45**	0.00
Cash and cash equivalents as of beginning of period		**149,699,294.33**	117,199,816.53
Cash and cash equivalents as of end of period	(6.4.)	**112,036,124.00**	**149,699,294.33**

CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES (ADJUSTED FOR TRANSACTION VOLUMES OF A TRANSITORY NATURE)

in EUR	01/01/2010 - 12/31/2010	01/01/2009 - 12/31/2009
EBIT	**67,423,303.49**	**56,526,848.05**
Gains/Losses from the disposal of fixed assets	(51,631.01)	31,286.95
Amortization/depreciation/write-ups of non-current assets	5,840,248.00	4,204,792.48
Impact on foreign currency translation	(244,498.12)	(1,183.07)
Changes in inventories	(5,977.48)	(290,592.39)
Changes in trade receivables and other receivables (adjusted for transaction volumes of a transitory nature)	8,784,526.31	4,758,142.64
Changes in other assets	(242,420.48)	(2,343,796.80)
Changes in provisions	411,095.52	(285,708.15)
Increase/decrease in current liabilities excluding financial liabilities	(1,482,592.62)	1,482,592.62
Changes in trade payables (adjusted for transaction volumes of a transitory nature)	(4,865,990.52)	(943,892.87)
Changes in other current liabilities	(8,229,500.98)	12,133,486.90
Other non-cash income/expenses	0.00	539,000.00
Income taxes paid	(5,664,973.50)	(3,931,814.30)
Interest paid (excl. interest on loans)	(410,055.20)	(609,791.51)
Interest received	163,719.13	1,145,302.23
Elimination of purchase price liabilities and adjustments net working capital from first consolidation	(524,843.18)	(2,912,603.73)
Cash flow from operating activities	**60,900,409.36**	**69,502,069.05**

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 is intended to facilitate the identification and reporting of the cash-relevant portion of the Company's results.

EXPLANATORY NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

1. Disclosures related to the Company and its valuation principles

1.1. Business activities and legal background

Wirecard AG, Bretonischer Ring 4, 85630 Grasbrunn (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 paramount parent company, Wirecard AG is required to prepare consolidated financial statements. The business activities of the Wirecard Group are structured into the three reporting segments of "Payment Processing & Risk Management", "Acquisition & Issuing" as well as "Call Center & Communication Services". The parent company, Wirecard AG, is headquartered in Munich/Grasbrunn (Germany), which is also the head office of Wirecard Bank AG, Wire Card Beteiligungs GmbH, Wirecard Technologies AG, Wirecard Retail Services GmbH, Click2Pay GmbH and Trustpay International GmbH (formerly trading as: Trustpay International AG). In April 2011, Wirecard AG and the above-mentioned subsidiaries will be relocating to Aschheim, near Munich (Germany). In this connection, a relocation is planned for the headquarters of Wirecard AG and of the subsidiaries indicated above. The head office of Wirecard Communication Services GmbH is located in Leipzig. Wirecard Technologies AG and Wirecard (Gibraltar) Ltd. based in Gibraltar develop and operate the software platform that represents the central element of our portfolio of products and services and of our internal business processes. Click2Pay GmbH, using the alternative Internet payment system of the same name (CLICK2PAY), generates sales revenues particularly in the market for online portals and games as well as digital media.

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

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

Wirecard Communication Services GmbH bundles the know-how of virtual and physical call center solutions in a hybrid structure and can therefore meet the growing requirements relating to quality with comprehensive, flexible services, focusing chiefly on business-to-business and private customers of the Wirecard Group, especially Wirecard Bank AG.

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

The companies Wire Card Beteiligungs GmbH and Trustpay International GmbH (formerly trading as Trustpay International AG), both headquartered in Munich/Grasbrunn, act as interim holding companies of/for subsidiaries within the Group and do not operate as a business.

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

With effect from January 13, 2011, Wirecard AG took over Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards, and the company has a regional customer portfolio. This takeover has enabled Wirecard AG to continue its strategy of intensifying its expansion by establishing key international locations in growth regions.

Consolidation perimeter

As at December 31, 2010, 18 subsidiaries were fully consolidated. As at December 31, 2009, there were 16 such companies.

SUBSIDIARIES OF WIRECARD AG

	Shares
Click2Pay GmbH, Grasbrunn (Germany)	100%
InfoGenie Ltd., Windsor, Berkshire (United Kingdom)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Trustpay International GmbH (formerly Trustpay International AG), Grasbrunn (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard UK and Ireland Ltd. (formerly: Wirecard Payment Solutions Ltd.), Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Wirecard Central Eastern Europe GmbH (formerly: Qenta paymentsolutions Beratungs und Informations GmbH), Klagenfurt (Austria)	100%
Wirecard Technologies AG, Grasbrunn (Germany)	100%
Wirecard Communication Services GmbH, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Grasbrunn (Germany)	100%
cardSystems FZ-LLC, Dubai (United Arab Emirates)	100%
Wire Card Beteiligungs GmbH, Grasbrunn (Germany)	100%
Wirecard Bank AG, Grasbrunn (Germany)	100%
E-Credit Plus Pte. Ltd. (today: Wirecard Asia Pte. Ltd.) (Singapur)	100%
E-Credit Plus Corp., Las Pinas City (Philippines)	100%
Credence Collection SDN BHD, Petaling Jaya (Malaysia)	100%
E-Payments Singapore Pte. Ltd. (Singapur)	100%

In order to streamline the Group's structure, companies that had been integrated into the Group by means of takeovers in previous years were merged with other companies. Accordingly, Pro Card Kartensysteme GmbH, Grasbrunn (Germany) merged with Wirecard Retail Services GmbH, and webcommunication EDV Dienstleistungs- und Entwicklungs GmbH, Graz (Austria) likewise became part of Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria).

Uniform accounting and valuation methods apply to the perimeter of consolidated subsidiaries. The subsidiaries' shareholdings and quotas of voting rights are identical.

The IAS/IFRS requirements concerning the duty of inclusion for all domestic and foreign subsidiaries, insofar as the holding company controls these, i.e. in which it directly or indirectly holds more than 50 percent of the voting rights, (cf. IAS 27.12 and IAS 27.13) are observed.

Sale of companies

No company was sold in fiscal 2010.

Business combinations

On December 16, 2009, Wirecard AG signed a purchase agreement for the acquisition of 100 percent of the company E-Credit Plus Pte. Ltd., Singapore, along with its subsidiaries. The final transfer of shares (closing) was effected on December 28, 2009. A business combination as contemplated by IFRS 3 took place outside the period under review, effective as of January 1, 2010. Only at this point did Wirecard AG acquire a controlling interest over the group of companies as contemplated by IFRS 3 since Wirecard had the power to govern its management and key decisions from that date. For this reason, this transaction was accounted for as at December 31, 2009 as an investment in an associated company pursuant to IAS 28. At the date of initial consolidation this position was eliminated and at January 1, 2010 the fair values were balanced.

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

The preliminary breakdown is as follows:

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

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	2,872	2,872
Goodwill	0	11,051
Customer relationships	0	1,884
Other tangible assets	6	6
Receivables	474	474
Other assets	20	20
Deferred tax liabilities	1	340
Liabilities	2,684	2,684
Shareholders' equity	687	13,283
thereof, profit for the year 2009	1,178	1,178

The purchase price paid in 2009 was funded with cash and cash equivalents of the Company. Neither were any equity instruments issued, nor were any funds borrowed for financing purposes.

The E-Credit Group, consisting of E-Credit Plus Pte. Ltd. and its subsidiaries is engaged in the field of online payment processing, chiefly for eCommerce merchants in the eastern Asian region. For its operations in Asia, Wirecard expects synergy effects to be generated for the Group as a whole.

In the period under review, a net profit for the year of EUR 1,331K was recognized through profit or loss on sales revenues of EUR 7,952K from the holding. This amount partly also contains synergy effects between E-Credit and other companies in the Wirecard Group.

For further particulars, reference is made to Chapter 3.1. Intangible assets.

In addition, with effect from January 13, 2011, Wirecard AG took over 100 percent of Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards, and the company has a regional customer portfolio. This takeover has enabled Wirecard AG to continue its strategy of intensifying its expansion by establishing key international locations in growth regions.

At the same time, a management that is regionally entrenched and a team of staff members experienced in the field of payment processing will be taken over, who will bring the regional expansion of the company forward together with the employees of Wirecard AG. Procard Services FZ LLC has a state-of-the-art technical platform at its disposal. 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 group of companies came to EUR 670K. In addition, debts amounting to EUR 13,965K were assumed. Beside the strategic relevance, the material assets of the companies taken over are customer relations and the technical platform. Since the annual financial statements of the group of companies have not been issued with an audit certificate as yet, adjustments to the value of the assets assumed may be necessary.

The preliminary breakdown is as follows:

AQUIRED FAIR VALUES OF PROCARD CARD SERVICES LTD.

in EUR '000	
Acquired assets and liabilities (fair values)	
Intangible assets	3,405
of which, customer relationships	730
Property, plant and equipment	194
Current assets and cash and cash equivalents	969
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	0
Current liabilities	2,516
Deferred taxes	11,449
Goodwill	10,067
Total fair values acquired	**670**
Purchase price	670

The contribution to earnings for fiscal 2011, expected to amount to at least EUR 1 million, is largely to be used for the integration into the Group. For 2012, Wirecard expects the company acquired to contribute approx. EUR 1.5 million to Group EBITDA.

Exemption from the duty to prepare consolidated financial statements

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

In addition Wirecard has availed of the exemption under section 17 of the Irish Companies Act 1986 not to submit consolidated financial statements of the Irish group Wirecard Payment Solutions Holdings Ltd to the Companies Office.

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

Exemption in accordance with Sec. 264 para.3 HGB (German Commercial Code)

The following companies plan to exercise their option to be exempted in accordance with Sec. 264 para. 3 HGB.

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

The necessary requirements under commercial law in this regard have been met to this end.

Action for rescission

The investor protection association SdK Schutzgemeinschaft der Kapitalanleger e.V. raised an action in 2008 to challenge the resolutions adopted at the Annual General Meeting concerning a discharge of the Management and Supervisory Board of Wirecard AG as well as a petition for a court order to have the annual financial statements of the Wirecard AG for fiscal 2007 to be declared null and void. These actions were filed on account of alleged deficiencies in the annual financial statements. In 2008, the Supervisory Board of the Company had arranged for Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to prepare a comprehensive expert opinion on the key issues and perceives no need for any corrections in light of the audit findings.

2. Principles used in preparing the financial statements

2.1. Principles and assumptions used in preparing the financial statements

Operational environment and 'going concern' assumption

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

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

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

All interpretations valid for fiscal 2010 by the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

Currency translations

The reporting currency is the euro. The functional currency of the foreign subsidiary InfoGenie Ltd. Windsor, Berkshire, (United Kingdom), is the British pound sterling and that of the E-Credit sub-group is the Singapore dollar. The amounts relating to assets and liabilities of InfoGenie Ltd. and the E-Credit Group 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 profit & loss statement are translated at average exchange rates. Differences arising from foreign currency translation are recorded without this affecting the operating result and reported separately as part of shareholders' equity in the foreign currency translation reserve.

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

Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognized in profit and loss and included under cost of materials if the payment is in connection with customer funds; if not, it is reported under other operating expenses/income. The effects associated with foreign currency translation of receivables and liabilities amounted to EUR 466K in fiscal 2010 (previous year: EUR 591K).

Judgments, estimates and assumptions

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

Classification

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

Consolidation principles

The consolidated financial statements comprise the annual financial statements of Wirecard AG and its subsidiaries as at December 31, 2010. Subsidiaries are fully consolidated from the time of their acquisition, i.e. from the point in time at which the Group acquires control. Consolidation comes to an end once control by the parent company no longer exists. The financial statements of subsidiaries are prepared as at the same balance sheet date as that those of the parent company, applying uniform accounting and valuation principles. Sales revenues, expenses and income, receivables, provisions and liabilities between the companies included were eliminated.

For new company acquisitions, the capital consolidation is performed in line with the acquisition method according to IFRS 3 (Business Combinations). In the process, the acquisition costs of the shares acquired are netted against the proportion of equity accounted for by the parent company at the time of acquisition. A difference between the costs of acquisition and pro-rate 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 decisive 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 stake in the net assets of the associated company after acquisition.

After applying the equity method, the Group determines whether it is necessary to recognize 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 a stake in an associated company might be impaired. If this is the case, the difference between the recoverable amount of the stake in the associated company and the carrying amount are recognized in profit and loss as an impairment expense.

Comparability

The comparability with the previous period is limited owing to the initial consolidation of the E-Credit Group as at January 1, 2010.

2.2. Accounting for financial assets and liabilities

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

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

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

Financial assets

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

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

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

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

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

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

Derivatives embedded in underlying agreements are accounted for separately if their risks and features are not closely related to the underlying agreements and the latter are not measured at fair value. These embedded derivatives are measured at fair value, with any gains or losses resulting from changes to fair value being recognized in profit and loss. A reassessment is made only in the event of a change in contractual terms and conditions if this leads to a significant change in payment flows that would otherwise have resulted in contractual terms. No agreements of this kind were in hand in fiscal 2009 and 2010.

Loans and receivables

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

Financial investments held until final maturity

Non-derivative financial assets with fixed or determinable payment amounts and subject to fixed maturity dates are classified as financial investments held to final maturity if the Group has the intention and is in position to hold these until final maturity. After their first recognition, financial investments held until final maturity are measured at amortized cost [of acquisition] using the effective interest method. This method uses an interest rate for calculation purposes at which the estimated future flow of cash and cash equivalents across the expected term to maturity of the financial asset is exactly discounted to the net carrying amount of the financial asset in question. Gains and losses are recognized in the consolidated income statement if the financial investments are taken off the books or impaired and dealt with in the course of amortizations. During the financial year as at December 31, 2010, the Group had invested EUR 10,000K in a fixed-income current bond issue. In 2009 there were no financial investments held until final maturity.

Financial assets available for sale

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

Derecognition

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

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

- The Group has assumed its contractual rights to draw cash flows from the financial asset to third parties or has assumed a contractual obligation for immediate payment of the cash flow to a third party within the scope of an agreement that meets the requirements of IAS 39.19 (so-called transmission agreement) 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 the power to dispose of the asset in question.

If the Group transfers its contractual rights to cash flows arising from an asset or enters into a transmission agreement and essentially neither transfers nor retains all opportunities or risks associated with this asset but retains the power to dispose of the asset transferred, then the Group will recognize an asset within the scope of its ongoing commitment.

In this case, the Group will also recognize an associated liability. The asset transferred and the associated liability are measured in such a manner as to duly take account of the rights and obligations retained by the Group. If the ongoing commitment formally guarantees 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.

Depreciation of financial assets

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

Financial liabilities

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

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

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

Financial assets at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial guarantee contracts

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

Offsetting of financial instruments

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

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Fair value of financial instruments

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

Significant accounting judgments, estimates and assumptions

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

2.3. Essential accounting and valuation methods

Accounting for goodwill

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

For purposes of impairment testing, goodwill is to be distributed across all cash-generating units of the group that are expected to draw a benefit from the synergies of the business combination. Cash-generating units to which part of goodwill has been allocated are to be subjected to impairment testing on an annual basis. In the event of any evidence of impairment of a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is lower than the book value or carrying amount of the unit in question, then the impairment expense must initially be assigned to the carrying amount of any goodwill assigned to the unit and then allocated pro rata to the other assets based on the carrying amounts of any such asset within the unit in question. Any impairment charge recognized for goodwill may not be reversed in subsequent periods. When a subsidiary is sold, the amount of goodwill accounted for it is taken into consideration within the scope of determining the profit or loss generated by the sale in question.

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

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

- Risk-free interest: 3.25 percent
- Market risk premium: 5.0 percent
- Beta factor: 1.1
- Capitalization interest rate: 8.25 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 2010 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 cash and cash equivalents and uniform for all periods. On the basis of the data from Deutsche Bundesbank, as at the December 31, 2010 balance sheet date the basic interest rate amounted to 3.25 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 FAUB of the IDW, a market risk premium of 5.0 percent was applied. The beta factor is derived from external assessments and verified by own calculations. These premises and the underlying methods used may have a substantial influence on the respective values and, ultimately, on the extent of a potential goodwill impairment.

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

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

Accounting for intangible assets

Customer relations are recognized at cost of acquisition and a substantial portion thereof is subjected to impairment testing on a regular basis, at least once annually. As regards the procedure and essential assumptions, reference is made to the explanatory notes on accounting for goodwill. A minor portion is written off using the straight-line method over the course of its useful economic life. Purchased software is stated at cost and depreciated 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 2010. The software constituting the Group's core operations, most of which was created in-house, has a longer estimated useful life and is amortized over a period of ten years.

The periods of use and depreciation/amortization methods are reviewed on an annual basis. In addition, the useful economic life of a substantial share of customer relations in 2010, as in previous years, is classified as uncertain (not unlimited) since no "best practice could be identified for this industry segment and past experience cannot establish a restriction of the flow of benefits. Moreover, the agreements between the Wirecard Group and merchants do not reflect any restrictive contractual terms and conditions. In the event of any change in the anticipated period of use or anticipated amortization of the intangible asset, some other amortization period or method will be selected. Such changes are treated as changes to an estimate made.

Research costs are recognized as expenses through profit or loss at the time incurred. The costs of development activities are capitalized if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. The initial capitalization of costs is based on the assessment by management that the technical and commercial realizability has been established; as a rule, this will be the case where a product development project has reached a certain milestone in an existing project management model. Moreover, Wirecard must have the intention and adequate resources to conclude such development and either use or sell the asset in question. Development costs are capitalized in accordance with the accounting method shown and written off accordingly over time from the moment the product is ready for use. During the development phase, an annual impairment test is carried out and the assumptions of management are reviewed. The development costs capitalized in the financial year amounted to EUR 6,211K (previous year: EUR 4,577K).

Accounting for property, plant and equipment

The original cost of acquisition or manufacture of property, plant and equipment comprises the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the object of property, plant and equipment was deployed, such as maintenance and repair costs, are reported with an impact on profit and loss in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalized in accordance with IAS 23. No financing costs were recognized in fiscal 2010.

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

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

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

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

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

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

Inventories

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

Cash and cash equivalents

Cash in hand and sight deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments (in particular, fixed-term deposits) that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. In the process, the actual intention of cash management is taken into account and only such items are recorded which are directly related to the availability of liquidity for current, operational payment obligations. Accounts in the field of acquiring, which are partly not held directly but for the account of Wirecard and via which Wirecard executes payments to the merchants are reported under cash and cash equivalents. Not freely available cash and cash equivalents from lease guarantees amounted to EUR 133K (previous year: EUR 37K) and were classified as “Trade and other receivables”.

Provisions

Provisions take account of all discernible risks and uncertain liabilities and have been set up to an appropriate extent in accordance with prudent judgment. All discernible risks were taken into consideration. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions reported separately on the one hand and to other current provisions on the other.

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

Leases with the Group acting as lessee

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

Realization of income

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, taking account of the delineation of periods. Operating expenses are recognized with an impact on profit and loss once the service is utilized or at the time the cost is incurred.

Uncertainties regarding valuation

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

- The measurement of fair values of assets and liabilities as well as the periods in use of assets is based on assessments made by management. This also applies to the measurement of impairments of assets comprising property, plant and equipment, of intangible assets as well as of financial assets. Valuation adjustments are made to doubtful receivables in order to take account of estimated losses arising from insolvency or unwillingness of customers to pay.
- In accounting for and valuing provisions, expected obligations represent the key sources for estimates.
- The costs of granting equity instruments to employees are measured at fair value of such equity instruments in the Group at the time when granted. In order to measure the fair value of share-based remuneration, the best method of measurement must be determined; this depends on the terms and conditions in which share-based remuneration is granted. In addition, this estimate calls for the determination of suitable input parameters to be included in this measurement process, including the foreseeable period 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 2011.

2.4. Accounting for and valuations of tax items

Actual income taxes

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

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

Deferred tax liabilities and assets

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

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

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

The calculation of deferred taxes was based on a German corporation tax rate of 15.0 percent (previous year: 15.0 percent) plus a solidarity surcharge of 5.5 percent (previous year: 5.5 percent) on corporation tax and a flat German trade tax rate of 11.9 percent (previous year: 10.15 percent) taking account of the relocation of essential parts of the company to Aschheim at the higher municipal factor at the new location and the relevant tax rates of the foreign companies (Ireland 12.5 percent; Austria 25 percent; Singapore 18 percent).

Value added tax

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

The amount of value added tax refunded by the revenue authorities or paid to the latter is netted in the consolidated balance sheet under assets 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, changes in tax laws, 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 counties 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 domicile.

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

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

The accounting methods applied correspond in principle to the methods applied in the previous year, with the following exceptions. As at January 1, 2010, the Group applied the following new and revised IFRS:

- As at January 1, 2010, the Group applied the following new and revised IFRS: IFRS 2 Share-based remuneration – internal Group share-based remuneration with cash compensation became effective on January 1, 2010,
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised), including subsequent amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 und IAS 39, became effective on July 1, 2009,
- IAS 39 Financial instruments: Recognition and Measurement – suitable underlying transactions became effective on July 1, 2009,
- IFRIC 17 Distributions of Non-cash Assets to Owners became effective on July 1, 2009,
- Improvements to IFRS 2008 (May 2008),
- Improvements to IFRS 2009 (April 2009),

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

IFRS 2 Share-based remuneration

In June 2009, the IASB published an amendment to IFRS on the scope of application and accounting for share-based remuneration with cash compensation within the Group. The Group applied this amendment as of January 1, 2010. This has no consequences for the Group's asset, financial and earnings position.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised)

IFRS 3 (revised) introduces material changes with regard to accounting for business combinations. This has consequences for the measurement of non-controlling shares, accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration as well as a sequence of corporate acquisitions. This new regulation led to goodwill for the E-Credit Group turning out EUR 415K lower than if the previous IFRS 3 rule had been followed. In the event of future business combinations, this new rule may have an impact on corporate results.

IAS 27 (revised) prescribes that a change in the amount of a holding in a subsidiary that does not lead to a loss of control is to be accounted for as a transaction with shareholders in their capacity as such. Neither goodwill nor profit or loss can result from such a transaction. In addition, regulations governing the distribution of losses to the owners of the parent company and non-controlling shares and accounting rules for transactions leading to a loss of control will be amended. The new rules prescribed by IAS 27 will impact on loss of control of subsidiaries and on transactions with non-controlling shares on or after January 1, 2010. This amendment to the accounting methods has no consequences for the asset, financial and earnings position since no transaction of this kind needed to be taken into account.

IAS 39 Financial instruments: Recognition and Measurement – suitable underlying transactions

It is clarified that it is permissible only to designate part of the changes to fair value or cash flow fluctuations of a financial instrument as an underlying transaction. This also comprises the designation of inflation risks as a hedged risk or part thereof in certain cases. The Group has determined that this change will have no consequence for the asset, financial and earnings position of the Group because the latter did not enter into any such transactions.

IFRIC 17 Distribution of Non-Cash Assets to Owners

This interpretation contains guidance on accounting for contracts in which a company distributes non-cash assets to owners as a distribution from reserves or in the form of dividends. This interpretation has no consequences for the presentation of the Group’s asset, financial and earnings position.

Improvements to IFRS 2008 and 2009

In May 2008 and April 2009, the IASB published two collective standards concerning the amendment of various IFRS with the primary objective of eliminating inconsistencies and clarifying the relevant formulations. The collective standards provide for a transitional rule of its own for each IFRS amended. While the application of the following new rules led to a change in accounting methods, this had no impact on the Group's asset, financial and earnings position:

Published in May 2008

IFRS 5 on the sale of non-current assets and discontinued operations: It is clarified that when classifying a subsidiary as held for sale, all assets and liabilities are likewise classified as held for sale. This applies even if the entity retains non-controlling shares in the former subsidiary after the sale. This amendment to the accounting methods has no consequences for the asset, financial and earnings position since no transaction of this kind needed to be taken into account.

Published in April 2009

IFRS 5 on the sale of non-current assets and discontinued operations: it is clarified that for non-current assets and groups of assets classified as held for sale and discontinued operations, the disclosure rules of IFRS 5 alone are of relevance. The disclosure rules provided in other IFRS need to be observed only if the relevant standards or interpretations explicitly call for such disclosures relating to assets in accordance with IFRS 5 and discontinued operations. This clarification led to no change since IFRS is not applied in this case.

IFRS 8 Business Segments: it is clarified that segment assets and segment liabilities need to be disclosed only if such assets and liabilities are reported to the responsible corporate entity on a regular basis. As the responsible corporate entity of the Group only monitors the development of assets and liabilities as a whole, the Group no longer discloses this information.

IAS 7 Cash Flow Statement: it is determined that expenses may be classified as cash flows from investment activities if they lead to the recognition of an asset. This amendment had no consequences for the asset, financial and earnings position.

IAS 36 Impairment of Assets: this amendment clarifies that a cash-generating unit to which goodwill is assigned within the scope of a business combination may not be larger than a business segment as contemplated by IFRS 8 prior to aggregation in line with the criteria stated therein. This amendment has no consequences for the Group because no aggregation is actually carried out.

The following new rules relating to improvements to IFRS had no impacts on the accounting methods and the presentation of the Group's asset, financial and earnings position:

Published in April 2009
- IFRS 2 Share-based remuneration
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

2.6. Changes to accounting and valuation methods – new accounting regulations with EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were already incorporated in EU law within the scope of the comitology procedures but were not of mandatory application as yet in the financial year 2010. The Group’s policy is against early application of these standards and interpretations.

IAS 24 – Related Party Disclosures (amended)

The amended standard is to be applied for the first time to fiscal years beginning on or after January 1, 2011. This amendment illustrates the definition of related companies and persons in order to simplify the determination of such relationships and eliminate inconsistencies in application. The amended standard leads to a partial exemption from mandatory disclosures for enterprises related to a public authority. The Group expects no consequences for its asset, financial and earnings position. Early application is permissible both for the exemption rules for an enterprise related to a public authority and for the standard as a whole. The extended definition is unlikely to result in any further disclosures of the Group's related parties in future. This amendment will have no consequences for the recognition and measurement of assets and liabilities in the consolidated financial statements and the results in future financial years.

IAS 32 Financial Instruments: Presentation – Classification of Subscription Rights (revised)

The amended IAS 32 is to be applied for the first time to fiscal years beginning on or after February 1, 2010. In the process, the definition of a financial liability is amended in the sense that subscription rights (and certain options or warrants) are to be classified as equity instruments of such rights entitle someone to acquire a fixed number of equity instruments of the entity at a fixed amount in any currency and the entity offers them pro rata to all current owners of the same class of its non-derivative equity instruments.

Since the Group does not have such subscription rights, this new rule will have no consequences for its asset, financial and earnings position.

IFRIC 19 – Settlement of Financial Liabilities using Equity Instruments

IFRIC 19 is to be applied for the first time to fiscal years beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued with a view to settling a financial liability to a creditor are classified as consideration paid. The equity instruments issued are measured at fair value. If this cannot reliably be determined, the measurement is to be made according to the fair value of the liability settled. Gains and losses are recognized in income when incurred. As there were no transactions of this kind, no consequences are expected for the Group’s asset, financial and earnings position.

Improvements to IFRS 2010

The improvements to IFRS 2010 are a collective standard that was published in May 2010 and contained amendments to various IFRS. The points in time of application and transitional rules are laid down for each standard. In the absence of anything to the contrary below, specific rules and regulations will be applied for the first time to the financial year starting on or after January 1, 2011. The Group has not yet applied the following amendments:

IFRS 3 Business Combinations

Transitional rules for contingent consideration arising from a business combination that took place before the revised IFRS became effective: the amendment clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, which suspend the exclusion of contingent consideration from the scope of application of these standards, do not apply to contingent consideration resulting from business combinations acquired before the application of IFRS 3 (revised in 2008). This amendment is to be applied for the first time to fiscal years beginning on or after July 1, 2010. Wirecard no longer has any instances of contingent consideration from the year prior to the revision of this standard; for this reason, no amendments are expected.

Measurement of non-controlling interests: This amendment restricts the scope of application of the choice of measurement in the sense that only the components of non-controlling interests that give rise to a current right of ownership and, in the event of liquidation, a prorata share for the holder of the net assets of the entity may be measured either at fair value or at the prorated share of ownership in the entity acquired. Other components of non-controlling interests are measured at fair value at the time of acquisition unless some other IFRS (e.g. IFRS 2) requires a different measurement yardstick. This amendment is to be applied for the first time to fiscal years beginning on or after July 1, 2010. During the reporting period the Group had no non-controlling interests. Accordingly, this has no impact on the financial statements.

Non-refunded and voluntarily refunded share-based remuneration: According to this amendment, an entity (within the scope of a business combination) is required to recognize a refund of share-based remuneration (whether obligatory or voluntary), i.e. to separate the consideration from the expenditure incurred with the business combination. If the entity refunds the share-based remuneration commitments of the company acquired, which are forfeited on account of the business combination, the entity will recognize these as an expense incurred after the business combination. In addition, this amendment illustrates how to account for share-based payment transactions which the acquiring company does not refund by way of share-based remuneration commitments of its own: if these commitments are capable of being exercised, they represent non-controlling interests and are recognized at market value. If these cannot be exercised as yet, they are to be measured at market value as if they had been granted at the time of acquisition and separated into non-controlling interests and expenses incurred after the business combination was entered into. This amendment is to be applied for the first time to fiscal years beginning on or after July 1, 2010. The standard stipulates prospective application from the time of initial application of IFRS 3 (2008). In the case of future business combinations, this amendment will have an impact on the extent of goodwill recognized and on future results.

IFRS 7 – Financial Instruments – Disclosures

This amendment illustrates the interaction between qualitative and quantitative disclosures as well as the type and extends of risks arising from financial instruments; in particular, it deals with amendments relating to quantitative disclosures of the risk of default. This amendment is to be applied with retrospective effect. This amendment is likely to result in a slight reduction of disclosures on financial instruments. It will not have any consequences for the recognition and measurement of assets and liabilities in the consolidated financial statements and consolidated profit.

IAS 1 Presentation of Financial Statements

This amendment illustrates that the analysis of other income for individual equity components is either to be made in the statement of changes in equity or in the notes. This amendment is to be applied with retrospective effect. The Group will continue to report this analysis in its statement of changes in equity. Accordingly, this amendment will have no consequences for the presentation in the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements

This amendment clarifies that the subsequent amendments resulting from IAS 27 to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Accounting for Investments in Associates as well as IAS 31 Interests in Joint Ventures are to be applied prospectively for fiscal years beginning on or after July 1, 2009 or at an earlier point in time if early application of IAS 27 is decided on. This amendment is to be applied for the first time to fiscal years beginning on or after July 1, 2010. The standard requires retrospective application. Owing to a lack of such transactions in the relevant accounting period, the Group does not expect this amendment to have any consequences for the consolidated financial statements.

IAS 34 Interim Financial Reporting

This amendment contains guidance on the application of disclosure policies in IAS 34 and extends the list of reportable events and business transactions to include the following examples in particular: circumstances which are likely to exert an influence on the fair values of financial instruments and their classification, reconciliation of financial instruments between the various hierarchy levels in measuring fair value, changes to the classification of financial assets, changes to contingent liabilities and contingent assets. This amendment is to be applied with retrospective effect. This amendment may lead to extended disclosures in the interim financial statements. However, it will not have any consequences for the recognition and measurement of assets and liabilities in the consolidated financial statements and consolidated profit.

IFRIC 13 Customer Loyalty Programs

This amendment clarifies that if the fair value of bonus points credited is measured at fair value of the prizes awarded in return for these, any other discounts and incentives granted to customers who did not acquire bonus points from the original sale are likewise to be taken into account. This amendment is to be applied with retrospective effect. Wirecard has no customer loyalty programs in place; for this reason, this will have no consequences for the asset, financial and earnings position.

2.7. Changes to accounting and valuation methods – new accounting regulations with outstanding EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were not of mandatory application yet in fiscal 2010. These Standards and Interpretations have not been recognized by the EU to date and are not used by the Group.

Amendment to IFRS 7 – Disclosures on the Transfer of Financial Assets

The amendment to IFRS 7 was published in October 2010 and is to be applied for the first time in the financial year beginning on or after July 1, 2011. This amendment defines extensive new qualitative and quantitative disclosures of financial assets transferred which were not derecognized, and on the ongoing commitment relating to financial assets transferred as at the balance sheet date. This amendment is likely to further extend the scope of disclosures of financial instruments. However, it will have no consequences for the recognition and measurement of assets and liabilities in the consolidated financial statements and the results in future financial years.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 in its published version reflects the first phase of the IASB project on the replacement of IAS 39 and deals with the classification and measurement of financial assets and liabilities. This standard is to be applied for the first time to fiscal years beginning on or after January 1, 2013. In subsequent phases, the IASB will be dealing with hedging relationships and impairment. This project is expected to be concluded in mid-2011. In particular, the application of the initial phase of IFRS 9 will have an impact on the classification and measurement of the Group’s financial assets. In order to convey a comprehensive list of potential impacts, the Group plans to quantify the effects only in connection with the other phases once these have been given clearance.

Amendment to IAS 12 – Deferred Taxes: Recovery of Underlying Assets

The revised Standard IAS 12 was published in December 2010 and is to be applied for the first time in fiscal years beginning on or after January 1, 2012. This amendment provides for deferred tax assets and deferred tax liabilities for certain assets to be measured on the assumption that the carrying amount of such assets is recovered in full by the sale. In the German legal community, the application of this amendment is not expected to result in any consequences for the Group's asset, financial and earnings position.

The following new rules and regulations are not applicable to the Group and will therefore have no impacts on the Group's asset, financial and earnings position:

- Amendment to IFRS 1 – Limited exemption of first-time users of comparative disclosures in accordance with IFRS 7,
- Amendment to IFRS 1 – Severe Hyperinflation and Deletion of fixed data for first-time adopters,
- Amendment to IFRIC 14 – Advance Payments as Part of Minimum Funding Requirements.

2.8. Amendments to accounting and valuation methods – other amendments

In accordance with the required permission valid as of April 30, 2011 for carrying our payment services, there will be a changeover in accounting in the field of acquiring. The basis for this is the EU Payment Services Directive (PDS), which was implemented in the local laws of the member states throughout the EU.

This amendment will have no consequences for the asset, financial and earnings position of Wirecard AG. In future, too, all contractual services will continue to be handled by the Wirecard Group with no change to the extent of performance. All payment services are now to be invoiced on the part of Wirecard Bank AG. The local Group member companies will continue to render technical services and take care of clients, as in the past.

Accordingly, in the first half of 2011 sales revenues of external customers, which used to be reported in the PP&RM segment, will be booked under the A&I segment.

Sales revenues with other business segments within the Group (consolidations) will also under corresponding changes. In principle, it can safely be assumed that sales revenues in the PP&RM segment will decline and will conversely rise in the A&I segment. Consolidated sales revenues and the profitability of the Group and of individual segments thereof will not be impacted by this change.

3. Explanatory notes on Group balance sheet assets

For a breakdown of non-current assets relating to intangible assets, property, plant & equipment and financial assets (historic acquisition costs, adjustments based on foreign currency translations, additions and disposals due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying amounts), reference is made to the attached non-current asset movement schedule from January 1, 2010 through December 31, 2010 (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, 2010). The recoverable amount of a business segment (cash-generating unit) to which goodwill was assigned is determined on the basis of 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.

Due to the consolidation of the E-Credit Group, the level of goodwill increased by EUR 11,051K in 2010 to EUR 101,340K (December 31, 2009: EUR 90,289K) and is reported in the following cash-generating units:

GOODWILL

in EUR '000s	12/31/2010	12/31/2009
Payment Processing & Risk Management	77,035	65,984
Acquiring & Issuing	24,017	24,017
Call Center & Communication Services	288	288
Total	**101,340**	**90,289**

Please refer to the attached fixed asset movement schedule for further details on trends relating to goodwill.

Internally generated intangible assets

In fiscal 2010 internally created software worth EUR 6,211K (December 31, 2009: EUR 4,577K) was developed and capitalized. The software was programmed for the "Payment Processing & Risk Management" segment. It will be written off using the straight-line method over the course of its useful economic life. The period in question 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 written off using the straight-line method over the course of their useful economic lives. The relevant period ranges from three to ten years. In the period under review, this item increased from EUR 11,577K to EUR 13,050K.

Customer relationships

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. Of customer relationships, an amount equivalent to EUR 42,775K is subject to an uncertain period of use. Accordingly, these are subjected to regular impairment testing (the last occasion being December 31, 2010). The remaining regular customer relationships are subject to the following depreciation rules.

DEPRECIATION OF CUSTOMER RELATIONSHIPS

Period of use	Residual period of use	Residual carrying amount in EUR '000s
10	6	1,470
10	8	2,375
10	9	1,696
4	2	1,135
		6,676

In the period under review, this item increased following the initial consolidation of the E-Credit Group, in which EUR 1,884K was assigned to customer relations within the scope of the purchase price allocation. Moreover, an advance payment amounting to EUR 13,000K was made for a customer portfolio which was essentially responsible for the increase in this balance sheet line item. No depreciation in this regard has been carried out to date.

3.2. Property, plant and equipment

Other property, plant and equipment

Property plant and equipment comprises office and business equipment. 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, ten years for office equipment and furniture.

Any gains and losses on disposal of fixed assets are recorded as other operating income and expenses, respectively. Maintenance and minor repairs are reported with an impact on profit and loss.

3.3. Financial and other assets

Financial and other assets, amounting to EUR 38,699K (previous year: EUR 16,286K) changed in the financial year, essentially due to two effects:

for one thing, Wirecard Bank AG invested in various medium- and long-term interest-bearing securities. With an original term to maturity of three to five years, these earn interest solely according to terms and conditions prevailing on the money market, with minimum and maximum interest rates being agreed (so-called collared floaters). These are reported under financial and other assets; this is why they have the effect of reducing the item of cash and cash equivalents. Due to these circumstances, this item increased by EUR 34,685K compared with December 31, 2009, and the volume of cash and cash equivalents was reduced accordingly.

For another, this item was reduced by the equity interest in the E-Credit Group amounting to EUR 13,283K after assuming control of the company as of January 1, 2010. Instead, within the scope of the purchase price allocation the assets and liabilities were accounted for at fair value, which is explained in greater detail in Section 1.1. Business activities and legal relations – corporate acquisitions.

3.4. Tax credits

Deferred tax assets

Tax assets/deferred tax claims 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 claims are recognized in accordance with IAS 12.15-45. The Company utilizes the balance sheet oriented liability method of accounting for deferred tax claims in accordance with IAS 12. Under the liability method, deferred taxes are determined according to the temporary differences between the valuation rates of asset and liability items in the consolidated financial statements and the tax balance sheets, 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, 2009, tax notices issued up to the assessment year of 2009 and consolidated taxable earnings in 2010 deferred tax assets as at December 31, 2010 amounted to EUR 1,205K following a valuation allowance (December 31, 2009: EUR 4,351K).

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

3.5. Inventories

As at December 31, 2010, reported, amounting to EUR 360K (December 31, 2009: EUR 354K), reflected merchandise such as terminals and debit cards in particular. Their value was measured in accordance with IAS 2.

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

3.6. Trade receivables and other receivables

Trade receivables are non-interest-bearing and measured at their nominal amount or the lower fair value applicable as at the balance sheet date. 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 our commissions and charges) are transitory in nature and subject to substantial fluctuations from one reference date to another. The increase as at December 31, 2010 is essentially due to an increase in receivables in the field of acquiring as at that particular date. Moreover, cooperation with other acquiring banks in the Asian region led to an increase in receivables year-on-year for accounting reasons. Furthermore, the comparability is limited due to initial consolidation of the E-Credit Group since this item, at EUR 8,687K, is higher than in the comparative period, when the E-Credit Group had not yet been consolidated.

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

Depending on the age structure of receivables, uniform valuation adjustments are made to receivables throughout the Group. In the case of trade receivables older than 180 days, the Group applies a full impairment charge in the absence of any other information on the value of such receivables. This procedure is based on past experience, in terms of which trade receivables older than 180 days can no longer be expected to generate inflows. Breakdown of trade and other receivables:

STRUCTURE OF TRADE RECEIVABLES AND OTHER RECEIVABLES

in EUR '000s	12/31/2010	12/31/2009
Trade receivables (before value adjustments)	121,485	82,341
Value adjustments	(2,744)	(1,779)
Book value trade receivables	**118,741**	**80,562**

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

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

The fair value of trade receivables corresponds to their 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-152K with an impact on expenses at the exchange rate prevailing on the balance sheet date.

Receivables from affiliated companies and holdings

Receivables from affiliated companies, amounting to EUR 92K (December 31, 2009: EUR 191K), are reported under Trade and other receivables. Essentially, these related to receivables from non-consolidated companies such as Wire Card ESP S.L., Palma de Mallorca, and Wirecard Asia Pacific Inc., Manila, which was revalued by EUR 299K in fiscal 2010 beyond other operating expenses.

3.7. Tax credits

Tax credits as at December 31, 2010 include claims for tax refunds amounting to EUR 10K (December 31, 2009: EUR 566K) nd claims for value added tax refunds amounting to EUR 170K (December 31, 2009: EUR 1,185K).

3.8. Interest-bearing securities

To improve its interest income, apart from investing in various medium- to long-term interest-bearing securities, Wirecard Bank AG also invested in short-term interest-bearing securities. These have an original term to maturity of six months. This concerns the acquisition of a bearer debenture of a renowned European big bank that corresponds to the conservative criteria of the Wirecard Group with regard to liquidity management. This item is reported under interest-bearing securities; for this reason, it reduces the level of cash and cash equivalents accordingly. For this reason the item cash and cash equivalents has decreased by EUR 10,000K.

3.9. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2010: EUR 185,355K; December 31, 2009: EUR 272,529K) lists cash in hand and credit balances with banks (sight and time deposits and overnight [call] money). These also include resources from current customer deposits of Wirecard Bank AG (December 31, 2010: EUR 73,318K; December 31, 2009: EUR 122,820K) 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 reported under long-term financial and other assets and under short-term interest-bearing securities. Excluding the purchase of these instruments, the item cash and cash equivalents would have been higher by a total of EUR 45,427K.

4. Explanatory notes on Group balance sheet liabilities

As regards the development of Group equity for fiscal 2010, further particulars in addition to the following explanations are provided in the table “Group equity movements”.

4.1. Subscribed capital

The Company's subscribed capital as at December 31, 2010 remained unchanged year-on-year at EUR 101,803,139.00 and is divided up into 101,803,139 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share.

Authorized capital

Pursuant to a resolution adopted at the Annual General Meeting of June 18, 2009, the Board of Management was authorized to increase the capital stock with the consent of the Supervisory Board by June 18, 2014 on one or several occasions by up to a maximum total of EUR 37,299,652.00 against cash and/or non-cash capital contributions by issuing up to 37,299,652 new no-par-value bearer shares (authorized capital 2009/I) and to determine that profit participation is to begin at a time other than that stipulated by legislation. In principle, a subscription right has to be granted to the shareholders. The new shares can also be taken over by one or several banks determined by the Board of Management with the obligation to offer them to the shareholders (indirect subscription right). However, the Board of Management is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

- In order to avoid fractional amounts;

- In the case of a capital increase against cash, if the issuing amount of the new shares issued in accordance with § 186 (3) sentence 4 AktG subject to the exclusion of subscription rights is not materially lower than the stock market price and the new shares issued subject to the exclusion of subscription rights in accordance with § 186 (3) sentence 4 AktG do not exceed a total of 10 percent of the Company’s capital stock, namely neither as at the effective date nor at the time this authorization is exercised. The authorized volume is reduced by the proportionate amount of the Company's share capital that is attributable to shares, or to which conversion and/or option rights or obligations arising from bonds refer, which have been disposed of or issued since the resolution on the authorization was adopted on the basis of other authorizations and with the right of subscription excluded applying § 186(3) sentence 4 German Stock Corporation Act (AktG) directly or mutatis mutandis;

– In the event of a capital increase in consideration for contributions in kind in connection with the acquisition of an undertaking, of parts of an undertaking, a holding in an undertaking or other material equipment and facilities provided that the new shares issued out of said Authorized Capital 2009/I in consideration for contributions in kind with the subscription right excluded do not in total exceed 20% of the share capital and, more particularly, neither at the time when this authorization becomes effective nor at the time when this authorization is exercised

The Board of Management is authorized, with the consent of the Supervisory Board, to stipulate the further particulars of the capital increase and its implementation, in particular the content of the rights embodied in the share certificate, the conditions of the issue of shares including the issue amount. The Supervisory Board is authorized to amend the wording of the Articles of Association in accordance with the extent of the capital increase out of the authorized capital.

The resolution was entered in the competent commercial register on August 20, 2009. At the balance sheet date, the authorized capital (authorized capital 2009/) remained unchanged at EUR 37,299,652.00.

Contingent capital

Due to the fact that no conversions took place during the financial year, there was no change to the level of contingent capital (contingent capital 2004) in the reporting period, and it remains at EUR 997,927.25 (December 31, 2009: EUR 997,927.25). Following the resolution passed by the Annual General Meeting of July 15, 2004, the company created a staff option program ("SOP") based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Board of Management, 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 arise through the exercise of conversion and subscription rights, respectively. The Board of Management was authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and the execution thereof. As at December 31, 2010 a total of 743,250 convertible bonds (December 31, 2009: 983,250) had been subscribed to, of which 331,922 (previous year: 571,922) are still outstanding for conversion and capable of being exercised. According to terms and conditions of the SOP program, employees receive shares with a value of 50 percent of the average closing price of Wirecard AG stock in the last ten bank days of trading prior to the date of exercise. The convertible bonds are convertible daily within the exercise periods, have a term to maturity of ten years and do not bear interest. 240,000 convertible bonds have a residual term to maturity until December 2017, and all other convertible bonds outstanding expire in the year 2015.

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 Annual General Meeting of Wirecard AG on June 24, 2008 to issue subscription rights to Wirecard AG stocks to employees and members of the Board of Management. Accordingly, new contingent capital (contingent capital 2008/I) was registered at a level of EUR 3,053,700.00. Up to the balance sheet date, no subscription rights were issued; for this reason, the level of contingent capital 2008/I, amounting to EUR 3,053,700.00 (December 31, 2009: EUR 3,053,700.00) remained unchanged.

The key elements for the issue of subscription rights relating to contingent capital 2008/I are as follows:

a. Group of persons entitled to subscription and distribution of subscription rights
Subscription rights may only be issued to employees and members of the Management Board of the Company as well as to employees and members of the management of related companies ("the entitled parties"). The Management Board determines the exact group of entitled parties and the scope of the subscription rights to be granted to them. To the extent that members of the Company's Management Board are to receive subscription rights, only the Supervisory Board shall be responsible for making such stipulations and for issuing such subscription rights.

The entitled parties shall at all times only receive subscription rights as members of one group of persons; double subscriptions are not permissible. At the time the subscription rights are granted, the entitled parties must be in an employment or service relationship with the Company or one of its related enterprises.

The total volume of subscription rights is distributed across the groups of entitled persons as follows:

- Members of the Company's Management Board shall receive a maximum total of up to 916,110 subscription rights;

- Members of the management of related enterprises of the Company shall receive a maximum total of up to 305,370 subscription rights;

- Employees of both the Company and its related enterprises shall receive a maximum total of up to 1,832,220 subscription rights.

b. Grant of subscription rights (acquisition periods) and content of the subscription rights
Subscription rights are granted by June 24, 2012 on the last Monday in February or the first Monday of the month following the ordinary General Meeting of the year in question (referred to as “the issuing date”); in departure from this rule, the first time subscription rights are granted will occur on the first Monday of the calendar month following entry of the contingent capital in the Commercial Register.

The agreement to grant subscription rights with the entitled party, if the issue takes place on the last Monday in February, must have been concluded at the latest by the end of March and, in all other cases, at the latest by the end of the relevant month (“end of subscription rights issue”).

Each subscription right shall confer an entitlement to one no-par-value bearer share of the Company against payment of the issue price defined under c); the lifetime of each subscription right shall end on December 31 of the 5th calendar year following the issue of the subscription right in question.

The subscription terms and conditions may provide for the Company, in servicing the subscription rights, to elect in favor of granting the entitled parties own shares of the Company rather than new shares from contingent capital. To the extent that the entitled parties are members of the Management Board, the Supervisory Board shall be responsible for making this decision. The acquisition of own shares by way of alternative performance of subscription rights must be in conformity with the statutory parameters; no authorization to acquire own shares is given in terms of this resolution.

c. Exercise price (issue amount), performance target and other terms and conditions of exercise
The exercise price (issue amount) of a subscription right corresponds to the average stock market price (closing price) of a no-par-value bearer share of the Company in the electronic “Xetra” trading system of Deutsche Börse AG in Frankfurt/Main or a comparable successor system on the last 30 days prior to the respective issue date in euros. The issue price shall be at least the pro-rate amount of the Company’s capital stock accounted for by the individual share (§ 9 (1) AktG).

A precondition for the exercise of subscription rights is the achievement of the annual performance target within the two-year waiting period stipulated in accordance with d). The performance target is determined for the entitled parties as follows:

The performance target shall be achieved if the level of earnings before interest and taxes (earnings in the ordinary course of business before interest and income taxes, hereinafter referred to as “EBIT”) of the Wirecard Group in the two fiscal years ending within the waiting period in accordance with d), has undergone an increase in relation to the respective preceding financial year, with the increase for fiscal 2008 amounting to at least 45 percent and for each of the subsequent fiscal years to at least 30 percent in relation to the respective preceding fiscal year. A lower growth rate in the first fiscal year ending within the waiting period can be compensated for by a higher growth rate in the second fiscal year ending within the waiting period by adding the percentage points by which the respective minimum growth rate is exceeded to the growth rate of the preceding fiscal year. Compensation as contemplated above will be available only if, during the second year ending within the waiting period, an EBIT level was attained that, viewed in retrospect, leads to EBIT having risen by at least 30 percent p.a. since the respective subscription right was issued (compared with the respective preceding year); in the case of the subscription right being issued in 2008, a rate of at least 45 percent is to serve as a basis; this means that in determining whether compensation applies, when assessing the performance target for the second fiscal year ending within the waiting period, the decisive factor is not the actual EBIT increase achieved during the first fiscal year ending within the waiting period, but the increase that would have been achieved if the performance target had also been attained in the first fiscal year ending within the waiting period. Where the performance target is exceeded in the first year of the waiting period, this cannot compensate for failure to reach the performance target in the second year of the waiting period.

If the performance target is attained only for one fiscal year within the waiting period in accordance with d), then only half of the respective subscription rights issued from time to time will be capable of being exercised once the waiting period has expired; in all other cases, the subscription rights shall lapse without replacement or compensation being made. If the performance target is not achieved in both years within the waiting period in accordance with d), then all subscription rights already issued shall lapse without replacement or compensation being made. This shall not affect the above-mentioned possibility of compensation in the subsequent year.

d. Waiting period for first exercise, exercise periods and periods when exercise is suspended

The waiting period for first exercise shall amount to two years from the respective end of the subscription rights issue (“the waiting period”).

Once the waiting period has expired, all subscription rights for which the performance target in accordance with c) has been achieved may be exercised at any time outside the periods in which exercise is suspended.

The following periods shall be period in which exercise is suspended:

- The period of six weeks prior to a General Meeting of the Company until the close of the day of the General Meeting;

- The period from the day on which the Company makes an offer to its shareholders for subscription to new shares in a mandatory stock exchange publication or in the electronic German Government Gazette up to the day on which the Company's shares with subscription rights are listed for the first time as “ex subscription rights” on the Frankfurt Stock Exchange, and

- the period from the 15th calendar day prior to publication of the quarterly results of the Group or from the 30th calendar day prior to publication of the annual results of the Group up to one week after publication of the consolidated quarterly results or consolidated annual results, as the case may be.

The periods in which exercise is suspended as indicated above are to be understood as inclusive of the points in time at which they begin and end, respectively. In addition, the limitations must be observed that result from the general legal rules and regulations, particularly those of the Securities Trading Act. To the extent that the Management Board is affected, then the Supervisory Board can define further periods in which exercise is suspended, and if the other entitled parties are affected, then the Management Board can do so in justified exceptional cases; the entitled parties must be given prior notice of the beginning and end of the periods in good time.

e. Adjustment in the case of capital measures (protection against dilution)
If, during the lifetime of the subscription rights, the Company increases its capital by issuing new shares and grants its shareholders direct or indirect subscription rights or if it issues bonds with convertible or option rights and the conversion or option price per share fixed in the process is below the exercise price of subscription rights under this Stock Option Program 2008, then the Management Board shall be authorized or, to the extent that members of the Management Board are affected, the Supervisory Board shall be authorized to place the entitled parties on the same economic footing. This form of equality can be achieved by lowering the exercise price or by adjusting the number of subscription rights, or by a combination of both. However, this shall not entitle the parties in question to being placed on an equal economic footing. In cases where shares, convertible bonds or option rights are issued within the scope of share-based remuneration programs of the Company, no equalization will be granted.

In the event of a capital increase being adopted from Company funds by issuing new shares, the contingent capital in accordance with § 218 AktG will be increased in the same ratio as the capital stock. The right of the entitled parties to acquire new shares by exercising the subscription right will increase in the same ratio; the exercise price per share will be reduced in the same ratio, provided this is permissible by law. If the capital increase from Company funds is effected without issuing new shares, then the subscription right and the exercise price shall remain unchanged.

In the event of a capital reduction, no adjustment of the exercise price or of the ratio of subscription rights will be made if the capital reduction does not result in a change in the total number of shares, or if the reduction is associated with a capital redemption or with the non-gratuitous acquisition of own shares. In the event of a capital reduction by consolidating shares without a capital redemption, and in the event of an increase in the number of shares without a change in capital (stock split), the number of shares that can be acquired for one subscription right at the exercise price will decrease or increase, respectively, in the ratio of the capital reduction or stock split, as applicable; the exercise price for a share will be changed in the same ratio.

If an adjustment is made in accordance with the paragraphs above, fractional shares shall not be granted in exercising the subscription right. No cash compensation will be paid.

f. Non-transferability and lapse of subscription rights

The subscription rights are granted as non-transferable subscription rights. With the exception of inheritances, the subscription rights are neither transferable nor capable of being sold, pledged or otherwise charged as collateral. All unexercised subscription rights shall lapse at the end of their lifetime, without any compensation being paid. Should the employment or service relationship come to an end on account of death, reduced earning capacity, pensioning, termination or in some other manner not related to termination, provisions can be made in the terms and conditions of the subscription rights for special rules regarding their extinction.

g. Rules relating to further details

The Management Board is authorized to define the further details concerning the issue of shares from contingent capital and the further terms and conditions of the Stock Option Program 2008, in particular the terms and conditions of subscription for the entitled parties. To the extent that the members of the Company's Management Board are affected, the Supervisory Board alone shall decide. Further details, in particular, include provisions concerning the distribution of subscription rights within the groups of entitled parties, the exact issue amount within the pre-defined period, provisions relating to taxes and costs, the procedure for allocation to the individual entitled parties, and the exercise of the subscription rights, the regulation regarding the extinction of subscription rights in the event of termination of the employment or service relationship as well as other contractual rules and regulations.

Purchase of treasury stock

By a resolution adopted at the Annual General Meeting on June 17, 2010, the Board of Management 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, 2010, the Board of Management did not make use of its authority to acquire and utilize treasury shares in accordance with § 71 (1) No. 8 of AktG).

4.2. Capital reserve

The capital reserve remained unchanged as in the previous period at EUR 11,262K.

4.3. Retained earnings

At the Annual General Shareholders' Meeting held June 17, 2010, a resolution was adopted to carry forward an amount of EUR 4,499,887.51 onto new accounts and to pay a dividend of EUR 9,162,282.51 in aggregate, i.e. a dividend of EUR 0.09 per no-par-value share of the 101,803,139 no-par value shares being entitled to dividends, from the annual balance sheet profit of Wirecard AG (individual company) for the financial year 2009 in the amount of EUR 13,662,170.02. At the Annual General Meeting in 2011, a proposal will be made for a dividend amounting to EUR 0.10 per share to be paid out to the shareholders, which is equivalent to a total amount of EUR 10,180,313.90

4.4. Currency translation reserve

In the fiscal 2010, the currency translation reserve changed due to exchange rate factors and with no impact on profit or loss from EUR-14K in the previous year to EUR 137K. Due to exchange rate factors, the value of property, plant & equipment increased by EUR 1K. The currency translations of property, plant and equipment are indicated separately in the long-lived assets movement schedule. With regard to the currency translation reserve, reference is made to the relevant passage under 2.1 Principles and assumptions 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

Non-current interest-bearing liabilities, amounting to EUR 1,000K (December 31, 2009: EUR 2,000K) contribute toward the funding of the customer portfolios acquired in 2006 and 2007. According to agreements entered into, repayment is scheduled to be made in annual installments by the year 2012. Repayments due in the short term were reported under current interest-bearing liabilities.

Other non-current liabilities

Other non-current liabilities included the long-term shares of the earn-out component as at December 31, 2009 within the scope of the purchase of the E-Credit Group, which will be due in the first half of 2011. As at December 31, 2010, these are due within one year and are therefore reported under other current liabilities. At the balance sheet date, this item comprised EUR 332K (December 31, 2009: EUR 572K) in (convertible-)bonds. Owing to the amendment to IAS 1.69 d), these were reclassified to this line item from current other liabilities. The figures for the previous year were adjusted accordingly.

Deferred tax liabilities

Deferred tax liabilities, amounting to EUR 6,584K (December 31, 2009: EUR 6,315K) related to temporary differences between tax balance sheet figures and the consolidated financial statements according to IFRS and are reported under non-current liabilities. As regards the tax reconciliation account and the trend relating to deferred taxes, reference is made to the further details under 5.8 Income tax expenses and deferred taxes.

4.6. Current liabilities

Current liabilities are classified into trade payables, interest-bearing liabilities, other provisions, customer deposits from banking operations of Wirecard Bank AG, other liabilities, and tax provisions.

Trade payables

Trade payables are owed chiefly to merchants/online traders. Liabilities denominated in foreign currencies were revalued by EUR 432K at the exchange rate prevailing on the balance sheet date, with an impact on expenses. Taking account of the liabilities incurred in the field of acquiring, Wirecard Bank AG accounted for EUR 87,390K.

Current interest bearing liabilities

Interest-bearing liabilities, amounting to EUR 21,001K (December 31, 2009: EUR 3,510K) were deployed to finance M&A transactions. Loans are short-term in nature. EUR 1,000K is due in the second half of 2011, and EUR 20,000K is planned to be transferred to a non-current credit facility in April 2011, which was made available for concluded and potential future M&A transactions. Repayments due in the long term are recorded under non-current interest-bearing liabilities.

Other provisions

Provisions are generally short-term in nature and will presumably be eliminated in the first half of 2011. Other short-term provisions amounting to EUR 1,652K (December 31, 2009: EUR 1,241K) include accounting and auditing costs of EUR 1,191K as the largest single item (December 31, 2009: EUR 742K)

Specific provisions developed as follows during the fiscal year:

SCHEDULE OF PROVISIONS

in EUR '000s	01/01/2010	Addition first-time consolidation	Consumption	Reversal	Addition	12/31/2010
Risks of litigation	109	0	(7)	(45)	20	**77**
Archiving	65	0	(15)	0	15	**65**
Annual General Meeting	120	0	(120)	0	180	**180**
Auditing and other inspection costs	742	0	(478)	(50)	977	**1,191**
Other	205	0	(76)	0	10	**139**
Other current provisions	**1,241**	**0**	**(696)**	**(95)**	**1,202**	**1,652**
Bonuses & commissions from wages and salaries	1,419	0	(1,419)	0	1,449	**1,449**
Emoluments of the Supervisory Board	141	0	(119)	(21)	392	**393**
Vacation	439	0	(439)	0	533	**533**
Berufsgenossenschaft (employees industrial compensation society)	66	0	(57)	(9)	127	**127**
Outstanding invoices	5,117	27	(4,894)	(250)	2,427	**2,427**
Loan interest	86	0	(57)	(21)	1	**9**
Accrued liabilities	**7,268**	**27**	**(6,985)**	**(301)**	**4,929**	**4,938**
Tax provisions	**1,099**	**11**	**(962)**	**(6)**	**3,591**	**3,733**
Total	**9,608**	**38**	**(8,643)**	**(402)**	**9,722**	**10,323**

Other liablities

Other liabilities, amounting to EUR 8,524K (December 31, 2009: EUR 16,168K) comprised EUR 4,938K (December 31, 2009: EUR 7,268K) in accrued/deferred debts and EUR 2,264K (December 31, 2009: EUR 1,748K) in current purchase price commitments arising from variable remuneration for the acquisition of the E-Credit Group. Moreover, this item comprised as well as liabilities arising in the fields of payment transactions, wages and salaries, social security and the like.

Customer deposits from banking operations

This line item included customer deposits amounting to EUR 118,745K (December 31, 2009: EUR 122,820K) with Wirecard Bank AG.

Tax provisions

Tax provisions essentially relate to provisions set up for income taxes of Wirecard Bank AG (EUR 814K) and Wirecard AG (EUR 1,651K). Due to the provisional tax payments for the period under review, provisions of EUR 1,221K 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 2010

in EUR '000s	up to 1 year	1 to 5 years	over 5 years
Interest-bearing bank liabilities	21,001	1,000	0
Trade payables	98,443	0	0
Customer deposits	118,745	0	0
Other liabilities and provisions	13,910	92	240
Total	**252,099**	**1,092**	**240**

MATURITY STRUCTURE 2009

in EUR '000s	up to 1 year	1 to 5 years	over 5 years
Interest-bearing bank liabilities	3,510	2,000	0
Trade payables	140,479	0	0
Customer deposits	122,820	0	0
Other liabilities and provisions	18,507	1,483	572
Total	**285,316**	**3,483**	**572**

5. Notes to the Income Statement

5.1. Sales revenues

Breakdown of the Group's sales revenues generated by its principal products and services:

BREAKDOWN OF TOTAL REVENUES BY OPERATING DIVISIONS

in EUR '000s	2010	2009
Payment Processing & Risk Management (PP&RM)	**256,722**	216,611
Acquiring & Issuing (A&I)	**95,562**	76,988
Call Center & Communication Services (CC&CS)	**4,453**	4,453
	356,737	**298,052**
Consolidation PP&RM	**(2,331)**	(1,531)
Consolidation A&I	**(81,177)**	(66,206)
Consolidation CC&CS	**(1,610)**	(1,807)
Total	**271,619**	**228,508**

In the "Payment Processing & Risk Management" division, the Wirecard Group generates revenues on services in the field of payment processing, particularly on services rendered using the Financial Supply Chain Management (FSCM) software platform and the product CLICK2PAY.

In the field of the FSCM platform, a substantial share of revenues is realized from the settlement of electronic payment transactions – particularly on the Internet – by classical payment processes such as credit card payments or electronic direct debits. As a rule, revenues are generated by transaction-related charges billed as a percentage-based discount of the payment volumes processed as well as per transaction. The extent of the transaction-related charge varies according to the product range available as well as the distribution of risks among merchants, banks and the Wirecard Group. In the course of risk management activities, transaction-related charges, purchases of receivables and revenues from payment guarantees are generated. In addition to these volume-dependent sales revenues, monthly and annual flat fees and non-recurring connection charges and rentals are generated from the utilization of the FSCM platform and PoS terminals. In addition, the Wirecard Group generates revenues derived from consultancy services.

The bulk of sales revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. As at the balance-sheet date, more than 12,000 enterprises were connected to the FSCM software platform.

In terms of sales of card products by Wirecard Bank AG and with the CLICK2PAY product, revenues are generated not only in the B2B segment, but also with end customers (B2C). These end customers are partly required to pay discount charges, transaction charges or fees for cash disbursements and for resubmission of transactions. In addition, annual charges are payable on card products.

In addition, in the “Payment Processing & Risk Management“ division, revenues are generated from the sale of what are known as affiliate products as well as by providing services and licensing software directly associated with the sale of these products.

Sales revenues are generated in the field of “Acquiring & Issuing” particularly through the acquiring business for merchants, corporate banking services and in the field of Issuing. In corporate banking, item- or volume-based fees are generated. Moreover, Wirecard Bank AG generates interest income of EUR 2,121K (previous year: EUR 1,121K) reported as revenue in accordance with IAS 18.5(a). In the field of Issuing, so-called interchanges are generated, under which Wirecard Bank AG receives a volume-dependent fee from credit card organizations. Moreover, Wirecard Bank AG offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it does not only earn a fixed charge but also generates sales revenues within the scope of the card agreements entered into.

The “Call Center & Communications Services” division generates revenues in operating telephony-based advisory services and by providing classical call center services. For the most part, revenues from third parties are accounted for by companies such as publishing houses, software firms, hardware producers and trading enterprises. In the process, two business models are used, in which either the business customer bears the costs himself or the person seeking advice pays for the service rendered. Companies operating in this segment generate their sales both directly with business (B2B) clients as well as with private customers (B2C), with the telephone companies being responsible for accounting vis-à-vis private customers and for transferring the amounts in question.

5.2. Other own work capitalized

Expenditure on research and development amounted to EUR 11.1 million in fiscal 2010 (previous year: EUR 8.9 million). The R&D ratio, i.e. the share of total sales revenues accounted for by research and development costs, was 4.1 percent in the period under review (previous year: 3.9 percent).

The individual expenditure items are included in the personnel expenditure of the relevant departments (Product Management, Development, etc.), in the advisory costs as well as in other expenses. Of this amount, EUR 6,211K was taken into account as own work capitalized in the period under review (previous year: EUR 4,577K).

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. This includes the production costs of credit cards and the transaction costs for payment processes executed.

5.4. Personnel expenses

Personnel expenditure in fiscal 2010 amounted to EUR 27,833K (previous year: EUR 25,877K), comprising salaries amounting to EUR 24,543K (previous year: EUR 23,076K) and social security contributions of EUR 3,290K (previous year: EUR 2,801K).

In fiscal 2010, the size of the Wirecard Group's workforce averaged 500 employees (previous year: 468 employees) (excluding the Board of Management and trainees), 128 of whom (previous year: 123) worked on a part-time basis. In 2010, the Group had zwei trainees (previous year: ein trainee). Of the 500 employees, 21 (previous year: 14) were employed as management board members / general managers of a subsidiary.

These employees were engaged in the following functions:

EMPLOYEES

	2010	2009
Distribution	93	93
Administration	93	84
Customer Service	186	170
Research and Development and IT	128	121
Total	**500**	**468**
Thereof employed part-time	**128**	**123**

In the event of a change of control of the Company (change of control clause), the Board of Management and the Supervisory Board have decided that royalties can be awarded to employees of Wirecard AG and its subsidiaries on similar terms applicable to the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value has been made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that an employment relationship exists with the employee at the time the change of control occurs. Such royalty 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 Annual General Meeting of Wirecard AG on June 24, 2008 to issue subscription rights to Wirecard AG stocks to employees and members of the Board of Management. Accordingly, new contingent capital (contingent capital 2008/I) was registered at a level of EUR 3,053,700.00. This option was not exercised during the financial year.

The key elements for the issue of subscription rights are explained in 4.1. Subscribed capital – contingent capital.

5.5. Other operating income

Breakdown of other operating income:

OTHER OPERATING INCOME

in EUR '000s	2010	2009
Reversal of provisions/accrued liabilities	396	277
Income from contractual agreements	0	880
Currency translation differences	133	400
Income due to the revaluation of receivables	474	306
Netted remuneration in kind	250	259
Other	951	1,497
Total	**2,204**	**3,619**

Other operating income includes EUR 415K from the adjustment of earn-out commitments to the objectives of the E-Credit Group that were ultimately achieved. This compares with an expense item from currency translation amounting to EUR 203K, and the two items were netted and reported under Other income.

5.6. Other operating expenses

Breakdown of other operating expenses:

OTHER OPERATING EXPENSES

in EUR '000s	2010	2009
Legal and audit expenses	4,842	3,051
Consulting expenses and consulting-related expenses	2,417	3,986
Office expenses	2,957	2,519
Equipment and leasing	4,759	3,689
Sales and marketing	3,680	4,484
Other	7,737	5,722
Total	**26,392**	**23,451**

5.7. Financial result

Net financial income amounted to EUR -1,518K (previous year: EUR -1,795K). Expenses, amounting to EUR 2,114K, included EUR 683K in interest (previous year: EUR 1,536K), depreciation of financial assets of EUR 742K (previous year: EUR 565K) and currency-related expenses of EUR 689K (previous year: EUR 1,094K), compared with currency-related gains of EUR 61K. In addition, EUR 455K (previous year: EUR 520K) in interest income and EUR 80K (previous year: EUR 167K) were generated by income from securities and loans, resulting in net financial income of EUR 596K (previous year: EUR 1,400K) being recorded. In accordance with IAS 18.5 (a), interest income of Wirecard Bank AG, amounting to EUR 2,121K (previous year: EUR 1,121K), is not reported under net financial income but under sales revenues. Reference is made to Chapter 5.1 Sales revenues and to 7.1 Segment reporting.

5.8. Income tax expense and deferred taxes

TAX RECONCILIATION ACCOUNT

in EUR '000s	2010	2009
Earnings before taxes	**65,905**	**54,732**
Expected income tax expense on corporate income before such taxes 25,975%	**(17,119)**	(14,217)
(previous year: 25,975%)		
Use of tax loss carry-forwards	**2,963**	7,129
Different effective tax rates abroad	**3,994**	977
Internally produced intangible assets not capable of being capitalized for tax purposes	**1,613**	1,150
Amortization of non-tax-deductible internally produced intangible assets	**(516)**	(368)
Ancillary acquisition costs of corporate takeovers not capable of being capitalized for tax purposes	**56**	275
Non-deductible depreciation and amortization of intangible assets owing to corporate acquisitions	**(222)**	(118)
Non-deductible personnel expenditure incurred with the issue of convertible bonds	**0**	(140)
Non-deductible depreciation and amortization of participations	**881**	0
Tax increase/tax reductions owing to non-deductible expenses for tax purposes	**(177)**	(79)
Effective income taxes related to other periods	**(80)**	128
Other tax effects	**(248)**	361
	(8,855)	**(4,902)**
Addition of deferred tax assets (loss carry-forwards)	**238**	584
Reversal of deferred tax assets (loss carry-forwards)	**(3,679)**	(3,197)
Reversal of deferred tax assets (temporary differences)	**(7)**	0
Addition of deferred tax assets (temporary differences)	**301**	17
Addition of deferred tax liabilities (temporary differences)	**(1,386)**	(1,672)
Reversal of deferred tax liabilities (temporary differences)	**1,456**	0
Other taxes	**0**	(40)
	(3,077)	**(4,308)**
Taxes on income and profits	**(11,932)**	**(9,210)**
Actual income tax expenses	**(8,855)**	(4,902)
Deferred tax liability incl. revised valuation adjustments	**(3,077)**	**(4,308)**

Other tax effects essentially resulted from the different treatment of assets and liabilities in foreign currency between local taxation law and IAS/IFRS (EUR -235K). Differences in terms of recognition and valuation applied to the following deferred tax assets and liabilities accounted for:

DEFERRED TAXES

	Deferred tax assets		Deferred tax liabilities	
In EUR '000s	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Expenses on starting up and extending business operations	15	22		
Internally generated intangible assets			4,363	3,148
Other intangible assets	94		12	14
Customer relationships	202		2,179	2,140
Financial assets	5		10	281
Trade receivables and other receivables			6	282
Cash and cash equivalents			0	16
Other non-current liabilities			0	(19)
Other provisions			14	13
Other current liabilities			0	(244)
	316	22	6,584	5,631
Loss carry-forwards	889	4,329		
Outside basis differences			0	684
Deferred taxes recognized	**1,205**	**4,351**	**6,584**	**6,315**

Deferred income tax assets are shown as follows:

DEFERRED TAX ASSETS

in EUR '000s	12/31/2010	12/31/2009
Tax loss carry-fowards		
Deferred tax assets (previous year)	**4,817**	7,750
Reversed valuation allowances from previous years	**0**	(325)
Additions due to loss carry-forwards being taken into account for the first time	**0**	432
Use of loss carry-forward re: Wirecard Bank AG	**(3,037)**	(3,160)
Additions/use of loss carry-forwards miscellaneous companies	**(38)**	120
Tax loss carry-forwards before valuation allowances	**1,742**	4,817
(Cumulative) valuation allowances	**(853)**	(488)
Tax loss carry-forwards	**889**	4,329
Temporary differences		
Deferred tax assets (previous year)	**22**	5
Additions/reversals	**294**	17
Deferred tax assets	**1,205**	**4,351**

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

Deferred tax liabilities are shown as follows:

DEFERRED TAX LIABILITIES - TEMPORARY DIFFERENCES

in EUR '000s	12/31/2010	12/31/2009
Deferred tax liabilities (previous year)	**6,315**	4,642
Additions/reversals	**269**	1,673
Deferred tax liabilities	**6,584**	**6,315**

Owing to the removal of key corporate units from Grasbrunn to Dornach, in future the Company will be required to pay a higher rate of trade tax, amounting to 11.9 percent. The average tax rate for deferred taxes of the Company will therefore increase from 25.975 percent to 27.725 percent. Accordingly, deferred taxes were adjusted to the higher tax rate, resulting in a non-recurring additional tax burden of approximately EUR 282K.

Temporary differences between the values reported in the tax balance sheet and in the consolidated financial statements were taken into account both on the assets and on the liabilities side. The calculation of deferred taxes as at December 31, 2010 and in the previous year was performed on the basis of the new tax rates applicable as of December 31, 2009 and in the previous year on the basis of the relevant tax rates applicable in the home market 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 balance sheet or not recognized at all, such as expenses on starting up and extending business operations as well as differences in measurement of bearer bonds referred to as “floored floaters”. These are accounted for under tax law at their cost of acquisition. In contrast, according to IAS/IFRS, these are measured at fair value.

On the liabilities side, these relate to assets to be recognized at a higher value than in the tax balance sheet (e.g. internally produced, capitalized software) which are offset again in the course of time (December 31, 2010: EUR 6,584K, December 31, 2009: EUR 6,315K). Moreover, deferred tax liabilities amounting to EUR 684K that had been set up on account of “outside basis differences” in accordance with IAS 12.44 as at December 31, 2009 were reversed in the year 2010. 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 7,736K. The basis of the tax reconciliation account was the tax rate applicable to the taxable entities, amounting to 25.975 percent (previous year: 25.975 percent) and the respective tax rates of the foreign companies.

On December 31, 2010, the Group reported corporation tax related loss carry-forwards of approximately EUR 6,660K, accounted for by Wirecard Retail Services GmbH (EUR 1,719K), Wirecard Communication Services GmbH (EUR 1,362K), Trustpay International AG (EUR 3,169K) and Wire Card Beteiligungs GmbH (EUR 410K). The loss carry-forwards existing as at December 31, 2009 of Wirecard Bank AG (EUR 11,708K) were fully eliminated in 2010 as it was a successful financial year.

According to the present tax law situation, the loss carry-forwards can be utilized for an indefinite period. On the other hand, German tax law provides for loss carry-forwards to lapse in certain circumstances.

However, the Company perceives risks within the tax related recognition of loss carry-forwards and therefore implemented valuation allowances for part of deferred taxes in respect of the current loss carry-forwards for which the realization of the tax benefit is less probable than its expiry. With regard to the ability to realize these loss carry-forwards, the Company made a valuation adjustment to its deferred tax assets as at December 2010 of EUR 1,742K (previous year: EUR 4,817K), by the amount of EUR 853K to EUR 889K (previous year: EUR 4,329K). In the 2010 operating result, EUR 3,441K (previous year: EUR 2,613K) of deferred tax assets were reversed through profit or loss and recognized under income tax expenses.

As regards deferred taxes, reference is also made to Note 3.4 Tax credits - deferred tax assets.

5.9. Earnings per share

Basic earnings per share were calculated in accordance with IAS 33.10 as the quotient of the consolidated operating result and the weighted average of the number of shares outstanding during the financial year. In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into account in accordance with IAS 33.30–60. As at December 31, 2010, EUR 331,922.00 in (convertible) bonds had been subscribed to (previous year: EUR 571,922.00) (IAS 33.60). The subscription price and the additional strike price for conversion into shares together account for a value below the market price of Wirecard stock. The number of potential bonus shares was calculated from the difference in relation to the market price. In the fiscal 2010, the number of potential bonus shares came to 178,912. In the preceding year, there were 294,754 potential bonus shares.

The trend relating to convertible bonds issued is dealt with under Section 4.1 of this report. Subscribed capital. The development of the number of no-par-value shares issued is presented in the Notes under Movements in consolidated equity for fiscal 2010.

EARNINGS PER SHARE

Description	Measure	2010	2009
After-tax profit to which the shareholders of Wirecard AG are entitled	EUR	**53,973,169.08**	45,522,153.78
Weighted average number of common shares – basic	Number	**101,803,139**	101,803,139
Potential bonus shares resulting from the dilutive effect of the convertible bonds	Number	**178,912**	294,754
Weighted average number of common shares – diluted	Number	**101,982,051**	102,097,893
Earnings per share - basic	**EUR**	**0.53**	**0.45**
Earnings per share - diluted	**EUR**	**0.53**	**0.45**

6. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Statement 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 and cash equivalents include cash 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, 2010, and December 31, 2009 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, 2010: EUR 185,355K; December 31, 2009: EUR 272,529K), less current (immediately due and payable) liabilities to banks (December 31, 2010: EUR 1K; December 31, 2009: EUR 10K) included in the line item current, interest-bearing liabilities. In addition, corresponding financial resources of current customer deposits from banking operations (December 31, 2010: EUR 73,318K; December 31, 2009: EUR 122,820K) were deducted or taken into account in the balance of financial resources.

Current customer deposits are fully due and payable on a daily basis and are reported under Other liabilities (customer deposits) on the liabilities side of Wirecard's consolidated annual financial statements. These customer funds are comparable in economic terms with short-term (bank) current account loans or overdraft facilities.

On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes. Against this backdrop, securities (so-called collared floaters and current interest-bearing securities) are kept in the total amount of customer deposits of EUR 45,427K , and deposits with the central bank, sight and current term deposits with credit institutions are maintained in the amount of EUR 73,318K. These are reported in the Wirecard Group under the balance sheet item “Cash and cash equivalents”, under non-current “financial and other assets” and under “current interest-bearing securities.

The initial consolidation of the E-Credit Group resulted in an addition to cash and cash equivalents of EUR 2,872K.

The effects of currency translation and changes to the consolidation perimeter were adjusted in the course of the calculation.

CASH AND CASH EQUIVALENTS

in EUR ‘000s	12/31/2010		12/31/2009	
Cash and cash equivalents		**185,355**		272,529
Current interest-bearing liabilities	**(21,001)**		(3,510)	
of which, current liabilities to bank		**(1)**		(10)
Reconciliation to cash and cash equivalents		**185,354**		**272,519**
of which, current customer deposits from banking operations		**(73,318)**		(122,820)
of which, Acquiring deposits in Wirecard Bank AG	**(68,216)**		(93,131)	
Cash and cash equivalents at the end of the period		**112,036**		**149,699**

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

In fiscal 2010, E-Credit Plus Pte. Ltd. (E-Credit) and its subsidiaries were acquired. These were valued as a business combination in accordance with IFRS 3. Mandatory disclosures in accordance with IAS 7.40 are as follows:

E-CREDIT PLUS PTE. LTD., SINGAPORE

in EUR '000s	
Purchase price in 2010	**13,283**
paid in 2009	10,342
paid in 2010	465
Adjustment of purchase price through profit or loss	212
Residual purchase price debt as at December 31, 2010	2,264
Acquired assets and liabilities (fair values)	
Intangible assets	1,884
of which, customer relationships	1,884
Property, plant and equipment	6
Current assets and cash and cash equivalents	3,366
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	2,872
Current liabilities	2,684
Deferred taxes	340
Goodwill	11,051
Total fair values acquired	**13,283**
Purchase price	**13,283**

The carrying amounts prior to consolidation differed from the fair values of the items Customer relationships (EUR 1,884K), deferred tax liabilities (EUR 340K) and goodwill (EUR 11,051K).

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 arising from the initial consolidation reflects necessary adjustments e.g. due to investments in customer relationships and in E-Credit Plus Pte. Ltd., Singapore, including subsidiaries. This item also reflects the deduction of the relevant residual purchase price liabilities arising from the item Increase/decrease in other current liabilities that do not relate to the cash flow from current business activities. Moreover, the elimination of the effect of the initial consolidation of the net working capital arising from the acquisition of the E-Credit Group was carried out in this respect.

The cash flow from current business operations is determined according to the indirect method by initially adjusting Group earnings to take account of transactions with no impact on payments, accruals, deferrals or provisions relating to past or future deposits or disbursements as well as income and expenditure 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 current business operations is determined by augmenting 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 current business activities in fiscal 2010 decreased from EUR 66,362K in the previous year to EUR -23,576K, essentially attributable to the special system used in the Acquiring division, which is impacted by reference date effects of a transitory nature inherent in the Company’s business model. In this context, it should be borne in mind in particular that a very sharp increase in the operational cash flow in the fourth quarter of 2009, which was essentially due to delayed payouts on account of the public holidays, has been offset by a counteractive trend in the cash flow for the year 2010. In addition, by collaborating with other acquiring banks in the Asian region these receivable items is increased year-on-year for accounting reasons, which has a negative effect on the unadjusted cash flow. The cash flow from current business activities (adjusted for transaction volumes of a transitory nature) amounts to EUR 60,900K (previous year: EUR 69,502K).

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

Interest received/paid in accordance with IAS 7.31

In fiscal 2010, these amounted to EUR 164K (previous year: EUR 1,145K). In fiscal 2010, interest paid, excluding interest on loans, came to EUR -410K (previous year: EUR -610K). Both were recognized in the cash flow on current business activities.

The respective cash flows from such interest received and interest paid were each classified as operating activities.

Interest paid on loans in the fiscal 2010 came to EUR -243K (previous year: EUR -447K).

Cashflows aus Ertragsteuern gemäß IAS 7.35 und 7.36

The cash-effective balance of income taxes in fiscal 2010 (cash flow from income taxes) amounted to EUR -5,665K (previous year: TEUR -3,932K) and was constantly classified as operating activities.

6.2. Cash flow from investment activities

The cash flow from investment activity 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). Cash flow from investment activities amounted to EUR -24,206K in the year under review (previous year: EUR -21,782K).

The following are essentially affected by this:

SUBSTANTIAL CASH OUTFLOWS FOR INVESTMENTS

in EUR ‘000s	
Purchase of a customer portfolio	13,988
Internally generated intangible assets	6,211
Other intangible assets (software)	3,382
Property, plant and equipment	891

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 2010 essentially concerns the disbursement of the dividend payment amounting to EUR -9,162K, the deposit from borrowings of financial liabilities amounting to EUR 20,000K and the disbursement relating to the repayment of financial liabilities totaling EUR -3,500K.

6.4. Financial resource fund at end of period

Taking account of these inflows and outflows (2010: EUR -40,686K; 2009: EUR 32,489K), exchange rate related changes (2010: EUR 151K; 2009: EUR 10K) and changes to the fund of financial resources on account of the consolidation perimeter (2010: EUR 2,872K; 2009: EUR 0K), and the financial resource fund at the beginning of the period (2010: EUR 149,699K; 2009: EUR 117,200K) the financial resource fund at the end of the period amounted to EUR 112,036K (December 31, 2009: EUR 149,699K).

7. Other notes

7.1. Segment reporting

The accounting standard IFRS 8 (Operating Segments) has been of mandatory application since the beginning of 2009. Reportable segments are determined according to an internal reporting system. Apart from sales revenues, the EBITDA and EBIT contribution is used as an internal measurement criterion, which is why EBITDA and EBIT are also reported as part of segment results. 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 assets, interest and taxes are not reported at segment level.

Sales revenues are segmented into the following operating divisions: Distinctions are drawn here between the Payment Processing & Risk Management, Acquiring & Issuing and Call Center & Communication Services divisions. The Acquiring & Issuing segment comprises all business divisions of Wirecard Bank AG.

Payment Processing & Risk Management (PP&RM) is the largest segment for the Wirecard Group. This division accounts for all products and services for electronic payment processing and risk management.

The **Acquiring & Issuing (A&I)** segment completes and extends the value added chain of the Wirecard Group with the financial services provided via Wirecard Bank AG. 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 end customers and to business clients, with end customers also being offered current (giro) accounts combined with prepaid cards and ec/Maestro cards.

Call Center & Communication Services (CC&CS) is the segment in which we report the complete value-added scope of our call center activities, with the other products such as after-sales service to our customers and mailing activities included as sub-categories.

In addition, information is provided on geographical regions according to production locations. These are broken down into three segments. The segmentation “Europe” contains Wirecard (Gibraltar) Ltd., InfoGenie Ltd. and the companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland), along with their subsidiaries and Wirecard Central Eastern

Europe GmbH (formerly trading as: Qenta paymentsolutions Beratungs und Informations GmbH), Klagenfurt (Austria). In the segment “Other foreign countries” the company cardSystems FZ-LLC and E-Credit Plus Pte. Ltd. (today trading as: Wirecard Asia Pte. Ltd.), (Singapore) are subsumed along with their subsidiaries. The segment “Germany” includes all other companies within the Wirecard Group.

BREAKDOWN OF TOTAL REVENUES BY OPERATING DIVISIONS

in EUR ‘000s	2010	2009
Payment Processing & Risk Management (PP&RM)	256,722	216,611
Acquiring & Issuing (A&I)	95,562	76,988
Call Center & Communication Services (CC&CS)	4,453	4,453
	356,737	298,052
Consolidation PP&RM	(2,331)	(1,531)
Consolidation A&I	(81,177)	(66,206)
Consolidation CC&CS	(1,610)	(1,807)
Total	271,619	228,508

EBITDA BY OPERATING DIVISIONS

in EUR ‘000s	2010	2009
Payment Processing & Risk Management	49,460	40,936
Acquiring & Issuing	23,663	19,740
Call Center & Communication Services	141	56
	73,264	60,732
Consolidations	0	0
Total	73,264	60,732

EBIT BY OPERATING DIVISIONS

in EUR ‘000s	2010	2009
Payment Processing & Risk Management	43,731	36,888
Acquiring & Issuing	23,587	19,665
Call Center & Communication Services	105	(26)
	67,423	56,527
Consolidations	0	0
Total	67,423	56,527

DEPRECIATION AND AMORTIZATION BY OPERATING DIVISIONS

in EUR '000s	2010	2009
Payment Processing & Risk Management	5,729	4,048
Acquiring & Issuing	819	76
Call Center & Communication Services	35	81
	6,583	4,205
Consolidations	0	0
Total	6,583	4,205

REGIONAL REVENUE BREAKDOWN

in EUR '000s	2010	2009
Germany	170,983	153,640
Europe	133,935	114,745
Other countries	7,952	0
	312,870	268,385
Consolidation Germany	(40,736)	(39,687)
Consolidation Europe	(515)	(190)
Consolidation Other countries	0	0
Total	271,619	228,508

EBITDA BY REGIONS

in EUR '000s	2010	2009
Germany	37,975	27,430
Europe	33,031	33,302
Other countries	2,258	0
	73,264	60,732
Consolidations	0	0
Total	73,264	60,732

EBIT BY REGIONS

in EUR '000s	2010	2009
Germany	33,522	24,538
Europe	31,836	31,989
Other countries	2,065	0
	67,423	56,527
Consolidations	0	0
Total	67,423	56,527

SEGMENT ASSETS BY REGIONS

in EUR '000s	12/31/2010	12/31/2009
Germany	160,343	129,296
Europe	86,509	86,453
Other countries	12,765	0
	259,617	215,749
Consolidations	(64,297)	(51,013)
Total	195,320	164,736

7.2. Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the chart below. All risks may lead to individual or even all intangible assets having to be subjected to impairment charges, resulting in a negative earnings situation. These risks are dealt with in detail in the Management Report under 7. Risk Report. Since the debtor and financial risks have a direct impact on specific items in the balance sheet and income statement, these risks are explicitly dealt with below. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that define limits based on underlying transactions, approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risks and govern internal reporting and the separation of functions. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, subject to a separation of functions. All derivatives are only transacted with banks that have very good credit ratings.

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 investment as demand and time deposits and/or overnight (call money) accounts with credit institutions of note. The interest payable on these investments is based on the interbank money market interest rate of the respective investment currency, less a margin customary among banks. The interbank money market interest rates may be subject to fluctuations that may impact on the earnings realized by the Group.

A reduction of the interbank money market rates of relevance for the Wirecard Group by half a percentage point, based on a total investment amount of approx. EUR 231 million in line with the portfolio as at December 31, 2010, would result in unrealized income amounting to EUR 1.16 million. Accordingly, an increase by half a percentage point would produce additional earnings of EUR 1.16 million.

As at December 31, 2010, the Group's interest-bearing liabilities to banks were reported at EUR 22,001K. This related to redemption loans taken out in connection with acquisitions made, which provide for fixed interest payable in full until such time as the loan has been fully repaid. Accordingly, there is no risk of interest rate fluctuations.

No derivative hedge instruments (e.g. interest swaps, forward rate agreements, etc.) were deployed in the year under review.

Hedging currency risks

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents as well as planned transactions exist or will arise in a currency other than the local currency of the company. This increasingly impacts the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments, which transact a considerable share of their sales revenues in foreign currencies (essentially USD). A reduction of the exchange rates of relevance to the Wirecard Group by one percent, based on gross income in foreign currency of about EUR 60 million, would correspond to unrealized earnings of EUR 600K. Accordingly, an increase by one percentage point would produce additional earnings of EUR 600 million. In these segments, both receivables from and liabilities to traders and credit institutions exist in foreign currencies. In negotiating contracts with traders and banks, the Group's Treasury department ensures that receivables and liabilities reflect matching currencies and amounts as far as possible in order to ensure that risks relating to exchange rate fluctuations cannot arise in the first place. Risks that cannot be compensated for in the process are hedged after specific analyses by additionally deploying financial derivatives. In fiscal 2010, forward exchange and forex options transactions were used as derivative financial instruments to hedge sales revenues in foreign currencies. In fiscal 2010, 48 forex options were transacted with a total volume equivalent to approximately EUR 27 million.

The deployment of financial derivatives is subject to strict internal controls effected within the scope of mechanisms and uniform directives fixed on a centralized basis. These instruments are used solely for risk control/risk minimization purposes and not in order to generate any income from anticipated currency trends.

As at December 31, 2010, the Wirecard Group had currency options in its portfolio with a nominal volume equivalent to approx. EUR 18 million for fiscal 2011. These have a fair value of EUR 269K.

Hedging liquidity risks

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. Management controls liquidity risks by keeping appropriate inventories of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flows forecast and reconciling these with the actual cash flows. The Wirecard Group continually invests substantial amounts of non-required liquidity in demand and time deposits, overnight call money, as well as the base volume of liquidity on a longer-term basis in bearer debentures. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required. Bonds are repaid at 100 percent on final maturity. If funds are drawn prior to final maturity, there is a price risk depending on a possible change in 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 Board of Management assumes that the risk is low.

UNDISCOUNTED CASH FLOWS ACCORDING TO CONTRACTUALLY AGREED PAYMENT DATES AS AT DECEMBER 31, 2010

in EUR '000s	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing loans and credit facilities	(21,239)	(1,047)	0	**(22,286)**
Other liabilities and provisions	(13,909)	(92)	(240)	**(14,241)**
Trade payables	(98,443)	0	0	**(98,443)**
Customer deposits	(118,745)	0	0	**(118,745)**
Interest-bearing securities – assets	11,030	37,767	0	**48,797**
Cash and cash equivalents	185,577	0	0	**185,577**

UNDISCOUNTED CASH FLOWS ACCORDING TO CONTRACTUALLY AGREED PAYMENT DATES AS AT DECEMBER 31, 2009

in EUR '000s	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing loans and credit facilities	(3,706)	(2,151)	0	**(5,857)**
Other liabilities and provisions	(18,508)	(1,483)	(572)	**(20,563)**
Trade payables	(140,479)	0	0	**(140,479)**
Customer deposits	(122,820)	0	0	**(122,820)**
Interest-bearing securities – assets	272,736	0	0	**272,736**

Debtor risk

To counteract the risk of business partners of the Wirecard Group defaulting on their payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before entering into business relations with them. This also applies to the review of business relations with commercial banks and merchants.

Payment flows of merchants are monitored on a regular basis, and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risks of default arising from the Acquiring business, consisting of potential reverse debits following insolvency or the inability of a merchant to deliver, are very low since open receivables from customers are covered by individual security retentions (reserve) or, alternatively, delayed payouts to merchants, which are adjusted regularly on the basis of close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group might not be enforceable against the customer in question, especially due to the reversal of credit card transactions. As a rule, this form of collateral security is adequate.

In business with private individuals, particularly involving novel products of Wirecard Bank AG in the field of card issuing services, risks are perceived to arise from the fact that a lack of historical data with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite high security standards being adhered to.

The maximum risk of default of financial instruments is their carrying amount. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments or written down without delay, and the risks are booked with an impact on profit and loss.

7.3. Capital risk management

The Group controls its capital with the objective of maximizing income from corporate holdings by optimizing the ratio of equity capital to borrowed funding. In doing so, it is ensured that all Group member companies can operate under the premise of a going concern. In particular, attention is paid to banking specific regulation requirements, such as compliance with equity capital limits, being certainly 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. This 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 adequate interest earned on equity. For implementation purposes, this equity is compared with the total capital stock.

Following the successful organic growth last year as a whole and the almost final acquisition of the customer portfolio in October 2010 and the corporate acquisition in December 2009 and in January 2011, the Company aims to maintain a comfortable equity capital ratio for fiscal 2011 and 2012. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by sourcing the Company's own cash flow, by moderate deployment of borrowed funding or alternative forms of financing. Potential acquisitions will also continue to be analyzed and assessed according to strict criteria in future; in the process, the focus will be especially on profitability and a sensible supplementation of our existing portfolio of products and services.

The capital is monitored on the basis of economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Borrowed funding 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 %)	12/31/2010	12/31/2009
Equity	289,844	244,882
Equity in % of total capital	53%	45%
Liabilities	260,015	295,686
Liabilites in % of total capital	47%	55%
Total capital (equity and liabilities)	**549,859**	**540,568**

The Group reviews the capital structure on a regular basis.

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

BALANCE SHEET CARRYING AMOUNTS IN 2010 ACCORDING TO IFRS 7.8

in EUR '000s	Financial and other assets	Trade receivables	Other receivables and Interest bearing securities	Cash and cash equivalents	Trade payables	Other liabilities
Financial assets/liabilities at fair value with P+L impact	34,685	0	269	0	0	0
thereof held for trading	34,685	0	269	0	0	0
Available-for-sale financial assets	180	0	0	0	0	0
Held-to-maturity investments	0	0	10,000	0	0	0
Loans and receivables	3,412	103,562	13,460	185,355	0	0
thereof cash and cash equivalents	0	0	0	185,355	0	0
Financial liabilities measured at their net carrying amounts	0	0	0	0	98,443	149,584
Total financial instruments	**38,277**	**103,562**	**23,729**	**185,355**	**98,443**	**149,584**
Items not within the scope of IAS 39	422	0	1,450	0	0	11,988
Total	**38,699**	**103,562**	**25,179**	**185,355**	**98,443**	**161,572**

BALANCE SHEET CARRYING AMOUNTS IN 2009 ACCORDING TO IFRS 7.8

in EUR '000s	Financial and other assets	Trade receivables	Other receivables and Interest bearing securities	Cash and cash equivalents	Trade payables	Other liabilities
Financial assets/liabilities at fair value with P+L impact	177	0	446	0	0	0
thereof held for trading	0	0	446	0	0	0
Available-for-sale financial assets	180	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Loans and receivables	2,177	64,677	14,312	272,529	0	0
thereof cash and cash equivalents	0	0	0	272,529	0	0
Financial liabilities measured at their net carrying amounts	0	0	0	0	140,479	141,581
Total financial instruments	**2,534**	**64,677**	**14,758**	**272,529**	**140,479**	**141,581**
Items not within the scope of IAS 39	13,752	0	1,127	0	0	13,626
Total	**16,286**	**64,677**	**15,885**	**272,529**	**140,479**	**155,207**

The classification according to the valuation categories of IAS 39 was carried out in the form of the tables above. Market values of financial assets and liabilities are as follows:

MARKET VALUE

in EUR '000s	Book value 12/31/2010	Book value 12/31/2009	Current market value 12/31/2010	Current market value 12/31/2009
Financial assets at fair value through profit or loss	34,954	623	34,954	623
Financial liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	180	180	180	180
Held-to-maturity investments	10,000	0	10,000	0
Loans and receivables (assets)	305,789	353,695	305,789	353,695
Loans (liabilities)	(248,027)	(282,060)	(248,041)	(282,203)
Total	**102,896**	**72,438**	**102,882**	**72,295**

* Investments valued at cost of acquisition

Hierarchy of fair values

As at December 31, 2010 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 that essentially impact on the fair value recognized and are not based on market data capable of being observed.

ASSETS MEASURED AT FAIR VALUE

in EUR '000s	12/31/2010	Level 1	Level 2	Level 3
Financial assets measured at their fair value through profit or loss				
Collared floaters	34,685		34,685	
Foreign currency options	269		269	

The market value of cash and cash equivalents (reported in loans and receivables), of interest-bearing securities, of current receivables, of trade payables, of other current financial liabilities as well as from revolving credit facilities and other financial liabilities roughly corresponds to the respective carrying amounts. The reason for this, in particular, is the short term to maturity of such instruments. The foreign currency options acquired in fiscal 2010 were revalued as at December 31, 2010 from EUR 471K to EUR 269K with an impact on expenses. In the previous year the value of foreign currency options came to EUR 446K. The collared floaters acquired in 2010 resulted in revaluation loss of EUR 17K, which was offset by gains made through the sale of several instruments amounting to EUR 282K. The measurement was carried out both for foreign currency options and for the collared floaters on the basis of current exchange and interest rate trends as well as the current rating of the issuer. The embargoed Visa shares recognized in the previous year, amounting to EUR 177K were sold in fiscal 2010, resulting in gains of EUR 54K being realized, which is included in other operating expenses.

7.5. Financial relations with related companies

In fiscal 2010 financing agreements were in place among various companies of the Wirecard Group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, reference is made to Section 8.3. Related party transactions.

7.6. Other obligations

The Wirecard Group member companies entered into leases for office space and other leasing agreements. The annual payments from these agreements over the next five years are as follows:

OTHER FINANCIAL OBLIGATIONS

in EUR '000s	2011	2012	2013	2014	2015
Annual commitments	6,148	3,270	1,967	1,399	1,269

After the period indicated, there are no payment obligations on the Wirecard Group. No obligations existed vis-à-vis non-consolidated subsidiaries. For interest-bearing debt, Wirecard assured the banks of a return on equity of over 35 percent or within one banking relationship of 30 percent. The equity ratio of Wirecard is determined by these banks by dividing liable equity by the balance sheet total. Liable equity is determined by subtracting deferred tax assets and 50 percent of intangible investment assets from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these are also to be deducted. Total assets are determined by subtracting customer deposits, the acquiring funds of the Wirecard Bank and the reduced level of equity from the audited balance sheet total, which is then added back to leasing commitments. On the basis of this calculation, an equity ratio of 70.7 percent has been determined for Wirecard AG (previous year: 64.6 percent). Furthermore, in relation to lending banks, Wirecard undertakes to generate at least EBITDA of EUR 35,000K with key subsidiaries and to incur financial liabilities only to an extent of the 2-fold amount of EBITDA. Both targets were achieved during the financial year.

Other claims based on leases in which the Group acts as lessor are shown as follows:

CLAIMS ARISING FROM LEASING

in EUR '000s	2011	2012	2013	2014	2015
Annual claims	1,018	829	595	345	63

After the period indicated, there are no payment claims for the Wirecard Group.

8. Additional mandatory disclosures

8.1. Board of Management

The following persons were employed as members of the Board of Management at Wirecard AG. Rüdiger Trautmann, economist, left the Company for personal reasons on January 31, 2010. Following a resolution adopted by the Supervisory Board, Jan Marsalek was appointed his successor as a member of the Board of Management as at February 1, 2010.

Dr. Markus Braun, commercial computer scientist, member of the Board of Management since October 1, 2004
CEO, Chief Technology Officer
Burkhard Ley, banker, member of the Board of Management since January 1, 2006
Chief Financial Officer
Other supervisory board mandates: Backbone Technology AG, Hamburg (Deutschland)
Jan Marsalek, computer scientist, member of the Board of Management since February 1, 2010
Chief Operating Officer

Remuneration paid to the Board of Management in fiscal 2010

In fiscal 2010, the total emoluments of all members of the Company's Board of Management, i.e. the total remuneration during the financial year for the duration of the individual persons' tenure on the Board of Management, including amounts not yet disbursed in respect of variable remuneration I, amounted to EUR 2,876K.

Total remuneration paid to former members of the Board of Management came to EUR 283K in fiscal 2010.

As at December 31, 2010 there was a loan amounting to EUR 235K to MB Beteiligungsgesellschaft mbH, whose sole shareholder is Board of Management member Dr. Markus Braun. The maximum level of the general credit facility reached EUR 404K in the course of the year 2010. Of this sum, EUR 175K was repaid. No other loans were on the books.

Further particulars in this regard are contained in the Management Report.

8.2. Supervisory Board

Wulf Matthias (Chairman), Managing Director of Bank Sarasin AG; previously: member of the Executive Board of Credit Suisse Deutschland AG
Other supervisory board mandates:
Wirecard Bank AG, Grasbrunn (Germany)
Wirecard Technologies AG, Grasbrunn (Germany)
Trustpay International AG, Grasbrunn (Germany) until August 24, 2010

Alfons W. Henseler (Deputy Chairman), Managing Director of The Publishers GmbH
Other supervisory board mandates:
Wirecard Bank AG, Grasbrunn (Germany)
Wirecard Technologies AG, Grasbrunn (Germany)
Trustpay International AG, Grasbrunn (Germany) until August 24, 2010
Diamos AG, Sulzbach (Germany)

Stefan Klestil from December 1, 2009; Managing Director of Stefan Klestil Beratungs- & Beteiligungs GmbH
Other supervisory board mandates:
Wirecard Bank AG, Grasbrunn (Germany)
Wirecard Technologies AG, Grasbrunn (Germany)
Trustpay International AG, Grasbrunn (Germany) until August 24, 2010

Remuneration of the Supervisory Board is governed by § 14 of the articles of incorporation of Wirecard AG. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration in addition to compensation for any out-of-pocket expenses incurred in connection with the exercise of their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). The annual fixed remuneration amounts to EUR 55K. The variable remuneration depends on the Company's performance, geared to the extent of consolidated EBIT (earnings in the ordinary course of business before interest and income taxes). For each million euros earned by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component increases by EUR 1K net. This minimum amount of EUR 30 million increases by ten percent per annum from the start of fiscal 2009 and accordingly amounts to EUR 36.3 million for fiscal 2010.

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

ANNUAL REMUNERATION 2010

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

ANNUAL REMUNERATION 2009

EUR ´000s	Function	from	to	Not performance -related	Meeting	Performance -related	Long-term incentive effect	Relating to subsidaries	Total
Wulf Matthias	Chairman	01/01/2009	12/31/2009	110.0	6.3	46.0	0.0	62.0	**224.3**
Alfons Henseler	Deputy	01/01/2009	12/31/2009	82.5	6.3	34.5	0.0	36.5	**159.8**
Paul Bauer-Schlichtegroll	Member	01/01/2009	10/31/2009	45.8	5.0	19.2	0.0	3.3	**73.3**
Stefan Klestil	Member	11/01/2009	12/31/2009	4.6	1.2	1.9	0.0	3.1	**10.8**
Total remuneration				**242.9**	**18.8**	**101.6**	**0.0**	**104.9**	**468.2**

The remuneration paid to the Supervisory Board amounted to a total of EUR 555K in fiscal 2010 (previous year: EUR 468K). This remuneration includes the emoluments received for acting as Supervisory Board members for subsidiaries, amounting to EUR 145K (previous year: EUR 105K). EUR 393K of this remuneration was deferred with an impact on expenses, with disbursement scheduled for 2011.

8.3. Transactions with affiliated companies and related parties

Related parties

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

In fiscal 2010, the following legal transactions were entered into by Wirecard AG with a related company indicated above or at the instance or in the interests of one of such companies:

LEGAL TRANSACTIONS WITH IMPACT ON P&L

Related party/ related entity	Type of legal relationship	Expen-diture in EUR '000s	Liability as at December 31, 2010 in EUR '000s	Explanatory note
Wulf Matthias	Supervisory Board mandate	10	0	Supervisory Board of Wirecard Technologies AG
Wulf Matthias	Supervisory Board mandate	60	0	Supervisory Board of Wirecard Bank AG
Wulf Matthias	Supervisory Board mandate	1	1	Supervisory Board of Trustpay International AG
Stefan Klestil	Supervisory Board mandate	10	10	Supervisory Board of Wirecard Technologies AG
Stefan Klestil	Supervisory Board mandate	30	30	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	1	1	Supervisory Board of Trustpay International AG
Alfons W. Henseler	Supervisory Board mandate	10	10	Supervisory Board of Wirecard Technologies AG
Alfons W. Henseler	Supervisory Board mandate	45	45	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	1	1	Supervisory Board of Trustpay International AG
Alfons W. Henseler	Consultant	11	0	Consultant at Wirecard Technologies AG, remuneration based on daily rates.
Stefan Klestil	Consultant	17	2	Consultant at Wirecard AG, remuneration based on daily rates.
Wire Card ESP S.L.	Services	43	0	Wire Card ESP S.L. is engaged as a service provider for Wirecard Technologies AG and received remuneration based on daily rates.
Wirecard Asia Pacific Inc.	Intermediary services	62	5	Wirecard Technologies AG paid brokerage commission for business arranged with customers.
Wirecard Asia Pacific Inc.	Intermediary services	204	62	Wirecard Payment Solutions Ltd. paid brokerage commission for business arranged with customers.

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, 2010 in EUR '000s	Explanatory note
Wulf Matthias	Credit	100	0	Overdraft facility from Wirecard Bank AG at 6 percent interest was fully repaid.
Dr. Markus Braun	Credit	430	235	Overdraft facility of Wirecard Bank AG to a related entity at 6 percent interest.
Wirecard Asia Pacific Inc.	Credit	299	0	Wirecard AG made a credit facility available at 3 percent interest

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

8.4. Declaration of compliance

The declaration of compliance required pursuant to § 161 of the German Companies Act (AktG) for the period from April 2010 through March 2011 and April 2011 through March 2012 was signed in March 2010 and also made available to the shareholders for download from the website of Wirecard AG in March 2010 and March 2011.

8.5. Auditors' fees

Value added tax not deductible for the Wirecard Group, amounting to EUR 21K, is not included in the disclosures on auditors' fees. In the previous year, the expenses for the entire network of auditors were disclosed. This year, the disclosures are made in accordance with the statutory parameters (§ 318 of the German Commercial Code – HGB) without specifying the network of auditors. In this connection, the audits of subsidiaries have also been reclassified from other services to other certification services. The previous year's figures have been adjusted accordingly.

In the financial year, the following auditors' fees were recorded (§ 314 par. 1 No. 9 HGB):

AUDITORS' FEES

in EUR '000s	01/01/2010 - 12/31/2010		01/01/2009 - 12/31/2009	
	Total	of which subsidiaries	Total	of which subsidiaries
Ernst & Young GmbH				
Audit of the annual financial statements	296	156	275	145
Tax consultancy service	0	0	0	0
Other confirmation services	50	0	0	0
Other services	109	8	17	5
Total Ernst &Young GmbH	**455**	**164**	**292**	**150**
RP Richter GmbH				
Audit of the annual financial statements	240	70	252	72
Tax consultancy service	0	0	0	0
Other confirmation services	142	92	165	105
Other services	99	0	83	7
Total RP Richter GmbH	**481**	**162**	**500**	**184**
Total auditors' fees	**936**	**326**	**792**	**334**

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 for balance-sheet purposes. Events not to be taken into account after the balance-sheet date are listed in the Notes if material in nature. These are as follows:

With effect from January 13, 2011, Wirecard AG took over Procard Services FZ LLC, based in Dubai, United Arab Emirates. Procard Services is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards, and the company has a regional customer portfolio. For other disclosures, reference is made to 1.1. Business activities and legal relations – Business combinations.

8.7. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2010 were prepared by the end of March 2011 and given clearance for publication by the Board of Management as at April 14, 2011.

Munich/Grasbrunn, April 8, 2011

Wirecard AG

Dr. Markus Braun   Burkhard Ley   Jan Marsalek

DEVELOPMENT OF NON-CURRENT ASSETS

2010 in EUR	Cost 01/01/2010	Adjustments from currency translation	Addition first-time consolidation	Additions	Disposals	Reclas-sification	12/31/2010
NON-CURRENT ASSETS*							
1. Intangible assets							
Goodwill	95,034,581.49	0.00	11,050,850.59	0.00	0.00	0.00	**106,085,432.08**
Internally generated intangible assets	16,070,237.23	0.00	0.00	6,210,870.42	0.00	0.00	**22,281,107.65**
Other intangible assets	16,269,737.16	0.00	0.00	3,376,963.47	0.00	70,166.85	**19,716,867.48**
Cient relationships	49,322,327.18	0.00	1,884,395.81	0.00	0.00	0.00	**51,206,722.99**
Advance payments made	64,666.85	0.00	0.00	13,005,500.00	0.00	(70,166.85)	**13,000,000.00**
	176,761,549.91	**0.00**	**12,935,246.40**	**22,593,333.89**	**0.00**	**0.00**	**212,290,130.20**
2. Property, plant and equipment							
Other property, plant and equipment	4,110,811.28	431.94	5,808.77	891,205.23	(81,517.15)	0.00	**4,926,740.07**
3. Financial assets	14,114,865.69	0.00	(13,283,472.15)	44,470,752.29	(9,694,825.92)	0.00	**35,607,319.91**
	194,987,226.88	**431.94**	**(342,416.98)**	**67,955,291.41**	**(9,776,343.07)**	**0.00**	**252,824,190.18**

2009 in EUR	Cost 01/01/2009	Adjustments from currency translation	Addition first-time consolidation	Additions	Disposals	Reclas-sification	12/31/2009
NON-CURRENT ASSETS*							
1. Intangible assets							
Goodwill	95,034,581.49	0.00	0.00	0.00	0.00	0.00	95,034,581.49
Internally generated intangible assets	11,492,926.57	0.00	0.00	4,577,310.66	0.00	0.00	16,070,237.23
Other intangible assets	10,965,422.06	0.00	0.00	2,794,115.10	0.00	2,510,200.00	16,269,737.16
Cient relationships	44,925,999.94	0.00	0.00	4,396,327.24	0.00	0.00	49,322,327.18
Advance payments made	2,510,000.00	0.00	0.00	64,866.85	0.00	(2,510,200.00)	64,666.85
	164,928,930.06	**0.00**	**0.00**	**11,832,619.85**	**0.00**	**0.00**	**176,761,549.91**
2. Property, plant and equipment							
Other property, plant and equipment	3,465,227.42	0.00	0.00	647,223.70	(1,639.84)	0.00	4,110,811.28
3. Financial assets	1,785,066.15	0.00	0.00	13,993,140.00	(1,663,340.46)	0.00	14,114,865.69
	170,179,223.63	**0.00**	**0.00**	**26,472,983.55**	**(1,664,980.30)**	**0.00**	**194,987,226.88**

* excluding deferred tax assets and other non-current assets

	Accumulated amortization, depreciation and write-downs					Net book value	Net book value	
01/01/2010	Adjustments from currency translation	Additions	Disposals	Reclas-sification	12/31/2010	12/31/2010	12/31/2009	Amortization, depreciation and write-downs 2010
4,745,556.10	0.00	0.00	0.00	0.00	**4,745,556.10**	**101,339,875.98**	90,289,025.39	**0.00**
3,346,840.50	0.00	2,033,195.87	0.00	0.00	**5,380,036.37**	**16,901,071.28**	12,723,396.73	**2,033,195.87**
4,757,526.82	0.00	1,909,339.25	0.00	0.00	**6,666,866.07**	**13,050,001.41**	11,512,210.34	**1,909,339.25**
672,518.24	0.00	1,083,429.64	0.00	0.00	**1,755,947.88**	**49,450,775.11**	48,649,808.94	**1,083,429.64**
0.00	0.00	0.00	0.00	0.00	**0.00**	**13,000,000.00**	64,666.85	**0.00**
13,522,441.66	**0.00**	**5,025,964.76**	**0.00**	**0.00**	**18,548,406.42**	**193,741,723.78**	**163,239,108.25**	**5,025,964.76**
2,613,785.93	(620.61)	814,283.24	(78,943.99)	0.00	**3,348,504.57**	**1,578,235.50**	1,497,025.35	**814,283.24**
0.00	0.00	742,342.24	0.00	0.00	**742,342.24**	**34,864,977.67**	14,114,865.69	**742,342.24**
16,136,227.59	**(620.61)**	**6,582,590.24**	**(78,943.99)**	**0.00**	**22,639,253.23**	**230,184,936.95**	**178,850,999.29**	**6,582,590.24**

	Accumulated amortization, depreciation and write-downs					Net book value	Net book value	
01/01/2009	Adjustments from currency translation	Additions	Disposals	Reclas-sification	12/31/2009	12/31/2009	12/31/2009	Amortization, depreciation and write-downs 2009
4,745,556.10	0.00	0.00	0.00	0.00	4,745,556.10	90,289,025.39	90,289,025.39	0.00
1,912,926.57	0.00	1,433,913.93	0.00	0.00	3,346,840.50	12,723,396.73	9,580,000.00	1,433,913.93
3,200,328.87	0.00	1,557,197.95	0.00	0.00	4,757,526.82	11,512,210.34	7,765,093.19	1,557,197.95
250,950.00	0.00	421,568.24	0.00	0.00	672,518.24	48,649,808.94	44,675,049.94	421,568.24
0.00	0.00	0.00	0.00	0.00	0.00	64,666.85	2,510,000.00	0.00
10,109,761.54	**0.00**	**3,412,680.12**	**0.00**	**0.00**	**13,522,441.66**	**163,239,108.25**	**154,819,168.52**	**3,412,680.12**
1,822,947.64	(1,183.07)	792,112.36	(91.00)	0.00	2,613,785.93	1,497,025.35	1,642,279.78	792,112.36
0.00	0.00	0.00	0.00	0.00	0.00	14,114,865.69	1,785,066.15	0.00
11,932,709.18	**(1,183.07)**	**4,204,792.48**	**(91.00)**	**0.00**	**16,136,227.59**	**178,850,999.29**	**158,246,514.45**	**4,204,792.48**

WARRANTY BY THE STATUTORY REPRESENTATIVES AND NOTICE IN ACCORDANCE WITH § 37Y NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH § 297(2) SENTENCE 4 AND 315 (1) SENTENCE 6 OF HGB

We warrant to the best of our knowledge that in accordance with the applicable accounting principles the consolidated financial statements convey a true and fair view of the Group's asset, financial and earnings position and that the consolidated management report, the course of business including the operating result and the Group's overall situation are described in such a manner as to convey a true and fair view of actual conditions prevailing, including the essential opportunities and risks inherent in the Group's foreseeable future development.

Grasbrunn, April 8, 2011

Wirecard AG

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

GLOSSARY

3-D Secure™ A standardized security protocol developed by Visa and MasterCard for the authentication of online credit card payments.

Account Management System (ACM) A central web-based application allowing merchants to view and manage their payment transactions and risk checks as well as generate reports and statistics.

Acquirer/Acquiring Bank A bank or financial institution licensed by a credit card organization to accept credit cards as means of payment for goods and services and process card transaction on behalf of the merchant.

Address Verification Service (AVS) A fraud prevention method defined by Visa, MasterCard and American Express for e-commerce and MOTO card transactions. It matches the numeric address data provided by the cardholder at the time of the purchase with the card billing address held by the card organization.

Bank Identification Number (BIN) The first 6 digits of a credit card or debit card number.

Bank Identifier Code (BIC) Also known as SWIFT code (see below) this format consists of eight or eleven characters used to identify a bank for cross-border payments.

Blacklist A list of negative data which is automatically recognized and rejected in a transaction process. For example, merchants who in the past encountered problems with a certain card number or cardholder can enter both number and name in a list to bar further use of this card.

Chargeback A procedure allowing a card issuer to claim back a transaction amount (in part or in full). A chargeback occurs when a cardholder disputes a card transaction with the card issuer. The card issuer then contacts the acquirer and initiates a chargeback against the merchant account.

CLICK2PAY An Internet payment method with an online account for secure, easy and swift payment of goods and services (streamings, downloads and subscriptions etc.) worldwide.

CNP, Card Not Present A type of online card transaction where the card used to make the payment is not physically presented to the merchant (like in e-commerce or MOTO payments).

Co-branded Card Wirecard corporate customers can issue payment cards displaying their own corporate logo in a number of designs. Co-branded cards can be ordered at short lead times and low quantities.

CVC1, CVV1 Security feature (Card Verification Code 1, Card Verification Value 1) encoded on the magnetic stripe of a credit card. It is used when the card is physically presented at a POS.

CVC2, CVD, CVV2 A 3-digit or 4-digit security code printed on the back or the front of credit cards. It is used in Card Not Present (CNP) transactions. Card Verification Code 2 = MasterCard, Card Verification Data = American Express, Card Verification Value 2 = Visa.

Direct Debit An electronic payment method (EFT) directly deducting funds from a checking account on explicit instruction (mandate) of the account holder.

Electronic Funds Transfer (EFT) A paperless transmission of electronically recorded payment data, representing a monetary value in a certain currency. It replaces paper instruments like checks and is accepted as prove of payment by a customer, merchant or bank in lieu of cash (see also Direct Debit).

eps	A payment method supported by Austrian banks. It offers direct online banking access similar to giropay, providing secure payment processing and on-demand payment guarantee.
giropay	A convenient payment solution for German bank account holders with direct access to their home banking website. Introduced in 2006 with the highest security standards it offers merchants a payment guarantee of up to 5000 euro per transaction.
IBAN, International Bank Account Number	Standardized international account identifier (made up account number, bank routing code and a prefix) for cross-border payments.
iDEAL	An Internet payment solution available to bank account holders in The Netherlands offering direct online-banking access to participating banks. Similar to giropay, iDEAL comes with a payment guarantee for merchants allowing them to ship their goods at no risk immediately on receiving the payment confirmation.
Internet Payment Service Wirecard	A payment solution for the Internet based on the global MasterCard network. Users can pay with *Wirecard* wherever MasterCard payments are accepted without actually owning a MasterCard credit card.
IP/BIN Check	A fraud prevention method for online credit card transactions. It locates the IP address of the shopper's geographical position or Internet access point and screens the Bank Identification Number (BIN) to identify the issuing bank and the country where the card was issued. Using both screening methods in combination merchants can set filter rules to determine from which countries to accept or reject online purchase requests.
Issuer/Issuing Bank	A financial institution which issues payment cards (credit, debit prepaid card) and accepts transactions of its cardholders from associated banks and merchants. Wirecard Bank issues prepaid cards for their B2B products SCP and Payout Cards and their B2C payment solutions *Wirecard* and *Prepaid Triple*.
LUHN Check	An algorithm used to check the authenticity of bank card or credit card numbers.
Maestro Card	A debit card issued by MasterCard International providing worldwide PIN-based payment with direct deduction from the associated bank account.
Merchant Account	A bank account established by a merchant to receive the proceeds of credit card payments.
Merchant Bank	A bank licensed by Visa or MasterCard to provide merchants with an account, thereby allowing them to accept credit cards payments.
Merchant Identification Number (MID)	A number assigned by the credit card industry to a merchant account to identify a merchant and account for transaction tracking purposes. It is provided by the acquirer and is sometimes also called simply merchant number.
MOTO, Mail Order/ Telephone Order	Purchase of goods or services ordered over the phone or through mail or fax. If ordered with debit card or credit card, this is a CNP transaction.
Payment Page	An Internet page which merchants can incorporate in their webshop to offer a broad range of secure payment methods. Consumers simply enter their payment data in a Wirecard-hosted Internet page launched from the merchant's webshop. It provides a fast, secure and PCI-compliant acceptance of credit cards and other payment methods such as direct debit (for Germany and Austria), giropay, iDEAL, eps, paybox, paysafecard, CLICK2PAY and other.

Payment Service Provider (PSP) A company which handles electronic payments on behalf of a merchant, authenticating customers, processing transactions and providing the merchant with the necessary software tools.

Payout Card The Wirecard payout card is a low-cost, swift and secure way to pay staff and business associates anywhere in the world within seconds. It is a highly convenient alternative to cash and check payouts for companies residing in a SEPA country and is available as personalized card or company card.

PCI Short for Payment Card Industry Data Security Standard (PCI DSS). A security standard by VISA and MasterCard for merchants and Payment Service Providers (PSPs) which process, store and transmit payment card date. All PSPs are scanned quarterly and audited annually on site.

Personal Identification Number (PIN) A secret numeric password assigned to a payment card. It authenticates the cardholder and allows him to authorize a POS transaction or access his online banking account.

Phishing Phishing is the criminal process of obtaining passwords from customers by means of a fake web site. Usually the perpetrators pose as trustworthy [individuals/entities] in order to persuade customers to offer sensitive information such as their user name, password and credit card data.

POS, Point of Sale A terminal (card reader) used for accepting card payments in retail business. The card is read electronically and the cardholder authorizes the transaction by entering his PIN.

Prepaid Card A payment card licensed by Visa and MasterCard which carries a prepaid balance. It has the same worldwide acceptance as any conventional credit card. Funds spent on a purchase are immediately deducted from the available card balance.

Risk Management A methodology for recording and analyzing transaction data to prevent online fraud and protect merchants against the risk of non-payment.

Scoring An approach to forecast the behavior of consumers. Based on the financial behavior of a specific individual, it groups other individual with the same features thereby determining the payment morale and risks of that particular group.

SCP, Supplier and Commission Payments An automated Wirecard solution based on the concept of a virtual prepaid card allowing companies to receive payments through their credit card acceptance channels. The virtual payment card solution supports 27 currencies. It can be incorporated in the ERP system of the customer and offers companies from a range of industries cost-efficient and flexible financial management.

SEPA, Single Euro Payment Area Defines the geographical zone in which all payments are treated as domestic transactions. SEPA makes no distinction between national and cross-border payments and enables users to make cashless payments in euro. SEPA includes all 27 member states of the European Union as well as Iceland, Norway, Lichtenstein, Monaco and Switzerland.

Settlement The act by which transactions are sent to the processor for payment to the merchant. This procedure routes all captured transactions to the merchant‘s acquiring bank for deposit.

Settlement Currency The currency in which processed payments are credited to an account.

SWIFT Code A standard format of a bank identification code (BIC) assigned by the Society for Worldwide Interbank Financial Telecommunication. It is made up of 8 or 11 alphanumeric characters and is used for international bank transfers to identify the receiving bank. Wirecard Bank uses the BIC-(SWIFT)-Code WIREDEMM for payments to foreign currency accounts.

Transaction Number (TAN) Also known as Transaction Authentication Number, this is a one-time password used by online banking services as a second security feature to authorize transactions.

Transaction Currency This is the currency in which a transaction is received and processed.

Velocity Check A method allowing merchants to screen payment transactions within a defined time window for repetitive patterns. The check can be performed on various transaction parameters to see if variables used in several transactions over a certain time period show a pattern indicative of fraud. The check can be configured to determine how many times a transaction showing a certain pattern is accepted before similar attempts are rejected for risk of fraud.

Virtual Account Number A 10-digit Wirecard Bank account number suitable for corporate payments. It is made up of a dedicated 3-digit part and a flexible 7-digit part which can be freely assigned by the company with the purpose to identify the sender of the payment unambiguous.

Virtual Terminal A web-based user interface used predominantly in call centers for accepting MOTO payments. Entered payment data is posted to the processing system without requiring the signature of the payee. The same risk checks apply as for online payments.

Virtual Card A non-physical payment card. Instead of a piece of plastic, the cardholder receives only a card number and security code. Virtual cards are typically one-time payment instruments which due to the lack of magnetic stripe can be used only for online or MOTO transactions.

WEP, Wirecard Enterprise Portal Wirecard's new web-based payment management and reporting tool. It supports all features required by the merchant for the administration of payment processes, the selection of risk checks and strategies, the management of payment cards and the creation of reports and statistics.

FINANCIAL DIARY

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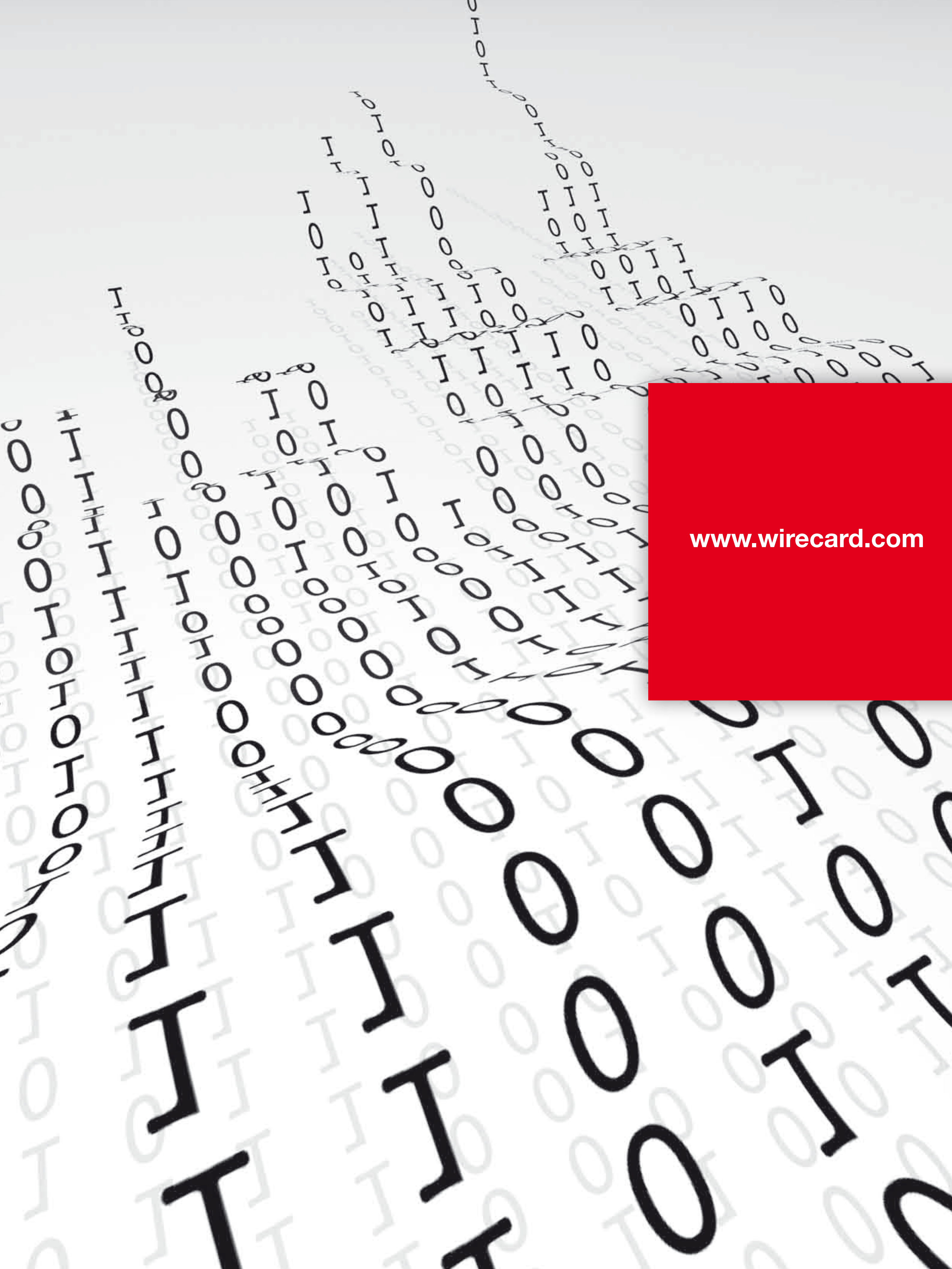

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