

A N N U A L   R E P O R T   2 0 0 7

WIRECARD

S H A P I N G   I N N O V A T I O N

wirecard

## KEY FIGURES

### ■ WIRECARD GROUP

		2007	2006
Sales revenues	TEUR	134,168	81,940
EBIT	TEUR	33,089	18,561
Earnings per share (diluted and basic)	EUR	0.38	0.20
Shareholders' equity	TEUR	163,888	108,422
Total assets	TEUR	397,667	209,297
Cash flow on ordinary trading activity	TEUR	95,581	19,241
Employees		459	361
of which part-time		137	136

### ■ SEGMENTS

			2007	2006
EPRM*	Sales revenues	TEUR	148,996	85,779
	EBIT	TEUR	32,440	19,403
CCS**	Sales revenues	TEUR	6,737	6,795
	EBIT	TEUR	570	-735
Others	Sales revenues	TEUR	0	0
	EBIT	TEUR	0	0
Consolidation	Sales revenues	TEUR	-21,565	-10,634
	EBIT	TEUR	79	-107
Total	Sales revenues	TEUR	134,168	81,940
	EBIT	TEUR	33,089	18,561

\* Electronic Payment / Risk Management

\*\* Call Center & Communication Services

## Position and Outlook

Wirecard AG is one of the world's leading enterprises for electronic payment systems and risk management services today. A highly diversified, international clientele of more than 9,000 customers benefits from the combination of innovative technologies with banking services covered by the Group via its fully integrated financial institution Wirecard Bank AG. The mix of technology and financial services leads to intelligent solutions that increase the convenience, security, directness, speed and flexibility of money transfers. To foster its sustained development, the Company has a clear vision, namely to become the World's leading single-source provider in the field of online payment processing services. ■

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The history of payment transactions has been characterized by profound changes and constant adjustment processes. In business with financial transactions and payment systems, the only companies that are successful on a sustained basis are those that proactively face new technologies, markets undergoing constant change, and modified fundamentals. The development of Wirecard AG clearly documents this trend.

## ■ CONSOLIDATED MANAGEMENT REPORT

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Rüdiger Trautmann,  
COO (Sales & Marketing)

Dr. Markus Braun,  
CEO (IT)

Burkhard Ley,  
CFO (Finance)

Dear shareholders,

We closed fiscal 2007 with outstanding earnings figures. Wirecard AG, one of the world's leading enterprises for electronic payment systems and risk management services, achieved substantial increases in earnings in all its divisions. We were able to boost consolidated sales revenues of Wirecard AG by 64 percent in fiscal 2007, to 134,2 million euros, and our operating EBIT figure by 78 percent, to 33.1 million euros.

The dynamic development of EBIT and sales revenues confirms the wisdom of our Company's strategic course. In its financial year 2007, Wirecard AG extended its services, developed new potential, and managed to consolidate its position as one of the leading full-service providers in the field of payment settlement services worldwide.

Following the successful integration of Wirecard Bank AG into the Group in fiscal 2006, we extended our value-added depth to include the dimension of banking services. In its business-to-business division, for instance, Wirecard AG is positioning itself as an innovative partner for integrated payment management. In the process, the extensive, networked range of products and services on offer, a uniform, efficient interface as well as the bundling of all sales channels via a single platform have turned out to be key success factors.

An efficient combination of payment systems, banking services as well as debtor and risk management generates essential synergy effects for customers of Wirecard AG. Manual processes are reduced, accompanied by an improvement in the transparency of information and cost reductions being achieved.

The sum total represents a comprehensive and attractive offer for electronic payment processing services, which has become an absolute benchmark and leads the way in complexity, reliability, and innovative power. More than 9,000 enterprises worldwide already rely on the services of Wirecard AG.

Wirecard AG also succeeded in making a decisive impact on the market for private customers in 2007. For instance, the Issuing division, responsible for issuing virtual and physical credit card products, saw highly dynamic growth. Products such as the Wirecard Internet payment service, which offers a virtual credit card on a non-borrowing basis, and the Prepaid Trio, a combination of current account, Visa LifeCard, and ec-/Maestro Card, are meeting with outstanding acceptance among private customers.



Beyond the growth recorded in its core business activities, in 2007 Wirecard AG also laid strong foundations for future successes. The sharp rise in the number of transactions worldwide is being accompanied by the continual globalization of products and services of Wirecard AG in the business-to-business segment. The establishment of Wirecard Asia Pacific takes account of this expansionary development unfolding on the Asian market.

Moreover, all signs are pointing toward growth on the European market as well, where Wirecard AG acquired a customer portfolio in the field of electronic payment processing. This acquisition comprises several payment service providers actively engaged in various European countries, including a customer base consisting of approximately 1,000 contracts. In particular, these are Internet providers operating in western, central and eastern Europe, with customers in the online segments of consumer goods, digital goods and airlines/travel.

We ended 2007 successfully, and have a great deal planned for fiscal 2008: Against the backdrop of our positive business development and the sustained growth in the market for online payment processing services, for fiscal 2008 the Board of Management of Wirecard AG expects a significant increase in EBIT by more than 45 percent, i.e. to reach at least 48 million euros.

On behalf of the Board of Management and the employees of Wirecard AG, I wish to thank you for your confidence in our work, and to join you in looking forward to a successful 2008.

Grasbrunn, March 2008

A handwritten signature in dark ink, appearing to read 'Dr. Markus Braun', written in a cursive style.

Dr. Markus Braun  
CEO





Klaus Rehnig,  
Chairman of the  
Supervisory Board

Dear shareholders,

In the year under review, the Supervisory Board of Wirecard AG performed its duties in accordance with the prevailing legislation and the Company's articles of incorporation, and monitored the Board of Management in accordance with the Corporate Governance Code. The Supervisory Board was directly engaged in all material decisions made by the Company. It held five meetings in the year under review, at least one per quarter. The members of the Supervisory Board took part in all Supervisory Board meetings. In the year under review, the Supervisory Board was not aware of any conflicts of interest on the part of one of its members. There were no changes to the composition of the Company's management bodies in the year under review.

At its meetings, the Supervisory Board analyzed current business developments according to detailed written and oral reports of the Board of Management; and discussed the further strategic development, situation, and risk position of the Group. The Supervisory Board was engaged in particular with the extension of control systems, of compliance and risk management, as well as the report from Internal Audits and the IKS audit.

The meetings and discussions extended to include the financial situation of subsidiaries, including sales revenue trends and profitability, as well as current and medium-term development of the individual business divisions. The Supervisory Board was engaged on a

regular basis with budgetary comparisons of target and actual trends as well as forthcoming investment planning activities. In addition, the members of the Supervisory Board were consulted with regard to additional individual matters which they were required to cooperate in approving by law, on the basis of the articles of incorporation or the Board of Management's rules of procedure. Moreover, the Chairman of the Supervisory Board arranged to be briefed on a regular basis about the Company's business trends and discussed corporate policy issues with the Board of Management. The Supervisory Board and the Board of Management dealt in depth with the German Corporate Governance Code and its recommendations for transparent management of the Company. Essentially, the recommendations of the Code have been almost fully implemented. In a statement made jointly with the Board of Management in accordance with § 161 of the German Companies Act (AktG), it was determined that Wirecard AG has complied with the recommendations of the Code in its version of June 2, 2005 and the new version of June 14, 2007 in fiscal 2007 subject to a few limitations — and will continue to do so in future. The statement of compliance has been published on the Company's website.

Other key points of Supervisory Board meetings were capital measures and capital spending on the extension and consolidation of the Group's dynamic course of growth.

### **CAPITAL MEASURES**

The Company's subscribed capital amounted to TEUR 81.429.915,00 as at December 31, 2007, divided up into 81,429,915 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. This increase in the subscribed capital in relation to the previous year is attributable in part to the subscription in July, September and December 2007 of 139,033 new shares from the Company's contingent capital 2004/I — due to the partial exercise of the right to conversion relating to the convertible bonds. Using the Company's authorized capital, in terms of the publication of November 20, 2007 the Company's common stock was increased by 2 million no-par-value shares with a value of EUR 1.00 each.

### **ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS**

The auditing firm *RP Richter GmbH Wirtschaftsprüfungsgesellschaft*, as full successor-in-title to *Control5H GmbH Wirtschaftsprüfungsgesellschaft*, audited the individual annual financial statements of Wirecard AG as at Dec. 31, 2007, the consolidated annual financial

statements as at Dec. 31, 2007, 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. In addition, an IT system audit was performed by the auditors in November 2007 ahead of schedule in time for the audit of the annual/consolidated accounts according to the auditing standards of the IDW in cooperation with ACTET ACP IT Solutions AG.

The above-mentioned documentation relating to the annual financial statements, the proposal for the appropriation of profits, and audit reports of the auditors were made available to all members of the Supervisory Board in time for the balance-sheet meeting held on April 4, 2008. The auditor attended the balance-sheet meeting and reported on the material results of his audit and was available to provide the members of the Supervisory Board with additional information. Following a careful audit of its own, the Supervisory Board has come to the conclusion that the annual financial statements, the summarized management report, the consolidated annual financial statements, and the reports by the auditors give rise to no objections. In its resolution of April 4, 2008, the Supervisory Board approved the annual financial statements of Wirecard AG prepared by the Company in March 2008 and the consolidated annual financial statements prepared by the Company in March 2008 in accordance with IFRS for fiscal 2007. Accordingly, the annual financial statements have been confirmed in accordance with § 173 of AktG. We agree to the proposal by the Board of Management for the appropriation of the balance-sheet profit.

The *Deutsche Prüfstelle für Rechnungslegung DPR e.V.* association subjected the consolidated annual financial statements for fiscal 2005 to an audit in accordance with § 342 b (2), sentence 3, No. 3 of HGB (random checks). The results of this audit had already been taken into account in Q3 2007, with appropriate adjustments made to reporting. These relate to the capitalization of acquirer and customer relations (TEUR 4,360) as well as for software (TEUR 108) reclassified retrospectively from goodwill as at December 31, 2006 to other intangible assets with no impact on profit and loss. On account of these adjustments, no material impacts on the asset, financial and earnings position of Wirecard AG were registered both for December 31, 2006 and for December 31, 2007 since acquirer and customer relations are subject to an unlimited period of use and not to scheduled amortization; as a result, no impairment charge was necessary either as at December 31, 2006 or December 31, 2007.

#### CHANGE OF CONTROL CLAUSES

The Enabling Act with regard to Takeover Directives (*Übernahme-Richtlinien-Umsetzungsgesetz*) requires companies listed on the stock markets 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 of 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 2006 Annual Report.

#### OUTLOOK

The dynamic course of growth during the last fiscal year was favored by the consistent further development of the payment processing and risk management platform and the acquisition of customer portfolios. The trends of relevance for our fields of activity in electronic trading and the successful positioning of Wirecard AG in global competition enable our operating growth to continue on a sustained basis.

The Supervisory Board wishes to thank the Management and the Company's employees for their high level of commitment and performance in fiscal 2007 and to express its recognition of their efforts.

Grasbrunn, April 4, 2008

A handwritten signature in black ink, appearing to read 'K. Rehnig', with a stylized flourish at the end.

Klaus Rehnig  
Chairman of the Supervisory Board

# CORPORATE GOVERNANCE REPORT

In accordance with No. 3.10 of the German Corporate Governance Code, the Board of Management — on behalf of itself and the Supervisory Board — reports the following on corporate governance at Wirecard AG:

The standards of good, responsible corporate governance acknowledged both internationally and in Germany enjoy high priority for the Wirecard Group. Compliance with these standards is an essential prerequisite for qualified and transparent corporate governance with the aim of achieving a sustained success for the Group as a whole. In doing so, we wish to affirm the confidence of our investors, the financial markets, business associates, the public at large, and of our workforce.

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

## **SERVICE AND INTERNET INFORMATION FOR OUR SHAREHOLDERS**

On our website (<http://ir.wirecard.com> — “Finance Calendar”) and in our annual and interim reports, we provide information for our shareholders, analysts, shareholder associations, the media, as well as interested persons from the general public on a regular basis concerning the 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 is published in easily accessible format on the Company’s website. Beyond that, for competitive reasons, the need to make documents available online — apart from the published reports and the agenda — has been dispensed with.

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 Annual General Meeting and the exercise of shareholder voting rights, comprehensive information on the previous fiscal year and the items on the current year’s agenda appear in the Annual Report and in the invitation to the Annual General Meeting, which shareholders receive well ahead of the meeting.

## **CLOSE COLLABORATION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

Being a German stock corporation, Wirecard AG has a dual structure of management and control. In the interests of the enterprise, the Board of Management and the Supervisory

Board cooperate very closely. The most essential common objective is to increase the Company's enterprise value on a sustained basis.

The Supervisory Board consists of three members. To guarantee independent consultancy and monitoring of the Board of Management, 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 member. The Board of Management reports to the Supervisory Board comprehensively and on a regular, timely basis about the relevant questions of corporate planning and further strategic development, about the course of business and the Group's situation as well as questions relating to its risk position 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 statutory rules and regulations, 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 Chairman of the Supervisory Board is permanently in contact with the Board of Management. He visits the Company on a regular basis to obtain information on-site on business developments 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.

No conflicts of interest between members of the Board of Management and Supervisory Board that were required to be disclosed without delay became known. Owing to its restriction in size 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 2007 are contained in the Supervisory Board Report as well as in the Management Report (Chapter 1.).

#### **REMUNERATION REPORT**

Remuneration of the Supervisory Board is based on the relevant provisions of the Company's bylaws (Articles of Incorporation), the current version of which was adopted at the Annual General Meeting held on June 14, 2007. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration apart from being reimbursed for out-of-pocket expenses. The remuneration paid to the Supervisory Board is presented and published in a Remuneration Report within the scope of the Consolidated Management Report. In order to avoid duplication in reporting, this Corporate Governance Report expressly adopts the

presentation in the Notes to the Consolidated Financial Statements (see Annex) as its own and refers to it. Remuneration or benefits for personally rendered services, in particular consultancy and intermediary services, were granted in accordance with the Notes to the Consolidated Financial Statements. In addition, the Company has taken out liability insurance in favor of the Supervisory Board members, covering statutory liability arising from the activities of the Supervisory Board.

The remuneration paid to the Board of Management is presented and published in a Remuneration Report within the scope of the Consolidated Management Report. Under item 8 of the agenda, at the Annual General Meeting of Wirecard AG held August 30, 2005 on the basis of § 286, (5) 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. Accordingly, the Company deviates from Nos. 4.2.4 and 4.2.5 of the declaration of conformity pursuant to the German Corporate Governance Code.

#### **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 Management Report, Chapter 7).

#### **TRANSPARENCY AND COMMUNICATION**

The Board of Management of Wirecard AG publishes insider information regarding the Group without delay, unless exempted from this duty 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 prospective 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.

#### **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 five reports by the end of the year, which are also published on our Company's website.



<b>Name</b>	Klaus Rehnig
<b>Position</b>	Member of an administrative or supervisory body
<b>Issuer</b>	Wirecard AG, Bretonischer Ring 4, 85630 Grasbrunn, Germany
<b>Type of transaction</b>	Sale of shares
<b>ISIN Derivative</b>	DE0007472060
<b>Reason</b>	Person performing managerial responsibilities

<b>Place</b>	<b>Date</b>	<b>Price per share (EUR)</b>	<b>No. of shares</b>	<b>Transaction volume (EUR)</b>
Frankfurt	Dec 14, 2007	12.00	5,000	60,000
Frankfurt	Dec 13, 2007	12.88	60,000	772,800
Frankfurt	Dec 13, 2007	12.12	25,000	303,000
Frankfurt	Dec 12, 2007	12.58	30,000	377,400
Frankfurt	Dec 12, 2007	12.55	50,000	627,500

Shareholdings of individual members of the Board of Management and Supervisory Board as well as their related parties exceed 1% and are listed below:

MB Beteiligungsgesellschaft mbH (General Manager: Dr. Markus Braun, Chairman of the Board of Management of Wirecard AG)	7.36%
Klaus Rehnig (Chairman of the Supervisory Board of Wirecard AG)	2.81%
Tanja Rehnig (wife of the Chairman of the Supervisory Board of Wirecard AG)	2.95%

#### 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. The Annual General Meeting appointed *Control5H GmbH Wirtschaftsprüfungsgesellschaft, Munich*, as auditors of the annual financial statements of Wirecard AG and the Group as a whole. Interim reports were made accessible to the public within six weeks of the end of the quarter, and consolidated financial statements within three months of the end of the fiscal year.

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 determined in the course of performing the audit. In addition, the auditor is required to inform the Supervisory Board and/or to enter a notation 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 § 161 of the German Companies Act – AktG.

## **CORPORATE GOVERNANCE OUTLOOK**

Compliance with the corporate governance principles will once again represent a central management task for us in fiscal 2008. 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 24, 2008. The implementation of our Group-wide Compliance program is another permanent managerial function which we intend to consistently pursue in future.

### Declaration of compliance with the German Corporate Governance Code by Wirecard AG in conformity with § 161 of the German Companies Act (AktG)

The Board of Management and the Supervisory Board declare that since the submission of the last declaration of compliance dated March 30, 2007 the Company has complied with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version of June 12, 2006 and in the new version of June 14, 2007, and that the Company will continue to comply with the recommendations in the new version of June 14, 2007. The following exceptions apply in this regard:

No. 2.3.1 of the Code provides that the Board of Management is to publish the reports and records required by law for the Annual General Meeting, including the Annual Report, in an easily accessible location on the Company’s website along with the agenda.

For competition-related reasons and in view of the increasing trend in the direction of “competitive piracy,” the Board of Management has decided not to publish strategic corporate documents on the Internet. It goes without saying that the Annual Report is accessible on the Internet.

According to No. 4.2.4 of the Code, the total remuneration of each member of the Board of Management, divided up into performance-independent and performance-related components as well as components with a long-term incentive effect shall be disclosed, indicating the names of the persons in question, unless the Annual General Meeting has decided otherwise through a resolution based on a three-quarters’ majority of votes cast. No. 4.2.5 of the Code subsequently governs the details of disclosure relating to remuneration paid to the Board of Management. Moreover, No. 4.2.5 of the Code provides that the presentation of the concrete structure of a stock option plan or comparable components with a long-term incentive effect and risk characteristics is to include the value thereof, and that in the case of benefit commitments, additions to

pension reserves or pension funds are to be indicated. Finally, the essential content of commitments is to be indicated in cases where activities as a member of the Board of Management are terminated if the commitments do not differ materially in terms of their legal construction from the commitments made to employees. The remuneration report is also to contain information on the type of ancillary services rendered by the Company.

Under item 8 of the agenda of the annual general meeting of Wirecard AG held August 30, 2005 on the basis of § 286, (5) HGB read in conjunction with § 314, (2) HGB, the Annual General Meeting decided to waive disclosure of remuneration paid to the Board of Management until fiscal 2009. On account of this resolution adopted by the Annual General Meeting, Nos. 4.2.4 and 4.2.5 of the Code shall not apply; no disclosure is to be made. Other than that, the fundamental characteristics of the remuneration system and the methods and impacts of the stock option plan will be published in the Annual Report.

No. 5.3 of the Code provides for committees to be set up.

The current Supervisory Board, consisting of three members, has not appointed any committees to date. The full Supervisory Board deals with all transactions requiring consent.

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.

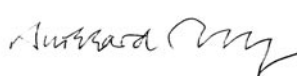
The current reporting regulations relating to the Prime Standard of the German Securities Exchange provide for a period of four months for publication of the consolidated financial statements. Accordingly, the Company will adhere to these time limits in publishing its consolidated financial statements. According to the reporting regulations of the Prime Standard of the German Securities Exchange, interim reports are published within two months. The Company will adhere to the two-month period and, if its internal processes allow, it may even opt for earlier publication.

Grasbrunn, March 28, 2008  
Wirecard AG

on behalf of the Board of Management



Dr. Markus Braun



Burkhard Ley

on behalf of the  
Supervisory Board



Klaus Rehnig

## WIRECARD STOCK

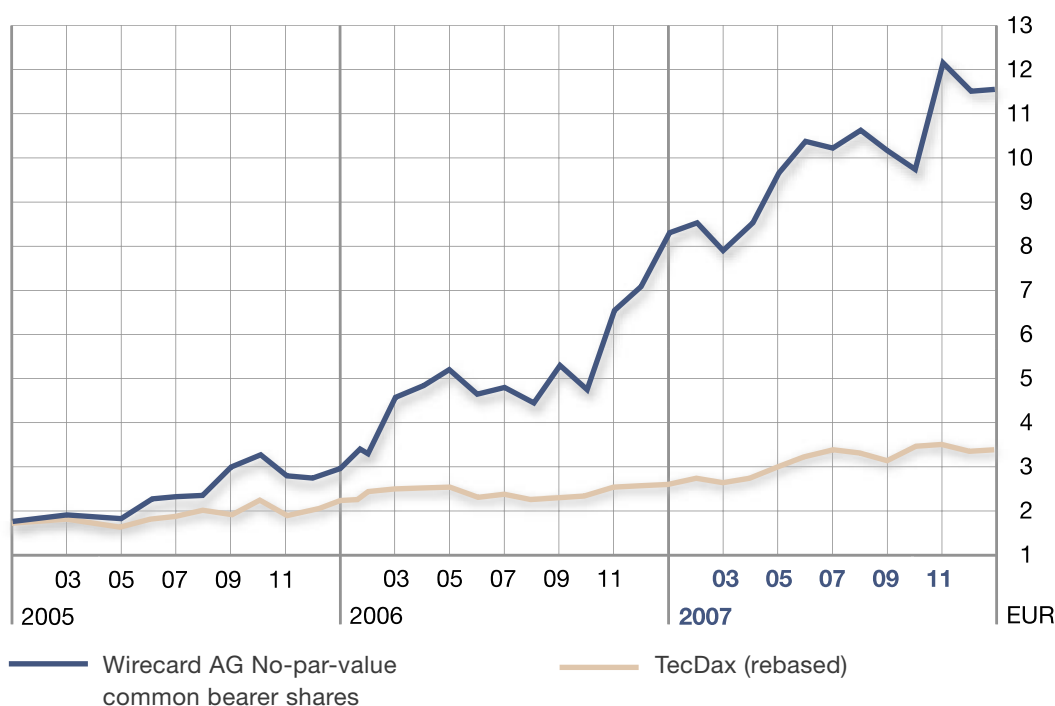
Wirecard stock reflected an aggregate annual performance of 40 percent last year, outperforming the reference TecDAX index by far (which grew by 28 percent).

The German DAX index finished the year at 8,067.32 points, up by just over 22 percent higher year-on-year. At the beginning of the year, the TecDAX technology index of relevance to Wirecard stock stood at 759.07 points. At the end of January 2007 the TecDAX surged to more than 800 points and went into a sideways movement between 700 and 800 points until the end of May. Until early October the index moved in a range from 880 to 997 points. In November the index reached its high for the year, amounting to 1043.84 points. At the end of the year, the TecDAX closed at 974.19 points.

In the TecDAX ranking of Deutsche Börse AG, Wirecard stock improved to 11th position (previous year: 15th) for the criterion of market capitalization and to 16th position in terms of stock market sales (previous year: rank 18).

### ■ PERFORMANCE OF THE WIRECARD STOCK

January 1, 2005, to December 31, 2007



#### **SHARE PRICE TREND IN THE QUARTER UNDER REVIEW**

Until the end of February, the price of Wirecard stock trading at 8.25 euros per share at the beginning of the year trended sideways. In the course of the year, the share price moved in a bandwidth of 9.00 to 10.00 euros. From October 2007 the price of Wirecard stock ranged between 10 and 12 euros. The highest point was reached on December 11, 2007 at 12.94 euros. The price at the end of the year came to 11.56 euros.

The average trading volume of Wirecard stock increased by just under 9,000, to 396,534 shares. With a market capitalization of 865 million euros, the TecDAX weighting at the end of the year came to 3.40 percent.

#### **INVESTOR RELATIONS**

In fiscal 2007, in the course of road shows and investor conferences the Board of Management of Wirecard AG established numerous contacts with new institutional investors and intensified existing relations.

Until December 31, 2007 Wirecard stock was monitored by ten national and international financial analysts from the following institutions:

- Berenberg Bank
- Cazenove
- Commerzbank
- Crédit Agricole Cheuvreux
- Deutsche Bank
- DZ Bank
- Morgan Stanley
- Sal. Oppenheim
- SES Research
- WestLB

The Board of Management and 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 in this regard are the listing in the Prime Standard segment and accounting according to IAS/IFRS.

Private investors can obtain all the relevant information on the Internet from <http://ir.wirecard.com>

#### **CAPITAL MEASURES IN THE YEAR UNDER REVIEW**

Number of shares / extent of common stock as at January 1, 2007

79,290,882 / EUR 79,290,882.00

Number of shares / extent of common stock as at December 31, 2007

81,429,915 / EUR 81,429,915.00

Apr 1, 2007	Utilization / exercise of contingent capital On account of a resolution in favor of a capital increase adopted on July 15, 2004 a further 95,702 subscription shares were issued in fiscal 2006. The common stock now amounts to EUR 79,290,882.
July 11, 2007	Utilization / exercise of contingent capital On account of a resolution in favor of a capital increase adopted on July 15, 2004 a further 31,574 subscription share were issued. The common stock now amounts to EUR 79,322,456.00.
July 23, 2007	Utilization / exercise of contingent capital On account of a resolution in favor of a capital increase adopted on July 15, 2004 a further 6,000 subscription shares were issued. The common stock now amounts to EUR 79,328,456.00.
Sep 6, 2007	Utilization / exercise of contingent capital On account of a resolution in favor of a capital increase adopted on July 15, 2004 a further 59,797 subscription shares were issued. The common stock now amounts to EUR 79,388,253.00.
Nov 20, 2007	Capital increase against depaosit The Company's common stock was increased using authorized capital, by EUR 2,000,000.00 (of which Cash capital increase EUR 277,347.00 and Capital increase by assets EUR 1,722,653.00) to EUR 81,388,253.00.
Dec 31, 2007	Utilization / exercise of contingent capital On account of a resolution in favor of a capital increase adopted on July 15, 2004 a further 41,662 subscription shares were issued. The common stock increased by EUR 41,662.00, to EUR 81,429,915.00.

**ANNUAL GENERAL MEETING**

The Annual General Meeting of Wirecard AG was held in Munich on June 14, 2007. No counter-proposals were submitted. The shareholders present accounted for 50.63 percent of the Company's common stock.

Substantial majority votes of more than 99 percent were registered for all items on the agenda put to the vote. The following resolutions are worth noting.

- The Company is headquartered at Grasbrunn near Munich.
- Authorization was given for the purchase of the Company's own stock, equivalent to 10 percent of the common stock.

A detailed description of the items on the agenda and the voting results can be accessed from the Investor Relations website <http://ir.wirecard.com> under *Annual General Meeting*.

**■ WIRECARD STOCK – KEY FIGURES**

		2007	2006
Number of shares (Dec. 31)		81,429,915	79,290,882
Common stock	EUR	81,429,915.00	79,290,882.00
Market capitalization (Dec. 31)	EUR mn	941	622
Stock market price (Dec. 31)	EUR	11.56	7.85
Stock market high	EUR	12.94	8.01
Stock market low	EUR	7.25	3.01



## ■ 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	81,429,915
Group accounting category	Exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year	December 31
Total common stock as at December 31, 2007	81,429,915.00
Beginning of stock market listing	October 25, 2000
Board of Management	Dr. Markus Braun, CEO (IT)
	Burkhard Ley, CFO (Finance)
	Rüdiger Trautmann, COO (Sales & Marketing)
Supervisory Board	Klaus Rehnig (Chairman)
	Alfons Henseler
	Paul Bauer-Schlichtegroll
Shareholder structure on Dec. 31, 2007	
(Shareholders with more than 3 percent of voting rights)	
	7.36% MB Beteiligungsgesellschaft mbH (DE)
	5.08% Oyster Asset Management S.A. (LU)
	5.00% VAUBAN Fund SICAV (LU)
	4.88% Massachussetts Mutual Life (US)
	3.03% Threadneedle AM Ltd. (UK)
	3.02% Sloane Robinson LLP (UK)
	3.01% William Blair (US)

The history of payment transactions is a history of continual innovation. In business with financial transactions and payment systems, the rule is that flexibility, security and speed represent the primary requisites for sustained growth and key success factors for Wirecard AG.

# S H A P I N G



wirecard

# INNOVATION

Money is one of the most significant inventions of mankind, a highly modern means of exchanging value, a projection screen for wishes and desires, and the commodity that drives the global economy.

The history of money has been characterized by far-reaching changes and constant adjustment processes. In historical retrospect, it is impressively clear that only companies that are ready to face new technologies, markets undergoing constant change, and modified fundamentals will be successful in business with financial transactions in the long term.

The development of Wirecard AG documents and illustrates this in a compelling manner. As one of the world's leading enterprises for payment processing and risk management services, in fiscal 2007 Wirecard AG reached a whole range of forward-looking strategic milestones. Examples include the foundation of Wirecard Asia Pacific and the takeover of a European customer portfolio in the field of electronic payment processing. By virtue of this commitment and numerous innovations in the product portfolio, Wirecard AG is generating growth in its core business segments and beyond.

The next several pages contain a comparison between money in the past and the future of financial transactions. The rule in this regard, both for the history and future of money, is that nothing is more constant than change. And nothing is more successful than being able to proactively contribute to shaping the process of ongoing innovation by focusing on future trends.



### Beginnings are hard.

Human beings have been on the lookout since time immemorial for uniform methods of payment in order to exchange goods and services for items of an objective value. At the beginning of monetary history, making payments was a highly strenuous business. There was good reason to call the first means of payment “stone money,” and whoever associates stones with being heavy is absolutely right.

The weight of stone money prevented speedy and convenient transferability, the primary prerequisite for cross-regional trade. It is hardly surprising, therefore, to note that the expansion of trade routes ultimately brought about the demise of stone money.

The complexity of financial flows has increased by multiples since these heavy-weight beginnings of a universal currency. Financial processes and transactions follow globalized trade today and need to function securely, speedily and fully automatically across currency borders.

Being one of the world's leading enterprises for electronic payment processing and risk management services, Wirecard AG sets benchmarks in the field of automated payment processes and minimizing defaults in payment for receivables. The solutions and services of this group of companies facilitate global payments virtually real-time — accompanied by maximum transparency and security.







### Systematic security.

Since the very dawn of currencies and financial transactions, illicit efforts have been made in the direction of unjust enrichment. From today's perspective, the early counter-strategies appear to have been sustainable only to a limited degree; on the other hand, it cannot be denied that they had a high esthetic value.

Around the year 1500 B.C., the cowry shell was established as the key currency in China, western Africa and Polynesia. The shell was small and lightweight – its unmistakable properties also made it forgery-proof.

Financial flows have since become increasingly global, increasingly abstract and increasingly complex. The essential questions remain, however: how trustworthy are buyers and trading partners? How secure are payments? How do I protect my competitive position?

Wirecard AG's highly sophisticated risk management platform focuses on two key issues: verification of payment data and identification of the party making the payment. The intelligent security concept bundles highly efficient fraud protection procedures and thus provides protection from payment defaults. In this context, ongoing further development and increasingly intensified individualization are prerequisites for a sustained level of security.







### Flat or nugget-shaped?

When humanity still believed the earth was flat, the need for a uniform, mobile currency that was also valid across borders arose – marking the birth of coinage.

The jingle of coins still familiar today was heard for the first time in the 7th century B.C., in the former kingdom of Lydia, in the sovereign territory of today's Turkey. In their original form, these coins were still quite misshapen lumps of a molten alloy of gold and silver – something like nuggets.

Overcome by the benefits of this monetary reform – a fixed value, uniform measurements, convenient transportation, durability, a high degree of protection from forgery, other nations were inspired and also opted for coins as a means of payment.

Whereas these coins were chiefly minted from silver in the beginning, other metals such as copper and bronze soon followed. The value of these coins was generally based on the equivalent of their metal content. As a result, this was the dawn of a very primitive form of convertibility between trading regions.

Today's global merchandise and finance transactions call for payment systems that work on a global scale. Wirecard AG provides payment and currency systems that are based on a single software platform across the continents, perfectly matched and fine-tuned to one another. Not only does this guarantee the highest level of security, but also maximum control.





### The abstraction of values.

After metals gradually became scarce in the wake of a burgeoning volume of trade, in coin minting operations the question became: What now?

The solution was first discovered by the Chinese, who issued the first “value notes” as early as 650 B.C., producing these as a substitute for coinage. Around the year 1024, production of paper money was in full swing, when it was needed to finance a war.

A good 250 years later, it was globetrotter Marco Polo who was downright fascinated by the benefits of cash notes: “I tell you, everyone over there (in China) is keen to accept notes because people use them to buy and sell things as if those notes were pure gold.” His words already indicate the major benefit in this respect: the value of paper money being separate from its pure material value. This meant the beginning of the abstraction of monetary values.

Just over four centuries later, Wirecard AG introduced a further form of value abstraction. By offering a virtual prepaid card that has all the attributes of a classical credit card, Wirecard AG is among the First Movers in Europe. As a result, customers can shop conveniently and safely across the globe from millions of merchants on the Internet without having to possess a “normal” credit card.





### Everything on a single card.

Back in the year 1887, people would probably have needed to have the imagination and visionary qualities of a science fiction author to coin the term “credit card”. In a novel by Edward Bellamy, a card was mentioned for the first time, still made of cardboard in those days, that was used for cashless payments.

It took a rather human error in 1950 to turn fantasy into reality; when businessman Frank McNamara invited important customers out to dinner and eventually realized that he had forgotten his wallet, not only was this an extremely embarrassing moment of his life; it also hailed the birth of today's credit card.

Today credit cards are among the most frequently used payment systems worldwide. Credit card acceptance is absolutely vital in global eCommerce — 85 percent of all payments on the Internet are currently being made by credit card.

As a Principal Partner of Visa, Mastercard as well as JCB, the range on offer by Wirecard AG comprises all facets and services surrounding credit card acceptance: from individual issuing to private customers and processing services all the way through to making terminals available and settling transactions with corporations.





### Tomorrow's currency.

The developments of the past and the burgeoning tide of global trade flows today clearly indicate that the payment transactions of the future will no longer be payment transactions as we know them today.

Virtual worlds and the global exchange of merchandise call for more diversified and more flexible payment systems. And, at the same time, they call for increased collateral.

The future of money is digital, virtual and global. While money as a value remains intact, the speed of the bitstream is changing the significance of the payment system handed down by tradition.

Wirecard AG is already working on tomorrow's systems today. State-of-the-art technological prerequisites, the bundling of all activities on a centralized platform, a comprehensive portfolio of solutions for private and commercial customers, as well as enormous innovative power will help to ensure that Wirecard AG will continue to set decisive benchmarks in the market for electronic payment processing in future.







## Consolidated Management Report

Continuous growth  
in core business  
segment



# 1. BUSINESS AND UNDERLYING CONDITIONS

## 1.1. Business activities and products

The Wirecard Group is one of the leading international providers of electronic payment processing and risk management solutions. Innovative banking services and products as well as call center and communication solutions serve to complement the core business and intensify the value-added depth. Founded in Germany in 1999, today we have more than 450 employees at various locations in Europe and Asia. In our target markets, more than 9,000 enterprises from many and various industries rely on our products and services.

Networked and dynamic sales, component supplies and partnership structures are increasingly dominating the world of modern trade and forcing enterprises to restructure their existing financial processes. Traditional process chains are being broken up, creating scope for new, innovative solution approaches. The products and services of the Wirecard Group frequently help our customers pave the way for new business models.

Our modular product suite enables us to give companies access to a large number of international payment and risk management processes. In doing so, we facilitate secure, worldwide acceptance of electronic payments across all sales channels – from the Internet to brick and mortar trading outlets.

Solutions for automated worldwide payouts of suppliers and distribution partners enable us to cover the entire payment process from the supplier all the way through to the final consumer. In the process, we support our customers in making their business processes more efficient and transparent along the financial supply chain (FSC).

The targeted outsourcing of partial processes to the Wirecard Group has proved to be a strategic success factor for many of our customers. This gave them the possibility to concentrate their resources on their original core business and, therefore, to secure their innovative strength even in a constantly changing competitive environment.

What is essential for the success of the Wirecard Group is the unique combination of a technological lead and the facilities of a bank integrated into the Group, because since the year 2006 Wirecard Bank AG has supplemented the portfolio of products and services of the entire Group.

Thanks to a uniform, technical platform extending across our various fields of activity, we are able to offer our customers a large variety of innovative, frequently unique and vertically integrated products and services. Products such as our solutions centering around virtual credit cards reflect the high innovative power of the Wirecard Group and the opportunities yielded by a symbiosis between a technology enterprise and a bank.

With the prepaid products of the Wirecard Bank, the Wirecard Group also provides innovative solutions for consumers for everything to do with cards and accounts. Convenient online account management enables our private customers to stay in control of their finances at all times and – thanks to VISA and MasterCard – they can pay millions of merchants on the Internet and in physical outlets or draw cash from ATMs across the globe.

## 1.2. Group structure and organization

The Group is structured into various subsidiaries. The parent company, Wirecard AG, is headquartered in Munich/Grasbrunn, Germany. This also serves as the head office of Wirecard Bank AG, Wirecard Technologies AG, Wire Card Beteiligungs GmbH, Wirecard Retail Services GmbH, Click2Pay GmbH and Pro Card Kartensysteme GmbH. Wirecard Communication Services GmbH is headquartered in Berlin and maintains an operating site 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 portals, digital media and online games.

In October 2007 TrustPay International AG, headquartered in Munich, and its subsidiaries Wirecard Payment Solutions Holdings Ltd., Wirecard Payment Solutions Ltd., Herview Ltd., all of which are domiciled in Dublin (Ireland); Qenta paymentsolutions Beratungs- und Informations GmbH (Klagenfurt / Austria), and webcommunication EDV Dienstleistungs und Entwicklungen GmbH headquartered in Graz (Austria) were fully consolidated within the Group. The operating business of the TrustPay subsidiaries is based on sales and processing services for the Group's core business activities, namely Electronic Payment & Risk Management (EPRM).

Wirecard Retail Services GmbH and Pro Card Kartensysteme GmbH, which was acquired in 2006, complement the range of services of Wirecard Technologies AG to include the distribution and operation of Point-of-Sale (PoS) payment terminals. As a result, our customers are able to accept payments both in the field of Internet and mail-order services and electronic payments for their stationary, brick- and- mortar business via Wirecard.

Wirecard Communication Services GmbH bundles the knowhow 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 cardSystems FZ-LLC company, based in Dubai, focuses on sales of affiliate products along with related value added services. Wirecard Asia Pacific Inc., newly established in Manila (Philippines) at the end of 2007, was not included in the group of companies required to be consolidated in the year under review. It focuses on sales of EPRM services in the Asian region.

An overview of the consolidation perimeter is provided in the Notes to the Consolidated Financial Statements.

### 1.3. Segments of reporting

The business activities of Wirecard AG are structured into the two reporting segments of “Electronic Payment / Risk Management” (EPRM) as well as “Call Center / Communication Services” (CCS).

#### **ELECTRONIC PAYMENT / RISK MANAGEMENT (EPRM)**

The EPRM reporting segment comprises all products and services dealing with acceptance and downstream processing of electronic payment transactions, fraud prevention and risk management as well as the issuance of credit cards.

The reporting segment is dominated to a decisive degree by the business activities of Wirecard (Gibraltar) Ltd., Wirecard Technologies AG, and Wirecard Bank AG. Sales revenues of Click2Pay GmbH, Wirecard Retail Services GmbH, all above-mentioned TrustPay International subsidiaries, as well as cardSystems FZ-LLC are part of the EPRM segment. The remaining foreign branches are primarily maintained for regional sales and localization of the products and services of the Group as a whole.

#### **CALL CENTER / COMMUNICATION SERVICES (CCS)**

The CCS reporting segment comprises all products and services of Wirecard Communication Services GmbH dealing with call-center-supported relationship management of corporate and private customers. In addition to its primary function to support the organization’s core business within the scope of the EPRM segment, this reporting segment also includes a substantial independent customer portfolio.

#### 1.4. Board of Management, Supervisory Board and Company bylaws

As in the past, the Board of Management of Wirecard AG consists of three members. In the period under review, the composition of the Board of Management of Wirecard AG was as follows:

- Dr. Markus Braun, CEO, Chief Technology Officer
- Burkhard Ley, Chief Financial Officer
- Rüdiger Trautmann, Chief Sales Officer

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 remuneration system of the Board of Management and Supervisory Board consists of fixed and variable components. Further particulars in this regard are documented in the Notes to the Consolidated Annual Financial Statements.

Following an adjustment to their service agreements of December 27, 2006, the members of the Board of Management waived their entitlement to the annual bonus for fiscal 2006 and the subsequent year, as well as additional grants of stock options allocated under a future-employee-participation program of the Company. In return, the individual members of the Board of Management received an assurance that, in the event of a change of control of the Company, they would receive a royalty totaling (for all Board of Management members together) 1.2 percent of the enterprise value of the Company. Change of control of the Company, for the purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to §§ 21, 22 WpHG (German Securities Trading Act) is or should have been received by the Company, with the effect that 30 percent or more of the Company's voting rights as contemplated by §§ 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 only be payable 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 the same terms and conditions as for the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value shall be 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 have been in the Company's services for at least one year and still be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

There were no changes to the Supervisory Board either, in the period under review. As in the past, this body consists of:

- Klaus Rehnig, Chairman
- Alfons Henseler, Deputy Chairman
- Paul Bauer-Schlichtegroll

The Supervisory Board was re-elected at the Annual General Meeting in Munich on June 14, 2007.

The statutory rules and regulations apply to amendments to the Articles of Incorporation.

## 1.5. Employees

Our highly qualified employees, with above-average commitment and dedication, are responsible for and help to shape the success and dynamics of Wirecard AG on a daily basis. Cross-departmental and project-related teamwork guarantees short and flexible coordination and decision-making processes. This enables us to respond to new market developments as they unfold, and to proactively shape new trends. Fair conduct and interaction with one another, as well as team-building measures, contribute to a positive working climate.

Including part-time workers (137), as at December 31, 2007 the Group had a workforce of 459 employees. This puts the number of permanent employees up by 98 in fiscal 2007, from 361 in the previous year. The disproportionately low increase in the number of our employees in recent years in relation to the increase in sales revenues and earnings is testimony to the highly flexible scaling potential of the Wirecard platform.

Since 2005, an employee participation program in the form of convertible bonds has been in place for first and second-tier employees, which was almost completely exploited by the end of the period under review. Please refer to the Notes for further particulars in this regard.



## 2. GENERAL ECONOMIC CONDITIONS AND BUSINESS TRENDS

### 2.1. Global economic fundamentals

In 2007 the global economy grew by 3.7 percent, or at a rate 0.2 percent lower than in the previous year. While world economic growth was robust during the year as a whole, the collapse of the U.S. real estate market (subprime crisis) in the third quarter of 2007 triggered a prolonged credit crisis. Overall EU economic growth, at 2.9 percent and 2.7 in the euro zone, turned out higher than had been anticipated by the EU Commission as recently as November 2007. In 2007 Gross Domestic Product in Germany amounted to 2.5 percent, with the inflation rate averaging 2.3 percent (euro zone: 2.1 percent).

### 2.2. Industry-specific underlying conditions

Electronic trading, a key growth driver of the Wirecard Group, again managed to record substantial growth in the target markets of Europe and Asia in 2007.

According to a current study published in the Nielsen Report ("The Nielsen Global Online Survey" – [www.nielsen.com](http://www.nielsen.com)), 86 percent of all 875 million Internet users also shop on the Web. This is equivalent to an increase of more than 40 percent within two years. Europe is in the lead worldwide in this regard, with 93 percent of all European Internet users also shopping online. Germany, the Wirecard Group's headquarters, is at the top of the list in a Europe-wide comparison, at 97 percent.

According to Jupiter Research, business-to-consumer trading revenues were up by 24 percent year-on-year. This growth trend will most probably continue in the next several years.

In November 2007 the market research enterprise TNS Infratest published a study according to which online shopping facilities are being used equally by all age groups, with 29 percent being below the age of 30, 48 percent between 30 and 49 years old, and a substantial 23 percent of online shoppers being aged above 50.

In some product categories the Internet shop has almost caught up with brick -and-mortar shops. In particular, airline and rail tickets as well as PC software are already predominantly being bought on the Internet, followed by DVDs/videos, books, CDs and entrance tickets. While German retail sales declined by two percent in real terms in fiscal 2007 (according to the Central German Retail Association), online mail-order sales increased. In Germany alone – excluding sales revenues from services (including downloads) and tourism – these were up by 9 percent from 2006 to 2007, which bears impressive testimony to the ongoing shift under way from stationary to online shopping. In addition, the Internet makes it easier for consumers to make the most favorable selection from various merchandise categories.

### **B2C TRADING VOLUME IN ASIA**

In the Asia-Pacific region (APAC), according to the research organization eMarketer, sales revenues in the B2C eCommerce segment, including tourism, was up by 24 percent from 2006 to 2007, to reach 73.3 billion US dollars. These figures are based on the five leading APAC nations, namely Australia, China, India, Japan, and South Korea. The latter two countries are making a substantial contribution thanks to their advanced infrastructure.

### **DOMINANCE OF TRADITIONAL PAYMENT METHODS**

For Internet merchants whose products and services are targeted at consumers, there still are substantial requirements and demand for a large number of payment methods. While according to Jupiter Research an average of about 63 percent of all internet payment processes in Europe were made by credit or debit cards, traditional payment methods such as direct debits or transfers still predominate in some countries, especially in Germany and Sweden. Pure Internet payment methods are only available among nine percent of all Internet merchants and mostly serve to complement traditional payment methods.

### **SECURITY**

Credit and debit cards are the payment methods of choice in Europe as a whole. According to Jupiter Research, of the 63 percent of Europeans who use these for online payments, only 16 percent expressed reservations regarding security. Traditional methods of payment such as bank transfers or C.O.D. purchases, which are popular particularly in Germany (69 percent) and Sweden (56 percent), represent a phenomenon from the European perspective – especially since this population group has the highest security doubts when it comes to making payments on the Internet: 26 percent.

What is also significant, however, is the risk of providers with regard to methods of payment. Merchants from our clientele who offer purchases on account or against direct debits rely on the sophisticated risk management systems of the Wirecard platform. Vital checks such as address verifications or credit rating checks (scoring) reduce the merchants' risk of defaults in payment considerably and are classically targeted at customers' credit rating assessments. The solutions from Wirecard AG address and provide these very services.

### **STUDY ON THE RISKS OF PAYMENT PROCESSING ON THE INTERNET**

In October 2007 the ibi research institution at Regensburg University and Wirecard AG presented a study on the "Risks of payment processing on the Internet." The study provides a particularly comprehensive illustration of the individual process steps, from customer data all the way through to final payment default. The focus is on testing customers and how to deal with payment risks, such as payment terms being exceeded, return debits and charge-backs being made. The findings are based on an online survey of merchants who sell goods or services via the Internet. A total of 290 enterprises from Germany completed the questionnaire in full.

The frequency of payment disruptions and defaults in payments continues to grow. This is a critical success factor: To compensate for the loss of a receivable in default, an entrepreneur working with a profit margin of five percent needs to acquire new business that is equivalent to the twenty-fold volume of the receivable in default. In every tenth enterprise today, three percent or more of sales revenues is in default. On the assumed margin of five percent, the profits of a company with three percent in payment defaults will increase by half if the defaults in payment are reduced to two percent.

By means of suitable risk management measures, online merchants can protect themselves from customers who are fraudulent or unable to pay. The study referred to above shows the current status of relevant methods being used, and a presentation of the most important instruments.

Whoever sells goods on the Internet should make a point of knowing their customers. However, this can only happen if the relevant data is accessed and evaluated. Almost 80 percent of the enterprises canvassed do not even check whether there are any receivables outstanding from the customers in question or whether any payment difficulties occurred in the past.

Key findings of the study:

1. Almost 80 percent of all enterprises indicated that the identification of payment risks is one of the three biggest hurdles in avoiding defaults in payment. This was followed by determining risk and customer-specific methods to process payments (44 percent of companies canvassed) and the avoidance of manual checking efforts (36 percent of enterprises), and all of these are challenges to which Wirecard also offers solutions as part of its core services.
2. Defaults in payment make life difficult for merchants. In every tenth enterprise, at least three percent of sales revenues are in default. As a result eleven percent of the companies in question need to write off sales revenues of three percent and more.
3. Difficulties occur in particular with regard to payments after receipt of invoice and by direct debit. More than 40 percent of enterprises indicate that more than 3 percent of their invoices outstanding were not paid in time. Gaps customer data make it difficult to assert follow-up claims. For instance, almost all companies record the residential and e-mail address of their customers, but only 74 percent and 37 percent have their customers' landline or mobile phone numbers, respectively. In fact, only 35 percent of companies know their customers' date of birth. Data of this kind are frequently needed to identify the debtor later, in the event of payment difficulties.

4. A comparison of the payments methods on account, by credit card or direct debit, shows that in general credit cards present the fewest payment problems. While more than 72 percent of the companies require authorization of payment prior to delivery, blacklists are only accessed by 36 percent of the enterprises in question. The 3D-Secure process (MasterCard SecureCode and Verified by VISA) is used by 33 percent of the companies. In the case of just under half of the companies, the exchange of data with service providers regarding checks on addresses and negative factors is already fully automated. In the field of risk scoring, at present automatic data transfers take place at only just under 40 percent of all companies.

The present study follows on from the survey "Payment processing on the Internet" published in 2006. In it, it was clear that substantial importance is being assigned above all to avoiding payment defaults. Thanks to the findings of the current survey, Wirecard AG, as one of the leading ePayment providers with automated risk-management systems, is able to adjust its services to match the requirements of its customers even more accurately, making it possible to reduce the number of payment difficulties and defaults experienced.

A special service offered by Wirecard AG is an online checklist ([www.wirecard.de/checklist](http://www.wirecard.de/checklist)) on the topic of "Risk Management." Demand remains high and also corresponds to the highly positive feedback on the findings of the study in the special-interest press. The Management Summary is available for download from [www.wirecard.de/risikomanagement](http://www.wirecard.de/risikomanagement).

#### **IT MARKET AND OUTSOURCING: "SOFTWARE AS A SERVICE"**

The IT outsourcing market in Germany has changed, with the spate of consolidations continuing in the year under review. Highly standardized services need to be linked to individual industry requirements. After all, outsourcing only pays for companies if this relates to an area within the corporate structure in which no expertise needs to be established or it would be uneconomical to do so. "Software as a Service" is a distribution model with the aim of providing and maintaining software as a service based on Internet technologies. This has been the basis of the Wirecard financial platform from the outset and enables our corporate customers to channel their payment flows from various distribution channels and to draw real-time conclusions with regard to sales trends, charge-backs, and the like. The cost calculation simplifies the transaction-related payment of charges compared with a license model.

## 2.3. Business trends in the period under review

The course of business in fiscal 2007 confirms both our overall strategic orientation and the operational measures taken in the previous year. The Wirecard Group succeeded in further consolidating its position as one of the world's leading providers of electronic payment processing and risk management services.

In fiscal 2007 we once again generated substantial sales revenue and earnings growth in a highly dynamic market environment. At the same time, we managed to boost our profitability by continually optimizing our internal business processes to an EBIT margin of 25 percent. Our business performance, with 134.2 million euros in sales revenues is up 64 percent over 2006 and with an EBIT of 33.1 million euros, is up 78 percent year-on-year.

Our highly diversified corporate customer base mostly comprises cross-border groups but also includes SMEs. We enable these enterprises to take advantage of secure acceptance of electronic payments across all distribution channels as well as worldwide automated payouts of suppliers and distribution partners.

Fiscal 2007 was largely characterized by organic growth of our traditional core business. In the course of the year, numerous additional customers were acquired. In the process we benefited to a substantial degree from synergies between the individual products, markets, and business divisions of our group of companies. The comprehensive value-added depth and the modular structure of our product suite again turned out to be the material foundations of our success. Personalized solution concepts that facilitate a favorably priced, gradual extension of the service depth and innovative pricing help to secure low access barriers for relations with new customers.

Partners whose products and services are based on our product suite made a significant contribution in the year under review to acquiring new customers, developing new markets and reinforcing business relations with portfolio customers. In parallel, our partners enable us to do justice to the many and various local requirements of our target markets and to secure our access to national markets. In addition to software houses and consultancies, our range of partners also includes a large number of banks and payment service providers.

While we again relied primarily on organic growth in fiscal 2007, we supplemented it with an acquisition in our European market environment. By taking over a European customer portfolio in the fourth quarter of 2007, we managed to extend our clientele by more than 1,000 additional customers. The strongly diversified portfolio consists primarily of enterprises based in Europe and engaged in such fields as mail orders, digital goods and services, as well as tourism.

In order to benefit directly from the substantial, dynamic growth of the Asian market, Wirecard AG created a regional presence by opening a branch on the Philippines in December 2007.

## 2.4. Business performance by target sectors

Business activities of the Wirecard Group are divided into the following three key target industries:

- Tourism
- Consumer goods
- Digital goods

### TOURISM

The tourism division is among the most important growth markets on the Internet. According to a current study by the Nielsen Group, roughly a quarter of all online shoppers worldwide booked a travel arrangement on the Internet in the past three months.

This trend is also continuing in Europe. In the third edition of the “European Online Travel Overview” by Phocuswright reported that in 2007 the European leisure market had captured 25 percent of the market as a whole, which is equal to the status of the USA in 2004.

In Germany alone, just under 20 million people traveled “last minute” in 2007, spending roughly 12.1 billion euros. These are the core findings of the representative survey conducted by the market research institute “Ulysses-Web-Tourismus” each year. Last-minute trips are also very popular on the Internet because travelers hope to benefit from better and more current prices compared with travel agencies. An average of 500 euros is spent per trip.

Moreover, tourism operators managed to achieve an increase in online sales by approximately 50 percent year-on-year. The “50+ generation” in particular, which has very substantial purchasing power, is increasingly booking travel online and using the Internet to obtain information.

In fiscal 2007, Wirecard AG once again acquired a large number of new customers from the tourism industry. On the whole, these companies are among the leading European providers that operate either through direct or indirect distribution channels.

Several large online travel portals use the solutions available from Wirecard AG, including bookit.com and LMX. Furthermore, other travel agency alliances have been added, such as TUI Leisure Travel, Schmetterling Reisen GmbH & Co. KG und RTK. Several new airlines are now extending their customer base, including Lauda Air, the eastern European airline Carpatair, as well as the Arabian Omar Air.

Our solutions presented in the spring of 2007 in connection with virtual credit cards have proved to be a successful supplement to our portfolio of products and services for enterprises in the tourism sector. Our membership in the International Air Transport Association (IATA) reflects our strength in this strategically important growth market.

### **CONSUMER GOODS**

Business with enterprises engaged in the field of consumer goods also made a decisive contribution to our positive business performance in 2007.

According to a current study by the Nielsen Group, books, clothing, and DVDs were the products most frequently bought on the Internet. In the period under review, the Wirecard Group succeeded in further extending its leading position in this field. Companies of note, such as Swarovski Crystal Online AG, Dell Deutschland GmbH, Fujitsu-Siemens, Computers GmbH or MyBy GmbH & Co.KG, are relying on Wirecard AG's solutions. In the SME segment, customers from various industries were acquired, including those engaged in: clothing/footwear/ sports equipment, books / DVDs, consumer electronics, computers/peripherals, gifts, interior decorating, tickets, cosmetics, pharmaceuticals, and the organization of conferences.

Our customers in the TV shopping segment, including QVC and HSE24, have meanwhile acquired roughly 80 percent market share in Germany as a whole.

### **DIGITAL GOODS**

The field of digital goods comprises digital business models such as Internet portals, providers of console, PC, and online games, telecommunications services and the interactive entertainment industry and sport bets. Numerous games publishers of note are among the customers of the Wirecard Group, such as Konami Digital Entertainment GmbH, Ubisoft GmbH, Koch Media Deutschland GmbH, Gameforge AG and Neu.de GmbH. Of these enterprises, some already use the entire spectrum of solutions available from the Wirecard Group, from banking services, payment, and risk management solutions all the way through to virtual-call-center consumer services. The service division encompassed by "Digital Goods," closely related to eGovernment applications, has proved to be a market environment strong on growth in recent years. In the new customer segment, this includes settlement of toll systems, electronic ticketing, and parking systems.

Many of our business-to-business customers also use the CLICK2PAY solution, especially in the digital goods segment, since it provides all the required functionalities for successful settlement of digital business models, such as payment guarantees, subscription management, and standardized risk management services.

Internet dating exchanges are also among the fast-growing portals. According to BITKOM sales revenues in 2007 were up by almost one third in Germany alone, to 85 million euros. This puts dating exchanges even ahead of music downloads. Jupiter Research forecast sales revenue growth of 393 million euros in 2007.

## 2.5. Call Center / Communication Services Division

In the year under review, the Wirecard Communications segment was converted into Wirecard Communication Services GmbH. Thanks to the hybrid call center structure, i.e. the bundling of physical, stationary call centers with their virtual counterparts, it was possible to extend the existing "Premium Expert Services" alongside the core services for the Wirecard Group. This facilitates a current concentration on three core segments:

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

Our claim to quality is being implemented with maximum flexibility, with more than 50 percent of Wirecard communication agents being geographically independent of the corporate headquarters, but nevertheless under centralized management. These staff members can operate from a multimedia PC and a link to the Wirecard security system from anywhere in the world. Wirecard's Communication Services provide a dynamic customer contact center. Among other things, the hybrid structure facilitates intelligent and favorably priced peak-level management for inbound customers with a spot-dependent call volume, for instance after the introduction of new software. Agents are activated on demand and are thus also available to customers at short notice. Wirecard Communication Services optionally extends conventional communication channels such as telephony and fax to information by e-mail, tickets, Internet relay chat rooms, forums and maintenance of knowledge databases. Portfolio customers comprise software producers of note, manufacturers of PC and console games and publishing houses.



### 3. CORPORATE GOVERNANCE, OBJECTIVES, AND STRATEGY

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 per business segment. These are consolidated at Group level and integrated along with the financial results into a current forecast of future business trends, – on the basis of a rolling forecast. The individual key performance indicators make it possible to measure whether the various corporate objectives are being or have been 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 primary focus in this regard is predominantly on EBIT, the EBIT margin, net earnings and relevant balance-sheet relationships and ratios.

A central element of control is the continual reconciliation of key figures with long-term business planning and budgeting. To be able to identify changes to business trends and adopt appropriate countermeasures at an early stage of a departure from plans, particular importance is assigned to these indicators.

As part of a Group-wide reporting system, the Board of Management and Divisional Heads are constantly briefed 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 enables Management to respond flexibly to changes in a dynamic market environment.

#### 3.1. Financial and non-financial objectives

For fiscal 2008 as a whole the Board of Management expects a substantial increase in earnings (EBIT) of more than 45 percent. This forecast is based on a significant rise in sales revenues, economies of scale derived from the transaction-based business model and the anticipated contributions to earnings from the acquisition of the European customer portfolio in October 2007. Additional financial objectives are described in the section of the forecast report dealing with sales revenues and earnings targets (8.8).

The objective for the sustained development of Wirecard AG is to become the world's leading full-service provider in the field of online payment processing.

### 3.2. Corporate strategy

Business strategy in fiscal 2007 was geared to the extension of existing fields of activity and comprehensive use of synergies within the group of companies as a whole. In the process, we clearly benefited from our extensive value-added depth and the flexibility of our technical platform.

In the period under review we pursued constant expansion of our regional presence in Europe and Asia. Not only does this assure us of the greatest possible proximity to our customers but it also guarantees us solid foundations for further future regional expansion. With several international locations in its target markets, the Wirecard Group is securing a unique competitive position in a market environment that remains strongly characterized by local requirements, as in the past. The geographical expansion that continued last year was accompanied by a consistent localization of our products and services.

An important strategic measure was the targeted optimization of internal processes and the application of information technology to enhance the efficiency and far-reaching automation of business processes. As a result, we succeeded in increasing our profitability once again despite a substantial rise in our transaction volume and the complexity of the services rendered by us.

With the increasing integration depth of our products and services in the value-added chain of our customers, our high service and product quality proves to be a key universal selling proposition. In the period under review, our quality lead turned out to be a distinct strategic competitive benefit and thus made a sustained contribution to our business development. A high quality awareness is one of the mainstays of our business strategy and will also accompany us in our further development.

Whereas fiscal 2006 was characterized to a decisive degree by the integration of the Wirecard Bank into the group of companies, in the reporting period we managed to benefit to a great extent from the course we had set in the past. At the same time, we successfully implemented our strategy of targeted regional expansion and consistent product localization and again recorded an increase in profitability by optimizing our internal business processes.

## 4. RESEARCH AND DEVELOPMENT

### 4.1. Orientation of our research and development activities

Product development of the Wirecard Group is constantly geared to the requirements of the market and of our customers. Inter-disciplinary cooperation within the group of companies and cooperative ventures with market research institutions allows us to identify value-adding innovation potential and implement it in a targeted manner. In this regard, innovation in conformity with demand ensures sustained sales potential and, therefore, our long-term success in business.

The extensive value-added depth in the group of companies and the immense geographical reach of our sales and partner network enable us to acquire a unique, holistic understanding of the dynamics of our market environment. This means we can identify market trends at an early stage and proactively help to shape them in many cases.

The unique flexibility of our technological platform allows us to perceive the increasingly shorter innovation cycles and associated changes as an opportunity. A modular and service-oriented software architecture enables us to flexibly change our business processes in conformity with market conditions at all times, and to respond speedily to new requirements on the part of our customers.

In fiscal 2007 our research and development activities were concentrated on the consistent further development of our product environment. In this context, our development activities focused on a consolidation of our technology and process infrastructure and on expanding the benefits of our existing range of products. It was not least due to this targeted, technology-aided optimization of our internal cost structure that we managed to boost our profitability yet again in spite of a substantial increase in our volume of business.

### 4.2. Capital expenditure on research and development

Adjusted research and development costs in fiscal 2007 amounted to 7.4 million euros. This corresponds to an increase of 48% year-on-year (2006: 5 million euros). The R&D ratio, i.e. the share of total sales revenues accounted for by adjusted research and development costs, amounted to 5.5% in the period under review (2006: 6.1%). The relevant expenses are included in the personnel expenditure of the relevant departments (Product Management, Development, etc.), in the advisory costs as well as in intangible assets.

### 4.3. Employees in Research and Development

The strategic significance of research and development for our success in business is clearly reflected in our personnel structure. Accordingly, personnel capacities in the fields of product and program management, development, quality assurance and infrastructure/operations amounted to 105 persons at the end of the period under review. This is equivalent to a percentage share of 23 percent of all Group-wide employees and an increase of 59 percent year-on-year.

The success of our research and development activities is attributable to a decisive degree to our employees. Their level of training, apart from their innovative ideas and commitment, is a critical factor in securing our technological competitive lead. Their extensive internal basic and advanced training program as well as access to outside vocational training facilities help to secure the high standard of qualifications of our staff.

Proactive personnel policy, a pleasant working environment, as well as competitive remuneration and incentive models protect the Company from the loss of top performing personnel.

### 4.4. Results of research and development

Fiscal 2007 was characterized by the continual further development of our product range and technology-aided optimization of our internal business processes. A large number of new, innovative functions were incorporated into our product suite in the period under review. These provide our business-to-business customers with access to new payment transaction and risk management processes and help them to further enhance the transparency and efficiency of their financial processes. Our benefits to consumers—the Wirecard Internet payment service as well as various products related with cards and accounts—were also consistently upgraded.

The range of services of the Wirecard Enterprise Portal (WEP) introduced in 2006 was extended considerably. As an Internet-based administration and reporting interface that is uniform throughout the Group, WEP facilitates cross-divisional tracking and control of business processes. The service-oriented architecture of the Wirecard Enterprise Portal allows functional modules to be flexibly incorporated and integrated as Web services. As a result, software and services from third-party providers can also be speedily linked to our original software modules at a favorable cost. Not only does this allow us to embed our systems environment into a uniform technological framework; it also makes it possible for our customers' systems to be integrated directly into common business processes. In consequence we have a technology-supported transformation of customer relations and a replacement of traditional customer-supplier relations with a new partnership-based model.

## 5. EARNINGS, FINANCIAL AND ASSET POSITION

### 5.1. Earnings position

In fiscal 2007 Wirecard AG succeeded in increasing both sales revenues and earnings in each quarter. The decisive reasons for this were a significant increase in our core business and the successful market launch of new products.

#### DEVELOPMENT OF SALES

Group sales revenues were up from TEUR 81,940 by 64 percent to TEUR 134,168. Our core EPRM segment made the main contribution to this positive trend. Sales revenues generated chiefly by the core field of activity of the Wirecard platform in the EPRM segment were raised by 74 percent, from TEUR 85,779 to TEUR 148,996. Sales revenues in the CCS segment, at TEUR 6,737, were approx. one percent lower than the previous year (TEUR 6,795).

#### DEVELOPMENT OF KEY EXPENDITURE ITEMS

The cost of materials, which amounted to TEUR 42,148 in the previous year, rose to TEUR 72,969, equivalent to an increase of 73.1 percent year-on-year, chiefly attributable to the EPRM segment.

Expenses on personnel rose by 46 percent in fiscal 2007, from TEUR 12,496 to TEUR 18,276. The primary reason for this was the expansion of our distribution structure. In relation to sales revenues, the personnel expense ratio declined to 14 percent (previous year: 15 percent).

The level of depreciation and amortization in the Group in fiscal 2007 rose from TEUR 1,097 to TEUR 2,048, equivalent to an increase of 87 percent.

Other operating expenses primarily relate to work sourced from third parties, costs of office and workshop space, marketing costs, administration, sales, and travel expenses. They were up to TEUR 14,291 in the year under review (previous year: TEUR 11,133) and amounted to 10.7 percent (previous year: 13.6 percent) of sales revenues.

#### EBIT DEVELOPMENT

The extraordinarily positive results of the previous year, with an increase in operating profit before interest and taxes (EBIT), was exceeded once again in the year under review by 78 percent. The Wirecard Group generated EUR 33.1 million in EBIT and improved its EBIT margin to 25 percent (previous year: 23 percent). The further improvement of an already positive operating result was achieved above all by strong market growth in our core fields of activity, new products, an increase in new customers, and the sustained scalability of our business model.



## FINANCIAL RESULT

The financial result (net financial income), which had amounted to TEUR 79 in fiscal 2006, was adversely affected by a goodwill adjustment arising from the acquisition of Wirecard Bank AG (TEUR -2,963) and amounted to TEUR -3,233 in 2007. On account of the changed purchase price allocation, goodwill was modified in favor of an adjustment of deferred taxes with an impact on profit and loss. The relevant loss carryforwards were confirmed to Wirecard Bank AG by means of tax assessment notices. Due to this once-off effect of deferred taxes, a tax gain of TEUR 4.993 was achieved in the current year. This has been taken into account in the income statement line item "Income tax expenses." For further particulars, please refer to the chapter "Income tax expenses and deferred taxes."

## TAXES

Due to the international orientation of business strategy and the use of the loss carryforward of Wirecard Bank AG, the tax rate (including the effects of deferred taxes) decreased to -2.1 percent (previous year: 17.2 percent). This tax gain is attributable to an increase of EUR 3.4 million in deferred tax assets in need of adjustment, due to tax assessment notices issued, by means of income tax loss carry-forwards at Wirecard Bank AG, amounting to approx. EUR 39.2 million with an impact on profit and loss. Excluding the effect of deferred taxes on the asset side and deferred taxes on the liabilities side (which are not cash-effective), the Wirecard Group has a tax rate of 9.1 percent, which corresponds to a tax charge of 2.7 million euros.

## NET INCOME AND EARNINGS PER SHARE

Earnings after taxes improved thanks to the positive business trend and the above-mentioned effects in net financial and tax income by 97 percent to TEUR 30,472 (previous year: TEUR 15,438).

## EARNINGS PER SHARE

The number of shares issued rose to a total of 81,429,915 in the course of the year until December 31, 2007. The number of shares listed in the commercial register amounted to 81,290,882 as at the balance sheet date. The difference results from the issue of 139,033 shares under the Employee Participation Program in the fourth quarter, which had not been registered as yet by the balance-sheet date.

Basic and diluted earnings per share, respectively, amounted to EUR 0.38, compared with EUR 0.20 in the previous year.

## 5.2. Financial position

### PRINCIPLES AND OBJECTIVES OF FINANCE MANAGEMENT

The primary objective of finance management is 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. (see Chapter 7, Risk management system with reference to financial instruments).

### CAPITAL AND FINANCING ANALYSIS

The equity capital of Wirecard AG rose from TEUR 108,422 to TEUR 163,888, attributable to the level of net income generated in fiscal 2007 and to the cash capital increase (TEUR 277) and capital increase by assets (TEUR 1,723) affected in the fourth quarter. The equity capital ratio, at 41.2 percent of total assets, declined by 51.8 percent year-on-year, which is attributable to an increase in our customer deposits (from TEUR 27,466 in 2006 to TEUR 41,858 in 2007) at Wirecard Bank AG, as well as higher credit balances of acquiring customers (from TEUR 2,755 in 2006 to TEUR 47,677 in 2007). Excluding these deposits and credit balances, the equity capital ratio in 2007 would have amounted to 53.2 percent.

The slight increase in borrowed funding was the result of a partial third-party financing with regard to the purchase of a European customer portfolio in October 2007.

The level of subscribed capital amounted to TEUR 81,429,915.00 as at December 31, 2007 and is divided up into 81,429,915 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. This increase in subscribed capital in relation to the previous year is attributable in part to the subscription to 139,033 new shares effected in the 3<sup>rd</sup> and 4<sup>th</sup> quarter from the Company's contingent capital due to the partial exercise of the right to conversion relating to the convertible bonds. Beyond that, in connection with the corporate acquisitions a cash and non-cash capital increase from authorized capital was made by 2,000,000 shares entered in the commercial register on November 20, 2007.

By resolution of the annual general meeting of December 14, 2004, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the company's common stock by December 14, 2009, on one or several occasions, by issuing new no-par-value bearer shares against cash or non-cash contributions by up to EUR 26,334,867.00 (authorized capital). This has not been fully used up yet. As at January 1, 2007, the authorized capital amounted to EUR 15,601,917.00. This was reduced by EUR 2,000,000 in the period under review due to the cash capital increase and capital increase by assets. Accordingly, the level of authorized capital as at the balance sheet date came to EUR 13,601,917.00.

The Management Board was authorized by a resolution adopted at the Annual General Meeting of May 30, 2006 to acquire own shares equivalent to an arithmetical share of the company's common stock of up to 10 percent. This authority was limited until October 30, 2007. The Company did not exercise this authority in 2007 either. Due to the conversion during the year under review of 983.250 convertible bonds by exercise of the right of conversion, the company's contingent capital was reduced to EUR 810,937.50 within the relevant exercise periods. For further information please refer to the Notes.

The Company is not in receipt of any reports to the effect that a shareholder holds a share of voting rights or more than 10 percent, whether directly or indirectly. The Company's Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

Trade payables essentially relate to debts owed to merchants and may be subject to substantial fluctuations due to reference-date related effects. These partly comprise amounts due and payable at short notice, but also security deposits (holdbacks) on the part of merchants.

#### **INVESTMENT ANALYSIS**

Criteria for investment decisions in the Group of Wirecard AG in principle include capital employed, the securing of a comfortable cash flow availability, an intense analysis of potential risks as well as of the opportunity/risk profile, and 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 into account extensively.

Of total investments made in 2007, a gross investment volume of EUR 48 million, which was reduced to approx. EUR 43 million net due to contractually agreed purchase price adjustments, was accounted for by the purchase of a European customer portfolio of about 1,000 customers. Other investments amounting to EUR 17 million due to the better-than-expected success of the customer portfolio acquired in 2006 (generating what are known as earn-out payments), as well as approx. EUR 5 million in investments for software predominantly developed in-house.

#### **LIQUIDITY ANALYSIS**

The Treasury Management responsible for the Group as a whole ensures timely availability of liquidity for all corporate divisions in order to avoid taking out loans and paying interest falling due on borrowed funds. The positive development of the operating business, above all at Wirecard Bank AG, led to a pronounced increase in liquidity in the course of the year. This was essentially due to increased customer deposits and a sharp rise in credit balances of acquiring customers. The level of cash and cash equivalents rose from TEUR 59,537 to TEUR 157,194. Cash in hand at Wirecard Bank AG amounted to TEUR 98,395 as at December 31, 2007 (previous year: TEUR 34,797). Liabilities to banks on the part of the Group came to TEUR 11,529 (previous year: TEUR 10,917).

**RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES:**

31.12.2007	Current assets	TEUR 236,282	= 1.11
	Current liabilities	TEUR 213,259	

31.12.2006	Current assets	TEUR 116,741	= 1.32
	Current liabilities	TEUR 88,708	

**ASSET POSITION**

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, etc.

It is corporate policy to value long-lived assets conservatively and to capitalize them only if this is required in terms of international accounting standards.

**NOTES OF ACQUISITIONS**

In October 2007 TrustPay International AG, Grasbrunn, (Germany) was acquired. At the time of purchase, TrustPay International AG consisted of the corporate groups Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) and Qenta paymentsolutions Beratungs- und Informations GmbH, Klagenfurt (Austria) along with webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria).

A total purchase price of TEUR 42,785 was agreed for this purchase. This purchase price was serviced at a level of TEUR 19,546 and will be serviced at TEUR 23,239 in 2008.

The goodwill increased by TEUR 41,787 due to the purchase of TrustPay International AG. The purchase of this group of companies was a further step in the Wirecard Group's strategic positioning. This enabled it to further extend its leading market position. The customer portfolio acquired represents an extension of the existing inventory and will thus reinforce the position of Wirecard AG. The customer portfolio will have a positive impact on the earnings and financial position of Wirecard and is expected to make a positive contribution to EBIT according to the Company's plans for fiscal 2008.

For further information concerning the acquisition please find details in the notes to the consolidated cash flow statement.

## 6. SUBSEQUENT REPORT

### **GUIDANCE 2008**

On the occasion of the announcement of the preliminary sales and earnings figures on January 31, 2008, the Management Board forecast an EBIT increase by more than 45 per cent for fiscal 2008.

### **PUBLICATION OF THE TOTAL NUMBER OF VOTING RIGHTS IN ACCORDANCE WITH § 26A OF THE GERMAN SECURITIES TRADING ACT-WPHG**

On January 31, 2008 Wirecard AG reported that the total number of voting rights at the end of the month of January 2008 numbered 81,431,868. The change to the total number of voting rights has been in force since January 14, 2008.

### **DISCLOSURES PURSUANT TO §26 1 OF THE GERMAN SECURITIES TRADING ACT - WPHG**

On January 15, 2008 the share of voting rights held by William Blair & Company, LLC, Chicago, Illinois, USA exceeded the threshold of 5% with 5.41%.

On January 16 and 18, 2008 the share of voting rights held by Threadneedle Asset Mgmt. Limited, London, UK (by aggregation of voting rights from various Threadneedle-companies/fonds) fell below the threshold of 3% with 2.934%.

On February 1, 2008 the share of voting rights held by Sloane Robinson LLP, London, UK, (by aggregation of various voting rights) fell below the threshold of 3% with 2.87%. On February 6, 2008: correction to 2.84% voting rights.

On February 20, 2008 the share of voting rights held by Artisan Partners Limited Partnership, Milwaukee, Wisconsin, USA (by aggregation of various voting rights) exceeded the threshold of 3% with 3.002%.

On March 11, 2008 the share of voting rights held by Sloane Robinson LLP, London, UK, (by aggregation of various voting rights) exceeded the threshold of 3% with 3.01%.

For more details on the above disclosures please visit <http://ir.wirecard.com> "Investor News".



## 7. RISK REPORT

The following chapters explain the systems deployed by the Wirecard Group for risk management purposes and comprise a list of various risk categories and individual risks the enterprise is confronted with.

### 7.1. Risk and opportunity management

In the interests of securing the Company's success on a long-term, sustainable basis, it is indispensable to effectively identify, analyze and assess dangerous trends and risks unfolding at an early stage, to control and monitor these on an ongoing basis and to document them accordingly. To the extent possible, corrective counter-measures must be adopted and risks mitigated or neutralized in order to optimize the Company's risk position in relation to its earnings. By the same token, however, opportunities are also identified, evaluated and taken throughout the Group in order to secure trends for further growth and to boost the Groups earnings in the process. The valuation of opportunities is made predominantly in relation to the positive impact of an opportunity realized on the Company's business results, potential positive reputation effects on the market as well as potential regulatory and/or legal implications. In terms of our value-oriented corporate governance, we carefully weigh the risks and opportunities available.

The Wirecard Group has a standardized risk management system in place throughout the Group's business processes for early identification, assessment, and consistent handling of risks in all operating units. This enables risks to be identified and assessed on a timely basis for the probability of their occurrence and the extent of the potential loss or damage. The valuation of the extent of damage is made predominantly in relation to the impact of an event of loss or damage on the business side of the Company, potential reputation losses on the market, as well as potential regulatory and/or legal implications. Apart from operating risks, these also record financial, economic and market-related risks and therefore provide a holistic view of the Company's risk structure.

Within the scope of a formalized risk reporting system standardized risk measurement values provide the Board of Management with a current view of our overall risk situation. The reporting system on relevant risks is controlled by pre-defined threshold values. In addition to regular reporting, there is a company-wide duty to report any occurrence of unexpected risks. Appropriate guidelines and instructions for action create a uniform framework for dealing with potential risks. Ongoing audits and appropriate control systems ensure the functionality and reliability of the risk management and risk reporting system.

Furthermore, the corporate auditing department verifies compliance with statutory regulations and internal corporate guidelines within the scope of targeted checks, and initiates appropriate corrective measures where necessary.

## 7.2. Dependency relating to economic risks

The transaction-based business model of Wirecard AG can be indirectly affected by risks in connection with consumer behavior. According to current eCommerce market assessments by the leading institute quoted in the Management Report forecast constant positive growth for the next several years, particularly in the target markets of Europe and Asia. Their economic forecasts do not pose a direct risk at present. A slight increase in the inflation rate in these countries would have only a minimal impact on eCommerce sales revenues.

### **BUSINESS TRENDS OF OUR CUSTOMERS**

Owing to our primarily transaction-oriented business model, the financial success of the Wirecard Group is directly dependent on the business trends of our customers or generally dependent on the further development of electronic trading. Negative influences of both trends could be caused by the general economic situation, limited availability of technical infrastructure (e.g. the Internet) or changes in consumer behavior. While a strong diversification of our customer portfolio in terms of services rendered, geographical markets and industries results in effective compensation for temporary fluctuations in the individual customer segments, the Wirecard Group remains dependent in principle on the general worldwide economic situation and global consumption patterns.

### **WILLINGNESS TO INVEST ON THE PART OF OUR CUSTOMERS**

The fact that our business model is primarily transaction oriented means that the introduction and use of products and services from the Wirecard Group calls for only a very slight level of initial investments by most customers. However the investment is subject to a customer-directed decision-making process that is influenced by a large number of factors. Changes to the overall social, political or legal situation can have a negative impact on a customer's willingness to invest or delay or postpone investments planned. These risks are particularly evident in countries suffering from increased legal, political or social instability. Unless this happens to be a global phenomenon, a significant influence on our business development due to a reduction in the willingness to invest on the part of one or several customers appears to be improbable.

### **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 fundamentals and regulatory requirements have an influence on our sales activities and the business trends of our customers.

For instance, legal uncertainties prevailing in some regions can restrict the possibilities of enforcing our rights and claims, along with a deterioration in general economic conditions, political and social unrest, nationalization and confiscation, non-recognition of foreign debts by the state, exchange control regulations and devaluation or depreciation of local currencies. Regional risk includes the transfer risk that arises if debtors are unable, due to direct state intervention, to transfer assets to non-residents in order to meet their obligations that have become due and payable.

Moreover, in particular legal rules and regulations for use of the Internet or guidelines concerning the development or availability of software and/or services can differ profoundly both on a national and international scale. For instance, customers wishing to make use of online pharmacies, the international mail order trade, tourism and entertainment are subject to a high degree of national or international regulation. We counteract the associated risks to the business activities of the Wirecard Group by cooperating intensively with regional or specialized law firms that accompany the launch of new products along with ongoing business processes and business relations. We perceive conformity with national and international underlying legal conditions as an indispensable basis for sustained business development and have assigned a great deal of importance to complying with all the relevant regulatory requirements, both internally and with regard to our customers.

### **RISKS ARISING FROM A TREND REVERSAL WITH REGARD TO OUTSOURCING**

Apart from a fundamental dependency on the 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 service provider, there is the risk of a trend reversal in the direction of in-sourcing 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.

### 7.3. Market and industry risks

#### **RISKS ARISING FROM INTENSIFIED COMPETITION**

The Wirecard Group operates in a market environment characterized by strong consolidation of the range of providers available. At the same time, large-scale organizations like Google or Amazon are making increased efforts to penetrate our market and, in doing so, not only represent intensifying competition but are also accelerating the further consolidation among existing market participants. In the event that customers are intimidated or that there is increased competition from new or stronger rivals, this development could have a negative impact on our business development. However, unique market position which we hold by combining technology enterprises with banking facilities, has secured a substantial competitive lead for our enterprise. At the same time, our role as one of the leading European providers of payment processing and risk management solutions implies that we ourselves are a driving force behind the current consolidation movement and can therefore play an active role in shaping it.

#### **RISKS ARISING FROM PORTFOLIO CUSTOMER BUSINESS**

We generate a substantial share of our sales revenues from our extensive portfolio of existing customers. Should a significant proportion of our regular customers should decide not to continue doing business with the Wirecard Group, this can have a negative impact on the development of our business. However, in view of the high stability of our existing customer business in the past fiscal years and our competitive range of products and services, we consider a trend of this kind highly unlikely.

### 7.4. Personnel risks

#### **AVAILABILITY OF QUALIFIED STAFF**

Qualified and motivated employees represent a material basis for sustained success in business. Business development of the Wirecard Group depends to a decisive degree both on our ability to foster the loyalty of our existing employees to the Company and to recruit new members of staff.

The short-term loss of a large number of key service providers can have a negative impact on our business development. By relying on a proactive human resource policy, profit participations, facilities for advanced training and an attractive working environment, the Company protects itself from the loss of key employees. As the level of staff fluctuation was again low in the period under review, we also consider the risk of a significant impairment of our business development through the loss of key employees to be negligible in fiscal 2008.

## 7.5. Information and security risks

### **RISKS ARISING FROM PUBLICATION OF BUSINESS SECRETS**

Mandatory and binding security standards and directives throughout the Group for internal and external communications, as well as comprehensive measures ensuring technological safety and security serve to counteract the risk of internal information being published, for instance about future products, technologies or strategies.

The publication of confidential information on future strategic activities can result in a considerable impairment to our business development. Against the backdrop of extensive security measures and the continual audit of our procedures and infrastructure by third parties, we believe there is a low probability of this risk eventuating.

### **RISKS ARISING FROM PUBLICATION OF CUSTOMER DATA**

Due to the nature of the business activities of the Wirecard Group, information is available within the consolidation perimeter both on the business activities of our corporate customers and on the shopping behavior and credit status of consumers. Binding security standards and guidelines throughout the Group for dealing with customer data, and comprehensive technological security and protection measures serve to counteract the risk of customer data being published.

The publication of confidential customer data can have a substantial adverse impact on our business development both on account of reputation loss and direct claims for damages. Against the backdrop of extensive security measures and the continual audit of our procedures and infrastructure by third parties, we believe there is a low probability of this risk eventuating.

## 7.6. Legal and regulatory risks

Being an enterprise operating with an international reach, we are exposed to various legal and regulatory risks. Contractual negotiations and tax-law-related issues are of particular significance in the field of cross-border trading activities. The expertise necessary for assessments of day-to-day operations is contributed by our qualified staff. To further mitigate risks, when dealing with complex issues we enlist the services of external legal and tax consultants. At present there are no legal disputes of any kind the outcome of which could have a notable impact on our earnings or asset position.



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. We take account of these potential risks by stipulating our choice of law and place of jurisdiction in agreements wherever possible. Moreover, receivables are also consistently collected in the international environment, with appropriate collateral also being agreed with contracting parties in this regard.

For certain legal risks, we have taken out third-party liability insurance with cover sums considered appropriate and customary in our industry by Group Management. We set up provisions for legal disputes whenever an obligation is likely to arise and an adequate assessment can be made of the amount involved. The provisions set up for legal disputes might turn out to be inadequate to cover any losses or expenses that may ultimately result.

Wirecard Bank AG is a member of the credit card companies MasterCard and VISA (a so-called Principal Member) both for “Issuing,” i.e. issuing cards to end-customers and in the field of “Acquiring,” i.e. acquiring merchant acceptances. In the Acquiring segment, it also has an appropriate license from JCB International Co., Ltd.

In the theoretical event of termination or cancellation of these license agreements, the business activities of Wirecard AG would be impaired. By communicating constantly with the credit card companies and complying strictly with contractual and regulatory parameters, we mitigate this risk. This risk is also unlikely to eventuate on account of contractual security and thanks to additional protective mechanisms in place.

## 7.7. Financial risks

### **RISK MANAGEMENT SYSTEM WITH REFERENCE TO FINANCIAL INSTRUMENTS**

Due to the highly diversified customer structure of the Wirecard Group, there are no substantial cluster risks.

Risks of a fundamental nature do exist in the following fields of activity, however:

#### **Risks arising from our customers defaulting on their payment obligations**

At the time of entering into a contractual relationship, we devote a great deal of attention to our customers' credit status and liquidity, and monitor these with our internal debtor and liquidity management system, which meticulously tracks incoming payments and receivables, as well as external information such as credit rating checks, with which we have had positive experiences in the past. 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 our customers are covered by individual security retentions (reserve) which, due to close monitoring of the merchant business, are adjusted on a regular basis.

#### **Exchange rate risks of receivables outstanding in foreign currencies**

Any anticipated holdings of foreign currency arising from transaction charges not generated in the euro zone by our Company are partly hedged by appropriate forward exchange transactions and currency options. No forward exchange operations or currency options are deployed with the intention of speculating on gains.

#### **Risks in the capital financing segment**

In the financing sector, interest lock-ins until final repayment on maturity ensure that there are no risks of interest rate fluctuations.

#### **Risks in the field of capital investments**

Wirecard AG continually invests a substantial amount of liquidity not needed in demand and time deposits as well as overnight call money. Impairments of the ability to repay on the part of the credit institution with which the investment was made can lead to a reduction of the capital invested. Accordingly, in the field of investments we pay very strict attention to the form and term of investment, limits on amounts invested and the spread thereof across contracting parties as well as their ratings and credit standing.

## 7.8. Project risks

### **RISKS IN THE CASE OF CUSTOMER PROJECTS**

The successful realization of a customer project depends on a large number of factors. In many cases, these cannot be influenced by us directly, or only to a limited degree, but may nevertheless have a negative impact on the Company's business development due to increasing project expenses. Moreover, negative project developments through our own fault for example due to bottlenecks in resources can lead to damages being claimed by customers and image loss for our Company.

Active project risk management as well as targeted optimization of the risk profile of customer projects serves to mitigate project risks. Risk management of customer projects is fully integrated into the Group-wide risk reporting system. Since the majority of our customer projects are standardized integration processes, on the basis of the overall structure of our project portfolio we do not perceive any material risk of a negative impact on our business development for the future either.

## 7.9. Product and IT risks

### **RISKS ARISING FROM THE DEVELOPMENT OF PRODUCTS**

The need to ensure that our 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 expenses; 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. By means of regular quality controls, we take precautions against faulty software. Strict project controlling ensures compliance of all procedures with internal Group and external regulatory parameters along with the highest of quality standards in development activities and operations. In view of the strict quality standards of our product development, we do not anticipate any significant impairment of our business activities arising from the risks associated with the development of new products.

### **RISK ARISING FROM PRODUCT INNOVATIONS**

The primary focus of our sales activities on the acquisition of large and medium-scale customers calls for the establishment of a complex portfolio of products and services that is partly specialized in selected industry segments or geographical areas. While small-scale customers only need a standardized spectrum of services with little complexity, the large-

scale customer and SME segment requires constant product innovation and, therefore, higher initial investments in the development of new products. By means of a dedicated 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.

#### **RISKS ARISING FROM THE UTILIZATION OF THIRD-PARTY SERVICES**

Parts of the spectrum of products and services of the Wirecard Group call for the commissioning of external software products and services. Among other things, these comprise the development and operation of systems of decisive importance for the business activities of the Wirecard Bank. Qualitative deficiencies in services rendered or the complete elimination of such systems or services can have a negative impact on the business development of the Wirecard Group due to direct losses of sales revenues, reputation losses or the assertion of claims for damages. 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. This can potentially lead to significantly higher development expenses in the short term.

A targeted selection of suppliers in accordance with the strictest of quality criteria, active service level management and extensive redundancy and backup solutions provide far-reaching protection from the risks arising from the deployment of third-party services. Taking account of the protection and hedging measures indicated, we consider the occurrence of a significant impairment to our business development arising from the risks described above as improbable.

#### **RISKS IN CONNECTION WITH THE INTEGRITY OF CUSTOMER DATA**

Due to the nature of business activities of the Wirecard Group, within the consolidation perimeter substantial transaction data inventories are available on both business customers and consumers. Binding security standards and guidelines throughout the Group for dealing with customer data, extensive quality assurance measures during project development, and comprehensive technological security and protection measures serve to counteract the risk of customer data being falsified. The falsification of customer data can have a negative impact on our business development both on account of a direct liquidity outflow due to disbursement errors in payment transactions of Wirecard Bank AG, and because of lost sales revenues due to incorrect statements in other fields of activity. Moreover, this may give rise to loss of reputation and direct claims for damages being brought by customers. Against the backdrop of extensive security measures and the continual audit of our procedures and infrastructure by third parties, we believe there is a low probability of this risk eventuating.

#### **RISKS ARISING FROM THE ORGANIZATION AND OPERATION OF INFORMATION SYSTEMS**

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

The information systems of the Wirecard Group are based on cost-efficient, modular and standardized technologies. By means of flexible processes and short product development cycles, our IT does justice to its pioneering role as a trailblazer for new business models and facilitates speedy market rollout of new products. An infrastructure with high availability ensures the continuous operation of our systems. An extensive quality management system guarantees that the quality benchmarks required for the development and operation of IT systems appropriate for banks are met. Against the backdrop of the new technology and process framework introduced in 2006 and continual investments in improving our infrastructure, we perceive the risk of an impairment of our business activities in the field of our information systems as low.

#### 7.10. Summary of overall risk

On the whole, we recorded positive development statistics of the overall risk structure in the period under review. Of the quantifiable risks identified within the scope of Group-wide risk management, from our current perspective none falls within the category of risks that could threaten our present status.



## 8. FORECAST REPORT

### 8.1. General economic conditions in the following two fiscal years

According to a forecast by the International Monetary Fund (IMF), global Gross Domestic Product will grow by 4.1 percent in 2008. For Asia, growth is expected to reach 8.6 percent, chiefly on the back of China's growth rate of 10.0 percent (previous year: 11.4 percent). In central and eastern Europe, Gross Domestic Product is expected to rise by approx. 4.6 percent in 2008.

For the European Union as a whole, the EU Commission anticipates an economic growth rate of 2.0 percent for 2008 with 1.8 percent being expected for the euro zone. The ECB economists predict an inflation rate of 2.9 percent for 2008, which is, however, expected to decrease again in the fourth quarter of 2008.

The German Institute for Economic Research (DIW Berlin) expects economic development to remain positive in 2008 and 2009. The chief economists of leading private banks in Germany have forecast a growth rate of 1.6 percent for this year and 1.8 percent for 2009. According to a current economic activity survey conducted by the Federal Association of German Banks (*Bundesverband deutscher Banken – BdB*) among the chief economists of its member banks, consumer spending by private households will increase by 1.4 percent this year, and by 1.6 percent in 2009.

### 8.2. Future industry situation

#### **MARKET GROWTH IN ECOMMERCE:**

##### **INTERNET TRADING VOLUME TO RISE BY 137 PERCENT BY 2012**

Jupiter Research (European Internet Retail Forecast, 2007 to 2012) assumes that the number of European consumers who buy merchandise or services online will grow from 112.4 million in 2006 to 170 million by 2012. Of the new online shoppers, 56 percent will be from the three major eCommerce markets (United Kingdom, Germany and France) alone. For the southern European nations, the number of Internet shoppers is expected to increase by 80 percent in the next several years.

However, the ongoing internationalization of Internet trading also poses fresh challenges for merchants. High localization expenses of Internet offers are significantly accelerating the trend toward outsourcing payment process and risk management services.

Jupiter Research expects the Internet trading volume in Europe to grow by 137 percent by 2012. This corresponds to a share of total European trade amounting to 4.9 percent of the segments of merchandise, downloads and tickets recorded by Jupiter Research, but this does not include the particularly fast-growing tourism sector.

Forrester Research, in its brief study published in January 2008, “Trend 2008: European eCommerce And Online Retail” forecast ongoing eCommerce growth. According to this study, new online shoppers alone will account for more than 31 percent of the trading volume. A growing number of Europeans are using the Internet in the interests of targeted, time-saving shopping. Merchandise produced by ecologically correct manufacturing, digital content and luxury articles are popular at present.

#### **ONLINE SALES CHANNEL OF INCREASING SIGNIFICANCE**

Potential influences of cyclical or general economic trends on the business statistics of the Wirecard Group are being offset by the constantly increasing significance of the Internet for trading purposes. The online sales channel is becoming more and more important alongside conventional brick & mortar trading. Sales revenues of the stationary retail trade are gradually shifting in the direction of alternative distribution channels; this applies in particular to mail orders placed on the Internet. In addition, a growing number of producers are opting in favor of direct distribution, additionally marketing their products via the Internet.

Consumers are becoming increasingly sophisticated; providers who increase the functionality of their shopping pages and offer a large variety of payment methods and flexible delivery services will be among the winners. A current study conducted by Forrester for the U.S. market also documents that the Internet-enabled population strata that also shop online and make their travel arrangements on the Web generally have higher incomes and are therefore hardly likely to curtail their consumer behavior even in more uncertain economic times.

As a result, the level of eCommerce growth anticipated in the pan-European region will continue at an annual rate of about 20 percent until the year 2010, as forecast by Forrester.

#### **TRADE**

Mail-order trade is converging into a multi-channel range of products and services. According to the German Institute for Trade Research, the categories of catalog-based, Internet and stationary business are increasingly being synchronized. This will pose a challenge to retail and wholesale business in the sense that they will need to broaden their positioning and make shopping as convenient as possible for consumers. After all, one distribution channel does not exclude another; they frequently complement each other.

The German Federal Association of Mail Order Houses (*Bundesverband des Deutschen Versandhandels – bvh*) expect eCommerce sales to rise again in the German trading sector this year. According to a current forecast, the online merchandise trade will increase by 9 percent in 2008, to reach 11.9 billion euros in sales revenues. According to business consultant Goldmedia, teleshopping sales will also rise by up to 1.5 billion euros by 2011.

## **TOURISM**

According to forecasts by the Centre for Regional and Tourism Research (CRT), online sales alone in the European tourism industry are to rise by 18 percent from 2007 to 2008. What is also interesting in this regard is the evident trend of a shift from offline (stationary outlets or travel agencies) in the direction of online trading: the share in relation to the travel market as a whole will grow by 22.5 percent this year and, according to CRT, will expand by as much as 25.2 percent from 2008 to 2009.

Some 25.3 million Germans plan to book a last-minute trip this year. Consumers are increasingly better accustomed to booking their short vacations online and will also extend their experience to include other forms of travel at some point. These are the findings of Ulysses Management, a research institute specialized in tourism, in its annual study, “WEB-TOURISMUS.”

The current edition of the “European Online Travel Overview” from PhoCusWright (“European Online Travel Overview Third Edition”) has examined the latest growth drivers among the TOP 5 European travel markets in the UK, Germany, France, Spain, and Italy. What emerged was that both cultural as well as technological, strategic and tax-related influences differ profoundly in the individual European countries. Paying online is an established practice in Germany, even though there still is substantial reluctance to using credit cards. The English already show greater routine in this regard, with twice as many people booking and paying for their holidays online. Significant differences also prevail in southern Europe: Spaniards book more travel arrangements on the Internet than, say, the Italians.

## **DIGITAL GOODS**

Whether for entertainment, digital merchandise purchases or as a source of information, downloads are part of everyday life and in most cases are no longer settled via micro-payment function. Music downloads are growing at a rate of more than 30 percent. According to a current survey conducted by the market research institute GfK for BITKOM (*Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.*) revealed that the number of music downloads last year rose to 34.4 million singles and albums worth 60 million euros. This is a third more than in 2006 (25.9 million).

The online game market continues to grow unabated. According to a report by Strategy Analytics “Online Games: Global Market Forecast”, by 2011 the annual growth rate worldwide is to reach 25.2 percent on sales of 11.5 billion US dollars. Massive Multiplayer Online Games (MMOG) are included in this figure with an 11 percent share.

### 8.3. Orientation of the Group in the next two fiscal years

In fiscal 2007 the Wirecard Group succeeded in further extending its position as one of the leading technology enterprises in the field of electronic payments, risk management and communications solutions. This also reflected the many and various synergy effects with Wirecard Bank AG and the unique possibilities yielded by a combination of the two elements of technology and banking. The enormous value-added depth in the Group contributes substantially to the competitiveness of our products and represents a material growth and profitability driver. In particular, the successful integration of the customer portfolios acquired illustrates the potential arising from this unique position of the Wirecard Group.

Flexible, efficient work procedures represent the essential basis for sustained growth. In this context, the internal processes of the Wirecard Group will continue to feature a high degree of automation and scalability and will make an important contribution to the profitability of business activities. The increasingly close-knit and technology-aided link between our own internal business processes and the work procedures of our customers will reinforce the intensity of individual business relationships and continue to have a massively positive influence on our business trends.

### 8.4. Planned corporate policy changes

Organic growth will remain the foundations for business development of the Wirecard Group in future. The basis for this is an extensive portfolio of products and services. As a result, we will continue to invest in the development of new products and the optimization of existing ones in future. Product development measures to be focused on will include the extension of further payment and risk management procedures along with our solutions for payment transactions between companies and card-aided products for consumers.

Our past development and positioning – in addition to the successful integration of customer portfolios acquired – has been characterized by consistent maintenance of our strategy; accordingly, no material corporate policy changes are to be expected in the following two years.

## 8.5. Future sales markets

Additionally we believe the European and Asian markets will yield the most significant growth potential in future. The branch opened in the Philippines at the end of 2007 constitutes a strategic point of entry into the Asian markets and is making a key contribution to the strategic establishment of an important future market. At the same time, we will also continue to extend our regional presence in the European home market.

The basis of our organic growth is an extensive portfolio of products and services. Apart from investments in distribution and marketing, we plan to continue investing in the development of new products and in the optimization of existing products. Product development measures to be focused on will include the extension of further payment and risk management processes. In doing so, we will concentrate primarily on our solutions for payment transactions between businesses and card-supported products for consumers.

Business with cooperation partners will also feature as a significant growth driver in future. The partnership network is being continually extended worldwide with a view to facilitating access to new markets with innovative products and partner models.

Our robust organic growth can be selectively augmented by targeted acquisitions. In the process, our acquisition strategy will be primarily targeted at developing access points to new markets as well as the immediate broadening of the existing customer portfolio.

## 8.6. Future application of new processes

Wirecard AG responds to a constantly changing market environment due to advances in technology and also regulatory measures by realizing new technological processes.

## 8.7. Future products and services

Our existing products and services will remain subject to constant further development and optimization in the future in terms of their functionalities, service depth and international deployment capabilities. The existing portfolio of products and services will also represent the basis of our business development in the forthcoming years.



## 8.8. Expected earnings and financial position

### FINANCIAL POSITION

In 2008 the Wirecard Group will consistently continue its return-oriented policy of growth and expansion in its home markets and abroad. Forward-looking corporate strategy and a highly efficient business model provide very strong foundations for a successful fiscal 2008.

Following the successful organic growth last year as a whole and the acquisition of the customer portfolio in October 2007, the Company aims to maintain a comfortable equity capital ratio for fiscal 2008 and 2009.

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.

Moreover, we plan to adhere to our policy of paying out a dividend to our shareholders in the medium term from the free cash flow generated. In doing so, potential impacts that might arise due to the Wirecard Group's proactive participation in a further consolidation of the market will need to be taken account.

### EARNINGS POSITION

Earnings before interest and taxes (EBIT) is our key control ratio that sets the standards throughout the Company, from Controlling all the way through to assessing the profitability of individual fields of activity. Accordingly, our guidance for fiscal 2008 is also based on this success-oriented key ratio.

The Board of Management expects a substantial increase in earnings by more than 45 percent for fiscal 2008. The basis of this forecast is a significant rise in sales revenues, economies of scale arising from our transaction-based business model as well as the expected contributions to earnings generated by the acquisition of the European customer portfolio in October 2007.

We take it for granted that we will continue to see robust growth with our business customers and will constantly increase the number of new customers. Based on the forecasts of research institutes of note, the burgeoning eCommerce market growth will continue in the forthcoming years in our strategic markets in Europe and Asia. As in recent years, we are confident of our ability also to outperform market growth in future thanks to our unique market position by combining technology and software with innovative banking services.

The sharp level of sales revenue growth and our efforts to achieve a disproportionately low increase in operating costs are to make an important contribution to improving our operating result yet again. Maintenance of disciplined management of costs and risks will continue to play an important role in the future development of our business.

Furthermore, we expect additional new products and further advancement of existing ones, the expansion of profitable business operations as well as efficiency enhancements to operating processes to produce a positive impact on our operating income.

### 8.9. Opportunities arising from the development of underlying conditions

The unique possibilities arising from combining a technology enterprise with a bank, our extensive portfolio of products and services, as well as a positive market environment will provide us with numerous fresh opportunities. Electronic trading remains dynamic, as in the past, and will also constitute an essential growth driver of the Wirecard Group in years to come. On account of the primarily transaction-oriented business model, we benefit both from business development of our portfolio customers and from the growth of our new customer business.

Due to an increasingly competitive environment, somewhat volatile economic fundamentals and increasing cost pressure, the trend in the direction of outsourcing entire business processes in many companies will continue to grow. The targeted outsourcing of partial processes to the Wirecard Group will enable companies to concentrate their resources on their original core business activities and to secure both their innovative and investment capabilities in an increasingly fierce competitive environment.

The unabated trend of consumers moving in the direction of card-supported payment processes will continue, and will open up new opportunities for the Wirecard Group. By having already marketed prepaid card products for consumers as early as today, we are already prepared for the substantial growth potential this market is expected to yield.

In the field of card-based payment transactions, with the burgeoning volume of prepaid cards in recent years, an alternative to conventional credit cards or direct debits has also been established in the European market. A report published in March 2008 by the Mercator Advisory Group titled “The Evolving Landscape for Prepaid Cards in Latin America and Europe” confirms the increasing acceptance of prepaid cards as a payment alternative in Europe.

Payments via these cards can only be made from previously deposited credit balances, as in the case of prepaid telephone cards. All the attributes of a conventional credit card (card number, expiry date, VCC code) can also be found on prepaid cards. Moreover, such cards are not tied to the issue of a physical, plastic card but can also be issued in purely virtual format (e.g. [www.mywirecard.de](http://www.mywirecard.de)).

Prepaid cards are the ideal card product for consumers to take part in cashless payment transactions without being confronted with the drawbacks of conventional credit card products – such as lack of transparency relating to costs or the risk of being overindebted. However, they also represent an alternative or additional option for people who do not wish to use their conventional credit card for payments on the Internet for security reasons. From the merchant's point of view, prepaid cards are a secure method of payment thanks to their function of being covered by a credit balance. From the merchant's perspective, payments using prepaid cards from VISA or MasterCard are made via the merchant's existing credit card acceptance agreement.

The prepaid card market in Europe today is still in its infancy. According to a study by the Boston Consulting Group and MasterCard, in 2010 a trading volume for prepaid card products of 164 billion US dollars is expected for Europe alone. This corresponds to roughly a quarter of the global volume of trade, amounting to 645 billion U.S. dollars.

In general, the procedures and methods in use for Internet payment transactions are likely to undergo significant further development in future.

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

The Wirecard Group today is one of the leading international providers of electronic payment processing and risk management solutions. In the following two years we will continue our concentration on sustained, organic growth. Overall economic development as well as the trends of relevance to our business activities in the field of electronic trading and our innovative portfolio of products and services will help to secure our successful positioning in global competition.

Internationally, only a few innovative and financially sound enterprises will be in a position to meet the highly specialized, technological and qualitative requirements of customers on a sustained basis. Thanks to our robust earnings capacity, our state-of-the-art technology and the new possibilities afforded by Wirecard Bank AG, Wirecard AG will secure a significant, sustained competitive lead in this market environment.

The Board of Management released its annual forecast for fiscal 2008 in January 2008. Earnings before interest and taxes are expected to be boosted by more than 45 percent. This corresponds to EBIT amounting to at least 48 million euros.

8.11. Warranty by the statutory representatives and disclosures  
in accordance with §37y No.1 of the German Securities  
Trading Act (WpHG) read in conjunction with §§297 2 (4)  
and 315 1 (6) HGB

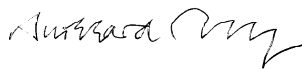
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich/Grasbrunn, March 2008

**WIRECARD AG**



Dr. Markus Braun



Burkhard Ley



Rüdiger Trautmann

The background of the slide features a blurred, abstract image. It shows a grid of light blue and white lines, possibly representing a window or a digital interface. Overlaid on this are horizontal bands of binary code (0s and 1s) in a light blue color. The overall effect is a high-tech, digital aesthetic.

# Annual Financial Statements

## The balance sheet of Wirecard AG





■ **CONSOLIDATED BALANCE SHEET - ASSETS**

in EUR	Notes	31.12.2007	31.12.2006
<b>ASSETS</b>			
<b>I. NON-CURRENT ASSETS</b>			
<b>1. INTANGIBLE ASSETS</b>			
Goodwill	(2.2), (3.1)	90,092,782.91	52,097,441.40
Self-provided intangible assets	(2.3), (3.1)	6,550,338.00	2,644,478.60
Other intangible assets	(2.3), (3.1)	52,773,470.74	29,871,005.00
		149,416,591.65	84,612,925.00
<b>2. TANGIBLE ASSETS</b>			
Property, plant, and equipment	(2.5), (3.2)	1,964,847.74	703,930.27
<b>3. FINANCIAL ASSETS</b>			
	(2.6), (3.3)	2,503,667.14	3,169,782.34
<b>4. TAX ASSETS</b>			
Deferred taxes	(2.7), (3.4)	7,499,825.65	4,069,790.82
<b>TOTAL NON-CURRENT ASSETS</b>		<b>161,384,932.18</b>	<b>92,556,428.43</b>
<b>II. CURRENT ASSETS</b>			
<b>1. INVENTORIES</b>			
	(2.8), (3.5)	1,502,094.18	82,576.17
<b>2. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS</b>			
	(3.6)	75,149,758.21	56,708,446.56
<b>3. TAX ASSETS</b>			
Tax refunds	(3.7)	2,435,906.51	413,022.87
<b>4. OTHER FINANCIAL ASSETS</b>			
		0.00	0.00
<b>5. CASH AND CASH EQUIVALENTS</b>			
	(2.9), (3.8)	157,194,108.22	59,536,922.32
<b>TOTAL CURRENT ASSETS</b>		<b>236,281,867.12</b>	<b>116,740,967.92</b>
<b>Total Assets</b>		<b>397,666,799.30</b>	<b>209,297,396.35</b>

■ **CONSOLIDATED BALANCE SHEET - EQUITY**

	Notes	31.12.2007	31.12.2006
<b>EQUITY AND LIABILITIES</b>			
<b>I. Shareholders' Equity</b>			
1. Subscribed capital	(3.9)	81,429,915.00	79,290,882.00
2. Capital reserve	(3.9)	30,313,960.02	7,426,783.51
3. Consolidated accumulated profits	(3.9)	52,148,484.88	21,676,922.00
4. Currency translation adjustment	(2.1,) (3.9)	- 4,232.77	27,346.76
<b>Total Shareholders' Equity</b>		<b>163,888,127.13</b>	<b>108,421,934.27</b>
<b>II. Liabilities</b>			
1. Current provisions	(2.10,) (3.10)		
Tax provisions	(3.10)	3,049,685.27	1,158,381.82
Other current provisions	(3.10)	5,662,258.60	1,417,701.57
		8,711,943.87	2,576,083.39
2. Other liabilities	(3.11)		
Non-current liabilities	(3.12)		
Deferred income taxes	(3.12)	3,687,626.35	2,824,743.50
Non-current interest bearing bank loans and overdrafts	(3.12)	8,000,000.00	6,500,000.00
Other non-current liabilities	(3.12)	120,000.00	266,958.20
		11,807,626.35	9,591,701.70
Current liabilities	(3.13)		
Trade payables	(3.11)	131,000,225.02	56,332,882.66
Interest-bearing bank loans and overdrafts	(3.11)	3,529,280.18	4,416,555.71
Other financial liabilities	(3.13)	78,729,596.75	27,958,238.62
		213,259,101.95	88,707,676.99
3. Tax liabilities			
Current tax liabilities		0.00	0.00
<b>Total liabilities</b>		<b>233,778,672.17</b>	<b>100,875,462.08</b>
<b>Total shareholders' equity and liabilities</b>		<b>397,666,799.30</b>	<b>209,297,396.35</b>

■ **CONSOLIDATED INCOME STATEMENT**

in EUR	Notes	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
<b>I. Sales</b>	(4.1)	<b>134,167,864.33</b>	<b>81,940,376.82</b>
<b>II. Increase or decrease in inventories of finished goods, work-in-process, other own work capitalized</b>		<b>4,328,186.67</b>	<b>1,524,313.80</b>
1. Other own work capitalized	(2.3,) (3.1)	4,328,186.67	2,757,675.80
2. Increase or decrease in inventories or finished		0.00	- 1,233,362.00
<b>III. Operating expenses</b>		<b>93,292,282.90</b>	<b>55,741,420.96</b>
1. Cost of materials	(4.2)	72,968,959.03	42,148,091.24
2. Personnel expenses	(4.3)	18,275,707.60	12,496,088.73
3. Amortisation and depreciation		2,047,616.27	1,097,240.99
<b>IV. Other operating income and expenses</b>		<b>- 12,114,596.14</b>	<b>- 9,162,036.63</b>
1. Other operating income	(4.4)	2,176,028.97	1,971,231.16
2. Other operating expenses	(4.5)	14,290,625.11	11,133,267.79
<b>Net operating income</b>		<b>33,089,171.96</b>	<b>18,561,233.03</b>
<b>V. Financial result</b>	(4.6)	<b>- 3,232,612.37</b>	<b>79,261.70</b>
1. Other interest and similar income		738,738.78	666,584.54
2. Financial cost		3,971,351.15	587,322.84
<b>VI. Profit before taxes</b>		<b>29,856,559.59</b>	<b>18,640,494.73</b>
<b>VII. Income tax</b>	(4.7)	<b>- 615,003.29</b>	<b>3,202,180.94</b>
<b>VIII. Profit after taxes</b>		<b>30,471,562.88</b>	<b>15,438,313.79</b>
<b>IX. Profit carry forward</b>		<b>21,676,922.00</b>	<b>6,238,605.21</b>
<b>X.. Profit capital decrease</b>		<b>0.00</b>	<b>3.00</b>
<b>XI. Consolidated accumulated profits</b>		<b>52,148,484.88</b>	<b>21,676,922.00</b>
Earnings per share (basic)		0.38	0.20
Earnings per share (diluted)		0.38	0.20

## ■ CONSOLIDATED CASH FLOW STATEMENT

in EUR	Notes	2007	2007	2006	2006
<b>Profit after taxes</b>			<b>30,471,562.88</b>		<b>15,438,313.79</b>
Amortisation/depreciation of non-current assets less goodwill and less deferred taxes			2,047,616.27		1,097,240.99
			2,638.08		1,689.92
Amortisation/depreciation on goodwill			2,962,843.86		214,605.00
Increase/decrease in provisions			6,135,860.48		497,966.50
Other non-cash-related expenses/income			- 1,167,151.98		963,336.84
Increase/decrease in current assets without cash			- 21,883,713.30		- 32,632,959.04
Increase/ decrease of other liabilities and tax liabilities			110,079,960.71		34,074,677.59
Non cash-related item due to initial consolidation			- 33,069,090.73		- 413,606.17
<b>Cash flow from operating activities</b>	(5.1)		<b>95,580,526.27</b>		<b>19,241,265.42</b>
Receipts from disposal of intangible assets			841,366.97		25,047.00
Payments for investments in intangible assets			- 18,644,287.93		- 17,509,755.64
Payments for investments on goodwill			- 9,321.00		0.00
Receipts from disposal of property, plant and equipment			55,903.23		27,314.43
Payments for investments in property, plant and equipment			- 705,782.96		- 111,895.43
Receipts from disposal of financial assets			956,493.77		1,010,000.00
Payments for investments in financial assets			- 290,378.57		- 51,459.00
Receipts from acquisitions of consolidated companies					
for investments in intangible assets			0.00		- 3,842.00
for investments in goodwill			- 19,498,862.90		- 2,684,474.11
for investments in property, plant and equipment			0.00		- 3,768.00
for investments in financial assets			- 47,607.01		- 728.23
for other assets			0.00		- 3,512,911.58
for clearing of capital reserve			0.00		- 572,103.43
less acquired inventory of payment instruments			19,689,335.91	142,866.00	5,035,630.02
<b>Cash flow from investing activities</b>	(5.2)		<b>- 17,653,140.49</b>		<b>- 18,352,945.97</b>
Receipts from issuance of share capital			23,626,209.51		433,953.44
Payments from share capital factorings over clearing by capital reserve			0.00	23,626,209.51	0.00
Receipts/payments on changes in borrowings			1,416,774.20		6,371,487.80
<b>Cash flow from financing activities</b>	(5.3)		<b>25,042,983.71</b>		<b>6,805,441.24</b>
<b>Net change in cash and cash equivalents</b>			<b>102,970,369.49</b>		<b>7,693,760.69</b>
Adjustments due to currency translation of consolidation items					
Adjustments due to currency translation			- 31,579.53		661.64
Adjustments due to consolidation items			- 19,689,335.91	- 19,720,915.44	- 5,035,630.02
Cash and cash equivalents as of beginning of period			32,057,426.15		29,398,633.84
<b>Cash and cash equivalents as of end of period</b>	(5.4)		<b>115,306,880.20</b>		<b>32,057,426.15</b>
Non-cash related increase in equity hereoff			1,368,420.47		6,942,558.21
non-cash capital increase by assets			0.00		6,941,896.57
Changes in currency translation			- 31,579.53		661.64
Changes in capital reserve due to personnel expenses SOP			1,400,000.00		0.00

■ **CONSOLIDATED STATEMENT OF CHANGES  
IN SHAREHOLDERS' EQUITY**

Common stock

	Number of shares issued	Nominal value
		EUR
<b>Balance as of December 31, 2005</b>	<b>62,261,447</b>	<b>62,261,447.00</b>
Profit after taxes		
Capital increase by company resources	15,579,036	15,579,036.00
Simplified capital decrease	- 3	- 3.00
Capital increase by assets	1,300,000	1,300,000.00
Contingent capital increase (convertibles)	150,402	150,402.00
Changes due to currency translation		
<b>Balance as of December 31, 2006</b>	<b>79,290,882</b>	<b>79,290,882.00</b>
Profit after taxes		
Capital increase by cash and assets	2,000,000	2,000,000.00
Contingent capital increase (convertibles)	139,033	139,033.00
Changes due to currency translation		
<b>Balance as of December 31, 2007</b>	<b>81,429,915</b>	<b>81,429,915.00</b>

Capital reserve	Consolidated accumulated profit an losses	Currency translation adjustment	Total Shareholders' Equity
EUR	EUR	EUR	EUR
17,080,368.50	6,238,605.21	26,685.12	85,607,105.83
	15,438,313.79		15,438,313.79
- 15,579,036.00			0.00
	3.00		0.00
5,641,896.57			6,941,896.57
283,554.44			433,956.44
		661.64	661.64
7,426,783.51	21,676,922.00	27,346.76	108,421,934.27
	30,471,562.88		30,471,562.88
20,909,000.00			22,909,000.00
1,978,176.51			2,117,209.51
		- 31,579.53	- 31,579.53
30,313,960.02	52,148,484.88	- 4,232.77	163,888,127.13



## NOTES

### Consolidated Financial Statements for the Year ended December 31, 2007

#### 1. Disclosures relating to the Company and its valuation principles

##### 1.1. Company operations and legal situation

Wirecard AG, Bretonischer Ring 4, 85630 Grasbrunn (hereafter referred to as “Wirecard” or “the Company”) was established on May 6, 1999. The name of the Company was changed from Info-Genie 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 Wirecard AG are structured into the two reporting segments of “Electronic Payment / Risk Management” (EPRM) as well as “Call Center / Communication Services” (CCS). The Group is structured into various subsidiaries.

The parent company, Wirecard AG, is headquartered in Grasbunn/Munich, Germany. This simultaneously serves as the head office of Wirecard Bank AG, Wirecard Technologies AG, Wirecard Retail Services GmbH, Click2Pay GmbH and Pro Card Kartensysteme GmbH. Wirecard Communication Services GmbH is headquartered in Berlin and maintains an operating site 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.

In October 2007 TrustPay International AG headquartered in Munich and its subsidiaries Wirecard Payment Solutions Holdings, Wirecard Payment Solutions Ltd., Herview Ltd., all of which domiciled in Dublin (Ireland); Qenta paymentsolutions Beratungs- und Informations GmbH (Klagenfurt / Austria) and webcommunication EDV Dienstleistungs- und Entwicklungs GmbH headquartered in Graz (Austria) were fully consolidated within the Group. The operating business of the TrustPay subsidiaries is based on sales and processing services for the Group’s core business activities, namely Electronic Payment & Risk Management (EPRM).

From Austria the Qenta paymentsolutions Beratungs- und Informations GmbH group of companies serves the local market and the neighboring eastern European region with all services along the financial supply chain. Wirecard Retail Services GmbH and Pro Card Kartensysteme GmbH, which were acquired in 2006 complement the range of services of Wirecard AG to include the distribution and operation of Point-of-Sale (PoS) payment terminals. As a result, our customers are able to accept payments both in the field of Internet and mail-

order services and electronic payments for their stationary, brick & mortar business 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 focuses on sales of affiliate products along with associated value added services. Wirecard Asia Pacific Inc., newly established in Manila (Philippines) at the end of 2007, was not included as yet in the group of companies required to be consolidated in the year under review for materiality reasons. It focuses on sales of EPRM services in the Asian region.

#### CONSOLIDATION PERIMETER

As at December 31, 2007, 17 companies were fully consolidated. As at December 31, 2006 and in the previous year, there were 12 such companies.

■ SUBSIDIARIES OF WIRECARD AG	Shares
Click2Pay GmbH, Grasbrunn, (Germany)	100%
InfoGenie Ltd., Windsor, Berkshire (United Kingdom)	100%
Wirecard (Gibraltar) Ltd., (Gibraltar)	100%
Marielle Invest Business Corp., Tortola (British Virgin Islands)	100%
TrustPay International AG, München (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard Payment Solutions Ltd., Dublin (Ireland)	100%
Herview Ltd, Dublin (Ireland)	100%
Qenta paymentsolutions Beratungs- und Informations GmbH, Klagenfurt (Austria)	100%
webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria)	100%
Wirecard Technologies AG, Grasbrunn (Germany)	100%
Wirecard Communication Services GmbH, Berlin (Germany) (previously: United Data GmbH)	100%
Wirecard Retail Services GmbH, Grasbrunn (Germany) (previously United Payment GmbH)	100%
cardSystems FZ-LLC, Dubai (United Arabian Emirates)	100%
Pro Card Kartensysteme GmbH, Grasbrunn (Germany)	100%
Wire Card Beteiligungs GmbH, Grasbrunn (Germany)	100%
Wirecard Bank AG, Grasbrunn (Germany)	100%

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. However, information that is not essential (material) does not need to be disclosed in line with financial reporting in accordance with IAS/IFRS policies (cf. IAS 8.8 sentence 2). For this reason, subsidiaries do not need to be included in the consolidation perimeter if they are of subordinate significance as a whole for the Group's asset, financial and earnings situation.

In line with the explanatory notes above, in 2007 and as at 31. December 2007, respectively, the following subsidiaries were not consolidated:

- Wire Card ESP S.L., Palma de Mallorca (Spain)
- Paysys Ltd., Port-Louis (Mauritius)
- Wire Card Inc., Sacramento, California (USA)
- Wire Card International Processing GmbH, Grasbrunn (Germany)
- Wirecard Asia Pacific Inc., Manila (Philippines)

The materiality limits of 5 percent for each of consolidated total assets, sales revenues and earnings after taxes were not exceeded in the case of these companies in 2007 and as at December 31, 2007, both individually and in terms of their sum total.

#### **EXEMPTION FROM THE OBLIGATION TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with § 291 (1) HGB, Wirecard Technologies AG is 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 consolidated financial statements of Wirecard Technologies AG and Wirecard Payment Solutions Holdings Ltd are included in the consolidated financial statements."

Exemption in accordance with § 264 (3) or (4) of the German Commercial Code (HGB).

The following companies plan to exercise their option to be exempted in accordance with § 264 (3) or (4) of HGB:

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

The necessary requirements according to the commercial law will be met in this regard.

### **CORPORATE ACQUISITIONS**

In October 2007 TrustPay International AG, Grasbrunn, (Germany) was acquired. At the time of purchase, TrustPay International AG consisted of the corporate groups Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) and Qenta paymentsolutions Beratungs- und Informations GmbH, Klagenfurt (Austria) along with webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria).

A total purchase price of TEUR 42,785 was agreed for this purchase. This purchase price was serviced at a level of TEUR 19,546 in 2007 and will be serviced at TEUR 23,239 in 2008.

The enterprise-value increased by TEUR 41,787 due to the purchase of TrustPay International AG.

The purchase of this group of companies was a further step of the Wirecard Group's strategic positioning. This enabled it to further extend its leading market position. The customer portfolio acquired represents and extension of the existing inventory and will thus reinforce the position of Wirecard AG. The customer portfolio will have a positive impact on the earnings and financial position of Wirecard and is expected to make a positive contribution to EBIT according to the Company's plans for fiscal 2008.

For detailed information on the corporate acquisition, reference is made to the explanatory note to the capital flow account.

## **1.2. Summary of essential accounting and valuation policies**

### **ACCOUNTING IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In line with § 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) (IFRS accounting mandatory).

The consolidated annual financial statements are in conformity with the IFRS. All interpretations valid for fiscal 2007 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.

All amounts are shown in EUR or, where indicated, also in TEUR or in EUR million.

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.

#### **NEW ACCOUNTING REQUIREMENTS**

In August 2005 the IASB published Standard IFRS 7 "Financial Instruments: Disclosures". IFRS 7 supersedes IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and parts of IAS 32 "Financial Instruments: Disclosures and Presentation", which relate to mandatory disclosures. The new standard calls for disclosures on the importance of financial instruments for the asset, financial and earnings position of companies. IFRS 7 also contains new requirements relating to qualitative and quantitative reporting on risks associated with financial instruments. The new standard IFRS 7, which is to be applied to fiscal years beginning on or after January 1, 2007, merely extends the scope of reporting on financial instruments and has no impacts on the Group's asset, financial and earnings position.

The amendment to IAS 1 resulted in extended disclosures regarding the financial instruments presented in these financial statements of the Group and control of capital.

Four interpretations were published by the International Financial Reporting Interpretations Committee (IFRIC) which are to be applied in the current fiscal year. These are:

- IFRIC 7 Application of the restatement approach in accordance with IAS 29 Financial Reporting in Hyperinflationary Countries;
- IFRIC 8 Scope of application of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 10 Interim Financial Reporting and Impairment

The application of these interpretations led to no changes whatsoever to the Group's accounting and valuation methods.

### **NEWLY ISSUED ACCOUNTING DIRECTIVES NOT APPLIED PREMATURELY**

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following standards, interpretations and amendments, the application of which is not mandatory as yet for fiscal 2007. Early application of these new rules is not planned.

In November 2006 the IFRIC published Interpretation IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions.” This interpretation deals with the issue of how IFRS 2 “Share-based remuneration” is to be applied to share-based remuneration where equity instruments of the company are granted, or equity instruments of some other company within the same group. IFRIC 11 is of mandatory application to fiscal years beginning on or after March 1, 2007; earlier application is permissible. At present, the Group does not assume that the application of the interpretation will have a material influence on the presentation of the consolidated annual financial statements.

In November 2006 the IFRIC published Interpretation IFRIC 12 “Service Concession Arrangements” Service concession arrangements are agreements entered into by a government or some other public-sector institution with private enterprises in order to make public services available, such as roads, energy supply or transportation services. This interpretation is intended to provide guidelines to enable a private enterprise to resolve certain recognition and valuation issues that might arise in connection with service concession arrangements with the public sector. This standard is to be applied to fiscal years from January 1, 2008; earlier application is permissible. At present, the Group does not assume that the application of the interpretation will have a material influence on the presentation of the consolidated annual financial statements.

In September 2006 the IFRIC published Interpretation IFRIC 13 “Customer Loyalty Programmes” Customer loyalty programmes are bonus points credited (“loyalty points” or bonus miles) granted by companies to customers when buying other goods or services. In particular, guidance is given on how these companies are required to account for their liabilities to provide goods and services free of charge or at reduced prices (“bonuses”) to customers redeeming their vouchers. This standard is to be applied to fiscal years from 01. July 2008; earlier application is permissible. At present, the Group does not assume that the application of the interpretation will have a material influence on the presentation of the consolidated annual financial statements.



In July 2007 the IFRIC published Interpretation IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.” This interpretation provides guidance on how the limitation according to IAS 19 “Employee Benefits” is to be fixed for a surplus which can be recognized as an asset. Moreover, guidance is given on the consequences on the valuation of assets and provisions under defined benefit plans that may result from a statutory or contractual commitment to contribute minimum amounts. This is to ensure that companies consistently account for plan asset surpluses as assets. IFRIC 14 is of mandatory application to fiscal years beginning on or after January 1, 2008; earlier application is permissible. At present, the Group does not assume that the application of the interpretation will have a material influence on the presentation of the consolidated annual financial statements.

In November 2007 the European Parliament enacted the adoption of IFRS 8 Operating Segments. IFRS 8 supersedes IAS 14, Segment Reporting. This standard calls on companies to disclose financial and descriptive information on their segments subject to mandatory reporting. Segments subject to mandatory reporting are segments or summaries of operating segments that meet certain criteria. Operating segments are those components of a company for which separate financial information is available, which the company’s chief operating decision-maker inspects on a regular basis to determine the company’s commercial success and to decide how resources are to be allocated or distributed. In general, financial information needs to be disclosed on the basis of internal control activities. This allows top-tier management to assess the commercial success of the operating segments and to decide how resources are to be assigned to the operating segments. IFRS 8 is to be applied to fiscal years beginning on or after January 1, 2009. At present, the Group does not assume that the application of IFRS 8 will have a material influence on the presentation of the consolidated annual financial statements.

#### **CONSOLIDATION PRINCIPLES**

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-rata equity is allocated to the assets and liabilities of the subsidiary up to the extent of the present values, irrespective of the relevant participation quota.

Under full consolidation, the assets and liabilities as well as expenses and income of the companies to be consolidated are recognized in full, whereas in the case of a quota consolidation the assets and liabilities as well as expenses and income are only included in the consolidated annual financial statements to the extent of the relevant participation quota.

Sales revenues, expenses and income, receivables, provisions and liabilities between the companies included were eliminated.

#### **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 premise); in accordance with this assumption, the recoverability of the value of assets tied to the Company and repayment of liabilities outstanding are assumed to occur within the ordinary course of business.

## **2. Notes to the consolidated annual financial statements**

### **2.1. Currency translation**

The Company's financial statements are prepared in euros. The functional currency of the foreign subsidiary, InfoGenie Ltd., Windsor, Berkshire, UK (hereafter referred to as "InfoGenie Ltd.") is British pound sterling. The amounts relating to assets and liabilities of InfoGenie Ltd. 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 are 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.

The key exchange rates used in the consolidated annual financial statement developed as follows in relation to the euro:

## ■ CURRENCY

	2007	2006
Swiss Franc		
Period-end exchange rate	1 EUR = 1,659 SFR	1 EUR = 1,610 SFR
Average rate of exchange	1 EUR = 1,643 SFR	1 EUR = 1,573 SFR
British Pound		
Period-end exchange rate	1 EUR = 0,738 GBP	1 EUR = 0,674 GBP
Average rate of exchange	1 EUR = 0,685 GBP	1 EUR = 0,682 GBP
US Dollar		
Period-end exchange rate	1 EUR = 1,473 USD	1 EUR = 1,320 USD
Average rate of exchange	1 EUR = 1,371 USD	1 EUR = 1,256 USD

In fiscal 2007 the currency translation reserve remained almost unchanged TEUR -4 (previous year: TEUR 27). Due to exchange rate factors, the value of property, plant & equipment declined by TEUR 15. The currency translations of property, plant, and equipment are indicated separately in the long-lived assets movement schedule. In line with the materiality principle, we have dispensed with the need to provide further particulars on the foreign currency translation reserve.

Differences arising from foreign currency translation between the nominal value of a transaction when consummated and the date on which it is either settled or translated for inclusion in a consolidated balance sheet are recognized as impacting on profit and loss and included under "Other operating expenses". Expenses impacting on profit and loss associated with foreign currency translation amounted to TEUR 478 in fiscal 2007 (previous year: TEUR 15).

## 2.2. 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 achievable 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 achievable amount of a business area to which goodwill was assigned is based on estimates by management. The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are in turn based on periodical forecasts based on financial budgets approved by management. The cash flow forecasts take account of past experience and are based on the best estimates by management of future trends.

Cash flows beyond the planning or budget period are extrapolated without growth rates. The most important assumptions on which the determination of the fair value is based, less cost of sales and value in use, are shown below:

- Risk-free interest: 4.5%
- Market risk premium: 10.5%
- Beta factor: 0.97
- Capitalization interest rate: 8%

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.

For information on the composition, development and distribution of the individual goodwill please refer to No. 3.1 Intangible assets/goodwill.

### 2.3. Reporting of intangible assets

Purchased software is stated at cost and depreciated using the straight-line method over the estimated useful life of the software, generally three years. The software constituting the Group's core operations has a significantly 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 the event of any change in the anticipated period of use or anticipated amortization of the intangible asset, some other amortization period or method is selected. Such changes are treated as changes to an estimate made.

Research costs are recognized as expenses with an impact on profit and loss at the time incurred. Development costs are capitalized. 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. Moreover, Wirecard must have the intention and adequate resources to include such development and either use or sell the asset in question. The development costs capitalized in the year under review amounted to TEUR 4,328.

### 2.4. Earnings taken into account in a random audit by the association Deutsche Prüfstelle für Rechnungslegung DPR e.V.

The responsible chamber of the *Deutsche Prüfstelle für Rechnungslegung* subjected the Group's annual financial statements as at December 31, 2005, as well as the Group management report of Wirecard AG for fiscal 2005 to an audit in accordance with § 342b par. 2 sentence 3 No. 3 of the German Commercial Code – HGB (random inspection) in 2007. The findings of this audit were already fully taken into account on a comprehensive scale with regard to the reporting adjustments in the quarterly financial statements as early as September 30, 2007.

The difference in amount from the capital consolidation of TEUR 42,542 within the scope of the initial consolidation of Wirecard Technologies AG and its subsidiaries and sub-subsidiaries was reported by Wirecard AG in the Group's annual financial statements as at December 31, 2005 in full as goodwill. For the following intangible assets, the adjustments to the previous-year values as at December 31, 2006 had to be made as outlined below on account of the findings of the audit performed in accordance with § 342b par. 2 sentence 3 No. 3 of HGB in the present quarterly financial statements:

Due to the capitalization of an intangible asset as part of contractual relations with the acquirers (IFRS 3.37, 3.45 and IAS 38.11ff, IAS 38.17 and IAS 38.33 read in conjunction with IAS 38.21 (a)) in connection with the capitalization of an intangible asset concerning existing customer relations (IFRS 3.37, 3.45 and IAS 38.11 ff, IAS 38.17 and IAS 38.33 read in con-

junction with IAS 38.21 (a)), TEUR 4,360 and (due to the capitalization of an intangible asset “software” within the scope of the allocation of acquisition costs for the shares in Wirecard Technologies AG (IFRS 3.45 read in conjunction with IAS 38.8 and 38.10, and IFRS 3.46 and IAS 38.12, IAS 38.13. ff., IAS 38.17 and IAS 38.33) TEUR 108 in goodwill as at December 31, 2006 were reclassified with retrospective effect under other intangible assets with no impact on profit and loss (IAS 8.14 ff.).

Due to these reclassifications TEUR 1,761 for deferred taxes assets and liabilities have been adjusted with no impact on profit and loss. This led to an increase of deferred taxes liabilities and goodwill by this amount. As a result the goodwill has been reduced by TEUR 2,707 without impact on profit and loss.

In accordance with IAS 38.88, the acquirer and customer relationship has a limited useful life and, in accordance with IAS 38.107, is solely subject to annual impairment testing and not to scheduled amortization. No impairment adjustment was arranged to be made both as at December 31, 2006 and December 31, 2007.

For materiality reasons, amortization of software for the period from 2005 to December 31, 2007 was comprehensively taken into account in the period under review in the amount of TEUR 31 with an impact on profit and loss; of this sum, TEUR 20 concerns the “subsequent amortization” for the period from 2005 to 2006. Adjustments to equity therefore were not necessary as at December 31, 2006.

Owing to these adjustments, there were no substantial impacts on the asset, financial and earnings position of Wirecard AG both for December 31, 2006 and for the present annual financial statements. Moreover, comparability is guaranteed by virtue of the reporting adjustments as at December 31, 2006.

## 2.5. 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 are not recognized.

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 OF INTANGIBLE ASSETS AS WELL AS PROPERTY, PLANT AND EQUIPMENT**

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 value-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 was 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 were registered in the year under review.

## **2.6. Reporting of financial assets**

Financial assets and liabilities are reported in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As a result, financial assets 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.

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

- Financial assets to be assessed at their fair value with an impact on profit and loss
- Financial investments held until final maturity
- Financial assets available for sale
- Loans and receivables.

Initial recognition of financial assets is effected at fair value plus transaction costs. Transaction costs incurred up on acquisition of financial assets that are to be measured at fair value with an impact on profit are recognized immediately with an impact on expenses.

#### **FINANCIAL ASSETS TO BE MEASURED AT THEIR FAIR VALUE WITH AN IMPACT ON PROFIT AND LOSS**

Financial assets measured at fair value with an impact on profit and loss are recognized at their fair value. Any profit or loss resulting from such measurement is recognized with an impact on profit and loss.

#### **LOANS AND TRADE RECEIVABLES**

Loans are interest-bearing and are measured at amortized cost. Trade receivables are non-interest-bearing and measured at their nominal amount or the lower fair value applicable as at the reference date. In the process, identifiable individual risks are adequately taken into account by means of valuation adjustments. The general risk of default relating to receivables is taken into account by means of lump-sum deductions fixed on the basis of historic default ratios.

#### **INTERESTS IN NON-CONSOLIDATED SUBSIDIARIES AND HOLDINGS**

Interests in non-consolidated subsidiaries and holdings are accounted for at amortized cost.

#### **IMPAIRMENTS RELATING TO FINANCIAL INSTRUMENTS**

If – in the case of financial assets in the categories of loans and receivables, financial investments to be held until final maturity, and financial assets available for sale – there are objective, substantial indicators of an impairment, an inspection is made to establish whether the carrying amount exceeds the cash value of expected future payment inflows discounted with the current market yield of a comparable financial asset. If this is the case, a valuation adjustment is effected to the amount of such difference.

Indicators of impairment include operating losses of a company for several years, a reduction of its market value, a substantial deterioration of its credit standing, material breach of contract, a strong probability of insolvency or some other form of financial restructuring of the debtor, or the disappearance of an active market.

If the reasons for a previous non-scheduled impairment charge no longer exist, appropriate additions are made, but not beyond the cost of acquisition. No additions only apply to equity instruments available for sale and valued at amortized cost.

#### **DERECOGNITION**

The Group derecognizes a financial asset only in the event of expiration of the contractual rights to cash flows arising from a financial asset or if it transfers the financial asset along with all material risks and opportunities associated with ownership of the asset to a third party.

### 2.7. Deferred taxes

Provisions for deferred tax assets and liabilities are set up in accordance with IAS 12 (“Income Taxes”) for all temporary differences between the values of assets and liabilities according to the tax accounts and the values of the Group’s balance sheet. 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 unused tax loss carryforwards are capitalized to the extent that it can be assumed with an adequate degree of probability that the respective company will be able to generate sufficient taxable income in 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.

Deferred taxes are determined on the basis of a corporation tax rate of 15.0% (previous year: 25%) – plus a solidarity surcharge of 5.5% on corporation tax – and a flat trade tax rate of 10.15% (previous year: 13.04%) and for foreign companies the respectively applicable tax rate.

Due to the Corporation Tax Reform Act of 2008, the statutory rate of corporation tax for domestic companies will be reduced from January 1, 2008 to 15% (plus a solidarity surcharge of 5.5%) as of fiscal 2008, while the average corporation tax burden will fall to 10.15%.

Accordingly, as at December 31, 2007 deferred taxes of domestic companies are valued at an aggregate tax rate of 25.975% including the solidarity surcharge (previous year: 39.415%). The reduction in the domestic tax rate resulted in deferred tax liabilities of TEUR 2,709 in fiscal 2007 based on the balance sheet value as per December 31, 2007.

Deferred tax assets and liabilities are netted to the extent that they relate to income taxes imposed by the same fiscal authority and if the Group intends to settle its current tax claims and tax debts on a net basis.

## 2.8. Inventories

Raw materials, consumables and supplies purchased are valued at their cost of acquisition or at their lower net value upon sale. Work in progress is valued at cost. Finished products are valued at their cost of manufacture. Apart from the individual costs, the cost of manufacture also includes appropriate pro-rate manufacturing and material overheads. Goods are valued at their cost of acquisition, taking account of the lower of cost or market principle. No methods to simplify valuations were applied. Items with reduced marketability are written off at the lower net value on sale. To the extent that the costs of acquisition or manufacture 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.

## 2.9. Cash and cash equivalents

Cash in hand and sight deposits are classified as cash, whereas cash equivalents comprise current, highly liquid financial investments that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. Not freely available cash and cash equivalents from lease guarantees amounted to TEUR 26 (previous year: TEUR 26) and were classified as "Trade and other receivables".

## 2.10. 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.

### 2.11. 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.

### 2.12. 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 used or at the time the cost is incurred.

### 2.13. 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 addition, assumptions are made when calculating actual and deferred taxes. In particular, when determining whether deferred tax assets can be utilized, the possibility of generating corresponding taxable income plays an important role.
- In accounting for and valuing provisions, expected obligations represent the key sources for estimates.

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 2008.

### 3. Notes to the balance sheet

#### 3.1. Intangible 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 due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying amounts), please refer to the attached non-current asset movement schedule from January 1, 2007 through December 31, 2007.

#### **GOODWILL**

In fiscal 2007, further goodwill amounting to TEUR 41,787 was added by new acquisitions made in the EPRM division. In addition, based on the audit (random checks) by *Deutsche Prüfstelle für Rechnungslegung* in accordance with § 342b (2) sentence 3 No. 3 HGB of the Group's annual financial statements as at December 31, 2005, the previous year's value of goodwill and the previous year's value of the EPRM division were adjusted / reduced as at December 31, 2006 (each in the amount of TEUR 2,707). In addition, please refer to the notes regarding comparability.

What was also taken into account in terms of goodwill in the EPRM division as in 2007 was the purchase price adjustment / reduction within the scope of the corporate acquisition of Wirecard Bank AG and the fact that additional ancillary purchasing costs needed to be capitalized in 2007 (together TEUR -1.207).

The additional reduction amounting to TEUR 2,963 is solely attributable to the restatement of the utilization of loss carryforwards of Wirecard Bank AG and the as yet uncanceled loss carryforwards of Wirecard Bank AG, the associated capitalization of deferred tax assets with an impact on profit and loss (IAS 12.68) and the simultaneous reduction of goodwill arising from this initial consolidation. The goodwill from this purchase price allocation was reduced to TEUR 0 as a result of this subsequent consolidation.



Goodwill, amounting to TEUR 90,093 (previous year: TEUR 52,097) relates to the following cash-generating units:

#### ■ GOODWILL

in TEUR	2007	2006
EPRM	92,768	52,024
CCS	288	288
Other	0	0
	<b>93,056</b>	<b>52,312</b>
Less: Impairment charges	0	215
Less: Goodwill changes as of Deferred taxes	2,963	0
	<b>90,093</b>	<b>52,097</b>

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

#### SELF-CREATED INTANGIBLE ASSETS

In fiscal 2007, software worth EUR 4.3 million was developed and capitalized. The software in question was created for the EPRM segment.

#### OTHER INTANGIBLE ASSETS

During the fiscal year, investments were made for the purchase of a customer portfolio amounting to EUR 17 million due to the better-than-expected success of the customer portfolio acquired in 2006 (so-called earn-out payments). For new intangible assets arising from the corporate acquisitions, EUR 6 million have been invested. The previous year's values were adjusted on the basis of the random checks made by the German Accounting Audit Office (*Deutsche Prüfstelle für Rechnungswesen*). For more information on this subject please refer to the statement under 2.4 Findings taken into account of the random checks by *Deutsche Prüfstelle für Rechnungslegung DPR e. V.*

### 3.2. Property, plant, and equipment

The depreciation of property, plant, and equipment (TEUR 419) was recorded under "Specific expenditure" in amortization and depreciation. From additions in the amount of TEUR 1,739 a part of TEUR 1,033 relate to additions due to initial consolidation of property, plant, and equipment as part of company acquisition.

### 3.3. Financial assets

Of financial assets, amounting to TEUR 2,504 (previous year: TEUR 3,170), the sum of TEUR 2,275 (previous year: TEUR 3,104) relates to loans, the amount of TEUR 51 (previous year: TEUR 51) to participations and TEUR 178 (previous year: TEUR 15) to shares in affiliated companies which were not consolidated. The major loan relates to a non-interest bearing customer loan to a sales partner (TEUR 2,272, after discounting). In the year under review, EUR 1.0 million was repaid as per agreement. The holdings refer to shares in two companies amounting to less than 50 percent.

### 3.4. Tax assets / deferred taxes

On account of tax assessments up to December 31, 2006, tax notices issued up to the assessment year of 2006 and consolidated taxable earnings in 2007, deferred tax assets as at December 31, 2007 amounted to TEUR 7.500 following a valuation allowance (previous year: TEUR 4,070). To the amount of TEUR 7.395, these relate to loss carry-forwards of Wirecard Bank AG and their partial realizability, with the remaining TEUR 105 relating to differences limited in time between the tax balance sheet and the consolidated financial statements in accordance with IFRS. Deferred tax assets were recognized in accordance with IAS 12.15 - 45. Valuation allowances for deferred taxes amounted to TEUR 1.375 as at December 31, 2007 (previous year: TEUR 14,447).

For information on the tax reconciliation account and the trend relating to deferred taxes, please refer to the details under (4.7) Income tax expenses and deferred taxes.

### 3.5. Inventories

Inventories reported (TEUR 1,502; previous year: TEUR 83) in fiscal 2007 relate to the debit and credit card business; in the previous year, these referred to capitalized, partially completed work in progress. The valuation was made 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 (previous year: TEUR 0). No value reversals occurred either.

### 3.6. Trade receivables

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. Valuation adjustments to trade receivables older than 90 days but outstanding for no longer than 180 days are made on the basis of experience with defaults.

Breakdown of trade receivables:

in TEUR	31.12.2007	31.12.2006
Trade Receivables	78,542	59,331
Value Adjustments	- 3,392	- 2,623
Book Value Trade Receivables	75,150	56,708

Prior to accepting a new 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. There is no noteworthy concentration of the credit risk since the customer portfolio is wide and no correlations exist. Accordingly, the Management is convinced that no risk provisions are necessary beyond the impairment charges already recognized.

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 expenses and reversals under other operating income.

#### RECEIVABLES FROM AFFILIATED COMPANIES AND HOLDINGS

Receivables from affiliated companies, amounting to TEUR 617, are reported under "Trade receivables and other receivables." As at December 31, 2007 they relate exclusively to receivables from non-consolidated Wire Card ESP S.L., Palma de Mallorca.

### 3.7. Tax assets

Tax assets include claims for income tax refunds amounting to TEUR 2,020 (previous year: TEUR 413) and TEUR 416 in claims for refunds of value added tax.

### 3.8. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2007: TEUR 157,194; previous year: TEUR 59,537) 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 in banking operations (December 31, 2007: TEUR 41,858; previous year: TEUR 27,466) and funds derived from the Bank's Acquiring business (December 31, 2007: TEUR 47,677; previous year: TEUR 2,647).

### 3.9. Shareholders' Equity

For information on the consolidated equity movements for fiscal 2007, please refer to the table "Development of non-current assets."

#### **SUBSCRIBED CAPITAL**

The level of subscribed capital amounted to TEUR 81,429,915.00 as at December 31, 2007 and is divided up into 81,429,915 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. This increase in subscribed capital in relation to the previous year is attributable for one thing to the subscription to 139,033 new shares effected in the 3<sup>rd</sup> and 4<sup>th</sup> quarter 2007 from the Company's contingent capital due to the partial exercise of the right to conversion relating to the convertible bonds. In addition, in connection with the corporate acquisitions a non-cash capital increase was effected by contributing a loan amounting to TEUR 20,000 (by 1,722,653 shares) as well as a cash capital increase by 277,347 shares - each increase being sourced from the company's authorized capital and entered in the commercial register on 20 November 2007.

#### **AUTHORIZED CAPITAL**

By resolution of the annual general meeting of December 14, 2004, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the company's common stock by December 14, 2009, on one or several occasions, by issuing new no-par-value bearer shares against cash or non-cash contributions by up to EUR 26,334,867.00 (authorized capital). The Board of Management is entitled to exclude the shareholders' subscription rights in the following cases:

- To settle fractional amounts
- In the event of a capital increase against a cash contribution that amounts to a maximum of ten percent of the Company's common stock, if the issue price of the shares is not considerably lower than the stock market price
- To acquire non-cash capital contributions, particularly in the form of enterprises, parts thereof, holdings or rights

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the respective capital increase as well as the execution thereof.

The resolution was entered in the competent commercial register on March 14, 2005.

As at January 1, 2007, the authorized capital amounted to EUR 15,601,917.00. This was reduced by EUR 2,000,000 in the period under review due to the non-cash capital increase for the diversified customer portfolio. Accordingly, the level of authorized capital as at the balance sheet date came to EUR 13,601,917.00.

#### **CONTINGENT CAPITAL**

The company's common stock was contingently increased by up to EUR 1,050,000.00 through the issue, on one or several occasions, of up to 1,050,000 new no-par value shares with dividend entitlement as of the beginning of the financial year in which they are issued ("contingent capital 2004"). 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 contingent capital increase will be effected only to the extent that the holders of convertible bonds issued by the company on the basis of the resolution of the annual general meeting of July 15, 2004 actually exercise their conversion and subscription rights. 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 is 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, 2007, the parties entitled subscribed to a total of 983.250 convertible bonds. The convertible bonds have a term to maturity of ten years and are interest-free. Due to the partial conversion of 983.250 convertible bonds by exercise of the right of conversion, in 2007 139.033 new shares were subscribed to from the company's contingent capital within the relevant exercise periods. The new shares were issued by the Company.

Upon conversion, the level of contingent capital therefore decreased from EUR 949,979.50 to EUR 810,937.50.

#### **CAPITAL RESERVE**

The change in the capital reserve from TEUR 7,427 to TEUR 30,314 had its origins in 2,000,000 new shares being subscribed to in November 2007 (non-cash capital increase: 1,722,653 units, and cash capital increase: 277,347 units), boosting the capital reserve by TEUR 21,220 (non-cash capital increase: TEUR 18,277; cash capital increase: TEUR 2,943). The costs of the capital increase incurred in the process (-TEUR 311) were netted against this sum. In addition the exercise of the right to conversion of the convertible bonds (TEUR 578) and the issuing of new convertible bonds (TEUR 1,400) has increased the capital reserve. With the issuing of new convertible bonds the personnel expenses have been increased by TEUR 1,400.

### NET PROFIT/LOSS FOR THE YEAR

For information on net profit/loss for the year, please refer to the "Development of non-current assets" and to the "Consolidated income statement".

### CURRENCY TRANSLATION RESERVE

For information on currency translation reserve, please refer to the statements "on currency translation" under section 2.1 Currency translation and to the development of non-current assets.

## 3.10. Provisions

Specific provisions developed as follows during the fiscal:

in TEUR	01.01.2007	Addition first consolidation	Reversal	Consumption	Addition	31.12.2007
Tax provisions	1,158	1,712	271	2,593	3,044	3,050
Other current provisions						
Risks of litigation	109	0	10	13	10	96
Annual leave	318	3	0	388	432	365
Industrial compensation society	38	0	2	36	39	39
Outstanding invoices	229	310	3	328	230	438
Archiving	21	0	2	0	32	51
Remuneration paid to supervisory board	14	0	0	238	314	90
Annual general meeting	33	0	2	31	50	50
Royalties and bonuses	14	0	0	14	44	44
Fiancial statements and audits	291	64	0	265	396	486
Charges relation work-in-progress	175	0	0	0	0	175
Other	176	2348	5	273	1582	3828
	<b>1,418</b>	<b>2,725</b>	<b>24</b>	<b>1,586</b>	<b>3,129</b>	<b>5,662</b>
<b>Total</b>	<b>2,576</b>	<b>4,437</b>	<b>295</b>	<b>4,179</b>	<b>6,173</b>	<b>8,712</b>

All provisions are short-term. Provisions relate to tax provisions (TEUR 3,050; previous year: TEUR 1,158) and secondly to other current provisions (TEUR 5.662; previous year: TEUR 1,418)

Tax provisions mainly relate to the provisions set up at Wirecard Bank AG for income taxes (TEUR 872) and provisions set up at Wirecard Technologies AG for income taxes for previous years (TEUR 1,181).



Essential other current provisions related to outstanding invoices (TEUR 438), charges for work in progress (TEUR 175), provisions for annual leave (TEUR 365), as well as the costs for preparing and auditing the financial statements (TEUR 486).

### 3.11. Other liabilities

The residual duration of other liabilities (without deferred tax liabilities) as follows:

in TEUR	up to 1 year	1 to 5 years	over 5 years
Interest-bearing bank loans and overdrafts	3,529	8,000	0
Trade payables	131,000	0	0
Other financial liabilities	78,730	120	0
	<b>213,259</b>	<b>8,120</b>	<b>0</b>

### 3.12. Non-current liabilities

Non-current liabilities are classified into: deferred tax liabilities, non-current interest-bearing debts and "Other non-current liabilities."

#### **DEFERRED TAX LIABILITIES**

Deferred tax liabilities, amounting to TEUR 3,688, relate to differences subject to time limits between the tax balance sheet earnings and the consolidated financial statements according to IFRS. Recognition was made in accordance with IAS 12.15 - 45. Deferred tax liabilities are reported under Non-Current Liabilities.

#### **NON-CURRENT INTEREST-BEARING LIABILITIES**

Non-current interest-bearing liabilities amounting to TEUR 8,000 serve to finance the customer portfolio acquired in the year under review. According to agreements entered into, repayment is scheduled to be made in annual installments by the year 2012.

#### **OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities (TEUR 120) relate to 120,000 (convertible) bonds (TEUR 120). The investment subsidies and investment grants treated as deferred item are to be returned in 2008 and are therefore not reported under non-current liabilities.

### 3.13. Current liabilities

#### LIABILITIES TO AFFILIATED COMPANIES

As at December 31, 2007, liabilities to affiliated companies are reported under (current) other financial liabilities with an amount of TEUR 24. These liabilities refer to the not-consolidated Wirecard International Processing GmbH.

#### OTHER FINANCIAL LIABILITIES

Other financial liabilities are predominantly attributable to Wirecard Bank AG. This line item includes customer deposits amounting to TEUR 41,858 (previous year: TEUR 27,466). In addition, liabilities from the company acquisition amounted to TEUR 28,911.

## 4. Notes to the Income Statement

### 4.1. Sales revenues

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

in TEUR	2007	2006
Call Center & Communication Services	6,737	6,795
Electronic Payment & Risk Management	148,996	85,779
Other	0	0
Consolidations	- 21,565	- 10,634
	<b>134,168</b>	<b>81,940</b>

In the EPRM division, the Wirecard Group generates revenues on services in the field of payment processing, particularly on services rendered using the 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 both a percentage-based accretion of discount of the payment volumes processed and a fee 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 addition to these volume-dependent sales revenues, monthly flat fees and rentals are generated from the use of the FSCM platform and PoS terminals.

The lion's share 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 9,000 enterprises were connected to the FSCM software platform.

In terms of sales of credit cards by Wirecard Bank AG and with the CLICK2PAY product, revenues are being 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 charges for resubmission of transactions. In addition, annual charges are payable on the credit cards.

Additional sales are generated by the so-called Interchange agreement, under which Wirecard Bank AG receives a volume-dependent fee from the credit card organizations.

Wirecard Bank offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it not only earns a fixed charge but also generates sales revenues within the scope of the card agreements entered into.

Moreover, interest income earned by the Wirecard Bank is reported as sales revenues.

In addition, in the EPRM division revenues are generated from the sale of what are known as affiliate products as well as by providing services directly associated with the sale of these products.

The Call Center & Communications Services division generates revenues in operating telephony-based advisory services and by providing classical call center services. The bulk is accounted for by sales revenues with business customers such as publishing houses, software companies, hardware producers and commercial 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.

#### 4.2. Cost of materials

The cost of materials includes expenses of sourcing merchandise and packaging materials. In fiscal 2007 the cost of materials developed proportionally to sales revenues, with inventory changes being taken into account in the process.

### 4.3. Personnel expenses

Personnel expenditure in fiscal 2007 amounted to TEUR 18,276 (previous year: TEUR 12,496), comprising salaries amounting to TEUR 14,624 and social security contributions of TEUR 2,252. In addition, TEUR 1,400 in expenses incurred by issuing new convertible bonds were taken into account in this line item.

Personnel expenses are contained within special operating costs under that heading (personnel expenses). As at December 31, 2007, the Group workforce (excluding the Board of Management) comprised 453 employees, 137 of whom were employed part-time (previous year: 136).

Of the 453 employees, a further 12 (previous year: 8) were employed as a management board member/general manager of a subsidiary. On average the Wirecard Group employs 206 employees (excluding Board of Management and Apprentices).

These were engaged in the following functions:

	31.12.2007	31.12.2006
Board of Management	3	3
Distribution	89	63
Administration	82	50
Customer Service	180	179
Research and Development	105	66
<b>Total</b>	<b>* 459</b>	<b>* 361</b>

\*of which 137 part-time employees (previous year: 136)

#### 4.4. Other operating income

Breakdown of other operating income:

in TEUR	2007	2006
Reversal of Provisions	24	557
Reversal of Bad Dept Provisions	300	1
Reversal of special reserve	26	27
Charged out benefits in kind	44	182
Exchange rate differences	603	22
VAT Refunds	342	-
Other	837	1,182
	<b>2,176</b>	<b>1,971</b>

#### 4.5. Other operating expenses

Breakdown of other operating expenses:

in TEUR	2007	2006
External work	686	168
Rent	1,060	807
Administration cost	6,520	4,578
Sales and Marketing	4,861	4,088
Other operating expenses	1,164	1,492
	<b>14,291</b>	<b>11,133</b>

#### 4.6. Net financial income

Net financial income was burdened due to a reduction in goodwill of Wirecard Bank AG amounting to TEUR 2,963, exclusively resulting from full recognition of the loss carry-forwards of Wirecard Bank AG not capitalized as yet. The offset entry in the amount of TEUR 4.993 is booked as income received under tax expenses. Without this effect, financial expenditure would have amounted to only TEUR 1,008.

#### 4.7. Income tax expense and deferred taxes

in TEUR	2007	2007	2006	2006
Expected income tax expense on corporate income before such taxes		- 11,768		- 7,347
Non-tax-deductible goodwill amortization of acquisitions		- 1,168		0
Non-tax-activatable internally produced intangible assets		1,706		1,045
Non-tax-deductible amortization on internally produced intangible assets		- 201		- 56
Non-tax-activatable expenses on acquisitions		77		79
Non-tax -deductible amortization in intangible assets of acquisitions		- 50		0
Non-tax-deductible personnel expenses from issuing convertibles		- 552		0
Non-tax capital expenses to offset against capital reserve		122		147
Adjustment/reversal value adjustments on deferred tax assets (tax loss carry-forward)		- 471		
Other tax related adjustments		9,592		4,108
		<b>- 2,713</b>		<b>- 2,024</b>
Addition of deferred tax assets (loss carry-fowards)	4,993			
Reversal of deferred tax assets (loss carry-fowards)	- 1,587		- 425	
Reversal of deferred tax assets (temporary differences)	- 65			
Addition of deferred tax assets (temporary differences)	0		127	
Addition of deferred tax liabilities (temporary differences)	- 13	3,328	- 880	- 1,178
Taxes on income and profit		615		- 3,202
of which:				
Actual income tax expenses		- 2,713		- 2,024
Deferred tax expenses		3,328		- 1,178

Due to the extended table compared with the previous year, the previous year's values had to be adjusted accordingly.



The other tax adjustments relate to:

in TEUR	2007	2006
Direct tax issues	1,840	811
Tax exempt foreign subsidiaries	8,505	2,393
German subsidiaries other than Group member companies	- 829	895
IFRS topics	76	9
	<b>9,592</b>	<b>4,108</b>

Deferred tax assets are as follows:

in TEUR	2007	2007	2006	2006
<b>Tax loss carry-fowards</b>				
Deferred tax assets (previous year)	18,347		2,426	
Adjustments for year under review affecting previous year	- 12,601		546	
<b>Adjusted, deferred tax assets, previous year</b>	<b>5,746</b>		<b>2,972</b>	
Additions/adjustments due to audits by fiscal authorities	4,993		0	
Additions initial consolidation abroad	89		15,800	
Loss utilization (taxable entity)by deferred tax assets	0		- 425	
Loss utilization (taxable entity)by valuation adjustments	- 471		0	
Loss utilization Wirecard Bank AG	- 1,573		0	
Loss utilization abroad	- 14		0	
<b>Tax loss carry-fowards before valuation adjustments</b>	<b>8,770</b>		<b>18,347</b>	
(Cumulative) valuation allowances	- 1,375		- 14,447	
<b>Tax loss carry-fowards</b>	<b>7,395</b>	<b>7,395</b>	<b>3,900</b>	<b>3,900</b>
<b>Temporary differences</b>				
Deferred tax assets (previous year)	169		42	
Additions/reversals	- 64	105	127	169
<b>Deferred tax assets</b>	<b>7,500</b>	<b>7,500</b>	<b>4,069</b>	<b>4,069</b>

Deferred tax liabilities are as follows:

in TEUR	2007	2007	2006	2006
Temporary differences				
Deferred tax liabilities (previous year)	1,064		184	
Adjustments, previous year (with no impact on P&L)			1,761	
Additions due to initial consolidations	2,611			
Additions/reversals	13		880	
<b>Deferred tax liabilities</b>	<b>3,688</b>	<b>3,688</b>	<b>2,825</b>	<b>2,825</b>

Differences subject to time limits 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, 2007 was performed on the basis of the new tax rates applicable as of January 1, 2008 on account of the corporation tax reform and on the basis of the relevant tax rates applicable abroad as of January 1, 2008.

Based on the tax rates prevailing until 2007, the level of deferred tax assets reported would have had to be raised by TEUR 4,186 (thereof TEUR 4,132 due to tax loss carry-forwards) and deferred tax liabilities would have had to be TEUR 1,477 higher as at December 31, 2007.

On the assets side, these relate to assets that had to be recognized under IFRS at a lower level than in the tax balance sheet or not at all (capitalized assets that had to be “cancelled” within the scope of the consolidation of expenses and income), and which offset one another over time (TEUR 105).

On the liabilities side, these relate to assets to be recognized under IFRS at a higher value than in the tax balance sheet (e.g. capitalized software produced in-house) which are offset again over time (TEUR 3,688). Additions from initial consolidations were taken into account within the scope of the capital consolidation with no impact on profit and loss.

The basis of the tax reconciliation account and the presentation and measurement of deferred tax assets and liabilities was the tax rate applicable to the taxable entities, amounting to 39.415 percent (previous year: 39.415 percent).

As at December 31, 2007 the Group reported corporation tax loss carry-forwards amounting to approximately TEUR 39,485 accounted for by Wirecard AG (TEUR 1,319), Wirecard Retail Services GmbH (TEUR 916), Wirecard Communication Services GmbH (TEUR 1,118), Pro Card Kartensysteme GmbH (TEUR 321), TrustPay International AG (TEUR 839), Qenta paymentsolutions Beratungs- und Informations GmbH (TEUR 188), Webcommunication EDV Dienstleistungs und Entwicklungs GmbH (TEUR 289), Wire Card Beteiligungs GmbH (TEUR 620), and Wirecard Bank AG (TEUR 33,875).

According to the present tax law situation, the loss carryforwards can be used for an indefinite period. On the other hand, German tax law provides for loss carryforwards 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 expiration. With regard to the realizability of these loss carry-forwards, the company made a valuation adjustment as at December 31, 2007 to its deferred tax assets of TEUR 8,770 (previous year: TEUR 18,347), amounting to TEUR 1,375 to TEUR 7,395 (previous year: TEUR 3,900). In 2007, TEUR 3,406 (previous year: TEUR 425) was added to deferred tax assets and recognized as income tax expenses with an impact on profit and loss. In the process, the tax rate effects on account of the corporation tax reform have already been taken into account.

For information on deferred taxes, please refer to Note 2.7 Deferred taxes.

## 5. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Cash Flow Statement). It discloses the payment flows in order to determine the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in funding based on current business, investment and financing activities.

### **METHOD USED TO DETERMINE CASH AND CASH EQUIVALENTS**

For purposes of the cash flow statement, a cash fund is used, consisting of cash and cash equivalents. Cash includes cash in hand and sight deposits with banks. Cash equivalents comprise current, extremely liquid financial investments that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value.

As at December 31, 2007 and December 31, 2006 (previous year), respectively, only cash and no cash equivalents were held.

## RECONCILIATION STATEMENT TO THE BALANCE OF FINANCIAL RESOURCES ACCORDING TO IAS 7.45

The balance of financial resources at the end of the period includes cash in hand and bank balances that are included in the line item Cash and cash equivalents (December 31, 2007: TEUR 157,194; previous year: TEUR 59,537), less current (immediately due and payable) liabilities to banks (December 31, 2007: TEUR 29; previous year: TEUR 13) included in the line item current, interest-bearing liabilities.

In addition, current customer deposits from banking operations (December 31, 2007: TEUR 41,858; previous year: TEUR 27,466) were deducted or taken into account in the balance of financial resources.

The effects of currency translation and changes to the consolidation perimeter are adjusted in the course of the calculation.

### ■ FINANCIAL RESOURCES

in TEUR	31.12.2007	31.12.2007	31.12.2006	31.12.2006
Cash and cash equivalents	157,194	0	59,537	0
of which, cash (cash in hand and bank balances)	0	157,194	0	59,537
of which, cash equivalents	0	0	0	0
Current, interest-bearing liabilities	- 3,529	0	- 4,417	0
of which, current liabilities to bank	0	- 29	0	- 13
	0	157,165	0	59,523
Reconciliation with the balance of financial resources	0	0	0	0
Current, other financial liabilities	- 78,730	0	- 27,958	0
of which, current customer deposits from banking operations	0	- 41,858	0	- 27,466
Acquiring deposits in Wirecard Bank AG	- 47,677		- 2,755	
<b>Balance of financial resources at end of period</b>		<b>115,307</b>		<b>32,057</b>

#### MANDATORY DISCLOSURES IN ACCORDANCE WITH IAS 7.40

Breakdown of Mandatory disclosures in accordance with IAS 7.40 under the asset deal (acquisition of a customer portfolio) of Wirecard (Gibraltar) Ltd. as at December 19, 2007 and related components of purchase price for the year 2007:

#### ■ PURCHASE PRICE CUSTOMER PORTFOLIO GIBRALTAR

in TEUR	2006	2007	2008
Purchase price			
In cash	11,000	10,000	0
By issuing new shares	7,000	0	0
Outstanding in 2008	0	0	3,617
	18,000	10,000	3,617
Assets and liabilities acquired (fair values)			
Intangible assets without goodwill	18,000	10,000	3,617
	18,000	10,000	3,617
Purchase price			
Fix in 2006	18,000	0	0
Variable in 2007/2008	0	10,000	3,617
	18,000	10,000	3,617
Purchase price in cash			
of which, goodwill	0	0	0
of which, intangible assets	11,000	10,000	3,617
of which, property, plant and equipment	0	0	0
of which, current assets	0	0	0
	11,000	10,000	3,617
Cash and cash equivalents respectively current liabilities to banks immediately due and payable	0	0	0
<b>Outflow of cash and cash equivalents</b>	<b>11,000</b>	<b>10,000</b>	<b>3,617</b>

Mandatory disclosures in accordance with IAS 7.40 under the acquisition TrustPay International AG and its subsidiaries Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland); Qenta paymentsolutions Beratungs- und Informations GmbH (Austria) and webcommunication EDV Dienstleistungs- und Entwicklungs GmbH (Austria) in 2007:

■ **ACQUISITION TRUSTPAY**

in TEUR	2007
<b>Purchase price</b>	
Total purchase price	43,182
of which, expenses of acquisition	397
<b>Purchase price without expenses of acquisition</b>	0
Paid in cash 2007	19,546
of which, goodwill	19,499
of which, residual (part of acquired deferred taxes)	48
of which intangible assets	0
of which, property, plant and equipment	0
of which, current assets	48
Residual purchase price debt as at December 31, 2007	23,239
In cash	22,191
By shares	1,047
	<b>42,785</b>
<b>Acquired goodwill and liabilities (fair values)</b>	0
Cash and cash equivalents or current liabilities to banks immediately due and payable	19,692
Intangible assets without goodwill	19,627
Property, plant, and equipment	1,033
Financial assets	7,258
Inventories	26
Trade receivables and other receivables	13,505
Deferred tax assets	89
Deferred tax liabilities	- 850
Provisions	- 4,437
Other (current) liabilities	- 40,335
of which, current bank liabilities	- 2
Expenses of acquisition 2007	- 397
IFRS Capitalisation	- 367
Goodwill	28,338
<b>Purchase price</b>	<b>43,182</b>

### 5.1. Cash flow on ordinary trading activity

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 essential reasons for the development of changes in relation to the previous year:

The cash flow from current business activities improved by TEUR 76,340 in fiscal 2007, from TEUR 19,241 to TEUR 95,581.

The improvement on the previous year is essentially attributable to higher consolidated after-tax earnings, as well as to the increasing shift of acquirer activities to Wirecard Bank AG. As a result, there is a tendency of a shift in the consolidated capital flow account, with current assets excluding financial resources being included in the balance of financial resources.

#### **INTEREST RECEIVED /PAID IN ACCORDANCE WITH IAS 7.31**

Interest received in 2007 amounted to TEUR 525 (previous year: TEUR 415). Interest paid in 2007 amounted to TEUR 707 (previous year: TEUR 276).

The cash flows from interest received and interest paid, respectively, were each consistently classified as operating activities.

#### **CASH FLOWS FROM INCOME TAXES IN ACCORDANCE WITH IAS 7.35 AND 7.36**

Income taxes paid in 2007 (cash flow from income taxes) amounted to TEUR 1,790 (previous year: TEUR 1,452, and were consistently classified as operating activities.

Income taxes paid in 2007 (cash flow from income taxes) amounted to TEUR 149, and were consistently classified as operating activities.

### 5.2. 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). The outflow of funds arising from investment activities, also including payouts from the acquisition of consolidated companies (less cash holdings acquired), amounted to TEUR 17,653 in the year under review (previous year: inflow of TEUR 18,353).



The following are essentially affected:

## ■ CASHFLOW FROM INVESTING ACTIVITIES

in TEUR

Purchase of a customer portfolio	- 10,000
Self-provided intangible assets	- 4,328
Initial consolidation of companies acquired	- 19,547
Purchase of goodwill	19,499
of which, TrustPay International AG (including the Irish and Austrian subsidiaries)	19,499
Purchase of other assets	48
of which, TrustPay International AG (including the Irish and Austrian subsidiaries)	48
Cash holdings acquired	19,689

The Group generated TEUR 1,854 in revenues from the retirement of assets (previous year: TEUR 1,062). The cash flow (outflow) from investment activities therefore increased in fiscal 2007, from -TEUR 18,353 (outflow) by TEUR 700, to - TEUR 17,653.

### 5.3. Cash flow from financing activities

In the year under review, the cash flow from financing activities increased from TEUR 6,805 by EUR 18,238, to TEUR 25,043.

The cash flow from financing activities essentially relates to the cash capital increase after deduction of issuing costs (TEUR 22,909).

### 5.4. Financial resource fund at end of period

Taking account of these inflows and outflows – (2007: TEUR 102,970, previous year: TEUR 7,694), of the changes to the financial resource fund due to exchange rate – consolidation perimeter and valuation-related factors (2007: -TEUR 32, previous year: TEUR 0), of consolidation perimeter-related changes (2007: -TEUR 19,689; previous year: -TEUR 5,035) and of the financial resource fund at the beginning of the period (2007: TEUR 32,057, previous year: TEUR 29,399) – the financial resource fund at the end of the period amounted to TEUR 115,307 (previous year: TEUR 32,057).

## 6. Other notes

### 6.1. Segment reporting

#### **ELECTRONIC PAYMENT / RISK MANAGEMENT (EPRM)**

The EPRM reporting segment comprises all products and services dealing with acceptance and downstream processing of electronic payment transactions, fraud prevention and risk management as well as the issuance of credit cards.

The reporting segment is dominated by the business activities of Wirecard Technologies AG, Wirecard Bank AG, Wirecard (Gibraltar) Ltd., and Click2Pay GmbH. Sales revenues of United Payment GmbH (UPA) and cardSystems FZ-LLC are also part of the EPRM segment. The remaining foreign branches are primarily maintained for local sales and localization of the products and services of the Group as a whole.

#### **CALL CENTER & COMMUNICATION SERVICES (CCS)**

The CCS reporting segment comprises all products and services dealing with call-center-supported relationship management of corporate and private customers. In addition to its primary function to support the organization's core business within the scope of the EPRM segment, this reporting segment also includes a substantial independent customer portfolio.

As in the past, sales revenues are segmented geographically by production sites. The segmentation in Europe includes Wirecard (Gibraltar) Ltd., InfoGenie Ltd. (UK), and the new companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) together with its subsidiaries: Qenta paymentsolutions Beratungs- und Informations GmbH, Klagenfurt (Austria), webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria). In the segment of "Other countries" the company CardSystems FZ-LLC is included in addition to Marielle Invest Business Corp. Trustpay International AG is added to the segment „Germany.”

Moreover, sales revenues are segmented according to the following operating divisions, as has already been done in the quarterly financial statements. In this respect, we distinguish between the divisions of "Electronic Payment & Risk Management," "Call Center & Communication Services," and "Other."

**Electronic Payment & Risk Management (EPRM)** represents the biggest and most important segment by far for the Wirecard Group. In this division, all products and services from the comprehensive portfolio of financial services are listed. This segment also extends to include Wirecard Bank AG, which substantially expands the services along the financial supply chain.

**Call Center & Communication Services (CCS)** is the segment in which we report the extraordinary value-added depth of our call center activities, with the other products such as after-sales service of our customers and mailing activities also included as sub-categories.

In the segment "**Other**," items are listed that cannot be assigned to the classifications of the other divisions indicated above.

■ **REGIONAL REVENUE BREAKDOWN**

in TEUR	2007	2006
Germany	109,728	63,675
Europe	45,936	28,594
Other countries	69	305
	<b>155,733</b>	<b>92,574</b>
Consolidations	- 21,565	- 10,634
	<b>134,168</b>	<b>81,940</b>

■ **BREAKDOWN OF TOTAL REVENUE BY OPERATING DIVISIONS**

in TEUR	2007	2006
Call Center & Communication Services	6,737	6,795
Electronic Payment & Risk Management	148,996	85,779
Other	0	0
	<b>155,733</b>	<b>92,574</b>
Consolidations	- 21,565	- 10,634
	<b>134,168</b>	<b>81,940</b>

■ **OPERATING RESULT I BY OPERATING DIVISIONS\***

in TEUR	2007	2006
Call Center & Communication Services	4,185	4,124
Electronic Payment & Risk Management	61,767	36,436
Other	0	0
	<b>65,952</b>	<b>40,560</b>
Consolidations	- 425	757
	<b>65,527</b>	<b>41,317</b>

\* Revenues, inventory changes and other work capitalized minus cost of material

### ■ OPERATING RESULT I BY REGIONS\*

in TEUR	2007	2006
Germany	40,850	33,771
Europe	25,091	6,430
Other countries	11	359
	<b>65,952</b>	<b>40,560</b>
Consolidations	- 425	757
	<b>65,527</b>	<b>41,317</b>

\* Revenues, inventory changes and other work capitalized minus cost of material

### ■ OPERATING RESULT II BY OPERATING DEVISIONS (EBIT)

in TEUR	2007	2006
Call Center & Communication Services	570	- 735
Electronic Payment & Risk Management	32,440	19,403
Other	0	0
	<b>33,010</b>	<b>18,668</b>
Consolidations	79	- 107
	<b>33,089</b>	<b>18,561</b>

### ■ OPERATING RESULT II BY REGIONS (EBIT)

in TEUR	2007	2006
Germany	8,268	12,428
Europe	25,147	6,189
Other countries	- 405	51
	<b>33,010</b>	<b>18,668</b>
Consolidations	79	- 107
	<b>33,089</b>	<b>18,561</b>

### ■ NON-CURRENT ASSETS BY REGIONS

in TEUR	31.12.2007	31.12.2006
Germany	130,329	84,727
Europe	40,836	18,051
Other countries	3,087	3,483
	<b>174,252</b>	<b>106,261</b>
Consolidations	- 20,367	- 17,774
	<b>153,885</b>	<b>88,487</b>

\* Revenues, inventory changes and other work capitalized minus cost of material

■ **NON-CURRENT ASSETS BY OPERATION DIVISIONS**

in TEUR	31.12.2007	31.12.2006
Call Center & Communication Services	218	619
Electronic Payment & Risk Management	174,034	105,642
Other	0	0
	<b>174,252</b>	<b>106,261</b>
Consolidations	- 20,367	- 17,774
	<b>153,885</b>	<b>88,487</b>

■ **DEPRECIATION**

in TEUR	2007	2006
<b>Depreciation of intangible assets</b>		
Germany	1,070	391
Europe	106	0
Other countries	395	400
	<b>1,571</b>	<b>791</b>
Depreciation arising from consolidation	57	* 208
	<b>1,628</b>	<b>999</b>
<b>Depreciation of tangible assets</b>		
Germany	297	292
Europe	124	22
Other countries	0	0
	<b>421</b>	<b>314</b>
Depreciation arising from consolidation	- 1	- 1
	<b>420</b>	<b>313</b>
<b>Depreciation of financial assets</b>		
Germany	0	0
Europe	0	0
Other countries	0	0
	<b>0</b>	<b>0</b>
Depreciation arising from consolidation	0	0
	<b>0</b>	<b>0</b>
<b>Total Depreciation</b>	<b>2,048</b>	<b>1,312</b>

\* of which TEUR 215 is amortization of goodwill

## ■ INVESTMENTS BY REGION\*

in TEUR	2007	2006
<b>Investments in intangible assets</b>		
Germany	5,242	6,403
Europe	17,028	18,000
Other countries	0	107
	<b>22,270</b>	<b>24,510</b>
Investments from consolidation	0	0
	<b>* 22,270</b>	<b>24,510</b>
<b>Investment in tangible assets</b>		
Germany	581	112
Europe	125	0
Other countries	0	0
	<b>706</b>	<b>112</b>
Investments from consolidation	0	0
	<b>706</b>	<b>112</b>
<b>Investments in financial assets</b>		
Germany	43,616	17,803
Europe	0	8
Other countries	0	0
	<b>43,616</b>	<b>17,811</b>
Investments from consolidation	- 43,326	- 17,546
	<b>290</b>	<b>265</b>
<b>Total Investments by region</b>	<b>23,266</b>	<b>24,887</b>

\* excluding investments from acquisition of consolidated companies.

■ INVESTMENTS BY OPERATING DIVISION\*

in TEUR	2007	2006
<b>Investments in intangible assets</b>		
Call Center & Communication Services	10	94
Electronic Payment & Risk Management	22,260	24,416
Other	0	0
	<b>22,270</b>	<b>24,510</b>
Investments from consolidation	0	0
	<b>* 22,270</b>	<b>24,510</b>
<b>Investments in tangible assets</b>		
Call Center & Communication Services	175	30
Electronic Payment & Risk Management	531	82
Other	0	0
	<b>706</b>	<b>112</b>
Investments from consolidation	0	0
	<b>706</b>	<b>112</b>
<b>Investments in financial assets</b>		
Call Center & Communication Services	0	0
Electronic Payment & Risk Management	43,616	17,811
Other	0	0
	<b>43,616</b>	<b>17,811</b>
Investments from consolidation	- 43,326	- 17,546
	<b>290</b>	<b>265</b>
<b>Total Investments by operating division</b>	<b>23,266</b>	<b>24,887</b>

\* Excluding investments from the acquisition of consolidated companies.



## ■ REGIONAL SEGMENT LIABILITIES

in TEUR	31.12.2007	31.12.2006
<b>Germany</b>		
1. Provisions	4,978	1,489
2. Other liabilities		
a) Non-current liabilities	1,761	246
b) Current liabilities		
b1) Trade payables	80,534	34,619
b2) Current financial activities	11,502	1,917
b3) Other current liabilities	161,060	77,233
3. Tax liabilities	0	0
	<b>259,835</b>	<b>115,504</b>
<b>Europe</b>		
1. Provisions	3,735	3
2. Other liabilities		
a) Non-current liabilities	850	0
b) Current liabilities		
b1) Trade payables	79,373	21,705
b2) Current financial activities	0	9,000
b3) Other current liabilities	25,689	11,118
3. Tax liabilities	0	0
	<b>109,647</b>	<b>41,826</b>
<b>Other countries</b>		
1. Provisions	0	1
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	4	19
b2) Current financial activities	27	0
b3) Other current liabilities	4,039	4,538
3. Tax liabilities	0	0
	<b>4,070</b>	<b>4,558</b>
	<b>373,552</b>	<b>161,888</b>
Consolidations	- 139,773	- 61,013
<b>Total regional segment liabilities</b>	<b>233,779</b>	<b>100,875</b>

■ **SEGMENT LIABILITIES BY OPERATING DIVISIONS**

in TEUR	31.12.2007	31.12.2006
<b>Call Center &amp; Communication Services</b>		
1. Provisions	111	390
2. Other liabilities		
a) Non-current liabilities	0	246
b) Current liabilities		
b1) Trade payables	194	1,069
b2) Current financial activities	0	0
b3) Other current liabilities	1,659	1,072
3. Tax liabilities	0	0
	<b>1,964</b>	<b>2,777</b>
<b>Electronic Payment &amp; Risk Management</b>		
1. Provisions	8,602	1,103
2. Other liabilities		
a) Non-current liabilities	2,611	0
b) Current liabilities		
b1) Trade payables	159,717	55,274
b2) Current financial activities	11,529	10,917
b3) Other current liabilities	189,129	91,817
3. Tax liabilities	0	0
	<b>371,588</b>	<b>159,111</b>
<b>Other</b>		
1. Provisions	0	0
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	0	0
b2) Current financial activities	0	0
b3) Other current liabilities	0	0
3. Tax liabilities	0	0
	<b>0</b>	<b>0</b>
	<b>373,552</b>	<b>161,888</b>
Consolidations	- 139,773	- 61,013
<b>Total segment liabilities by operating divisions</b>	<b>233,779</b>	<b>100,875</b>

## 6.2. Earnings per share

Basic earnings per share were determined in accordance with IAS 33.10, through division of the periodic earnings due to the ordinary shareholders of the parent company (numerator) by the weighted average number of ordinary shares in circulation during the period under review (denominator). The number of shares issued rose from 79,290,882 by 2,139,003 in fiscal 2007, to reach 81,429,915. By resolution at the annual general meeting of May 30, 2006 and entry in the commercial register on June 19, 2006, the capital stock (subscribed capital) was increased by EUR 15,579,036 using company funds. In accordance with IAS 33.34, therefore, a retrospective adjustment of the number of shares to the beginning not only to the beginning of the fiscal year 2006 but also the preceding fiscal year was required to be effected. In the previous year the basic and diluted earnings per share amounted to EUR 0.20 per share.

For 2007 the average of issued (undiluted) shares amounted to 79,559,614. In the fiscal year the basic earnings per share therefore amounted to EUR 0.38.

For information on the development of the number of no-par-value shares issued, please refer to the consolidated statement of equity movements for fiscal 2007. In determining diluted earnings per share, in addition, such instruments as options (IAS 33.45) and convertible instruments (IAS 33.49), which may potentially have a dilutive effect on stock prices, are included in the weighted average for the time in question.

Of instruments that may potentially dilute basic earnings per share in the future and were therefore included in calculating diluted earnings, the convertible bonds issued as at December 31, 2007 had to be taken into account in accordance with IAS 33.30 - 63. As at December 31, 2007, EUR 581,999.00 (convertible) bonds had been subscribed to (IAS 33.60). The subscription price for each convertible bond amounted to EUR 1.00. The (additional) strike price for conversion of the convertible bonds into shares of Wirecard AG in principle is 50 per cent of the average closing price of Wirecard stock on the last ten banking business days prior to the date of exercise, with eight (old) convertible bonds subscribed by June 19, 2006 entitling the holder to subscribe to ten shares, and (new) convertible bonds subscribed after June 19, 2006 entitling the holder to subscribe to shares at a ratio of 1:1. For 2007, after additionally taking account of the dilutive effects of the convertible bonds issued as at December 31, 2007 in accordance with IAS 33.36, read in conjunction with 33.49, the average number of issued (undiluted) shares came to 79,809,773 (previous year 78,039,069) or a portion of 250,159 (previous year, adjusted: 94,573) of deferred bonus shares from the convertible bonds (IAS 33.46 b).

With respect to other instruments that may potentially dilute basic earnings per share in the future, and therefore have to be accounted for in diluted earnings in accordance with IAS 33.70 c as per December 31, 2007, the fact that the remaining purchase price (TEUR 534) for the acquisition of Qenta paymentsolutions Beratungs- und Informations GmbH / Web-communication EDV Dienstleistungs und Entwicklungs GmbH has to be paid in shares in 2008 also needs to be taken into consideration.

The dilution effect thereof amounted to 46.193 shares. Taking into account this additional dilutive effect and the previously mentioned dilutive effect, the average number of issued (undiluted) shares came to 79,855,966 (previous year 78,039,069). The diluted earnings per share amounted to EUR 0.38 per share in 2007 (previous year EUR 0.20) and does not differ significantly from the basic earnings per share, as in the previous year.

Instruments that may potentially dilute basic earnings per share in the future, but which have not entered into the calculation of the diluted earnings because they counter a dilution for 2007 in accordance with IAS 33.70 c existed as at December 31, 2006.

The authorization of the Board of Management in accordance with the resolution adopted at the annual general meeting of December 14, 2004, in order to be able to raise the company's capital stock, taking account of the partially exploited increases by December 31, 2007 (2007: TEUR 1,300) by a (residual) amount of up to TEUR 13,602 (authorized capital 2004/II).

The Board of Management did not make use of the remaining authorized capital as at December 31, 2007.

Business transactions that can arise after the balance sheet date and would have changed the number of shares in circulation at the end of 2007 substantially, should such business transactions have taken place prior to the end of 2007, existed in accordance with IAS 33.70 d and 33.71 as at December 31, 2007:

The common stock was conditionally increased by virtue of a resolution of the annual general meeting of July 15, 2004 by up to TEUR 1,050 (contingent capital 2004/I). By December 31, 2007, 983,250 convertible bonds had been taken up, of which 448,197 have already been converted into preemptive shares. The remaining 580,435.20 convertible bonds were taken into account in diluted earnings in accordance with the previously mentioned conversion ratio.

By resolution at the annual general meeting of May 30, 2006 and an entry in the commercial register on June 19, 2006, the contingent capital was increased to EUR 1,045,672.50; taking account of the conversions into preemptive shares subsequently effected in 2007, the contingent capital as at December 31, 2007 amounts to EUR 810,937.50.

The Board of Management did not make use of the remaining contingent capital by December 31, 2007. In addition, the remaining convertible bonds approved were not offered for subscription by December 31, 2007.

In this case, the amount of earnings per share for the business transactions occurring after the balance sheet date were not adjusted, since these types of business transactions do not influence the amount of capital used to generate group earnings for the year under review (IAS 33.71).

### 6.3. Risk Reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. These risks include exchange-rate risks, risks of default, liquidity risks, and interest-induced payment flow risks. 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 determine 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 transacted only with banks that have the highest of credit ratings.

#### **INTEREST RISKS**

The Group has substantial liquidity at its disposal for investment in demand and time deposits and/or overnight (call money) accounts with credit institutions of note. The interest payable on these investments is based on the interbank money market interest rate of the respective investment currency, less a margin customary among banks. The interbank money market interest rates may be subject to fluctuations that may impact on the earnings realized by the Group.

A reduction of the interbank money market rates of relevance for the Group by one percentage point, based on a total investment amount of approx. EUR 150 million in line with the portfolio as at December 31, 2007, would result in unrealized income amounting to EUR 1.5 million. Accordingly, an increase by one percentage point would produce additional earnings of EUR 1.5 million.

The Group's interest-bearing liabilities in relation to banks are reported to amount to TEUR 11,529 as at December 31, 2007. This relates 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 concerns the EPRM segment, which generates a substantial share of its sales revenues in foreign currencies. In this segment, both receivables from and liabilities to traders and banks 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 2007, forward-exchange and options transactions were used as financial derivatives to hedge sales revenues in foreign currencies. In 2007, 6 forward-exchange transactions were entered into with a total volume of EUR 1.2 million, generating TEUR 33 in income. Moreover, 6 currency option transactions were entered into with a total volume of EUR 1.2 million, earning TEUR 10 in income.

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, 2007 no financial derivatives existed any longer in the Wirecard Group.

#### **HEDGING LIQUIDITY RISKS**

The Group 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.

### HEDGING CREDIT RISKS

A fundamental credit risk exists for the Wirecard Group in the sense that transaction partners may fail to meet their commitments within the scope of transactions involving financial instruments. In this respect, in theory the total amount of the assets or active financial instruments represents the maximum risk of default. In order to minimize credit risks, transactions are entered into only with debtors who have first-class credit ratings and in compliance with pre-defined risk limits. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments without delay, and the risks are booked with an impact on profit and loss.

### 6.4. 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. The Group's capital structure consists of debts, cash and cash equivalents as well as the equity to which the providers of equity capital of the parent company is entitled. This comprises shares issued, revenue reserves as well as other reserves. 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.

Following the successful organic growth last year as a whole, and the acquisition of the customer portfolio in October 2007, the Company aims to maintain a comfortable equity capital ratio for fiscal 2008 and 2009. In keeping with the current financial structure, future investments and potential acquisitions will be financed either by sourcing the Company's own cash flow, by moderate deployment of borrowed funding, or through 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 being 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 Group's Risk Management Committee reviews the capital structure on a regular basis.



Balance-sheet equity and total assets are reported as follows:

in TEUR (if not %)	31.12.2007	31.12.2006
Equity	163,888	108,422
Equity in % of equity and liabilities	41%	52%
Capital stock	233,779	100,875
Net capital stock in % of equity and liabilities	59%	48%
<b>Equity and liabilities (Equity plus net capital stock)</b>	<b>397,667</b>	<b>209,297</b>

The Group's Risk Management Committee reviews the capital structure on a regular basis.

## 6.5. Breakdown of balance-sheet carrying amounts according to the valuation categories of IAS 39

The required breakdown, according to IFRS 7, of carrying amounts in the balance sheet according to the evaluation categories of IAS 39 is shown as follows:

in TEUR	Financial assets	Trade receivables	Other financial assets	Liabilities
Financial assets/liabilities at Fair				
Value with P+L impact	178	75,150	-	221,379
Available-for-sale financial assets	51	-	-	-
Held-to-maturity investments	-	-	-	-
Loan and receivables	2,275	-	-	-
<b>Total</b>	<b>2,504</b>	<b>75,150</b>	<b>-</b>	<b>221,379</b>

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

	Book value		Current market value	
in TEUR	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Financial assets/liabilities at Fair Value with P+L impact	296,707	152,198	296,707	152,198
Available-for-sale financial assets	51	51	51	51
Held-to-maturity investments	-	3,104	-	3,104
Loan and receivables	2,275	0	2,275	0
<b>Total</b>	<b>299,033</b>	<b>155,353</b>	<b>299,033</b>	<b>155,353</b>

The market value of cash and cash equivalents, of non-current assets, trade receivables, of other current financial assets as well as revolving loan facilities and other financial liabilities corresponds to the carrying value. The reason for this is mainly the short term of such instruments.

## 6.6. Related party transactions

In fiscal 2007, various agreements for financing were in place among various companies of the group. These transactions were eliminated in the course of the consolidation of debt and earnings. Regarding the report relating to dependencies and the report under (7.3) Transactions with related parties, further particulars are mentioned below.

## 6.7. 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:

in TEUR	2008	2009	2010	2011	2012
Annual commitments	1,296	1,174	1,174	782	0

There were no liabilities relative to non-consolidated subsidiaries.

## 7. Additional mandatory disclosures

### 7.1. Board of Management

Members of the Board of Management:

**DR. MARKUS BRAUN**, commercial computer scientist, board member since October 1, 2004  
CEO Wirecard AG

**RÜDIGER TRAUTMANN**, economist, board member since November 1, 2005  
COO Wirecard AG

**BURKHARD LEY**, banker, board member since January 1, 2006  
CFO Wirecard AG

In the period under review, EUR 801,183.00 was paid out to the members of the Management Board. In addition, 480,000 convertible bonds were issued. The shareholders' meeting of May 30, 2006 agreed, with a three-quarter majority, that the publication of the individual payments according to Sec. 314 No. 6a German Trade Code (HGB) is waived.

The subscription price for each convertible bond is EUR 1.00. The subscription price would be granted by the company to the respective entitled subscriber as an interest-free loan with a term to maturity to match that of the convertible bonds or until such time as the conversion right should be exercised.

The right to conversion relating to the convertible bonds is subject to a suspensive condition providing for time-based milestones in accordance with the following scheme (vested benefits):

- 25 % after at least twelve months' uninterrupted service to the Company or its affiliates, and a further
- 6.25% after each of a further three months' service to the Company or its affiliates.

The strike price for conversion of the convertible bonds into shares of Wirecard AG in principle is 50 percent of the average closing price of Wirecard AG stock on the last ten banking business days prior to the date of exercise.

For purposes of determining the average closing price, the respective closing prices for Wirecard AG stock determined in the electronic "Xetra" trading system of the Frankfurt Securities Exchange on the last ten banking business day prior to the date of exercise are to be added and divided by ten. The conversion period ends when the term to maturity of 10 years has elapsed.

Following an adjustment to their service agreements of December 27, 2006, the members of the Board of Management waived their entitlement to the annual bonus for fiscal 2006 and subsequent years as well as additional grants of stock options allocated under a future employee participation program of the Company. In return, the individual members of the Board of Management received an assurance that, in the event of a change of control of the Company, they would receive a royalty totaling (for all Board of Management members together) 1.2 percent of the enterprise value of the Company. 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 §§ 21,22 WpHG (German Securities Trading Act) is 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 §§ 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 only be payable 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 the same terms and conditions as for the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value shall be 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 have been in the Company's services for at least one year and still be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

## 7.2. Supervisory Board

Members of the Supervisory Board:

### **KLAUS REHNIG (CHAIRMAN), BUSINESSMAN**

Other supervisory board mandates:

Wirecard Technologies AG, Grasbrunn (Germany)

Wirecard Bank AG, Grasbrunn (Germany)

RLPR2000 AG, Bad Camberg (Germany)

Proteosys AG, Mainz (Germany)

ONDAS S. A., Madrid(Spain)

King Kamehameha AG, Frankfurt(Germany)

Mconnect AG, Frankfurt (Germany)

### **ALFONS HENSELER (DEPUTY CHAIRMAN), BUSINESS CONSULTANT**

Other supervisory board mandates:

LBI Leasingbrokers International AG, Tutzing (Germany)

(terminated in 2007)

Pensionata AG, Hamburg (Germany)

Diamos AG, Sulzbach (Germany)

### **PAUL BAUER-SCHLICHTEGROLL, BUSINESSMAN**

Other supervisory board mandates:

patrioplus AG, Hamburg (Germany)

10TACLE STUDIOS AG, Darmstadt (Germany) (until 06/2007)

According to § 14 of the articles of incorporation of Wirecard AG, the members of the Supervisory Board receive the following annual remuneration:

Chairman: EUR 60,000, Deputy: EUR 45,000, members: EUR 30,000 EUR, plus a session fee of EUR 1,250 per member for each session, plus a variable remuneration component dependent on EBIT. The latter amounts to EUR 500 for each million completed that exceeds the Company's EBIT by a minimum of EUR 12 million. The Chairman receives double the amount and the Deputy one-and-a-half times the amount of the variable remuneration component.

■ **ANNUAL REMUNERATION**

Name	Function	from	to	Remuneration / EUR
Klaus Rehnig	Chairman	01.01.2007	31.12.2007	97,250
Alfons Henseler	Deputy	01.01.2007	31.12.2007	77,000
Paul Bauer-Schlichtegroll	Member	01.01.2007	31.12.2007	46,750
<b>Total remuneration</b>				<b>221,000</b>

Remuneration paid to the Supervisory Board in fiscal 2007 totaled TEUR 221 (previous year: TEUR 151). The variable remuneration component of TEUR 47 was postponed and will be paid out in fiscal 2008.

## 7.3. Transactions with related parties

**WIRECARD AG GROUP OF COMPANIES**

Wirecard AG has the following business relations with the companies listed below.

**CONTROLLED ENTERPRISES (AFFILIATES)**

In addition to the consolidated companies, Wirecard AG had a controlling influence over the following enterprises:

	Shares
Wire Card Inc., Sacramento, California (USA)	100.0%
Wire Card ESP S.L., Palma de Mallorca (Spain)	100.0%
Paysys Ltd., Port-Louis (Mauritius)	100.0%
Oval (2123), Bristol (United Kingdom)	49.9%
Wirecard Asia Pacific Inc., Manila (Philippines)	100,0%
Wire Card International Processing GmbH, Grasbrunn (Germany)	100,0%

**RELATED PARTIES**

In accordance with IAS 24 (related party disclosures), persons closely related to Wirecard 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 2007 the following legal transactions were entered into by Wirecard AG with a related party indicated above or at the instance or in the interests of such parties:

## ■ LEGAL TRANSACTIONS

Related party	Type of legal relationship	Amount outstanding in TEUR	Explanatory note
Klaus Rehnig	Supervisory Board mandate	10	Mr. Klaus Rehnig is also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 10 in remuneration. We was granted an additional TEUR 17 for travel expenses against presentation of external vouchers.
Klaus Rehnig	Supervisory Board mandate	50	Mr. Klaus Rehnig is also engaged as a member of the Supervisory Board of Wirecard Bank AG and receives EUR 50 in remuneration.
Paul Bauer-Schlichtegroll	Operating leases	17	Wirecard AG rents office space from Atlantis Immobilien GmbH for TEUR 2 per month. The company is assigned to the Bauer family.
Alfons Henseler	Supervisory Board mandate	10	Mr. Alfons Henseler is also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 10 in remuneration. He was granted an additional TEUR 2 for travel expenses against presentation of external vouchers.
Alfons Henseler	Consultant	63	Mr. Alfons Henseler is also engaged as Consultant at Wirecard Technologies AG and received remuneration amounting to TEUR 63 on the basis of daily rates.
Wire Card ESP S.L.	Payments assumed	617	In 2007, the Wirecard Group assumed payments for its non-consolidated subsidiary for various expenditure items.

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.



#### 7.4. Declaration of compliance

The declaration of compliance required pursuant to § 161 of the German Companies Act (AktG) for the period from April 2007 through March 2008 and April 2008 through March 2009 was signed in March 2008 and also made available to the shareholders for download from the website of Wirecard AG in March 2008.

#### 7.5. Final statement from Wirecard AG

Wirecard AG, in the circumstances known to the Board of Management at the relevant point in time at which the legal transactions were effected, in each case received prices in conformity with those prevailing on the market. The execution of the legal transactions or measures detailed in the report relating to dependencies had no detrimental impact on Wirecard AG. Wirecard AG did not suffer a detrimental impact on account of measures being omitted in the interests of affiliates either.

#### 7.6. Auditors' fees

In the fiscal year, the following fees of the auditor and of related parties of the latter were recognized as expenses (§ 314 (1) No. 9 HGB):

in TEUR	Total	of which subsidiaries
Audit of the annual financial statements	380	170
Tax consultancy service	30	0
Other service	5	0

#### 7.7. 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 reported in the Notes if they are material; such events did not occur in 2008, however.

## 7.8. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2007 were prepared by the end of March 2008 and given clearance for publication by the Board of Management as at April 8, 2008.

## 7.9. Warranty by the statutory representatives and disclosures in accordance with §37y No.1 of the German Securities Trading Act (WpHG) read in conjunction with §§297 2 (4) and 315 1 (6) HGB

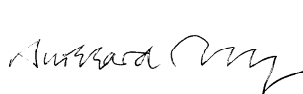
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group; and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich/ Grasbrunn, March 2008

**WIRECARD AG**



Dr. Markus Braun



Burkhard Ley



Rüdiger Trautmann

## ■ DEVELOPMENT OF NON CURRENT ASSET

Cost							
in EUR	01.01.2007	Adjustments from currency changes	Addition initial consolidation	Additions	Disposals	Transfer initial consolidation	31.12.2007
<b>NON-CURRENT ASSETS*</b>							
<b>1. INTANGIBLE ASSETS</b>							
Goodwill	53,880,153.64	0.00	41,787,414.34	9,321.00	838,549.97		94,838,339.01
Self-provided intangible assets	2,950,567.90	0.00	0.00	4,328,186.67	0.00	106,516.00	7,385,270.57
Other intangible assets	28,128,011.01	0.00	6,178,325.68	17,932,925.60	2,817.00	2,393,484.00	54,629,929.29
Advance payment made	2,500,000.00	0.00	0.00	0.00	0.00	- 2,500,000.00	0.00
	<b>87,458,732.55</b>	<b>0.00</b>	<b>47,965,740.02</b>	<b>22,270,433.27</b>	<b>841,366.97</b>	<b>0.00</b>	<b>156,853,538.87</b>
<b>2. TANGIBLE ASSETS</b>							
Other tangible assets	1,409,176.28	- 17,745.81	1,032,996.28	705,782.96	55,903.23	0.00	3,074,306.48
<b>3. FINANCIAL ASSETS</b>							
	3,169,782.34	0.00	0.00	290,378.57	956,493.77	0.00	2,503,667.14
	<b>92,037,691.17</b>	<b>- 17,745.81</b>	<b>48,998,736.30</b>	<b>23,266,594.80</b>	<b>1,853,763.97</b>	<b>0.00</b>	<b>162,431,512.49</b>

Accumulated Depreciation					Net book value		Net book value	
01.01.2007	Adjustments from currency changes	Additions	Additions	Disposals	31.12.2007	31.12.2007	31.12.2006	Depreciation of the year
1,782,712.24	0.00	2,962,843.86	0.00	0.00	4,745,556.10	90,092,782.91	52,097,441.40	2,962,843.86
306,089.30	0.00	519,967.27	0.00	8,876.00	834,932.57	6,550,338.00	2,644,478.60	519,967.27
757,006.01	0.00	1,108,328.54	0.00	- 8,876.00	1,856,458.55	52,773,470.74	27,371,005.00	1,108,328.54
	0.00	0.00	0.00	0.00	0.00	0.00	2,500,000.00	0.00
<b>2,845,807.55</b>	<b>0.00</b>	<b>4,591,139.67</b>	<b>0.00</b>	<b>0.00</b>	<b>7,436,947.22</b>	<b>149,416,591.65</b>	<b>84,612,925.00</b>	<b>4,591,139.67</b>
705,246.01	- 15,107.73	419,320.46	0.00	0.00	1,109,458.74	1,964,847.74	703,930.27	419,320.46
0.00	0.00	0.00	0.00	0.00	0.00	2,503,667.14	3,169,782.34	0.00
<b>3,551,053.56</b>	<b>- 15,107.73</b>	<b>5,010,460.13</b>	<b>0.00</b>	<b>0.00</b>	<b>8,546,405.96</b>	<b>153,885,106.53</b>	<b>88,486,637.61</b>	<b>5,010,460.13</b>

## AUDITORS' REPORT

### **WIRECARD AG AUDIT REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS ENDING AS AT DECEMBER 31, 2007 AND THE GROUP MANAGEMENT REPORT OF THE FISCAL YEAR 2007 IN ACCORDANCE WITH IAS/IFRS**

We have audited the consolidated financial statements prepared by the Wirecard AG, Grasbrunn, comprising the balance sheet, the income statement, statements of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2007.

The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich April 4, 2008

**RP RICHTER GMBH**

Wirtschaftsprüfungsgesellschaft (Audit firm)



**ROLAND WEIGL**

Auditor



**ULRICH BURKHARDT**

Auditor

FINANCIAL DIARY

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