

The Wirecard logo, featuring the word "wirecard" in a lowercase, sans-serif font. A small red square is positioned above the letter "i".

wirecard

The Wirecard logo, consisting of the word "WIRECARD" in a bold, uppercase, sans-serif font, centered within a solid red rectangular block.

WIRECARD

INTELLIGENT SYNERGIES

ANNUAL REPORT 2009

KEY FIGURES

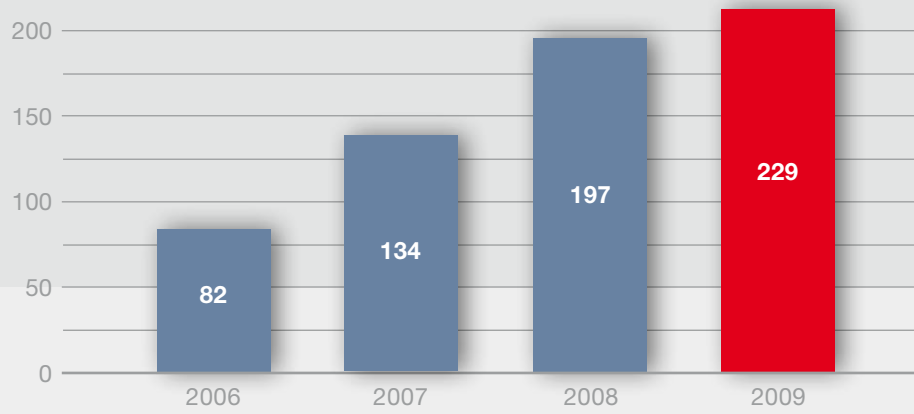
Wirecard Group

		2009	2008
Sales revenues	TEUR	228,508	196,790
EBITDA	TEUR	60,732	52,399
EBIT	TEUR	56,527	49,018
Earnings after taxes	TEUR	45,522	42,305
Earnings per share (diluted)	EUR	0.45	0.41
Shareholders' equity	TEUR	244,882	206,955
Total assets	TEUR	540,568	420,949
Cash flow on ordinary trading activity (adjusted by transaction volume of transitory nature)	TEUR	69,502	41,433
Employees		502	439
of which part-time		138	114

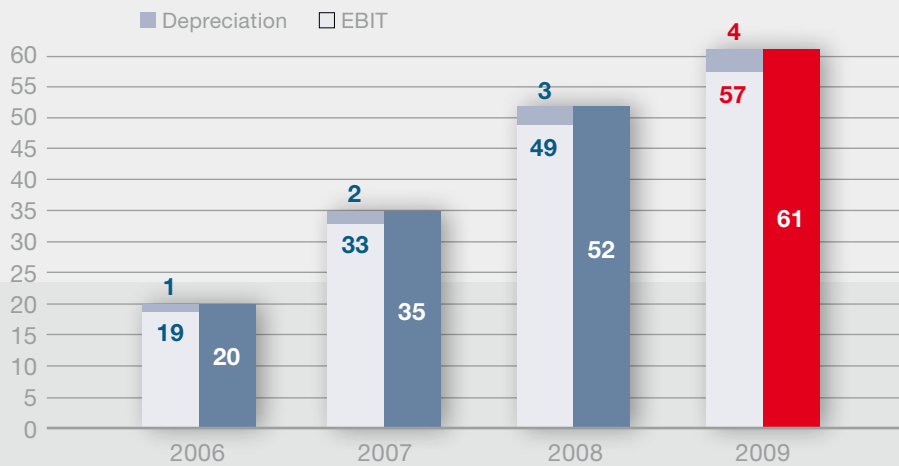
Segments

			2009	2008
Payment Processing & Risk Management	Sales revenues	TEUR	216,611	185,089
	EBIT	TEUR	36,888	34,254
Acquiring & Issuing	Sales revenues	TEUR	76,988	41,717
	EBIT	TEUR	19,665	15,090
Call Center & Communication Services	Sales revenues	TEUR	4,453	4,332
	EBIT	TEUR	-26	-434
Consolidation	Sales revenues	TEUR	-69,544	-34,348
	EBIT	TEUR	0	108
Total	Sales revenues	TEUR	228,508	196,790
	EBIT	TEUR	56,527	49,018

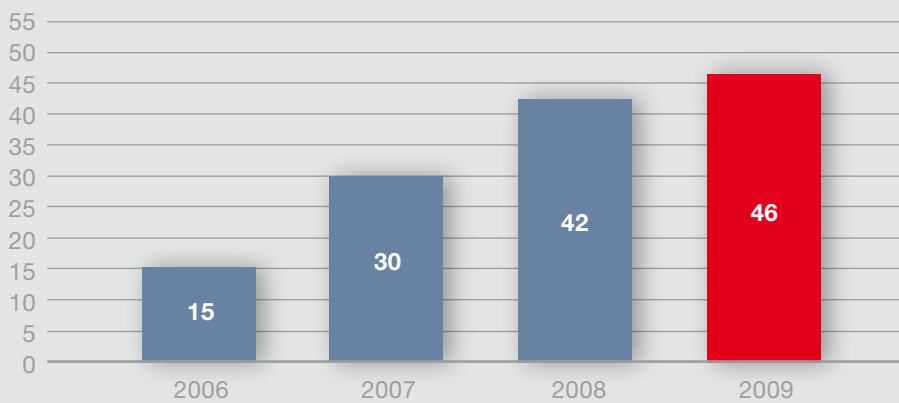
Sales (million euros)



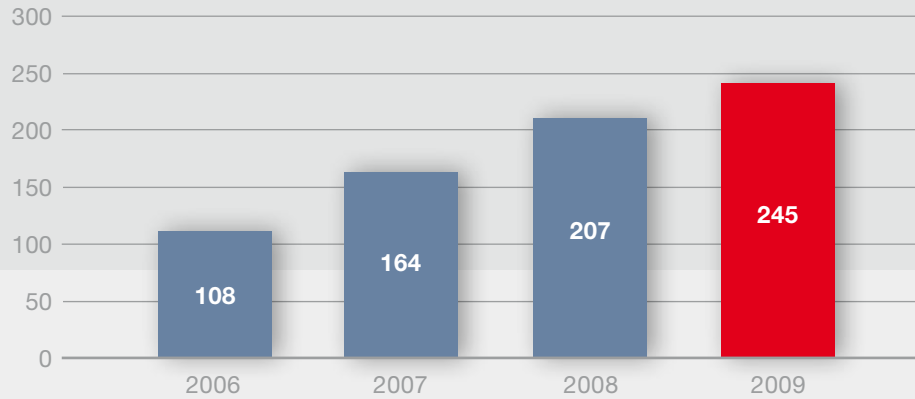
EBITDA (million euros)



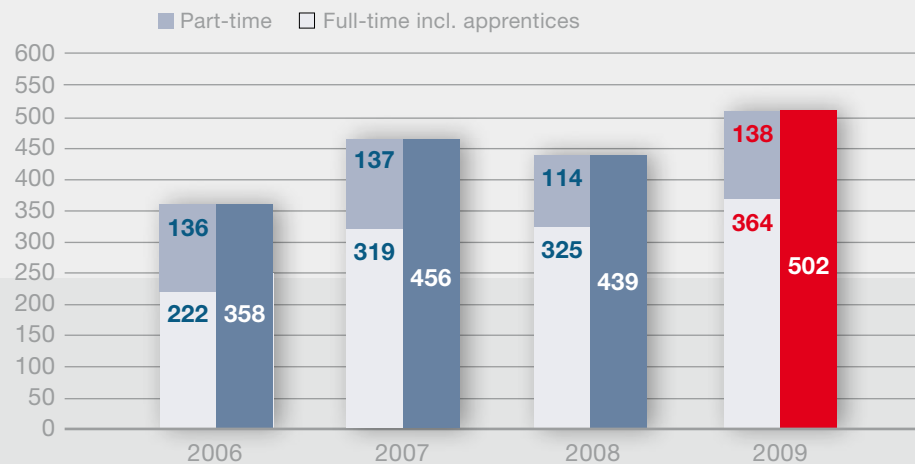
Net Income (million euros)



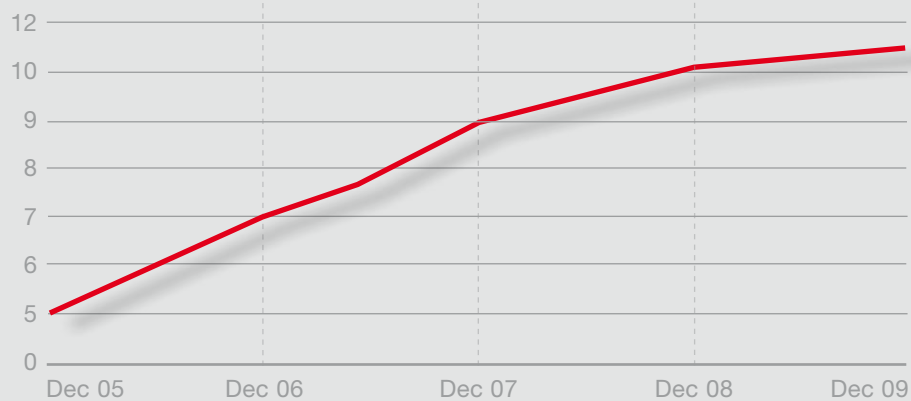
Shareholders' equity (million euros)



Employees as at December 31



Business customer development (thousand)



„The most important unique selling point of Wirecard AG – aside from our innovative strength, our speed and capacity for implementing customer-specific requirements – is our ability to combine software technologies with banking products, in the process continually expanding the value-adding chain. In doing so, we operate strictly within the confines of our core business and create competitive advantages for the benefit of our customers.“

Dr. Markus Braun, CEO

Intelligent synergies

Wirecard AG is one of the leading international providers of products and services in the field of electronic payments processing and risk management solutions. A highly diversified customer portfolio benefits from synergies generated by linking innovative payment technologies with banking services.

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Burkhard Ley,
CFO



Dr. Markus Braun,
CEO, CTO



Jan Marsalek,
COO*

* since Feb. 1, 2010

Dear Shareholders,

The market for electronic payment processing via the Internet was created about ten years ago.

Since then, Wirecard AG has become one of Europe's leading providers in this field. In spite of the challenging conditions prevailing in the global economy in the year 2009, the key industry segments that used the Internet as a distribution channel recorded positive rates of growth.

We made the most of this opportunity and once again outperformed the market by adhering to our clearly defined strategic orientation. From our operations alone, Wirecard AG managed to raise revenues to 228.5 million euros, and earnings before interest, taxes, depreciation and amortization (EBITDA) by 16 percent over the previous year, to 60.7 million euros. Earnings per share rose to 0.45 euros. In 2009, we were able to pay a dividend to our shareholders for the first time. Based on the positive earnings situation at the end of the financial year, the Board of Management and the Supervisory Board will propose to this year's annual general meeting to once again pay out a profit share of 0.09 euros per share in the form of a dividend.

Unbridled growth in core business segment

Growth in worldwide eCommerce is continuing and, after a slowdown in 2009, promises to recover gradually.

The last financial year was very much characterized by operational growth, as is shown clearly in the increase in our transaction volume to 10.6 billion euros.

Our merchant base has meanwhile been expanding to reach more than 11,000 customers. Moreover, a growing number of large customers have chosen to outsource their payment processes to us. In these instances, Wirecard AG handles the technical side of payment processing on the Internet, in brick & mortar trading and in call centers – in combination with a large number of creditworthiness and transaction checks. The credit or debit card acceptance, account management, reversal of transactions, dynamic current conversions and international payout processes required as part of these operations have become an essential part of the range of services provided by the Wirecard Group.

In the risk management segment, some significant further developments occurred in our product line in 2009, especially in the field of real-time fraud pattern recognition for credit card payments.

This new development, based on a highly efficient process of analysis, makes it possible to detect fraud during electronic online payment processing more effectively as well as more quickly, especially at the international level. Wirecard AG has adapted this new Fraud Prevention Suite to meet the specific requirements of the three key sectors in eCommerce: physical goods/trading, airlines/tourism and digital goods. In the second half of 2009 the Fraud Prevention Suite was deployed with the first customer, and in early 2010 it was rolled out in all three core industries on the Internet.

The “co-branded cards” solution launched in 2009 enables Wirecard Bank AG to provide prepaid credit cards at short notice and at relatively low cost, as well as in small editions. The design of these cards can be adapted to a large degree to meet our corporate customers’ requirements. We are particularly proud of the fact that Wirecard Bank AG is one of the few providers offering their customers a fully automated online production process.

What sets us apart from our competitors?

The most important unique selling point of Wirecard AG – aside from our innovative strength, our speed and capacity for implementing customer-specific requirements – is our ability to combine software technologies with banking products, in the process continually expanding the value-adding chain. In doing so, we operate strictly within the confines of our core business and create competitive advantages for the benefit of our customers. Our international orientation makes us the perfect partner, not least for large customers seeking to standardize their global payment process via a single platform.

Last year we also took further steps in our expansion in the East Asian region. The acquisition of a minor card payment provider in Singapore provided additional customers in the East Asian region. At the same time, this allowed us to expand the existing partnerships with regional banks which support our activities in the trading and digital goods segments in the Asian region.

Outlook

We will persist with our strategic focus on Europe and Asia and are convinced that the Internet market will continue to be a powerful growth market in coming years.

Since November 2009, Wirecard Bank has also been accessible in the Direct Debit segment for the Single Euro Payment Area (SEPA), within which all payments are processed subject to standardized terms and conditions. Our payment platform will also be able to process SEPA payments from the third quarter of 2010. The move to national debit card systems based on Europe-wide, standardized processes that are also suitable as Internet payment methods is going to accelerate in the years to come. Maestro payments are already available on our platform today.

The technological convergence in terms of the use of Internet technologies in the brick & mortar segment is also advancing apace and is bound to speed up further still. Even today, stationary merchants can view and manage all booking entries and statistics on the same day via the Wirecard platform by using IP-based terminals made available by our subsidiary Wirecard Retail Services GmbH. This allows them to derive the benefit of the same real-time-based tools as our online merchants.

We are very optimistic about the current financial year and are confident that we will reach the targets we set ourselves. Against the backdrop of the existing risks inherent in the global economy at the present time, we forecast EBITDA of between 70 and 75 million euros for fiscal 2010.

My colleagues on the Board of Management and I would like to thank all the employees of the Wirecard Group who made this success possible in the first place, and we would also like to express our appreciation to our customers and partners for their participation in our successful collaboration based on mutual trust.

We also wish to thank our shareholders for the trust they placed in us.

Kind regards,

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

Dr. Markus Braun
CEO
Wirecard AG



Wulf Matthias,
Chairman of the Supervisory Board

Dear Shareholders,

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

Report on the activities of the Supervisory Board

To exercise its control function, the Supervisory Board cooperated intensively with the Board of Management, which briefed the Supervisory Board orally and in writing on a timely basis with regard to all relevant business transactions and strategic approaches adopted. Further-

more, at each meeting the Supervisory Board dealt with the reports of the Board of Management on risk management activities and on the risks to the Wirecard Group identified by the Board of Management. Circumstances requiring approval, investment projects as well as fundamental issues of corporate policy and strategy were dealt with in particular detail and decided on the basis of extensive documentations and queries addressed to the Board of Management. The Board of Management briefed the Supervisory Board in monthly reports on the key financials and provided it with quarterly finance reports as well as the half-year report in good time prior to publication.

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

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

Focal points of discussions

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

One of the focal subjects discussed by the Supervisory Board in February 2009 concerned the effects of the financial crisis on the Wirecard Group. In the process, it was established that there were few impacts at the time of the meeting. The market as a whole was up by about 10 percent in 2009, with declines in payment processing activities within segments affected by the crisis being offset by growth in other divisions.

At its meeting in April 2009, the Supervisory Board discussed the annual and consolidated financial statements as at December 31, 2008 along with the topics to be dealt with at the Annual General Meeting scheduled for June 18, 2009. In addition, the Supervisory Board intensively addressed the efficiency audit. It approved the declaration of conformity in accordance with § 161 of the German Companies Act (AktG).

At its meeting in June 2009, in particular the Supervisory Board discussed the forthcoming Annual General Meeting as well as the development of various legal issues.

One of the focal points of the Supervisory Board meeting in October 2009 was the retrospective assessment of acquisitions in recent years and the planned personnel-related adjustments to market requirements along with industry-specific information in the sales and technology divisions.

At its final meeting in December 2009, among other things the Supervisory Board discussed the course of the reorientation of human resources in detail, business performance in 2009 and the budget process for evaluating the targets for the year 2010.

Capital measures

The Company's subscribed capital amounted to TEUR 101,803,139.00 as at December 31, 2009, divided up into 101,803,139 no-par-value bearer shares with a value based on a notional common stock of EUR 1.00 each. There was no change to the subscribed capital year on year.

Corporate Governance Code/declaration on corporate governance

The Supervisory Board dealt with the content of the German Corporate Governance Code during the period under review and currently also on in preparing the declaration of conformity in accordance with § 161 of AktG. For information on corporate governance within the company and a detailed report on the extent and structure of remuneration paid to the Supervisory Board and the Board of Management, please refer to the Corporate Governance Report/declaration on corporate government. At their meeting of 25 March 2010, the Board of Management and Supervisory Board adopted a resolution to submit the declaration of conformity dated 28 March 2010 in accordance with § 161 of AktG, which was made available on a permanent basis to the company's shareholders on the company's website. The declaration of conformity is reproduced in full in the Corporate Governance Report/the report on corporate governance.

Annual and consolidated financial statements

The auditing firms RP Richter GmbH Wirtschaftsprüfungsgesellschaft and Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft jointly audited the individual annual financial statements of Wirecard AG as at December 31, 2009, the consolidated annual financial statements as at December 31, 2009 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 IAS/IFRS.

The individual annual financial statements of Wirecard AG as at December 31, 2009, the consolidated annual financial statement as at December 31, 2009, the management report and consolidated management report, the proposal for the appropriation of profits and draft reports of the auditors were made available to all members of the Supervisory Board in time for the meeting of the Supervisory Board held on April 7, 2010. The auditors attended this meeting and reported on the material findings of their audit and were available to provide the members of the Supervisory Board with additional information. In relation to the accounting procedures, they also explained their findings on the company's control and risk management system. In addition, the auditors furnished proof of their independence and information on services they carried out in addition to the auditing of the financial statements in fiscal 2009 and fiscal 2010. The auditors provided the members of the supervisory board on April 8, 2010 with the final reports of the auditors with unqualified audit certificates and informed the members of the supervisory board in detail about the minor changes in the auditor's report provided on April 7, 2010.

Following a careful audit of its own, the Supervisory Board came to the conclusion that the annual financial statements, the summarized management report for the Company and the Group, the consolidated annual financial statements and the reports by the auditors gave rise to no objections. In its resolution of April 8, 2010, the Supervisory Board approved the annual financial statements of Wirecard AG prepared by the Company in March 2010 and the consolidated annual financial statements prepared by the Company in March 2010 in accordance with IAS/IFRS for fiscal 2010. Accordingly, the annual financial statements have been confirmed in accordance with § 173 of AktG.

The Board of Management plans to propose to the General Annual Meeting to pay a dividend of EUR 0.09 per share to our shareholders. The Supervisory Board approves this decision.

Change of control clause

Since 2006, the Enabling Act with regard to Takeover Directives (*Übernahme-Richtlinien-Umsetzungsgesetz*) has required 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 Notes in the chapter on the Board of Management.

Personal details and conflicts of interest

On October 31, 2009, Mr. Paul Bauer-Schlichtegroll, a former member of the Supervisory Board, resigned from his mandate as a member of the Supervisory Board in accordance with a previous announcement; Mr. Stefan Klestil was appointed by court as his successor. Other than that, there were no changes to the composition of the Company's management bodies.

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

Outlook

For fiscal 2010, sales revenues are expected to grow along with the operating result. It was possible to successfully further integrate the acquisitions made in recent years, which are now to contribute to a further increase in the company's successful performance – especially in the Asian region. This year the faltering economic crisis is presumed to contribute to additional growth of the company.

The Supervisory Board wishes to thank its retired member, Mr. Paul Bauer-Schlichtegroll, for his services on behalf of the Company. The Supervisory Board would like to express its recognition and thanks to the Board of Management and to the workforce for their immense dedication and commitment in fiscal 2009.

Effective as of January 31, 2010, Mr. Rüdiger Trautmann resigned from his position as Chief Sales Officer and was replaced by Mr. Jan Marsalek. The Supervisory Board wishes to thank Mr. Trautmann for his service and collaboration in the past several years.

Grasbrunn, April 2010

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

Wulf Matthias
Chairman of the Supervisory Board

WIRECARD STOCK

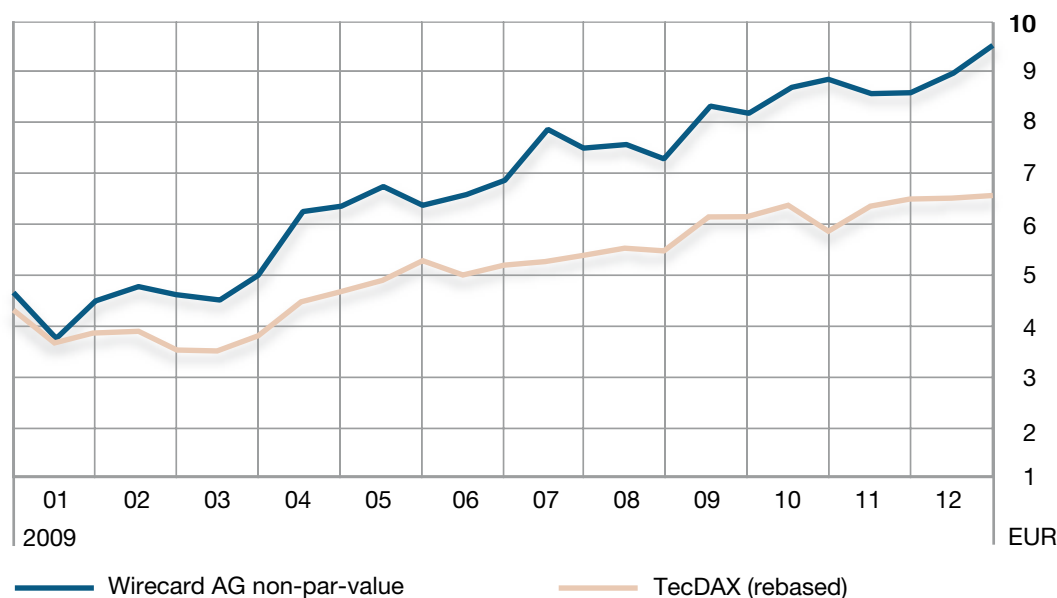
In sharp contrast to the 5 percent decline in Germany's Gross Domestic Product in the previous year, following a setback in March 2009 the stock markets bounced back substantially by the end of the year. However, the DAX failed to maintain the 6,000 point barrier just before the end of the year, closing at a level of 5,957 points. Since the beginning of the year, the increase amounted to roughly 24 percent.

Since its low of around 400 points in March 2009, the TecDAX, benchmark index for Wirecard stock, also managed to rise continually, finishing the stock market year at a Xetra closing price of around 817 points. From the level at the end of 2008, amounting to 508 points, an upward trend of over 60 percent was recorded.

The price trend of Wirecard stock was also highly gratifying in fiscal 2009. From an end-of-year closing price of 4.13 euros in 2008, Wirecard's share price fell to a low for the year of 3.78 euro in mid-January. At the beginning of April 2009, the value of Wirecard stock exceeded the 5 euro mark. Until mid-July the share price fluctuated between 5.00 and 7.00 euro; by the end of September, it was within a bandwidth of 7.00 to 8.00 euro. From October, the price of Wirecard stock continually surged, reaching its high for the year of 9.73 euros on December 21, 2009 and closing the year at a level of 9.65 euro.

Performance of the Wirecard stock

January 1, 2009, to December 31, 2009



The performance of Wirecard stock, starting from the respective Xetra closing prices on December 30, 2008 and December 30, 2009 amounted to approximately 133 percent at an average price of 6.80 euros. The Xetra trading volume of Wirecard stock averaged 420,000 shares per day.

Investor Relations

During the last fiscal year the Board of Management again took part in numerous road shows and attended several investor conferences. Moreover, one-on-one talks with investors during visits and telephone conferences were a key element of financial communications.

In 2009, eleven analysts from banks of note monitored Wirecard's stock. An overview is available in the Investor Relations section of the company's website www.wirecard.de under "Stock".

The Board of Management and the Supervisory Board of Wirecard AG undertake to comply with the principles of the German Corporate Governance Code and endorse the principles of transparent and sustained corporate governance. Special measures in this regard are the listing on the Prime Standard and accounting according to IAS/IFRS.

Private investors can obtain all the relevant information on the Internet in the Investor Relations section of the company's website: www.wirecard.de

Capital measures in the year under review

The subscribed capital as at December 31, 2009 amounted to EUR 101,803,139.00 euro divided up into 101,803,139 no-par-value bearer shares with a value based on a notional common stock of EUR 1.00 each. No capital measures were carried out in the year under review.

Annual General Meeting

The Annual General Meeting of Wirecard AG was held in Munich on June 18, 2009. No counter-proposals were submitted. The shareholders present accounted for just under 20 per cent of the company's capital stock. A proposal by Management to pay out a dividend to the shareholders for the first time was adopted at the Annual General Meeting. In accordance with agenda item 2, "Appropriation of the balance sheet profit", a resolution was adopted with a majority of over 99 percent to carry forward an amount of EUR 1,267,185.16 of the balance sheet profit of EUR 9,411,436.28 to the new accounts and to pay out a total amount of EUR 8,144,251.12 as a dividend, i.e. a dividend of EUR 0.08 per share on the 101,803,139 shares entitled to a dividend.

When votes were taken on further items of the agenda, the shareholders in each case endorsed Management's proposals with a substantial majority. A detailed description of the items on the agenda and the voting results can be accessed from the Investor Relations section of the Company's website <http://ir.wirecard.com> under *Annual General Meeting*.

The status of the actions to challenge resolutions adopted at the Annual General Meetings of 2007 and 2008 is explained in the Risk Report (Management Report: chapter 7.8.).

Wirecard stock – key figures Price date (Xetra)

		2009	2008
Number of shares (Dec. 31) - all entitled to a dividend		101,803,139	101,803,139
Capital stock (Dec. 31)	EUR	101,803,139.00	101,803,139.00
Market capitalization (Dec. 31)	EUR mn	982	420
End-of-year closing price (Dec. 31)	EUR	9.65	4.13
Annual high	EUR	9.73	*11.54
Annual low	EUR	3.78	*3.40
Earnings per share (basic)	EUR	0.45	0.42
Earnings per share (diluted)	EUR	0.45	0.41
Cash flow on ordinary trading activity (adjusted by transaction volume of transitory nature)	EUR	0.68	0.41
Equity per share	EUR	2.41	2.03
Dividend per share	EUR	0.08	0.00
Dividend payout	EUR	8,144,251.12	0.00

* On September 10, 2008 20,357,967 new Wirecard shares were listed following a capital increase sourced from company funds. Prior to this, the high for 2008 came to EUR 14.39 and the low for the year to EUR 4.37.

Basic information on Wirecard stock

Year established	1999
Market segment	Prime Standard
Indices	CDAX, DAXsubsector IT Services, HDAX, MIDCAP MKT, Prime All Share, TecDAX, Technology All Share, Dow Jones EURO STOXX® TMI, Dow Jones EURO STOXX® Strong Growth 20
Type of equity	No-par-value common bearer shares
Stock exchange ticker	WDI; Reuters: WDIG.DE; Bloomberg: WDI@GR
WKN (SIN)	747206
ISIN	DE0007472060
Authorized capital, in number of shares	101,803,139
Group accounting category	Exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year	December, 31
Total capital stock as at December 31, 2009	EUR 101,803,139.00
Beginning of stock-market listing	Oct. 25, 2000
Board of Management	Dr. Markus Braun CEO, CTO Burkhard Ley CFO until Jan. 31, 2010: Rüdiger Trautmann since Feb. 01, 2010: Jan Marsalek COO
Supervisory Board	Wulf Matthias (Chairman) Alfons W. Henseler (Deputy Chairman) until Oct. 31, 2009: Paul Bauer-Schlichtegroll since Dec. 10, 2009: Stefan Klestil
Shareholder structure on Dec. 31, 2009 (Shareholders with more than 3 percent of voting rights)	7.60 % MB Beteiligungsgesellschaft mbH 5.00 % Alken Fund SICAV (formerly: VAUBAN Fund) (LU) 4.97 % Artisan Partners (U.S.) 3.12 % Jupiter Asset Management Ltd. (UK) 3.10 % Wasatch Holdings Inc. (U.S.) 92.4 % free float (Alken, Artisan, Jupiter and Wasatch are considered part of the free float according to the definition of the German Securities Exchange)

The sum total of synergies



What do geodesic domes have in common with intelligent corporate governance?

The answer is that in both cases, stability and strength depend on the implementation of intelligent synergy concepts. Accordingly, the holistic credo that “the whole is more than the sum of its parts” applies equally to architecture and business.

The American Richard Buckminster Fuller can certainly be described as a universally creative genius. In the years from 1930 to 1980, Fuller was successful as a brilliant design engineer and designer, philosopher, author and architect.

Fuller attained renown especially for developing geodesic domes – light-weight spherical constructions comprised of the simplest of fundamental geometric bodies. As individual parts, the elements appear to be filigree and fragile – only in the course of their architectural interaction do they combine to form a strong, sustainable construction. Richard Buckminster Fuller coined the term “synergy effect” for this innovation.

Of course, the idea of synergy and synergism in the sense of interaction and mutual reinforcement of living beings, materials or forces is no invention of the last century. In fact, the term “synergy” has already existed since classical antiquity. After all, it was Aristotle who formulated the famous theorem of “the whole being more than the sum of its parts”.

However, the synergy effect was only transformed into a buzzword of the modern business community in the past twenty years. Especially in the context of mergers and takeovers, there was soon talk of those effects that would cut costs and reinforce competitiveness. By means of ever more spectacular takeovers and business combinations, economies of scale were to be achieved and new markets opened up.

Yet in many cases the big-time mergers have turned out to be extremely complex. According to a study conducted by the business consultancy Bain & Company, two-thirds of 250 executives canvassed in international conglomerates stated that they had overestimated the synergy effects generated by corporate takeovers.



The reason: interaction between different corporate units does not only lead to synergies, but also to dyssynergies – negative characteristics resulting from disadvantages of business combinations. Only the consolidation of synergy and dys-synergy potential leads to a net synergy potential – the key criterion for the success or failure of a business decision.

In the process, it became clear a long time ago in the business community that organic growth is considerably more sustained in terms of a company's core business than takeovers in new markets. "Whoever is only on the lookout for cost-cutting potential and synergy effects will not find profitable growth," points out Dr. Jürgen Rothenbücher, associate and head of the European M&A strategy practice with the business consultancy A.T. Kearney. "In contrast, in a growth-oriented, positive environment the desired synergies and the necessary new corporate identity succeed in being established very much sooner."

And Dr. Henrik Naujoks, an associate at Bain & Company, emphasizes: "The results of M&A consultancy practice in the past twenty years deliver proof to show that acquisitions which reinforce a company's own core operations are substantially more successful than acquisi-

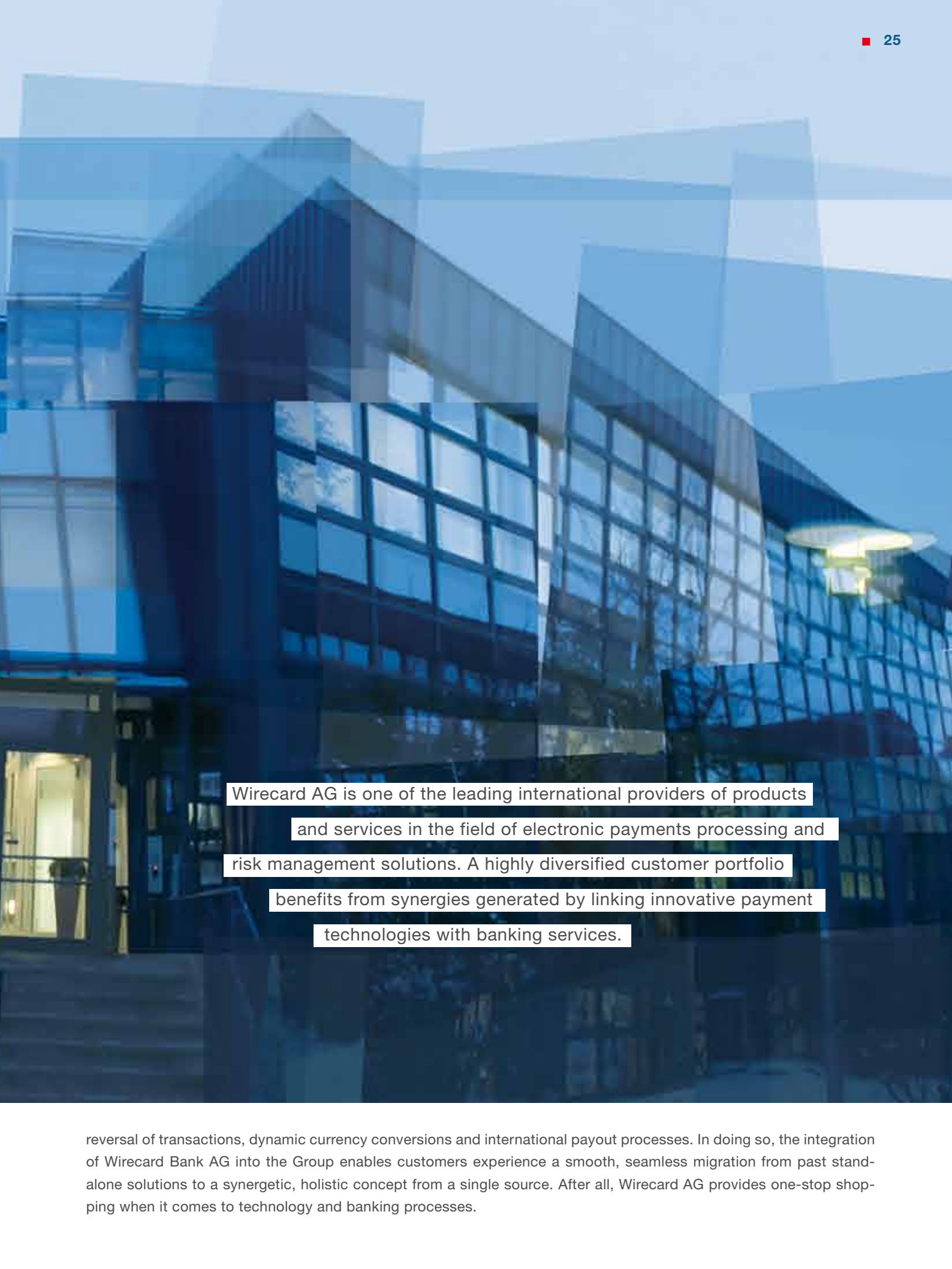
tions with which companies want to open up new markets."

The development of Wirecard AG reflects this organic synergy concept. Growth is stringently generated by core operations and a company's core fields of activity. From the Wirecard Bank's foundation in 2006 up to the takeover of the Asian payment processing company E-Credit Pte. Ltd. in the year 2009, the objective always was to extend the portfolio of services along the value added chain and the further development of the group of companies to become a provider of full package solutions in the segment of electronic payment processing.

Banking services and payment systems

The Wirecard logo is displayed on a white rectangular sign. It features the word "wirecard" in a bold, lowercase, sans-serif font. A small red square is positioned above the letter "i". The sign is set against a background of a modern glass building at night, with snow visible on the ground in the foreground.

The company's positive performance is based on the integrated approach of its business model, i.e. on the close interlinkage of its core operations – payment processing and risk management – with the complementary services of Wirecard Bank AG. For instance, Wirecard AG establishes holistic solutions for outsourcing all financial processes: the technical processing of payments, credit rating and transaction checks, credit card acceptance, account management,




Wirecard AG is one of the leading international providers of products and services in the field of electronic payments processing and risk management solutions. A highly diversified customer portfolio benefits from synergies generated by linking innovative payment technologies with banking services.

reversal of transactions, dynamic currency conversions and international payout processes. In doing so, the integration of Wirecard Bank AG into the Group enables customers experience a smooth, seamless migration from past stand-alone solutions to a synergetic, holistic concept from a single source. After all, Wirecard AG provides one-stop shopping when it comes to technology and banking processes.



Airline travel and tourism

The range on offer from Wirecard AG comprises numerous individually tailored industry and customer-specific payment and risk management systems for the travel industry. These also include special BSP solutions for airlines as well as the integration of payment solutions into booking and mid-/back-office systems along with integrated risk management to avoid payment defaults and subsequent litigation costs. In the wake of its global market penetration, today



Customer centricity and efficient processes are the foundations for synergies.

Accordingly, Wirecard AG relies on an international and fully integrated portfolio of solutions – from a single source and via a single platform.

In doing so, the company takes account of the individual customer requirements prevailing in the tourism industry – flexibly and efficiently. This is because the payment and risk management systems of Wirecard AG are individually tailored to the needs of the travel industry.

Wirecard AG is able to make far-reaching risk management systems and highly specialized modules available for fraud detection. In this way, customers from the travel industry stand to benefit from the experience gained by the Wirecard Group and can intensify their international expansion plans.

Mail order trade and eCommerce

Wirecard AG relies on individually tailored services for the entire process chain in the wholesale and retail sector. Integration by means of a technical interface provides enterprises of any orientation and scale with access to more than 85 different payment and risk management methods. With this portfolio, Wirecard AG enables its customers to accomplish the migration from stand-alone solutions to a fully integrated overall concept.

The core of the Wirecard portfolio of services is a payment platform combining all distribution channels via a common interface, resulting in benefits for merchants in terms of costs and processing effort. Moreover, numerous complementary services and products ensure far-reaching protection against payment defaults and render even complex international payment flows transparent and capable of being traced. For instance, we enable our customers in the fields of

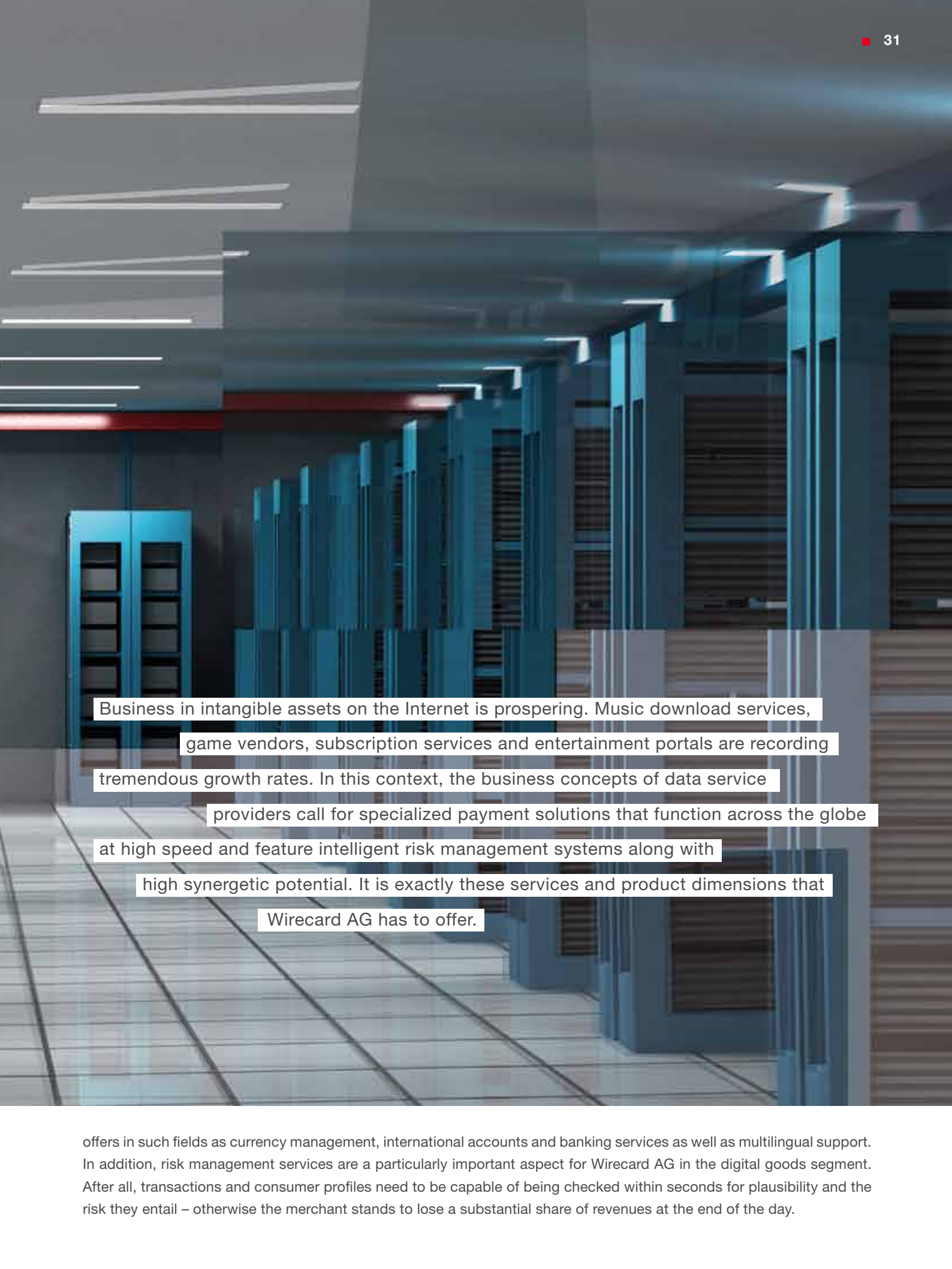


eCommerce and online trading to take the leap from their past isolated solutions to an all-embracing concept. With fully integrated solutions in the fields of payment, risk management and banking services, Wirecard achieves the key competitive edges in the consumer goods sector.



Downloads and data

In the field of digital goods, there is an enormous bandwidth of business models, ranging from Internet portals and providers of console, PC and online games all the way through to online dating platforms, telecommunications services and interactive games of fortune. A very own special business logic applies to this business involving data and clicks. Enterprises in this segment almost always operate with an international reach. Accordingly, Wirecard AG focuses on



Business in intangible assets on the Internet is prospering. Music download services, game vendors, subscription services and entertainment portals are recording tremendous growth rates. In this context, the business concepts of data service providers call for specialized payment solutions that function across the globe at high speed and feature intelligent risk management systems along with high synergetic potential. It is exactly these services and product dimensions that Wirecard AG has to offer.

offers in such fields as currency management, international accounts and banking services as well as multilingual support. In addition, risk management services are a particularly important aspect for Wirecard AG in the digital goods segment. After all, transactions and consumer profiles need to be capable of being checked within seconds for plausibility and the risk they entail – otherwise the merchant stands to lose a substantial share of revenues at the end of the day.

Group management report

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1. BUSINESS, GENERAL CONDITIONS AND PERFORMANCE

1.1. Business activities and products

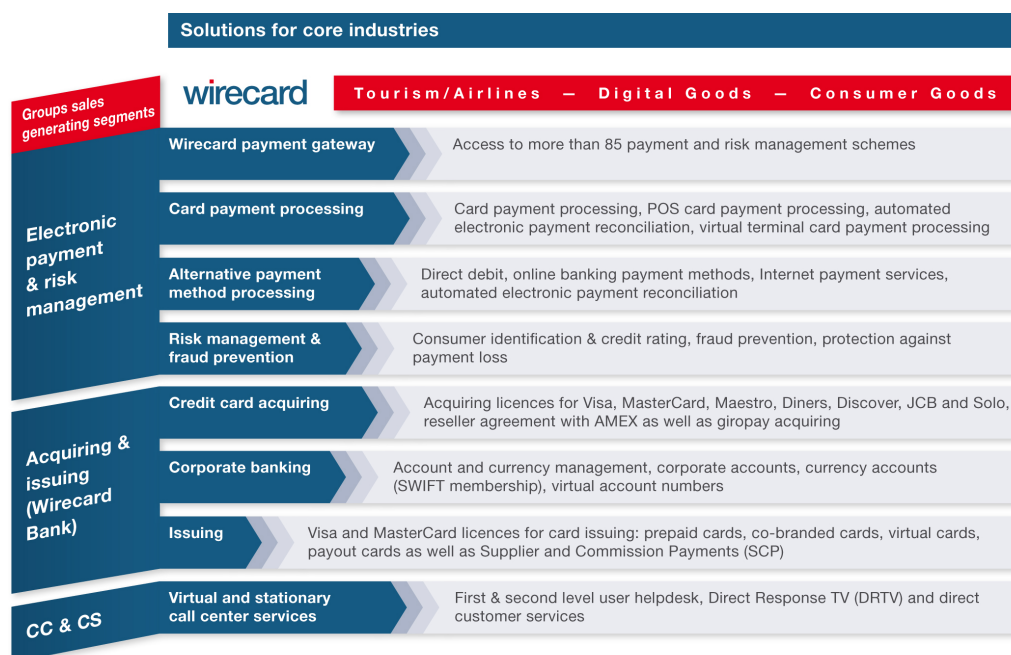
Wirecard AG is one of the world's leading technology and service companies in the fields of electronic payments, risk management and banking services. Today the Wirecard Group provides more than 11,000 businesses in various sectors of the economy with intelligent solutions from a single source.

Solutions and products for business customers

We offer our customers the means to accept of a wide range of national and international payment methods. A large number of complementary products and solutions focusing on risk management ensure extensive protection against payment defaults. The core of the Wirecard portfolio of services is a platform combining all distribution channels via a common interface. This makes cost lower and processing easier for our customers. Outsourcing their financial processes allows customers to focus on the main game: running their own businesses. To be able to meet industry and customer-specific requirements, Wirecard AG offers flexible approaches to solutions. The industry solutions that we currently provide for the consumer goods, tourism and airlines sectors as well as for digital goods are based on our holistically integrated and bundled product lines.

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

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



The Wirecard payment platform

Integration by means of a single technical interface provides merchants with immediate access to more than 85 different payment and risk management methods. These include traditional payment methods such as credit card, direct debits and invoicing, as well as systems developed specifically for use over the Internet, such as CLICK2PAY, eps, giropay, IDEAL and paysafecard, all of which offer consumers additional payment alternatives.

Our products and services can be provided to merchants in the form of outsourcing solutions. There is no need for the merchant to install our software. We deploy state-of-the-art encryption technologies to safeguard the exchange of data. Transmission protocols such as XML, SOAP, SFTP and HTTPS ensure data security and flexibility in terms of the connection using the very latest technologies. The Wirecard Enterprise Portal (WEP) is an application for use by merchants to manage transactions, statistics and reports.

Compared with the acquisition and local operation of a payment processing software package, working with Wirecard reduces operating expenses substantially, making a proactive contribution toward lowering costs for merchants. At the same time, we also provide merchants with advice regarding the design of their billing and accounting processes. This advisory service includes support in choosing the risk management methods to be implemented, based on the individual risk profile for the various payment methods and the merchant's specific target markets.

Moreover, merchants have the option to outsource to our call center or to a secure Internet page provided by us any security-critical aspects of their order acceptance processes. This enables merchants to avoid continually upgrading their own IT infrastructure in order to keep pace with increasingly demanding data protection and security requirements.

Compared with brick-and-mortar businesses, merchants selling products online or via call centers are confronted with a large number of new challenges. Different time zones, a range of different currencies, the risk of fraud or payment default—these all raise issues that most merchants will be able to resolve only by working with a competent, experienced partner specializing in this field.

Risk management for secure commerce

There are two main risk categories that can lead to payment defaults in online commerce: the credit risk and the risk of fraud. In the case of credit risk, the customer actually makes contact with the merchant, but the payment fails due to the customer's inadequate credit status. In contrast, the risk of fraud pertains to cases where the customer is not who they pretend to be, resulting in an uncollectible debt. To minimize payment defaults due to insufficient credit in online commerce, the merchant must be in a position to find out as much as possible about the creditworthiness of the virtual counterparty. The Wirecard Group offers a range of automated services that carry out consumer checks, such as verification and validation of address and payment details, reconciliation of negative lists (e.g. black lists and sanction lists) based on name, address or other personal identifiers, review of the payment history of existing customers and data consolidation via external credit reference agencies (credit inquiries).

By individually combining various risk management tools, Wirecard arrives at the best decision based on the end customer data and the merchant's risk profile. Moreover, Wirecard also offers merchants flexible models for credit limit management based on customer-specific decision trees/risk strategies. Such a strategy could be used to determine the payment methods to be offered (invoice, direct debit, credit card, cash in advance, cash on delivery), combined with a suitable limit. This approach allows a merchant to implement risk-optimized cash management for new and existing customers.

In the German market, the product PAYShield is offered by Wirecard in collaboration with CEG Creditreform Consumer GmbH. It is a combined credit information and collection service, supplemented with services in the field of payment processing (direct debits, billing accounts). Credit status and payment history of a consumer are checked before the customer is approved for a specific payment method (invoice, direct debits). Should a payment default occur in spite of these measures, the merchant will be relieved of the time-consuming and cost-intensive dunning and collection procedures. PAYShield provides small and medium-sized merchants with a highly differentiated risk management system of the kind previously only affordable for large mail-order operations.

As well as the risk of payment default described above, merchants engaging in online commerce face the constant risk of fraud. A buyer acting with fraudulent intent, for example, will make a purchase by providing a false identity. Unlike with stationary brick-and-mortar retail trade, over the internet identifying characteristics such as a signature on a credit card cannot be verified. In online commerce, the customer remains anonymous, a fact that lowers the inhibition threshold for fraud further still. Wirecard offers a wide range of fraud prevention methods. These include reconciliation with negative lists based on payment transaction data such as account details and credit card numbers; the Address Verification Service (AVS) carried out by the credit card organizations Visa, MasterCard and American Express; the 3D-Secure process (Verified by Visa and MasterCard SecureCode); and various IP/BIN and Velocity checks.

The *Fraud Prevention Suite*, an automated solution in the field of fraud pattern recognition, allows suspicious data and/or behavior patterns to be detected in real time. This development in our risk management product line is based on a highly efficient process of data analysis that enables the swift and efficient detection of fraud occurring during electronic online payment processing. This is particularly true for international credit card processing at the international level. Wirecard AG adapted its new *Fraud Prevention Suite* to suit the specific requirements of key sectors in eCommerce: consumer goods, airlines/tourism and digital goods.

Supplementary banking services

Wirecard Bank, as part of the Wirecard Group, offers innovative products and services for corporate banking. These include business and currency accounts as well as the allocation of credit card acceptance agreements and the issuing of payment cards within the scope of co-branding and customer loyalty projects (prepaid or co-branded cards).

To be able to accept payments by credit card, the merchant requires a credit card acceptance agreement from a bank licensed by the credit card organization (known as an acquiring bank). As a Principal Member of Visa and MasterCard and a full member of the largest Asian credit card organization JCB International (Japan Credit Bureau), Wirecard Bank is licensed to conclude credit card acceptance agreements. The company operates as a credit card acquirer with more than 100 transaction currencies and 15 payout currencies in more than 69 countries around the world. Moreover, the Wirecard Bank's membership of SWIFT (Society for Worldwide Interbank Financial Telecommunication) enables it to provide its business customers operating with a global reach a large number of supplementary services in the field of foreign payment transactions and forex management services.

Through its membership in MasterCard and Visa, Wirecard Bank also holds the licenses required for issuing cards (Issuing Bank). Combined with the technological expertise of the Wirecard Group, this represents the basis for offering business customers additional innovative services:

- Our *Supplier and Commission Payments (SCP)* product is an industry-specific automated solution particularly suitable for tourism operators for speedy, secure processing and settlement of global payouts at exact, pre-agreed costs. A virtual MasterCard on a non-borrowing basis is created in real-time for each individual booking transaction.
- Our Issuing product line also includes the *Payout Card*. This MasterCard on a non-borrowing basis provides employers with an alternative solution for paying wages to temporary, seasonal or casual workers. *Payout-Cards* can be loaded cheaply and quickly by companies and can then be used for payouts to workers. The product is available throughout the SEPA (Single Euro Payments Area).
- *Co-branded cards* are not only interesting as a means of payment but are deployed by corporations more and more frequently as a marketing instrument. Wirecard Bank AG ensures the sustained success of each and every card project, from the individual conceptualization and management of credit card projects, and the provision of innovative software solutions for managing customer loyalty programs right through to comprehensive services from a single source.

Call center services

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

Consumer products

With the options available to the Group's own bank in the field of issuing, the Wirecard Group was able to develop and market its product portfolio in relation to consumer products that supplement the Group's core business activities. This produces synergy effects in the field of corporate customer products, as in the case of the *Wirecard* Internet payment service. Online merchants can extend their customer base in the SEPA region without the need for technical integration and without incurring any additional costs.

- The *Wirecard* Internet payment service (www.mywirecard.com) is positioned as a convenient prepaid payment solution for the Internet, since consumers use *Wirecard* to pay anywhere on the Internet where MasterCard's are accepted, without having to possess a regular credit card at all. The virtual prepaid MasterCard from Wirecard Bank AG meets all the relevant security criteria: as with any conventional MasterCard, all the relevant card data is available to the user. Optionally, users of the payment system can also order a MasterCard in the form of a plastic card. A precondition for payment processes, both for the virtual card and the physical MasterCard, is that the *Wirecard* online account must show a credit balance. This enables customers to shop not only on the Internet but also at more than 24 million MasterCard acceptance points at brick & mortar retail outlets across the globe.
- The credit balance principle also applies to the *Prepaid Trio*. The *Prepaid Trio* offered by the Wirecard Bank offers private customers an online current account on a non-borrowing basis, including an ec/Maestro card and a Visa prepaid card. Thanks to the credit balance function, not only can users make secure payments conveniently, they also have their finances under control at all times.

The Group's portfolio of products and services

Business Customers

Wirecard payment and risk management platform

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

Payment services

- Credit card processing via an international banking network
- Electronic Funds Transfer (EFT)—processing and settlement of direct debits within Germany as well as of local payment methods in other countries (including 22 Chinese ones)
- Other payment schemes: e.g. CLICK2PAY, *Wirecard* Internet payment service, giro pay, IDEAL, eps, paysafecard, Paybox)
- Innovative products: Payment guarantee (PAYShield), Supplier and Commission Payments (SCP), Payout-Cards

Risk management

- Decision-making strategies for cash control, fraud identification (Fraud Prevention Suite), new and existing customer evaluation, 3D Secure, etc.
- Specialized partners: Experian, Quova and others
- Credit rating checks by CEG Consumer Rating, BÜRGE, Arvato Infoscore, Deltavista and others.

Connection of sales channels via XML and/or front end interface

- Internet/ call centers/ mail order: access to more than 85 payment and risk management methods
- Point-of-sale processing of payments via stationary and mobile terminals

Industry-specific interfaces

- Shop software (e.g. integrated into os Commerce, xt: Commerce, Sage, OXID eSales, ShopFactory, CosmoShop, ePages, Magento)
- Tourism: Integration into booking or software systems (CRS, GDS, IBE, BSP); booking systems, e.g. Sabre, Amadeus, SITA, Midoco, Bosys, AirKiosk, 2e-Systems, Partners Software GmbH, DCS GmbH, TravelTainment, ETACS, Ypsilon.Net AG

Additional services

- Credit card acceptance via Wirecard Bank: Acquiring Licenses for Visa, MasterCard, Maestro and JCB / reseller agreement with America Express as well as giro pay acquiring
- Banking services (account and forex management, co-branded cards, and others)
- Provision of point-of-sales card terminals (e.g. Ingenico, Hypercom)
- Call center service (stationary, virtual and hybrid)

Private Customers

- *Wirecard* Internet payment service (virtual or physical prepaid MasterCard)
- Prepaid Trio (online bank account, ec/Maestro and Visa card)
- CLICK2PAY (eWallet payment solution)

1.2. Overall economic conditions

General global economic conditions

The impact of the financial markets crisis on the global financial system had severe repercussions on the entire global economy and, in particular, led to an enormous decline in order receipts in the real economy in 2009. Whereas global economic growth in 2008 amounted to 3 percent, according to forecasts by the International Monetary Fund (IMF) it shrank to minus 0.8 percent in the period under review. According to initial forecasts by Eurostat, the Statistical Office of the European Communities, in 2009 Gross Domestic Product (GDP) declined by 4.1 percent in the Eurozone (EZ16), by 4.2 percent in the EU27 and by 5 percent in Germany.

Industry-specific fundamentals

In 2009, in defiance of the general economic downturn the European eCommerce market turned out to be extremely robust and, according to the cumulative assessments of various market research institutions that evaluate specific industries, it grew by at least 10 percent.

Further increase in number of Internet users

While we had reported a billion Internet users only last year according to the ComScore World Metrix which had listed the top 15 countries worldwide in December 2008 by the number of their Internet users, by September 30, 2009 this figure had risen substantially, to a current 1.7 billion users, according to calculations by Internet World Stats. One quarter of the world's population is now online. In China there were as many as 338 million users in mid-2009, more than in North America, where the number is estimated at 246.8 million users. In Europe as a whole, the number of people with Internet access is in the region of 418 million, equivalent to about half the population.

According to the IDC „Worldwide Digital Marketplace Model and Forecast“ of December 2009, more than 2.2 billion people are expected to use the Internet as early as 2013. In addition, the market research institution estimates that more than 624 million Internet users worldwide engaged in online shopping in 2009.

Online-shopping increasingly popular

Western Europe remained the key eCommerce market for the Wirecard Group in 2009. As in the past, the nations generating the highest revenues were the United Kingdom, Germany and France, followed by Sweden, the Netherlands, Italy and Spain. In 2009, sales reached roughly 68 billion euros in online trading alone. This is the conclusion of Forrester Research in its “Western European Online Retail Forecast, 2009 to 2014” published early in March 2010. In 2009 – a difficult year in economic terms – online trading emerged the winner compared with the development of online tourism. According to the figures from Forrester indicated above, 11 percent revenue growth was recorded in the western European countries

mentioned above. And according to the figures of the German Federal Mail Order Trading Association (*Bundesverband des deutschen Versandhandels - bvt*), online commerce with merchandise in Germany grew by as much as 16 percent. In its recently published study based on a representative sample of 10,000 German Internet users from the age of 14, the GfK Consumer Panel arrives at a growth rate of 14 percent.

According to reports published in October 2009 by the market research institution PhoCus Wright specializing in tourism, the online tourism segment in Europe still did well in 2009 compared with the tourism market as a whole, which may be faced with a decline by possibly up to 10 percent. However, double-digit growth is not to be expected for the year 2009 at this time. In the field of digital goods, it was possible to achieve about 10 percent market growth in 2009, according to consolidated estimates by the various market research institutions of the markets, consisting of sport bets and games of chance, online video games and general downloads. In the forecast report (Chapter 9.2) we deal at length with the future market developments of the individual industry segments.

Study: „Internet-payment systems from the perspective of merchants“

From August to October 2009, the fifth survey of German online merchants in the IZH study series (IZH5), initiated by the University of Karlsruhe (TH) in 2001, took place. The studies focus viewpoints of providers of goods and services on the Internet. IZH5 is a joint project whose participants are 'E-Commerce-Center Handel' at the Institut für Handelsforschung GmbH, the Technical College (*Fachhochschule*) of Frankfurt/Main, PaySys Consultancy GmbH and fiveforces GmbH. Wirecard AG along with some other companies supported the study, which is based on a survey of 315 companies that sell their products via the Internet. A number of small and medium sized German eCommerce merchants took part.

Among other things, the results confirm that conventional payment methods like transfers (purchase on account or cash in advance), direct debits and cash on delivery still dominate payment flows in the field of eCommerce. However, payment by credit card is making increasing gains in Germany, reaching a distribution share of over 50 percent for the first time among the merchants canvassed.

On average, merchants offer 4.4 payment methods. However, neither a saturation nor a further consolidation appears to be on the cards: the merchants surveyed plan to introduce an average of 1.8 new payment methods by the end of the year 2010. This will be beneficial above all to special Internet-based payment methods as well as credit cards.

Business trends in the period under review

In 2009 Wirecard AG once again managed to continue its positive business trends recorded in previous years, acquiring new customers in all eCommerce industries. The customer portfolio has risen to over 11,000 merchants.

In addition, increased demand was recorded on the part of large enterprises in the consumer goods and tourism industry. These two classic industries were partially motivated by the economic crisis to accelerate their outsourcing decision-making strategies—to offset shortfalls in terms of conventional distribution channels for one thing, but also for cost-cutting reasons.

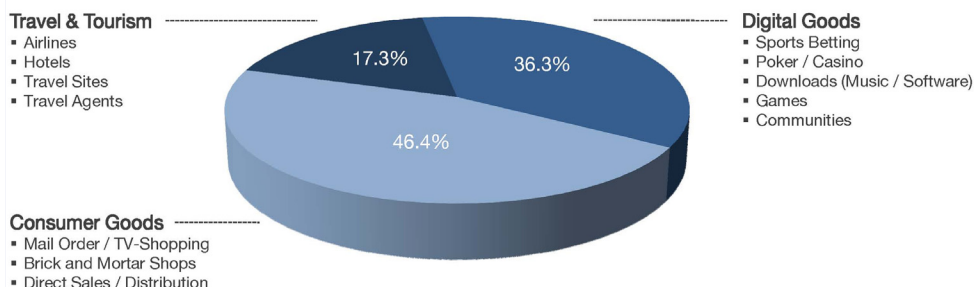
In this context, the Wirecard Group managed to deliver a compelling performance, particularly thanks to its international orientation and the depth and range of its services. New services offered by the online-oriented Wirecard Bank, such as a professional currency management system, provide additional support to acquiring customers operating on a global scale.

Transaction volume in 2009

The lion's share of Group sales revenues is generated on the basis of business relations with providers of merchandise or services on the Internet, who outsource their payment processes to Wirecard AG. The conventional services for the settlement and risk analysis of a payment transaction performed by a payment services provider and the credit card acceptance performed by Wirecard Bank AG are therefore closely synchronized.

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

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally dependent on the transaction volumes processed. In fiscal 2009 the transaction volume amounted to 10.6 billion euros. On average, the breakdown according to our target industries was as follows.

Transaction volumes*

* Transaction volumes in connection with acceptance and issuing means of payment as well as related value added services by target industries.

1.3. Market development and business trends by target industries

With direct sales distributed across target industries, its technological expertise and product depth, Wirecard AG continued its operational growth and simultaneously extended its international network of cooperation and distribution partners even further in 2009.

A significant unique selling point of the Wirecard Group is the centralization of payment transactions from many and various distribution and procurement channels within a single platform. Apart from taking care of payment processing and credit card acceptance services in connection with ancillary and downstream banking services, an increasing number of cross- and up-selling opportunities have arisen in business with existing customers, facilitating a continual expansion of business relations with specific customers.

Business activities of the Wirecard Group are structured so as to cater for three key target industries, which are addressed by means of cross-platform solutions and services. These key segments are:

- Consumer goods
- Digital goods
- Tourism

Consumer goods accounted for approximately 51 percent of consolidated sales revenues in the year under review. Digital goods had a share of sales amounting to 39 percent, and the tourism industry contributed 10 percent of Group revenues.

Consumer goods

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

In the consumer goods industry, the fashion segment saw particularly robust growth in the German home market. According to the GfK Consumer panel, the increase in sales amounted to 24.5 percent. In principle, the positive development in the field of online shopping is attributable to the fact that people in Germany spend roughly 10 percent more money each year on the Internet.

In addition to the sustained extension of business with existing customers to include additional payment methods, risk management processes or banking services, for instance, during the last fiscal year the Wirecard Group acquired numerous new providers as customers in the field of trading, such as EMP Merchandising, Olsen Shop, Pelikan Store and reifen.com. The processing and settlement of ticket orders placed by international congress organizers also represents a solid revenue base. In this field of activity, which is not dependent on cyclical trends, companies like Kenes International and Pearson Education Deutschland GmbH became new customers in the year under review.

Digital goods

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

Among our successful customers in the entertainment and sports bets industry are renowned providers in the industry engaged in the European region with the relevant licenses; some are listed on the stock markets. In fiscal 2009, we succeeded in signing up SEGA Poker as a new customer. Moreover, our cooperative ventures with numerous existing customers were further extended.

Tourism

The European online travel market failed to escape the economic downturn, even though the shift from stationary business to the Internet continues. According to PhoCusWright, only the German online travel market will be able to record double-digit growth in 2009.

Thanks to its diversified customer portfolio in the field of tourism, Wirecard AG can also report positive business trends in this context. For one thing, the Wirecard platform is in use by many successful German travel organizers or it is in the background, used by their tech-

nical service providers. For another, existing customer relations with numerous airlines with core operations in the Middle East or in the East Asian region, such as Malaysia Airlines, represent a profitable supplement to the European market.

Moreover, the revenues generated by our Supplier and Commission Payments (SCP) solution as a B2B settlement system for booking portals are not included in the market forecasts because these only take account of B2C payments.

The SCP solution is now also in use with one of the largest European hotel booking platforms. The new customer uses SCP for its business-to-business payments to hotels spread across the globe. SCP's new customers also include tourism operators of note. In the business travel segment, for instance, the travel portal Travelment GmbH also opted to collaborate with the Wirecard Group in 2009. In addition, we succeeded in signing up several airlines as new clients. Again, the dynamic development is based primarily on the opportunities we have as a technical service provider with a bank of our own in the Group in order to combine customer and industry-specific solutions as well as innovative card products with one another.

1.4. Business trends relating to banking services

Having the Wirecard Bank in our Group, we are in a position to offer innovative products and services. After all, the intelligent combination of technology and banking services opens up new fields of activity and simultaneously provides broad market access while realizing economy-of-scale effects.

The introduction and successful implementation of SEPA and the active membership acquired in 2008 with SWIFT (Society for Worldwide International Financial Telecommunication) had positive impacts in fiscal 2009. The volume of payment transactions settled via Wirecard Bank AG was significantly expanded in the period under review, leading to higher commission revenues, especially for foreign payment transactions.

Card solutions for business and private customers

According to the Source information services, at the end of 2009 approximately 27.4 million cards of the brands American Express, Diners Club, Master-Card and Visa were in circulation in Germany. This represented an increase of 2.75 million or 11.2 percent year-on-year. In 2009, MasterCard was able to record a plus of 1.7 million cards, or almost 14 percent. Visa issued 1.1 million more cards - an increase of 10 percent, to 11.9 million cards.

The number of the cards indicated above includes credit and debit cards issued by the card organizations. Debit cards are generally directly connected to current accounts—as in the case of the German Girocard (formerly ec card).

Credit cards on a non-borrowing basis are the field of activity that the Wirecard Bank focuses on in the field of issuing, i.e. as a card issuing bank. In general, prepaid cards are the ideal card product for consumers who wish to participate in cashless payment transactions without being confronted with the drawbacks of conventional credit card products—such as the risk of being over-indebted. However, they also represent an alternative 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 because they are being backed by a credit balance. Payments via these cards can only be made from previously deposited credit balances, as in the case of prepaid telephone cards. Moreover, such cards are not tied to the issue of a physical, plastic card but can also be issued in purely virtual format (www.mywirecard.com).

In 2009, the business travel specialist CorporateWorld extended its range of credit cards to include a prepaid MasterCard to be able to serve the growing market segment of co-branded prepaid credit cards via its new customer portal mc-bizz. The Wirecard Bank is the card-issuing bank for the new mc-bizz card.

More and more companies are discovering co-branded cards as a marketing instrument. In the world of payments, "co-branding"—which really means a kind of "brand partnership"—means that a credit card organization or an authorized bank issues a card jointly with a company for cashless payment transactions. These "co-branded cards" do not only reflect information on the credit card provider in question (e.g. VISA or Mastercard). What is special about these cards is that they are strongly geared to the corporate design of the company in question.

1.5. Call Center/Communication Services Division

Wirecard Communication Services GmbH concentrates primarily on providing core services to the Wirecard Group. The extension of the customer service for private clients of Wirecard Bank AG was completed in 2009.

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

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

Of the services on offer, international user support is increasingly emerging as a core service. In fiscal 2009, Wirecard Communication convinced various providers with its multilingual services and gained a market niche. Avira GmbH, specializing in antivirus software, opted in favor of Wirecard when extending its international support. French, Japanese and Spanish were implemented, to be followed by additional languages in the current financial year. The cooperative venture for acceptance of orders with the TV shopping provider Trendpro, a subsidiary of the Swedish TVNS Scandinavia AB, was extended to include customer support. Customer support was expanded to include the United States in collaboration with the long-standing customer, Koch Media GmbH, and with the German software provider, TuneUp Distribution GmbH. As part of the cooperative venture with Ukash, customer support in Chinese is a new feature.

1.6. Reporting segments

Wirecard AG reports on its business development in three segments:

Payment Processing & Risk Management (PP&RM)

This reporting segment comprises the business activities of Wirecard Technologies AG, Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH, QENTA payment-solutions Beratungs und Informations GmbH, Wirecard Payment Solutions Ltd. as well as cardSystems FZ-LLC. The business activities of Wirecard Bank AG are reported in a separate, independent reporting segment. Branches and companies of the Wirecard Group at locations outside Germany primarily serve to promote regional sales and localization of the products and services of the Group as a whole.

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

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

Acquiring & Issuing (A&I)

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

The Acquiring and Issuing-segment also accounts for interest earned on financial investments and gains made from exchange rate fluctuations when processing transactions in foreign currencies.

Call Center & Communication Services (CC&CS)

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

2. EARNINGS, FINANCIAL AND ASSET POSITION

2.1. Earnings position

In fiscal 2009, Wirecard AG again succeeded in posting double-digit growth in sales and earnings despite the general macroeconomic challenges.

Development of Sales

Consolidated sales revenues in the Group for fiscal 2009 were up by 16.1 percent, from EUR 196,790K to EUR 228,508K. Sales revenues generated by risk management services and the processing of online payment transactions in the core segment of “Payment Processing & Risk Management” increased by 17.0 percent, from EUR 185,089K to EUR 216,611K.

The proportion of Group sales generated by the Acquiring & Issuing segment and, therefore, by Wirecard Bank AG grew by 84.5 percent, from EUR 41,717K to EUR 76,988K, impressively reflecting the dynamic business development of bank-based services and products.

As in the preceding financial year, revenues of the Wirecard Bank chiefly comprised commission income from the Acquiring & Issuing divisions, from interest on financial investments and income earned on processing payment transactions, along with exchange rate differentials in handling transactions in foreign currencies. In the process, customer deposits to be invested by the Wirecard Bank (December 31, 2009: EUR 122,820K; December 31, 2008: EUR 78,739K) are held only in sight deposits, overnight or fixed-term deposits with other banks assessed by rating agencies of note as subject to minimal risk (equivalent to an “Investment Grade” rating by Standard & Poor’s and Moody’s). The Wirecard Group does not invest in money market instruments, equities, financial derivatives or other speculative financial instruments. The only exceptions are forward exchange and currency options used to hedge sales revenues in foreign currencies.

The level of net interest income generated by the Wirecard Bank during the last financial year amounted to EUR 1,121K and is reported as revenue in the financial statements of the Wirecard Bank. Accordingly it is not included in the Group’s net financial income but is also reported as revenue in this respect. It comprises interest income on investment of own as well as customer funds (deposits and acquiring money) with external banks. Owing to the generally low level of interest rates, the income generated came to EUR 2,285K less than in the previous year in spite of substantially higher volumes.

The Call Center & Communication Services segment generated EUR 4,453K in sales revenues in the year under review, compared with EUR 4,332K in 2008.

Development of key expenditure items

Other own work capitalized consists primarily of the further development of the core system for payment processing activities. In this regard, only own work is capitalized that is subject to mandatory capitalization in accordance with the IFRS accounting principles. In fiscal 2009, the sum total of items capitalized amounted to EUR 4,577K (previous year: EUR 4,108K).

The cost of materials within the Group rose to EUR 126,645K in fiscal 2009, compared with EUR 110,387K a year earlier. In particular, the cost of materials includes commissions payable to banks issuing credit cards (Interchange) as well as charges payable to credit card companies.

At the Wirecard Bank, apart from Interchange, the cost of materials comprises primarily expenses incurred by the Acquiring, Issuing and Payment divisions in the field of processing costs of external services providers, of production, personalization and transaction costs for prepaid cards and the payment transactions effected with them, as well as account management and transaction charges for keeping customer accounts. In fiscal 2009 the cost of materials, not adjusted for consolidation effects, amounted to EUR 50,490K at the Wirecard Bank, compared with EUR 22,560K the previous year.

Gross earnings (sales revenues including other own work capitalized less cost of materials) increased by 17.6 percent in fiscal 2009, amounting to EUR 106,441K (previous year: EUR 90,511K). Of this sum, gross earnings generated by the Wirecard Bank in 2009, without taking consolidation effects into account, amounted to EUR 26,498K (previous year: EUR 19,157K).

Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognized and included under cost of materials if the payment is in connection with customer funds; if not, it is reported under other operating expenses/income. Gains and losses from the translation of foreign currency receivables and liabilities amounted to EUR 591K in fiscal 2009 (previous year: EUR 1,810K).

Group personnel expenditure in fiscal 2009 increased to EUR 25,877K or by 9.1 percent year-on-year (previous year: EUR 23,709K). In comparison with the growth of gross earnings by 17.6 percent, this reflects the high scalability of the business model of Wirecard AG. The consolidated personnel expense ratio declined by 0.7 percentage points year-on-year, to 11.3 percent. Personnel expenditure at the Wirecard Bank amounted to EUR 1,949K in fiscal 2009 (previous year: EUR 1,693K).

Other operating expenses essentially comprise expenses on sales and marketing, operating equipment and leasing, consultancy and similar fees, as well as office expenses. In 2009, these amounted to EUR 23,451K in the Wirecard Group (previous year: EUR 18,668K). As a result, they amounted to 10.3 percent (2008: 9.5 percent) of sales revenues. Of these, without taking consolidation effects into consideration, the Wirecard Bank accounted for EUR 5,176K (previous year: EUR 3,372K).

Depreciation and amortization in 2009 amounted to EUR 4,205K (previous year: EUR 3,381K) and predominantly related to investments in new products dating back to 2006 and 2007. The share of amortization and depreciation effected at the Wirecard Bank in 2009 amounted to EUR 76K (previous year: EUR 47K).

Other operating income primarily comprised other income from contractual arrangements as well as income from the reversal of provisions and valuation adjustments, amounting to EUR 3,619K for the Group as a whole in fiscal 2009, compared with EUR 4,264K in the preceding year. Of this sum, the Wirecard Bank accounted for EUR 366K (previous year: EUR 1,046K) without adjustment for consolidation effects.

EBITDA/EBIT Development

The gratifying earnings trend is based on an increase in the volume of business transacted with existing and new customers via the Wirecard Group, economies of scale arising from our transaction-oriented business model as well as the increased use of our banking services. Earnings before interest, taxes, depreciation and amortization (EBITDA) were up by 15.9 percent in the Group in fiscal 2009, from EUR 52,399K in the previous year to EUR 60,732K.

Group earnings before interest and taxes (EBIT) were up by 15.3 percent in fiscal 2009, rising from EUR 49,018K in the previous year to EUR 56,527K. The EBIT margin for fiscal 2009 amounted to 24.7 percent (previous year: 24.9 percent).

Financial result

The financial result, or net financial income, amounted to -EUR 1,795K in fiscal 2009 (previous year: -EUR 624K).

Group financial expenditure in fiscal 2009, amounting to EUR 3,195K (previous year: EUR 1,496K) chiefly comprised loans taken out for the corporate acquisitions in the past. The Group's net financial income does not include interest income generated by the Wirecard Bank, which is required to be reported as revenue of the Wirecard Bank in accordance with IFRS accounting principles.

Taxes

Owing to the international orientation of the business and the utilization of the loss carry-forward of the Wirecard Bank, the cash-to-taxes ratio for 2009 (excluding deferred taxes) amounted to 9 percent (previous year: 9.5 percent). Including deferred taxes, the tax ratio came to 16.8 percent (previous year: 12.6 percent).

Profit for the year

Earnings after taxes increased by 7.6 percent in fiscal 2009 year-on-year, from EUR 42,305K to EUR 45,522K. However, the increase of deferred taxes has to be taken into account, which reduces the profit by an additional EUR 2,800K.

Earnings per share

The number of shares issued remained unchanged at 101,803,139 shares, as in the preceding year.

Earnings per share increased from EUR 0.41 to EUR 0.45 (diluted) or from EUR 0.42 to EUR 0.45 (basic) in fiscal 2009. Here, however, the capital increase from company funds implemented on August 1, 2008, adopted at the General Meeting of June 24, 2008, must be taken into account, which increased the Company's capital stock by EUR 20,357,967.00.

2.2. Financial and asset position

Principles and objectives of finance management

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

Capital and financing analysis

Wirecard AG reports equity capital amounting to EUR 244,882K (previous year: EUR 205,955K). In business terms, the highest liabilities exist vis-à-vis merchants in the field of credit card acquiring and customer deposit-taking as part of banking operations. These have a material influence on the equity ratio. The commercial banks, which granted Wirecard AG loans amounting to EUR 5,500K as at December 31, 2009 at interest rates ranging from 4.93 to 5.66 percent, do not include these items in equity capital calculations due to the facts and circumstances associated with this particular business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual situation. These banks determine the equity ratio of Wirecard AG by dividing the amount of liable equity by total assets. Liable equity is determined by subtracting deferred taxes and 50 percent of intangible investment assets from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these should also be deducted. Total assets are determined by subtracting customer deposits, the acquiring funds of the Wirecard Bank and the reduced level of equity from the audited balance sheet total and subsequently adding back the leasing commitments. On the basis of this calculation, an equity ratio of 65.94 percent has been determined for Wirecard AG (previous year: 52.97 percent).

Investment analysis

Criteria for investment decisions in the Group of Wirecard AG in principle include capital employed, the securing of comfortable cash flow availability, the results of a detailed 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. In the period under review, investments were essentially made in further expansion and internationalization. For one thing, in the third quarter an investment of EUR 1,807K was made in newly acquired customer relations, consisting of some 200 SME E-Commerce merchants; for another, on December 16, 2009 a purchase agreement was signed concerning the acquisition of a 100 percent stake in E-Credit Plus Pte. Ltd., Singapore including its subsidiaries. The total investment in this context amounted to EUR 10,342K. Additional investments were made in components for the operational payment platform. An investment of EUR 2,794K was made in externally developed software and EUR 4,577K in internally created software. In this context, reference is also made to the statements in Chapter 3 "Research and Development" of the Management Report. In addition, we refer to the schedule of fixed asset movements of the Annual Report.

Liquidity analysis

Current customer deposits from banking operations are fully due and payable on a daily basis and are reported under other liabilities (customer deposits) on the liabilities side of Wirecard's consolidated annual financial statements. These customer funds are comparable in economic terms with short-term (bank) current account loans or overdraft facilities. For customer deposits (amounting to EUR 122,820K as at December 31, 2009; December 31, 2008: EUR 78,739K) separate accounts have been set up on the assets side which may not be used for other business purposes. Against this backdrop, deposits are held with the central bank and sight or short-term deposits are maintained with banks in the total amount of these customer deposits. These are reported both in the Wirecard Group and at the Wirecard Bank under the Cash and cash equivalents balance sheet line item. However, they are not included in cash and cash equivalents. This amounted to EUR 149,699K as at December 31, 2009 (previous year: EUR: 117,200K).

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

Cash flow from operating activities, adjusted for transaction volumes of a transitory nature amounting to EUR 69,502K clearly shows that Wirecard AG had a comfortable volume in its own liquidity to meet its payment obligations at all times. For instance, investments made e.g. in acquiring the European customer portfolio and E-Credit Plus Pte. Ltd., Singapore, were settled in cash to an extent of EUR 10,342K, and Group liabilities to banks were reduced by EUR 3,500K to EUR 5,500K (December 31, 2008: EUR 9,000K). According to agreements entered into, repayment of existing bank loans is to be made in annual installments by the year 2012. Moreover, a resolution was adopted at the Annual General Meeting of Wirecard AG to pay out a dividend for the first time in the period under review. Accordingly, for fiscal 2008 shareholders received a dividend amounting to EUR 0.08 per no-par-value share. Starting on June 19, 2009, a payout of a total of EUR 8,144,251.12 was made on the 101,803,139 shares entitled to a dividend.

The company has approved credit lines. At the balance sheet date, of these EUR 5,500K had been drawn in the form of cash loans and EUR 36,330K by guarantee credits.

Asset position

The assets reported in the balance sheet of Wirecard AG increased by 28.4 percent in fiscal 2009, from EUR 420,949K to EUR 540,568K. Both current and non-current assets have grown.

Non-current assets reported in the balance sheet increased from EUR 255,756K to EUR 355,195K. This is equivalent to an increase by 38.9 percent, primarily due to the increase in receivables as well as in cash and cash equivalents.

Non-current assets carried on the balance sheet amounted to EUR 185,373K at the end of the year (2008: EUR 165,193K). The essential changes are due to investments made in the corporate acquisition and in customer relations.

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

2.3. Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in fiscal 2009. With after-tax earnings of 45.5 million euros, earnings per share of EUR 0.45 (diluted) and EUR 0.45 (basic) and an equity ratio of 45.3 percent, the Wirecard Group has a solid financial and accounting basis for the current fiscal year. Thanks to reduced liabilities to banks, amounting to 5.5 million euros, and a considerable inflow of funds from current operations, the Wirecard Group has a comfortable liquidity position.

There are good prospects for further growth of the eCommerce market in Europe and Asia even though the global economic situation remains tense. It is worthy of emphasis in this regard that when the forecast was released in January to reach an EBITDA in a bandwidth from 70 to 75 million euros in fiscal 2010, the significantly poorer economic fundamentals had already been taken into account.

In 2010, the Wirecard Group plans to continue its yield-oriented growth strategy. After all, with an increasing number of customer relationships and a rising transaction volume, additional economies of scale are expected to arise from the transaction-oriented business model along with considerable synergies with our banking services.

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

Subscribed capital

As at the December 31, 2009 reporting date, the level of equity at Wirecard AG amounted to EUR 244,882K, compared with EUR 206,955K at the same time a year earlier.

The Company's subscribed capital as at December 31, 2009 amounted to EUR 101,803,139.00 and was divided up into 101,803,139 no-par-value bearer shares based on a notional capital stock of EUR 1.00 per share. Each share confers one vote.

Contingent and authorized capital; purchase of treasury shares

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

The Management Board is authorized to acquire own shares worth up to 10 percent of Wirecard AG's capital stock existing on the date of the resolution's adoption. The Board of Management did not make use of its authority to acquire and use own (treasury) shares by December 31, 2009. For further details on the capital situation, please refer to the Notes.

Notices relating to voting rights

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

Statutory regulations regarding changes to the Secs. of Incorporation and the Board of Management

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

Arrangement in the event of a change of control

In the event of a change of control of the Company, a total bonus of 1.2 percent of the company's net asset value has been promised to the Board of Management (for all members). Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to Secs. 21, 22 WpHG (German Securities Trading Act) is received or should have been received by the Company to the effect that 30 percent or more of the Company's voting rights as contemplated by Secs. 21, 22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or a body of persons. In the event of such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a royalty shall apply only if the change of control is effected on the basis of an offer to all shareholders of the Company, or if such change of control is followed by an offer to all shareholders. The enterprise value of the Company is defined as the offer in euros per share of the Company, multiplied by the total number of all shares issued at the time of publication of the offer. The royalty shall be payable only if the enterprise value determined in the process reaches at least 500 million euros. An enterprise value in excess of 2 billion euros shall not be taken into account in calculating the royalty. Royalties are payable in three equal installments.

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

3. RESEARCH AND DEVELOPMENT

3.1. Orientation of our research and development activities

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

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

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

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

Through its research and development activities, the Wirecard Group ensures its future earning capacity.

3.2. Capital expenditure on Research and Development

Capital expenditure for research and development in fiscal 2009 amounted to 8.9 million euros, maintaining a level comparable to that of the previous year (2008: 9.2 million euros). The R&D ratio, i.e. the share of total sales revenues accounted for by research and development costs, was 3.9 percent in the period under review (2008: 4.7 percent).

The individual expenditure items are included in the personnel expenditure of the relevant departments (Product Management, Development, etc.), in the advisory costs as well as in intangible assets.

3.3. Employees in Research and Development

The high priority assigned to research and development within the Wirecard Group and the substantial contribution it makes to the success of the business are reflected in the personnel structure, which underwent further expansion, notwithstanding the current economic climate. Personnel capacities in the Product and Program Management, Architecture, Development and Quality Assurance divisions came to 127 employees at the end of the period under review (2008: 110 employees). This represents a share of 25 percent of the total workforce (2008: 25 percent).

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

An extensive internal basic and advanced training program as well as access to vocational training facilities offered by third parties help maintain and further increase the consistently high to very high standard of qualifications of our staff employed in research and development. By relying on a proactive human resources policy, an attractive working environment and competitive remuneration and incentive models, the Wirecard Group protects itself against the loss of key employees.

3.4. Results of Research and Development

Areas of special focus in the research and development activities of the Wirecard Group in fiscal 2009 were:

- New development of strategic components to complement the product portfolio.
- Optimization of existing technical solutions.
- Ongoing further development of the established product portfolio.

New development work

In the field of fraud prevention, especially in connection with credit card payments, a solution developed in cooperation with a specialized partner was implemented in the production environment in August 2009. Fully integrated into the Wirecard systems environment, this solution is capable of detecting rule-based fraud patterns in real time, thus preventing such fraud from being committed. The main strengths of this solution are the customized generation of rules based on existing data by the merchant with the technical support of the specialists of the Wirecard Group, a highly efficient analytical process based on complex decision-making models; and the integration of the case management for suspicious cases into the Wirecard Enterprise Portal (WEP).

As a result of the implementation of the technical solution “Co-Branded Cards”, Wirecard Bank AG is now in a position to produce credit cards in cooperation with a customer efficiently and at short notice, at relatively low cost and even in small editions. The design of these cards can be adapted to a large degree to meet the customer’s requirements. For this solution, Wirecard Bank AG can offer its customers a fully automated online processing. The solution allows small and medium-sized businesses to make efficient use of co-branded cards, and this in turn gives the Wirecard Group access to new customer segments.

Optimization

We are facing up to the manifold ecological challenges, and we see protection of the environment as an important management issue that also shapes our operations. We are therefore constantly optimizing our technical solutions in order to improve their environmental compatibility. In 2009, substantial optimization measures were implemented in relation to our infrastructure. The deployment of leading-edge, innovative technologies allowed capacity (measured in terms of the number of transactions per second) to be boosted significantly, while we achieved a substantial reduction in energy consumption. The provision of internal services in particular was made considerably more efficient and cheaper thanks to the consistent application of virtualization technologies. These optimization measures arise from the Wirecard Group’s aspiration to gradually lower its performance-related CO₂ footprint.

Further development

During fiscal 2009, existing successful products were continually maintained and optimized in order to meet customer requirements.

One significant individual measure worth mentioning in this context is the introduction of an entry solution for the successful product Supplier and Commission Payment (SCP). Aimed mainly at customers in the airline segment, the provision of addendum data gives customers the means to process accounting entries and payment transactions efficiently on an automated basis and allocate these correctly even if several transactions per card are carried out.

The integration of additional acquirers into the Wirecard payment platform was simplified through the consistent further development and parameterization of the platform. Cooperative ventures with additional acquirers can now be implemented with considerably lower effort, at less expense, and in much less time.

In addition, the outsourcing solution provided through cooperation between Wirecard and Experian since June 2008 was expanded. This solution supports merchants in making quick but qualified decisions concerning the acceptance of orders and in reducing the risk of default in payment considerably. The new solution now gives merchants the additional option to implement complex decision-making models, e.g. to determine credit limits on the basis of customer and product-specific parameters.

4. GROUP STRUCTURE AND ORGANIZATION

4.1. Subsidiaries

The Wirecard Group is structured into various subsidiaries. The parent company, Wirecard AG, is headquartered in Grasbrunn near Munich, Germany, which is also the head office of Wirecard Bank AG, Wirecard Technologies AG, Wire Card Beteiligungs GmbH, Wirecard Retail Services GmbH, Click2Pay GmbH and Pro Card Kartensysteme GmbH. The head office of Wirecard Communication Services GmbH is located in Leipzig.

Wirecard Technologies AG and Wirecard (Gibraltar) Ltd., with registered office 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 mainly in the markets for digital media, online portals and online games.

The subsidiaries, Wirecard Payment Solutions Holdings Ltd., Wirecard Payment Solutions Ltd. and Herview Ltd., all with head offices in Dublin (Ireland), Qenta paymentsolutions Beratungs und Informations GmbH in Klagenfurt (Austria) and webcommunication EDV Dienstleistungs- und Entwicklungs GmbH in Graz (Austria) provide sales and processing services for the Group's core business, namely Payment Processing & Risk Management.

Wirecard Retail Services GmbH and Pro Card Kartensysteme GmbH complement the range of services of Wirecard Technologies AG with the sale and operation of Point-of-Sale (PoS) payment terminals. As a result, our customers are able to accept payments for their Internet-based and mail-order services as well as the electronic payments made at their stationary, brick & mortar businesses via Wirecard.

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

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

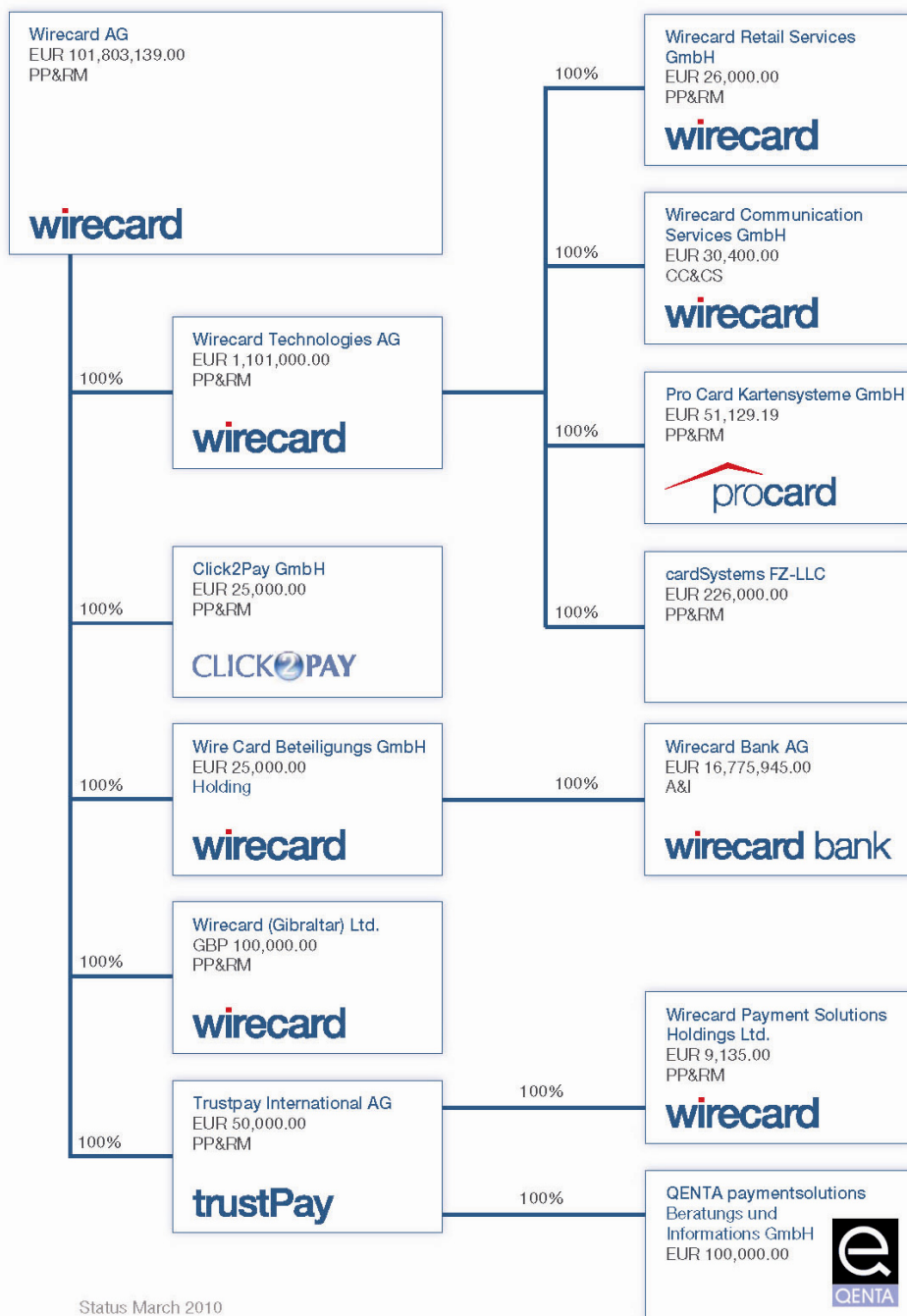
Wirecard Asia Pacific Inc., established in Manila (Philippines) at the end of 2007, not included in the group of companies required to be consolidated in 2009, was consolidated on January 1, 2010. This company specializes in sales of payment processing services in the Asian region.

On December 16, 2009, Wirecard AG signed a purchase agreement for the acquisition of the Singapore company, E-Credit Plus Pte. Ltd. The E-Credit Group, comprising E-Credit Plus Pte. Ltd. (E-Credit) and its subsidiaries, works in online payment processing, predominantly on behalf of eCommerce merchants in the eastern Asian region. It has not yet been included in the group of companies required to be consolidated. The initial consolidation will be carried out in the new financial year 2010. For more details on the acquisition of E-Credit, please refer to the Notes to the Consolidated Financial Statements, Chapter 1.1. Business activities and legal background.

Wire Card Beteiligungs GmbH and Trustpay International AG, both headquartered in Munich/Grasbrunn, act as interim holding companies of subsidiaries within the Group and are not engaged in active operations.

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

Overview of key group subsidiaries



4.2. Board of Management and Supervisory Board

The Board of Management of Wirecard AG remained unchanged as of December 31, 2009, consisting 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

A change in the composition of the Board of Management occurred after the end of the period under review. Effective January 31, 2010, Rüdiger Trautmann left Wirecard AG for personal reasons. The Supervisory Board filled the vacancy through an in-house appointment, and on February 1, 2010 Jan Marsalek became the new member of the Board of Management.

During the year under review, a change occurred in the composition of the Supervisory Board of Wirecard AG. Paul Bauer-Schlichtegroll, member of the Supervisory Board since August 2005, resigned from his position effective October 31, 2009. His successor is Stefan Klestil, who was appointed by the District Court of Munich as a new member of the Supervisory Board of Wirecard AG for the period up to the end of the 2010 ordinary Annual General Meeting.

Since December 2009, the Supervisory Board has comprised the following members:

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

The remuneration system of the Board of Management and Supervisory Board consists of fixed and variable components. For more information on this topic, please refer to the Notes to the Consolidated Financial Statements/Remuneration Report and the Corporate Governance Report).

4.3. Employees

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

At the December 31, 2009 balance sheet date, the Wirecard Group had a total workforce of 502 employees at its various locations (previous year: 439) and three members on the Board of Management. The number of full-time employees rose by 39, from 325 to 364. The new positions were created mainly in the Research & Development and Sales divisions. The 24 new part-time employees work mainly at the call center in Leipzig.

The employees of Wirecard AG are from more than 20 different nations. For the foreign subsidiaries, the distribution of staff on the December 31, 2009 balance sheet date is as follows:

- QENTA/webcommunications: 13 (prev. year:16)
- Wirecard Payment Solutions: 60 (prev. year: 64)
- Wirecard Gibraltar: 7 (prev. year: 9)
- Wirecard Asia Pacific : 15 (prev. year:18)

Reductions in the number of staff in foreign subsidiaries were mainly due to the relocation of tasks to the head office in Germany in order to make processes more efficient and to bundle capacities.

Employee reviews, during which individual employees and their supervisors formulate mutually agreed objectives, represent one of the key personnel development tools. In these talks, held on a half-yearly basis, the personal development of each individual is assessed in the context of entrepreneurial success in order to determine their current status and to discuss the potential for further development. The structure of personnel expenditure is geared to the benchmarks prevailing in the market. As part of the long-term personnel strategy, especially with regard to junior talent, personnel selection focuses on university graduates. A sophisticated Assessment Center assists in the field of software developers/computer scientists especially, so as to make the selection process efficient and achieve an optimal allocation of resources. In addition, employees are given the opportunity for further personal development by transferring to subsidiaries in our international locations when possible.

In 2009, Wirecard AG participated for the third time in the “Praxis Academy” of the Campus of Excellence, which was initiated by Commerzbank in 2005 and which represents a platform for networking between outstanding talents. As part of this joint education and recruitment initiative supported by more than 60 companies, universities and schools, students and partner companies work together on challenging projects. The Campus of Excellence consists of the divisions Praxis Academy, Job Factory and Summer School. The Praxis Academy brings together medium-sized enterprises with selected students. During their internships lasting several weeks, the budding academics tackle high-caliber projects derived directly from operational practice and therefore promising an immediate benefit for the companies concerned.

5. CORPORATE GOVERNANCE REPORT

Declaration on corporate governance

In accordance with No. 3.10 of the German Corporate Governance Code in its version of June 18, 2009 and pursuant to Sec. 289a para.1 of the German Commercial Code (HGB), in this declaration the Board of Management—simultaneously also on behalf of the Supervisory Board—states the following on corporate governance of Wirecard AG:

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 that of our workforce.

Detailed information on the topic of corporate governance in the Wirecard Group is also available on 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://www.wirecard.de/investor-relations> under 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 as well as the documentation to be made accessible to the meeting is published with convenient access on the Company website without delay after the Annual General Meeting has been convened.

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

Work procedures of the Board of Management and Supervisory Board

Being a German public stock corporation, Wirecard AG has a dual management and control structure consisting of two bodies, the Board of Management and the Supervisory Board,

each of which has independent competences of its own. In the interests of the enterprise, the Board of Management and the Supervisory Board cooperate very closely in a spirit of mutual trust. The decisive common objective is to increase the Company's enterprise value on a sustained basis.

The Board of Management and the Supervisory Board each consist of three members. To guarantee independent consultancy and monitoring of the Board of Management by the Supervisory Board, the number of members of the Supervisory Board who were formerly members of the Board of Management has been restricted to a maximum of one member. The Board of Management reports to the Supervisory Board comprehensively and on a regular, timely basis about all relevant questions of corporate planning and further strategic development, about the course of business and the Group's situation as well as on questions relating to its risk position and risk management. Reporting of the Board of Management also extends to the topic of compliance, i.e. the measures adopted by Wirecard AG in order 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 Supervisory Board has created rules of procedure to govern its activities. The Chairman of the Supervisory Board is continually 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 on its decisions.

The Company has taken out liability insurance (known as Directors' and Officers' [D&O] Insurance) with an appropriate deductible for members of the Board of Management and Supervisory Board of Wirecard AG as well as members of the management of affiliates. As of July 1, 2010 at the latest, a deductible of 10 percent of the loss or damage or one-and-a-half times the fixed annual remuneration is to be agreed for the members of the Board of Management. Further particulars on adjustments to the agreements can be found in the remuneration report.

No conflicts of interest of members of the Board of Management and Supervisory Board required to be disclosed to the Supervisory Board 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 2009 are contained in the Supervisory Board Report as well as in the Management Report (Chapter 4.) as well as in the Notes to the consolidated annual financial statements (Chapter 8.1.-8.3).

Remuneration Report

Supervisory Board

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 18, 2009. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration apart from being reimbursed for out-of-pocket expenses. For each full fiscal year of their membership on the Board, the Supervisory Board

members shall receive remuneration of EUR 55K net, payable after the end of the fiscal year. In addition, they shall receive a long-term, performance-oriented annual remuneration, which shall depend on consolidated EBIT (earnings in the ordinary course of business before interest and income taxes) of the Company, namely for each full million euros by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30,000K, a variable remuneration component of EUR 1,000.00 net; this minimum amount of EUR 30,000K shall increase by 10 percent per annum from the beginning of fiscal 2009. The Chairman of the Supervisory Board shall receive double and the Deputy Chairman of the Supervisory Board shall receive one-and-a-half times the remuneration. If the term of office of a member of the Supervisory Board did not extend uninterrupted across the entire fiscal year, then the remuneration of the Supervisory Board shall be paid pro rata temporis. In addition, the members of the Supervisory Board shall receive an attendance fee of EUR 1,250.00 plus value added tax for each meeting of the Supervisory Board that they attend. 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.

Annual Remuneration									
In EUR '000s	Function	from	to	Per- formance- related	Meeting	Per- formance- related	long-term incentive effect	of sub- sidiaries	total
Wulf Matthias	Chairman	01/01/09	12/31/09	110,000	6,250	46,000	-	62,000	224,250
Alfons Henseler	Deputy	01/01/09	12/31/09	82,500	6,250	34,500	-	36,500	159,750
Paul Bauer-Schlichtegroll	Member	01/01/09	10/31/09	45,833	5,000	19,167	-	3,333	73,333
Stefan Klestil	Member	12/01/09	12/31/09	4,583	1,250	1,917	-	3,083	10,833
Total remuneration				242,916	18,750	101,584	-	104,916	468,166

Remuneration paid to the Supervisory Board in fiscal 2009 totaled EUR 468K (previous year: EUR 453K). This remuneration includes the emoluments received for acting as Supervisory Board members for subsidiaries, amounting to EUR 105K. EUR 123K of this remuneration was deferred with an impact on expenses, with disbursement scheduled for 2010.

Board of Management

Total remuneration paid to the Board of Management in fiscal 2009:

In the period under review, EUR 1,120,567.58 (previous year: EUR 1,046,896.00) was paid to the members of the Board of Management by way of a fixed salary. This includes EUR 45K from subsidiaries. In addition, the members of the Board of Management were paid performance-related remuneration amounting to EUR 750K. Accordingly, total emoluments came to EUR 1,870,567.58 (previous year: EUR 1,346,896.00). As early as 2007, the Board of Management received convertible bonds for which an amount of EUR 539K was recognized as

scheduled expenses for fiscal 2009. The fair value on the issuing date amounted to EUR 2,585K. Under item 8 of the agenda, at the Annual General Meeting of Wirecard AG held August 30, 2005 pursuant to Sec. 286, (5) of the German Commercial Code (HGB) read in connection with Sec. 314, (2) HGB, a decision was made to dispense with the need for disclosure of remuneration paid to the Board of Management up to and including fiscal 2009. This means the Company deviates from the recommendation given in No. 4.2.5 of the German Corporate Governance Code.

In the event of a change of control within the company, a total bonus of 1.2 percent of the company's net asset value has been granted to the Board of Management (for all members). Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to Secs. 21, 22 WpHG (German Securities Trading Act) is or should have been received by the Company to the effect that 30 percent or more of the Company's voting rights as contemplated by Secs. 21, 22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or 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.

Following a resolution adopted at the Annual General Meeting of Wirecard AG on June 24, 2008, the possibility was created to issue subscription rights to shares of Wirecard AG to members of the Company's Board of Management, among others. The new contingent capital (contingent capital 2008/I) was registered accordingly. Members of the Company's Management Board can receive a maximum total of up to 916,110 subscription rights; the subscription rights have not been issued as yet.

The Company implements the rule relating to the treatment of remuneration issues by the full Supervisory Board. The Supervisory Board has adopted the remuneration system for the Board of Management, including its essential contractual elements, and will review it on a regular basis.

At the end of 2009, the Board of Management employment agreements with Dr. Markus Braun and Burkhard Ley were renewed. In fixing the remuneration of the members of the Board of Management, the new requirements in force since August 5, 2009 on the appropriateness of management board remuneration (VorstAG) were taken into account. The remuneration sys-

tem was fundamentally modified and brought into line with, among other objectives, that of sustainability. The remuneration now has five components: (1) a fixed basic annual salary, (2) a variable remuneration component I tied to the Group's performance targets, (3) a variable component II tied to the sustained development of the Company and on which the Supervisory Board decides at its free discretion, (4) a contribution to the provision of old-age pension benefits, and (5) a stock-based remuneration within the scope of participation in the employee stock option program.

The term of the employment agreements ends on December 31, 2011, the employment agreement with the new Member of the Board, Jan Marsalek ends on January 31, 2012. A special claim to severance pay in the event of early termination of the employment agreements is not included. Accordingly, a possible severance payment claim on the part of the members of the Board of Management in the event of early termination of the employment agreement would be confined to an amount equivalent to two annual remuneration sums including ancillary benefits.

Staff participation (option) program

In order to continue to be able to foster loyalty to the Wirecard Group by offering managerial staff and employees a variable remuneration component with a long-term incentive effect, a resolution was adopted at the Annual General Meeting of Wirecard AG on June 24, 2008 to issue subscription rights to Wirecard AG stocks to employees and members of the Board of Management. Accordingly, new contingent capital (contingent capital 2008/I) was registered at a level of EUR 3,053,700.00. Further details in this regard are listed in the notes to the consolidated annual financial statements.

Responsible risk management

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

Transparency and communication

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

Directors' Dealings

In accordance with Sec. 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 one report by the end of the year, which is published on our Company's website. On November 23, 2009 Mr. Rüdiger Trautmann, while a member of the Board of Management, sold 7,500 Company shares at a price of EUR 8.40 in the Xetra trading system, with a total volume of EUR 63,060.51.

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

- MB Beteiligungsgesellschaft mbH: 7.60 percent
(General manager: Dr. Markus Braun, CEO, Wirecard AG)

Audit of the annual financial statements and accounting

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

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

Corporate Governance outlook

Compliance with corporate governance principles will once again represent a central management task for us in fiscal 2010. 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 with regard to the Annual General Meeting scheduled for June 17, 2010. The

implementation of our Group-wide Compliance program is another permanent managerial function which we intend to pursue consistently in future.

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

The Board of Management and the Supervisory Board declare that since the submission of the last declaration of compliance, dated March 28, 2009, the Company has been and will be in compliance with the recommendations of the “Government Commission on the German Corporate Governance Code.”

For the past, the above-mentioned declaration refers to the version of the Code dated June 6, 2008. For the current and future corporate governance practice of Wirecard AG, the above-mentioned declaration refers to the recommendations of the Code in the version dated June 18, 2009.

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

1. **Sec. 2.3.1** of the Code provides that the Board of Management 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.

In the past, Wirecard AG published all reports on the Company’s website, except for the individual financial statements of Wirecard AG according to the German Commercial Code (HGB). 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 certain strategically important corporate documents on the Internet.

In future, however, the Board of Management will comply with the Company’s duties in accordance with Sec. 124a of the German Stock Corporation Act (AktG) in its new version.

2. **Sec. 4.2.5** of the Code recommends individual disclosure of remuneration paid to the Board of Management in a remuneration report as part of the Corporate Governance Report, which is also intended to explain the remuneration system to the members of the Board of Management in generally understandable form and contain information on the ancillary services rendered by the Company.

Under item 8 of the agenda, at the Annual General Meeting of Wirecard AG held August 30, 2005 on the basis of Sec. 286 (5) of HGB read in connection with Sec. 314 (2) HGB, it was decided to dispense with the need for individual disclosure of remuneration paid to the Board of Management for fiscal 2005 up to (and including) fiscal 2009. Owing to this resolution adopted at the Annual General Meeting, the Company follows the recommendation in No. 4.2.5

of the Code only to a limited degree. However, the fundamentals of the remuneration system, overall remuneration paid to the members of the Board of Management and the conditions and consequences of the stock option plan are published and discussed individually in the Annual Report as well as in the Corporate Governance Report.

3. Sec. 3.8 sentence 5 – Deductible clause under D&O insurance: Wirecard AG has taken out a D&O insurance policy in respect of its executive bodies, the Board of Management and the Supervisory Board. The said insurance policy provides for deductible amounts both for members of the Board of Management and the Supervisory Board, albeit not to the same extent as required for members of the Management Board pursuant to Sec. 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

On the basis of the past legal situation, the Company did not consider it necessary to arrange for higher deductible amounts to be defined. However, the Company undertakes to adjust its D&O insurance policy to meet the new provisions of Sec. 93 (2) sentence 3 of AktG on a timely basis. According to the largely prevailing opinion, this new statutory provision does not apply to members of the Supervisory Board.

Accordingly, the Company does not plan to raise the deductible amount for members of the Supervisory Board at this time. The Board of Management and the Supervisory Board consider it important to ensure that suitable persons are not deterred from taking on a Supervisory Board mandate with Wirecard AG due to an increased risk of personal liability resulting from a deductible.

4. Secs. 5.2 and 5.3 of the Code contain individual recommendations on committees of the Supervisory Board.

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

5. Sec. 7.1.2 of the Code provides for the consolidated annual financial statements to be made accessible to the public within 90 days of the end of a fiscal year and the interim reports within 45 days of the end of the reporting period.

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

6. SUBSEQUENT REPORT

6.1. Information on events of particular importance

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

On January 28, 2010 Wirecard AG published its preliminary results for fiscal 2009. At the same time the Board of Management of Wirecard AG forecast EBITDA in a bandwidth from 70 to 75 million euros for fiscal 2010.

Releases according Sec. 26, section 1 WpHG (The German Securities Trading Act)

(Company notified after the end of reporting period)

Am On March 31, 2010 T. Rowe Price Group, Inc., Baltimore, Maryland, USA, has notified us pursuant to Sec. 21 para.1 WpHG that on March 30, 2010 its voting rights in Wirecard AG exceeded the threshold of 3 % and amounted on that day to 3.44 % (3,503,842 voting rights). These voting rights of 3.44 % (3,503,842 voting rights) were attributable to T. Rowe Price Group, Inc. according to Sec. 22, para.1 sentence 1 no. 6 in connection with Sec. 22 para.1 sentence 2 WpHG.

On March 31, 2010 T. Rowe Price International, Inc., Baltimore, Maryland, USA, has notified us pursuant to Sec. 21 para.1 WpHG that on March 30, 2010 its voting rights in Wirecard AG exceeded the threshold of 3 % and amounted on that day to 3.44 % (3,503,842 voting rights). These voting rights of 3.44 % (3,503,842 voting rights) were attributable to T. Rowe Price International, Inc. according to Sec. 22 para.1 sentence 1 no. 6 WpHG.

On March 31, 2010 T. Rowe Price Associates, Inc., Baltimore, Maryland, USA, has notified us pursuant to Sec. 21 para.1 WpHG that on March 30, 2010 its voting rights in Wirecard AG exceeded the threshold of 3 % and amounted on that day to 3.44 % (3,503,842 voting rights). These voting rights of 3.44 % (3,503,842 voting rights) were attributable to T. Rowe Price Associates, Inc. according to Sec. 22 para.1 sentence 1 no. 6 in connection with Sec. 22, para.1 sentence 2 WpHG.

On January 6, 2010 Jupiter Unit Trust Managers Limited, London, UK has notified us that on July 21, 2009 its voting rights in Wirecard AG exceeded the threshold of 3% and amounted to 3.17 % (3,222,104 voting rights).

On January 6, 2010, we received correction reports concerning our original release of July 2, 2009:

On January 6, 2010 Jupiter Asset Management Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG have exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Jupiter Asset Management Limited according to Sec. 22 para.1 sentence 1 no. 6 WpHG. 2.64 % (2,686,150 voting rights) of these voting rights were attributable to Jupiter Asset Management Limited according to Sec. 22 para.1 sentence 1 no. 1 WpHG.

On January 6, 2010 Jupiter Investment Management Group Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Jupiter Investment Management Group Limited according to Sec. 22 para.1 sentence 1 no. 6 in connection with sentence 2 WpHG. 2.64 % (2,686,150 voting rights) of these voting rights were attributable to Jupiter Investment Management Group Limited according to Sec. 22 para.1 sentence 1 no. 1 WpHG.

On January 6, 2010 Comasman Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Comasman Limited according to Sec. 22 para.1 sentence 1 no. 6 in connection with sentence 2 WpHG. 2.64% (2,686,150 voting rights) of these voting rights were attributable to Comasman Limited according to Sec. 22 para.1 sentence 1 no.1 WpHG.

On January 6, 2010 Jupiter Asset Management Group Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Jupiter Asset Management Group Limited according to Sec. 22 para.1 sentence 1 no. 6 in connection with sentence 2 WpHG. 2.64% (2,686,150 voting rights) of these voting rights were attributable to Jupiter Asset Management Group Limited according to Sec. 22 para.1 sentence 1 no. 1 WpHG.

On January 6, 2010 Jupiter Fund Management Group Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG, Grasbrunn/Munich, Germany exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Jupiter Fund Management Group Limited according to Sec. 22 para.1 sentence 1 no. 6 in connection with sentence 2 WpHG. 2.64% (2,686,150 voting rights) of these voting rights were attributable to Jupiter Fund Management Group Limited according to Sec. 22 para. 1 sentence 1 no. 1 WpHG.

On January 6, 2010 Jupiter Investment Management Holdings Limited, London, UK has notified us that on June 29, 2009 its voting rights in Wirecard AG, Grasbrunn/Munich, Germany exceeded the threshold of 3% and amounted to 3.119% (3,175,025 voting rights). These voting rights of 3.119% (3,175,025 voting rights) were attributable to Jupiter Investment Management Holdings Limited according to Sec. 22 para.1 sentence 1 no. 6 in connection with sentence 2 WpHG. 2.64% (2,686,150 voting rights) of these voting rights were attributable to Jupiter Investment Management Holdings Limited according to Sec. 22 para.1 sentence 1 no. 1 WpHG.

For more details on the above disclosures please visit <http://www.wirecard.com/investor-relations/financial-news>.

In connection with a criminal investigation launched against a private individual, in March 2010 false allegations were spread about Wirecard AG, which the company rejected as unfounded in a press release. At the same time, a law firm of note was mandated to initiate legal proceedings.

6.2. Impact on results of operations, financial position and net assets

After the balance sheet date until publication of the Annual Report 2009 there were no events which had impact on the results of operations, financial position and net assets.

7. RISK REPORT

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

7.1. Risk-oriented corporate governance

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

In the interests of securing the Company's success on a long-term, sustainable basis, it is therefore indispensable to identify, analyze and assess critical trends and risks unfolding at an early stage and to document them accordingly. If commercially sensible, 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. The implementation and effectiveness of countermeasures adopted should be continually reviewed.

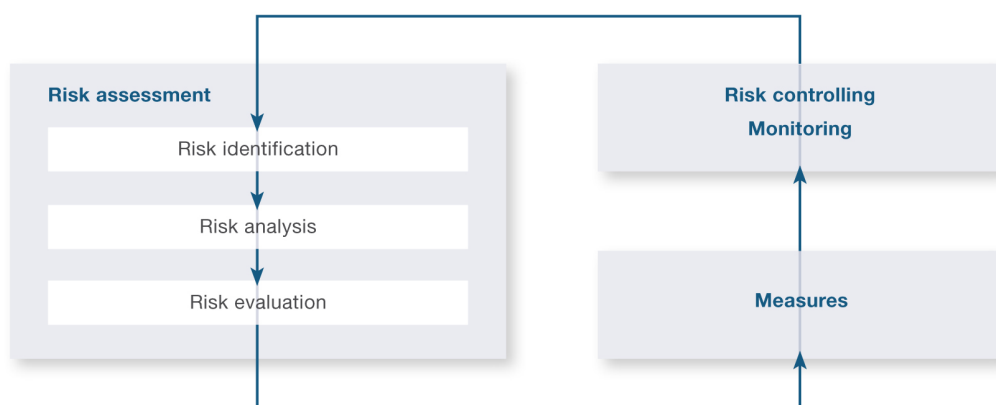
By the same token, opportunities are identified, evaluated and taken throughout the Company in order to secure trends for further growth and to boost the Group's earnings in the process. Moreover, in the course of the analysis the risks arising from a failure to take opportunities are also taken into account.

7.2. Risk management system

The Wirecard Group considers a risk management system to be the deployment of an extensive range of instruments for dealing with risks. These include the operational and organizational structure, risk management and controlling processes as well as the internal Group auditing division. The Management Board is responsible for risk strategy, for due and proper organization of risk management, for monitoring of risk associated with all transactions and for risk monitoring and controlling. The risk management system is defined by the Management Board in the risk strategies that correspond to the business strategy laid down. Reference values included are the corporate policy and risk strategy parameters laid down for risk management purposes. The Management Board reports to the Supervisory Board on a regular basis on existing risks and their development.

The Wirecard Group has a standardized risk management system throughout the group, a system that is integrated into all business processes within all operating business units. This enables risks to be identified and analyzed on a holistic and timely basis and assessed in terms of the probability of their occurrence and the extent of potential loss or damage. The assessment of the possible extent of damage is made predominantly in relation to the impact of an event of loss or damage on the business results of the Company, its enterprise value, potential reputation losses on the market as well as potential regulatory and/or legal implications.

Process of risk management within the Wirecard Group



Standardized risk measurement values within the scope of a formalized risk reporting system 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. Depending on the significance of the risks, reports are prepared on a daily, weekly, monthly or quarterly basis.

In addition to regular reporting, there is a Company-wide reporting duty in respect of unexpected risks occurring. Within a limit defined in advance on the basis of various hierarchy levels, the risk management decisions are made by the divisions responsible on a decentralized basis and monitored in a targeted manner by the central risk controlling division. Appropriate instructions for action and guidelines create a uniform framework for dealing with potential risks.

Risk management is controlled on a centralized basis within the Wirecard Group and continually reviewed by the internal auditing division as well as by process-independent instances for appropriateness, effectiveness as well as compliance with general statutory parameters. If required, appropriate corrective measures are initiated.

Control of individual risks: entrepreneurial decisions are taken on the basis of far-reaching project submissions in which the opportunities and risks are presented and integrated into risk management without delay.

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

The risk categories of relevance to the Wirecard Group are presented in greater detail below.

Overall risk

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

7.3. Business risks

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

Economic risk

The transaction-based business model of the Wirecard Group may be indirectly subjected to adverse effects due to consumer behavior. According to current assessments also referred to in the forecast report on future developments of electronic trading on the Internet, constant, positive growth is forecast for the next several years, particularly in the target markets of Europe and Asia. In the event of a dramatic deterioration in global economic conditions and a substantial decline in consumer spending, this may have negative impacts on the course of business and performance of the Wirecard Group. The current growth of trade and services on the Internet compared to traditional brick & mortar outlets could weaken or be reversed and lead to a decline in the Wirecard Group's business.

Business trends of Wirecard customers

The financial success of the Wirecard Group is directly dependent on the business trends of its customers or generally dependent on the future development of electronic trading. For instance, negative impacts of either of these factors could be caused by the general economic situation, limited availability of technical infrastructure (e.g. the Internet) or changes in consumer behavior. Over recent years, the Wirecard Group has pursued the objective of putting in place a mechanism designed as far as possible to protect itself against temporary fluctuations in individual customer segments by means of strong diversification of the customer portfolio in terms of services rendered, geographical markets and industry segments. Due to cyclical fluctuations in consumer behavior, in specific cases this may lead to insolvency of customers of the Wirecard Group, i.e. predominantly merchants operating on the Internet. In specific cases, an insolvency of such a Wirecard customer may lead to a large number of consumers attempting to reverse the credit card transactions of the merchant in question and to these demanding the reimbursement of their credit card payment from Wirecard. The amounts retained by Wirecard for such reversals (chargebacks) might not be sufficiently high, with resulting claims for payment on the part of the Wirecard Group against the merchant in question possibly not being enforceable.

Investment propensity of customers

Due to the primarily transaction-oriented business model, the introduction and use of products and services provided by the Wirecard Group calls for only a very slight level of initial investments by most customers. Nevertheless, even these low investments on the part of customers are subject to an investment decision-making process influenced by a large number of factors. Changes to the overall social, political or legal situation can have a negative impact on customers' willingness to invest or it may cause planned investments to be postponed. These risks are particularly evident in countries suffering from increased legal, political or social instability. Only in the unlikely event that this phenomenon should reach global proportions does a significant influence on our business development due to a reduction in the willingness to invest by one or several customers appear to be conceivable.

Economic risk in processing credit card payments

A key component of the business operations of the Wirecard Group is the processing of credit card transactions on behalf of merchants. Declining purchasing power on the part of consumers, or the credit limit of their credit cards being reached, will curtail the ability of consumers to buy products and services using a credit card. This could affect the volume of transactions handled by Wirecard on behalf of merchants.

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. Similarly, a deterioration in general economic conditions in individual countries, for example as a result of political and social unrest, cases of nationalization and expropriation, non-recognition of foreign debts by the state, foreign exchange control regulations and devaluation or depreciation of local currency could have a negative impact on the business activities and the earnings of the Wirecard Group in individual cases. The country risk also 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.

Section 7.8 "Legal and regulatory risks" deals with the risks arising from national and international legal and regulatory systems with regard to Internet use and the availability of software and services, especially in the field of payment services.

Risks arising from a trend reversal in outsourcing

Apart from a fundamental dependency on business trends of our customers or the general development of electronic trading, due to the Wirecard Group's positioning as an application service provider (ASP), i.e. as an outsourcing provider, there is the risk of a trend reversal in the direction of 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. On the basis of current forecasts of future outsourcing trends in the ASP market environment, the Board of Management assesses the risk of a trend reversal as low.

Risks arising from intensified competition

The Wirecard Group operates in a market environment characterized by strong consolidation of the range of providers available. At the same time, large-scale organizations like Google, ebay or Amazon are making increased efforts to penetrate this market and, in doing so, not only represent intensifying competition but are also accelerating the further consolidation among existing market participants. In the event of customers being intimidated or increased competition from new or stronger rivals, this development could have a potentially negative impact on business development. Our role as one of the leading European providers of payment processing and risk management solutions implies that the Wirecard Group is a driving force behind the current consolidation movement and can therefore play an active role in shaping it.

Risks arising from the business with existing customers

The Wirecard Group generates a significant share of its sales revenues from its extensive portfolio of existing customers. If a significant number of regular customers should decide not to continue doing business with the Wirecard Group, this could have a negative impact on the development of its business. However, in view of the high stability of the business with existing customers in the past fiscal years and the competitive range of products and services, a trend of this kind is unlikely.

7.4. Operational risks

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

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 on a sustained basis and to recruit new, highly qualified members of staff in intense competition for skilled personnel and executives.

In principle, in the field of personnel risk management, distinctions can be drawn between motivation, resignation and bottleneck risks. The objective of personnel risk management is risk monitoring, i.e. the identification of negative flows as well as risk control, i.e. evaluating suitable measures to prevent or mitigate risks.

By means of a proactive personnel policy based on the directives laid down by the Board of Management, by profit participation programs, advanced vocational training opportunities and an attractive working environment, the Company protects itself against the loss of key employees and thus counteracts a possible motivation risk.

In the risk category of “resignation risk”, employees are questioned in talks after handing in their resignations, and the data is collected and classified. The results of these questioning sessions are integrated into the further development of the personnel risk management system.

A bottleneck risk could arise through robust growth and due to high staff fluctuation and the associated need for new, qualified personnel. Against the backdrop of the low level of staff fluctuation once again in the period under review, high employee satisfaction and good availability of qualified personnel, the Wirecard Group also assesses 2010 the risk of a significant impairment of business trends due to personnel bottlenecks as slight. The attractiveness of the Wirecard Group as an employer will continue to help fostering loyalty to the Company of qualified staff and to recruit new personnel.

Risks arising in connection with customer projects

The successful realization of a customer project depends on a large number of factors. For one thing, in many cases these cannot be influenced by the Wirecard Group directly, or only to a limited degree, but may nevertheless have a negative impact on the Company's business development due to increasing project expenses, for instance.

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

Active project risk management of the Wirecard Group and targeted optimization of the risk profile of customer projects by the project heads of the Wirecard Group serve to mitigate project risks. Risk management of customer projects is fully integrated into the Company-wide risk reporting system of the Wirecard Group. Since the majority of our customer projects are standardized integration processes, on the basis of the overall structure of its project portfolio the Wirecard Group does not perceive any material risk of a negative impact on business development for the future either.

Risks arising from technical limitations

Some customer groups have very specialized requirements concerning the technical solution of their Application Service Providers (ASPs); this may be due to their industry environment. Should these requirements change fundamentally and at short notice, there is a risk of technical limitations of products and services of the Wirecard Group compared with those of a competitor causing customers of an industry segment to migrate elsewhere.

While the high level of flexibility of the technical platform of the Wirecard Group facilitates a very far-reaching adjustment to the requirements of customers, it can nevertheless not be ruled out that changes to requirements profiles may occur in future that can only be taken into account by further developing the current platform fundamentally. Should this trend not be identified in good time, this may result in temporary competitive disadvantages.

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

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 that are essential to the business activities of Wirecard Bank AG. Qualitative deficiencies of the products supplied or services rendered, a bottleneck in supply or a complete failure of such products or services may have a detrimental

impact on business trends of the Wirecard Group due to Wirecard AG or any of its subsidiaries losing sales, reputation losses arising or claims for damages being raised by customers.

Furthermore, there is a risk that licenses will no longer be available for third-party technologies in use in future or that these technologies will no longer be accessible. This can potentially lead to significantly higher development expenses in the short term.

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

The Board of Management is of the opinion that the system of active supplier management within the Wirecard Group, i.e. the targeted selection of suppliers according to strict quality criteria, the integration of suppliers into the quality management system of the Wirecard Group, proactive service level management as well as the extensive redundancy concepts for the Wirecard Group provide comprehensive protection from the risks arising from the use of third-party services and third-party products. 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 hardly probable.

7.5. Information and IT risks

Definition: The Wirecard Group defines information and IT risks as the possibility one or several weaknesses of IT systems or software are exploited by an existing threat, causing confidentiality and/or integrity to be compromised or availability being reduced.

Risks arising from publication of business secrets

Mandatory and binding security standards and directives applicable throughout the Company for internal and external communications as well as comprehensive technological security and protection measures serve to counteract the risk 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 the Company's business development. However, the Wirecard Group has implemented comprehensive security measures, as well as arranging for third parties to audit the Group's procedures and infrastructure on an ongoing basis in order to detect any security gaps and therefore assesses this risk as slight.

Risks arising from processing and storage of customer data

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

A binding security concept throughout the Group, based on the industry standard "PCI DSS" (Payment Card Industry – Data Security Standards), directives on dealing with customer data, extensive quality assurance measures in the field of product development as well as comprehensive technological protective measures serve to effectively counteract the risk of publication or falsification of customer data. Wirecard Technologies AG is certified according to the PCI-DSS standard. In addition, the Wirecard Group counteracts internal misuse through a closed concept, beginning with the selection of staff via a strict "need-to-know" principle all the way through to monitoring all instances of data access.

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

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

Risks arising from the development of products

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

The development, quality assurance and operating processes of the Wirecard Group have been integrated into the Group-wide risk reporting system. 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 and ensures the highest of quality standards in development activities and operations.

While a dedicated, internal approval process for product developments is used to assess the market potential of a product and a profit margin is ensured that is in line with corporate objectives in terms of sales pricing, a failure of security measures in specific cases may lead to a bad investment being made.

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

Risks arising from the structure and operation of information systems

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

The information systems of the Wirecard Group are based on cost-efficient, modular and standardized technologies. Thanks to flexible processes and short product development cycles, the IT system of the Company does justice to its role as a trailblazer for new business models and facilitates speedy market rollout of new products. An infrastructure with high availability facilitates continual operation of our systems. An extensive quality management system ensures that the quality benchmarks required for the development and operation of IT systems appropriate for banks are met. Against the backdrop of the new technology and process framework introduced in 2006, continual investments in the improvement of our infrastructure and the conclusion of an essential project within the scope of optimizing our infrastructure in 2009, we perceive the risk of an impairment of our business activities in the field of our information systems as low.

7.6. Financial risks

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

Exchange rate risks of receivables outstanding in foreign currencies

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

Risks of investments in securities and derivatives

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

Risks arising from mismatches between liquidity investments and liquidity requirements

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

Risks due to default of credit institutions

The free liquidity invested in demand deposits and overnight call money, time deposits and bearer debentures with credit institutions outside the Wirecard Group could also be endangered by insolvency or payment difficulties of such credit institutions. The Wirecard Group takes account of this risk both by strict checks on the total amount of such deposits and conscientious review of counterparties. In addition to specific credit rating and profitability data of the respective counterparties, external ratings are also included in the review carried out by the Wirecard Group. Apart from the requirement of a minimum rating of A- (Standard & Poors), the counterparty must have a system-relevant status in the country in which the parent company is headquartered. Owing to the measures adopted and the high requirements vis-à-vis counterparties, the Board of Management assesses this risk as slight.

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.

7.7. Default risks

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

Risks arising from our customers defaulting on their payment obligations

To counteract the risk of business customers of the Wirecard Group defaulting on their payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before entering into business relations with them. Payment flows of merchants are monitored on a regular basis, and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risks of default arising from the Acquiring business, consisting of potential redebits following insolvency or the inability of a merchant to deliver, are very low since open receivables from customers are covered by individual security retentions (reserve) or, alternatively, delayed payouts to merchants, which are adjusted regularly on the basis of close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group, especially from the reversal of credit card transactions, might not be enforceable against the customer in question. As a rule, this form of collateral security is adequate.

In business with private individuals, particularly involving novel products of Wirecard Bank AG in the field of card issuing services, risks are perceived to arise from the fact that a lack of historical data with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite high security standards being adhered to.

Risks arising from chargebacks in the acquiring business

In certain circumstances, cardholders are entitled to redebit a transaction. In those specific cases in which the reserve with regard to the merchant is insufficient and the merchant will not or cannot refund the amount repayable, the Wirecard Bank is required to assume the redebit itself.

An increased risk is present where merchants offer merchandise or services that cannot be clearly proved to be effective (e.g. cosmetics, vitamins, support services). Within the scope of such business models, experience has shown that chargebacks occur more frequently if cardholders feel that advertising claims cannot be substantiated after taking or using such products/services.

In addition, there is an increased risk where there is no direct chronological link between goods supplied or services rendered and the transaction, i.e. where the goods or services are to be provided at a later date (e.g. booking of airline tickets). The periods within which chargebacks may be made by the cardholder begin to run only when the period for performance on the part of the merchant has elapsed. The Wirecard Group takes account of this risk by means of individual security retentions (reserves) or, alternatively, by delaying payouts to the merchants. Both these measures are adjusted on a regular basis thanks to close monitoring of merchant business operations.

Risks arising from receivables from cardholders and merchants

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

These receivables may arise (a) through fraud by the merchant, (b) through fraud by customers or third parties or (c) through a violation by a merchant of the rules and regulations in place from time to time.

(a) Merchants can act fraudulently in various ways and by various means, and as a result harm the Wirecard Group in its role as acquirer or as the party engaged in the payment process in some other role (e.g. fraud relating to credit notes, fraudulent insolvency, submission of third-party payment records, re-use of card data, cases of the rules and regulations of the card organizations being violated, rendering of bogus performance to the end customer). To counteract this risk, the Wirecard Group subjects merchants to a comprehensive

analysis of their credit rating, reputation and business history before entering into business relations with them. Moreover, once an account has been set up, all business relations are continually monitored for conspicuous features or possible fraud patterns. Defaults in payment may occur if, in spite of all preventive and risk management measures, the merchant turns out to be fraudulent and fails to deliver the service, or deliver it properly, to the end customer / cardholder even though payment has been collected.

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

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

Against the backdrop of the definition of retained credit balances (reserves) adjusted to the individual risk of merchants as well as the technical aids deployed for merchant monitoring purposes, the Board of Management assumes there is a slight risk for business operations of the Wirecard Group.

7.8. Legal and regulatory risks

Definition: The Wirecard Group understands legal and regulatory risks to mean the possible consequences of a change of the national and/or international legal and regulatory parameters for payment systems, for the development and availability of software and Internet use on the course of business operations. Moreover, this also extends to include risks arising from legal disputes with customers and service providers.

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

The Wirecard Group provides payment processing services both on the national and international market as well as payment methods for wide variety of goods and services. For this reason, legal and regulatory requirements for payment systems have an effect on our business performance on the one hand. On the other, the legal and regulatory framework and the risk regarding the provision of services of customers, i.e. the merchants and services providers operating mainly on the Internet, also have a direct or indirect bearing on our business

performance. Contractual negotiations and tax-law related issues are of particular significance in the cross-border segment. The expertise necessary for assessing day-to-day operations is contributed by the qualified staff of the Wirecard Group. To mitigate risks further, when dealing with complex issues the Wirecard Group enlists the services of external legal and tax consultants.

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

The Wirecard Group perceives conformity with national and international underlying legal conditions as an indispensable basis for sustained business development and has assigned a great deal of importance to complying with all the relevant regulatory requirements, both internally and with regard to its customers. Moreover, the Wirecard Group makes every effort to maintain a customer structure that is diversified both regionally and in terms of customers' activities in order to limit the risk of changes to underlying legal conditions and regulation for the business activity and earnings of the Wirecard Group.

Risks arising from litigation

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

The investor protection association *Schutzgemeinschaft der Kapitalanleger e.V. (SdK)* filed an action before Regional Court Munich I to challenge the resolutions adopted at the Annual General Meeting 2008 concerning a discharge of the Board of Management and Supervisory Board as well as a petition for a court order to have the (individual) annual financial statements of the Company for fiscal 2007 to be declared null and void. Arguments in favor of these actions are predominantly based on alleged deficiencies in the financial statements of the Company. In the fall of 2008, the Supervisory Board of the Company had arranged for the alleged accounting deficiencies to be comprehensively analyzed by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft and perceives no need for corrections in view of the outcome of the audit carried out by Ernst & Young. In 2009, the Regional Court appointed a (further) expert. The proceedings are still pending. If Wirecard AG loses this court case, it would need to assume the costs of litigation of the plaintiff and

its own court costs. An additional cost factor would result from the annual financial statements for 2007 being declared null and void.

The Company, in turn, filed an action for affirmation of the SdK's duty to pay compensation, and its Management Board member Klaus Schneider, with regard to the circumstances that led to the Company's stock price declining early in the summer of 2008. Even though the Board of Management considers the prospects of winning this lawsuit quite favorable, there is the risk of Wirecard AG losing this court case and having to assume the cost of the proceedings.

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

Risks of contractual violations by contracting partners

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

Risks of inadequate insurance and inadequate provisions

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

Risks arising from license agreements

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

These risks are also unlikely to eventuate on account of contractual security and thanks to additional protective mechanisms in place.

Risks arising from changes to interbank fees and charges

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

7.9. Other risks

Accounting-related risks

To ensure that all rules and regulations under commercial and company law as well as its articles of incorporation with regard to the accounting process for all domestic and foreign subsidiaries are complied with, the Wirecard Group has established an internal control system.

What is worthy of emphasis in this regard is the use of an internal accounting manual in which the responsibilities, processes and accounting principles are clearly defined. Moreover, access rules are established in the IT-based accounting systems (range of read and write privileges) along with a system of double checks and random checks by the local Accounting system, the Group Accounting division, Controlling, and by the Board of Management with regard to consolidated accounting. Accounting staff members are prepared for accounting-related changes by means of internal and external training course and given detailed instruction with regard to new products, processes and requirements.

The objective of the internal control system is to ensure that all transactions are completely and correctly recorded and processed.

Errors in accounting are to be avoided on principle, and any incorrect assessments must be identified on a timely basis. In this connection, compliance with local regulations and with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) is monitored in the course of preparing the consolidated financial statements and the interim reports.

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

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

Owing to the litigation outlined above with the Schutzgemeinschaft der Kapitalanleger e.V. (SdK), there is a risk of the Company's annual financial statements for fiscal 2007 being declared null and void by the court. The Board of Management believes this risk is unlikely to eventuate, for the reasons specified above.

Reputation risk

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

In particular, this risk arises from intentional dissemination of false information, misdirected information as well as communications of any dissatisfied employees or customers.

The Wirecard Group is aware of this risk and secures its strong reputation in the market by continually checking whether opinion multipliers are spreading incorrect communications likely to impair its image and adopting suitable countermeasures where necessary.

Risks of pandemics

There is a risk in the event of a pandemic, i.e. an infectious disease spreading across countries and continents, of broad sections of the workforce, especially key executives, not being available temporarily due to illness, in one or several locations.

In the course of preparations for a possible H1N1 pandemic in 2009, the Wirecard Group defined preventive measures and made logistical preparations for containing the consequences of an imminent pandemic on business operations. Moreover, in the event of a pandemic erupting, contingency and ongoing business continuity plans as well as directives for action by key executives have been defined in advance to ensure maintenance of essential business operations during the outbreak of a pandemic, as well as plans to restore and resume normal operations again.

Accordingly, the Wirecard Group assesses the risk of business operations being impaired by the outbreak of a pandemic as slight.

7.10. Summary of overall risk

On the whole, the Wirecard Group recorded a positive development of the overall risk structure in the period under review. Thanks to ongoing optimization of the risk management system in line with acknowledged industry standards and the implementation of a large number of risk-minimizing measures, it was possible to ensure that of the identified quantifiable risks and within the scope of Group-wide risk management none falls within the category of risks likely to endanger the Group's existence as a going concern. A positive note in this regard is that this also extends to include new risks eventuating, such as risks arising from pandemics.

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

Accordingly, the Wirecard Group considers itself to be well prepared in the field of risk management for the year 2010.

8. CORPORATE CONTROL, OBJECTIVES AND STRATEGY

8.1. Corporate control system

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

Central 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 and EBITDA as well as their margins, net earnings and additional relevant balance-sheet relationships and ratios. In parallel, qualitative performance indicators—such as customer and employee satisfaction or product and service quality—are recorded on a regular basis.

A central element of control is the consistent reconciliation of key figures with long-term business planning and budgeting data. To be able to identify changes 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 allows Management to respond flexibly to changes in a dynamic market environment.

8.2. Financial and non-financial objectives

The central performance indicators for operational and financial controlling purposes for Wirecard AG are earnings before interest, taxes and depreciation (EBITDA); and earnings before interest and taxes (EBIT). For fiscal 2010, the Board of Management anticipates an increase in EBITDA by 15 to 23 percent. This forecast is based on the expectation that the European eCommerce market will continue to enjoy dynamic development. The Internet is establishing itself as a key distribution channel for the tourism and commercial sectors. Companies stand to benefit from significant savings potential by outsourcing their payment processing services. The trend in the direction of outsourcing is being reinforced by increasingly complex requirements relating to risk management solutions to protect against payment defaults sustained by merchants.

Wirecard AG meets these requirements with a widely diversified portfolio of solutions and products in the field of technology and banking services, especially for companies operating on an international scale. In doing so, the Company focuses on the European core market and on its subsidiaries in East Asia.

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

Maintenance of the comfortable equity capital base and of the currently very low level of bank debt represents other essential operational financial objectives for the Wirecard Group.

Other financial objectives are dealt with in Chapter 9.7., “Expected earnings and financial position.”

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

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

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

Our values are inseparably linked to our business model, whose success is based on reliability and trust. We make products available that make it easier for merchants on the Internet to process their payment flows. We monitor the quality of our customer relationships by means of regular customer surveys. Customer satisfaction represents a central non-financial objective of the Wirecard Group.

In order to convey social responsibility even better within a corporate structure that has meanwhile spread across the globe, in the field of donation-related projects Wirecard AG has opted in favor of a commitment to the betterplace foundation. As online donations are directly associated with our core business, we have taken over payment processing of donations via credit card on the www.betterplace.org platform.

8.3. Corporate strategy

Over the last two fiscal years, the Wirecard Group has been focusing on organic growth and on establishing itself in Asia.

Thanks to our branches in the Philippines and now also in Singapore, as well as a strategic cooperative venture in China, we have managed to further extend our business activities in Asia. In coming years we will consistently follow up our strategy of targeted regional expansion in Asia as well as continuing product localization.

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

Our product strategy is geared towards enabling us to respond flexibly to market requirements as they unfold. This is why our product portfolio was continually adjusted and extended again in 2009, particularly in the field of additional payment and risk management methods and processes. The strategic objectives of a system of far-reaching and fully integrated functional coverage of the entire value-added chain of electronic payment processing will continue to be the basis of our business and product policy in years to come.

In terms of our growth strategy, we will continue to rely on organic growth in our target markets of Europe and Asia. Acquisitions cannot be ruled out on principle either. What would be decisive in this regard, however, is a range of strict criteria that would need to be fully met so as to allow us to continue to play an active role in the European and Asian ePayment markets in future.

9. FORECAST REPORT

9.1. General economic conditions in the next two financial years

The International Monetary Fund (IMF) assumes that the world economy will grow by 3.9 percent in the year 2010, and 4.3 percent in 2011. In the euro zone, the growth forecast for this year is 1.0 percent, and 1.6 percent for 2011.

With projected growth of 1.5 percent for the year 2010 and 1.9 percent for 2011, the IMF's outlook for the German economy is more optimistic than that of the EU Commission, which anticipates 1.2 percent growth for 2010. In the absence of major changes in the political climate, Germany could achieve a growth rate of 1.7 percent in 2011, according to the EU Commission's forecast.

9.2. Future industry situation

The Internet has become established as a distribution channel worldwide. In the consumer goods segment, merchants will increasingly be relying on a broad-based strategy for attracting potential buyers via all distribution channels. There is a trend toward integrating social media into sales strategies. In the tourism sector, the link-up between stationary ("brick & mortar") and virtual travel services is intensifying. At the same time, significant savings potential can still be realized in the field of billing between travel agents and services providers such as hotels and airlines (Business-to-Business). Wirecard AG offers a perfect set of solutions to meet these industry-specific requirements.

Market growth in eCommerce

Based on predictions by market research institutes for the various industry sectors, we anticipate that the eCommerce market in Europe will achieve a growth rate of between 11 and 13 percent in 2010. This is the average value derived from the growth forecasts for the consumer goods and tourism sectors and from the slightly higher expectations for the digital goods sector. Estimates by Forrester Research put the sales volume for Business-to-Consumer payments for the whole of Europe in 2008 at around 100 billion euros. This year, the 150-billion euro mark in online sales might already be exceeded in these target industries.

Outlook for target industry segments

Consumer goods

In its most recent report titled “Western European Online Retail Forecast, 2009 to 2014,” published in March 2010, the renowned Forrester Research institute predicts an average annual growth rate of 11 percent in online commerce alone in 17 western European nations (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom). Sales generated in these countries last year amounted to 68 billion euros, and by 2014 they are expected to reach a volume of 114 billion euros.

There has been no change in the principal trends that will be driving online commerce in coming years. Producers will increasingly be relying on direct sales via the Internet. Moreover, eCommerce TV will support the Internet as a distribution channel with product videos, so that consumers can be offered an optimized shopping experience. Multi-channel retailing (Internet, catalog and stationary shops) provide customers with the ultimate in flexibility in terms of choosing ordering channels. A good deal of development potential also exists in the pan-European online commerce across borders.

The Federal Association of the German Mail-Order Trade (*Bundesverband des deutschen Versandhandels - bvh*) anticipates double-digit growth in the German online trading market for 2010. Last year, the online share of the mail-order segment outperformed conventional ordering channels for the first time (53.3 percent compared with 46.7 percent). This means that the bulk of sector revenues in the mail-order segment are being generated via the Internet.

Digital goods

The sub-segment made up of sport bets, poker and casino within the digital goods segment in Europe is expected to record double-digit growth rates over the next two years. The research institute H2 Gambling Capital forecast last year that this online entertainment sector would generate around 8.3 billion euros in 2009 and record annual growth rates of 14.6 percent until 2012. Initial results for the year 2009 are expected to be available in April 2010.

It can be assumed, however, that the European market passed 10 billion euros in sales as early as 2009. According to TrustPartners Management Consulting, Italy alone generated 3.7 billion euros through online gambling, with poker accounting for a 60-percent share. This does not correspond to the European average, where one half of the total volume is made up of sport bets, with the other half split between poker and casino games.

Forecasts published by the market research institute Strategy Analytics predict an increase in revenues from the global video games market from 46.5 billion to 64.9 billion US dollars by 2013. As well as noting the increasing spend on classical gaming software for consoles, handhelds and PCs, the report “Global Video Game Market Forecast” published in February 2010 makes special mention of the revenues generated by digital downloads, online subscription services, in-game advertising and the sale of virtual products within the games. The forecast expects revenues from online gaming to reach an annual growth rate of 18.7 percent. Revenues generated on the Internet are predicted to reach 24.8 billion US dollars by 2013, a share of 38 percent of the total revenues quoted above.

Tourism

PhoCusWright, the leading market research institute for the travel industry, was relatively conservative in its forecast of the trends in the European online tourism sector in October 2009 (European Online Travel Overview, Fifth Edition). For Germany, PhoCusWright continues to predict double-digit growth: 10 percent for this year, and 13 percent for the year 2011. France’s online travel market could grow by 7 percent in both 2010 and 2011, and by as much as 12.1 and 13.7, respectively, in Spain. The average for Europe as a whole is kept low by the United Kingdom in particular, where growth is expected to reach at most 4, and just under 5 percent, respectively; as a result, the average annual growth level in Europe is expected to be in the region of 8 to 8.5 percent for the next two years.

Among the three biggest online travel markets in Europe—led by the United Kingdom—Germany is expected to put France in third place in 2010. By 2011, the UK’s share of the entire European travel market will shrink to 26 percent, with France holding steady at 19 percent and Germany potentially accounting for 20 percent of the total online volume. The highest rates of growth are expected in the eastern and southern European countries, due to the fact that they still harbor major potential for absolute growth in the number of Internet users who will make online bookings for the first time. Online tourism in the Asia Pacific (APAC) region is expected to increase substantially over the next two years, with double-digit growth rates.

Outlook for the call center and communications segment

The services offered by Wirecard Communication Services GmbH in this segment are mainly provided to the Wirecard Group. The hybrid call center structure, i.e., the bundling of the stationary call center with its virtual equivalent, may well lead to additional external customer relationships in this business segment in 2010 and 2011, with customers availing themselves of the “Premium Expert Services” for user helpdesk support (especially in the console and PC games segments and for business software). Wirecard Communications is particularly well positioned for international user support, with 16 foreign languages and availability 24/7 throughout the year.

Business Process Outsourcing (BPO) trends

The “Business Process Outsourcing—A World Market Analysis” published by BizAcumen, Inc. in November 2009 predicts high growth rates for the BPO industry. Traditionally, BPO covers the outsourcing of partial business processes that, while important in themselves do not offer any strategic competitive advantages, e.g., administration, human resources management, payroll, logistics, education and training or payment processing. Decision-making by businesses regarding outsourcing is driven by the need to cut costs, as well by external factors such as globalization, the competitive environment and takeovers. The need for highly development systems and the latest applications also leads to an increase in the selective outsourcing of system-critical IT and other operational core functions.

Credit and debit card market

Payment using credit and debit cards will continue to increase in the European eCommerce market. Among the main advantages are real-time authorization, global acceptance and the security aspects of a payment. 3D-Secure processes (MasterCard SecureCode, Verified by Visa) protect both the merchant and the buyer.

Consumers' trust is strengthened especially by the PCI-DSS standard, thanks to its ability to boost data security for card transactions. Every business handling card data is obliged to undergo a process of certification. We provide our business customers with support for this certification process. As an alternative, Wirecard offers processing of card data over its own platform.

At the same time, the Wirecard Group also relies on the additional flexibility consumer gain by using their debit card on the Internet. The future use of Maestro cards for online payments will be in parallel to the expansion of the service among merchants. During the second half of this year, we will be offering Maestro as a payout solution as part of Supplier and Commission Payments (SCP), in addition to the existing Maestro acceptance outlet via Wirecard Bank.

Given that the MasterCard SecureCode facility can also be used for Maestro, this method of payment is likely to be met with general acceptance, thanks not least to security considerations. According to MasterCard, there are currently some 304 million Maestro cards in circulation in Europe.

Visa Europe launched a similar product for the European region with its V-Pay debit card, which is suitable for use both online and offline. At the beginning of January 2010, the card organization reported that of the total of 380 million cards in circulation in Europe, no fewer than 244 million are debit cards.

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

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

Following the integration of the Wirecard Bank in to the group of companies and the diversification of our product portfolio through the launching of card and account products for business customers and consumers, the basic foundations for our corporate policy for the coming years are already in place.

The future development and positioning of the Wirecard Group will rely on a predominantly organic growth strategy and builds on measures implemented to date.

9.4. Planned corporate policy changes

No major changes to corporate policy are expected for 2010 and 2011. We will continue to pursue our strategy of ongoing investment in the expansion of our product and services portfolio, supplementing the value-added chain of our core business.

9.5. Future sales markets

We are convinced that the overwhelming share in the growth of our Company over the next two years will again be generated in our European core market. The new markets in Eastern Europe and in Asia also offer growth potentials in the medium to long term.

The acquisition of the E-Credit Group in Singapore allows us to step up our expansion in East Asia. In addition, we intend to build on our existing local banking relations that support our local activities in the Consumer Goods and Digital Goods segments, with the objective of introducing this market to European merchants.

9.6. Future use of new processes, products and services

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

In the years to come we will intensify our efforts to exploit opportunities emerging through prevailing market and technology trends which are compatible with our core business and shape them proactively for the benefit of our customers.

With the Wirecard Bank having been accessible in the *Direct Debit* segment for the Single Euro Payment Area (SEPA)—within which all payments are processed under uniform conditions—since November 2009, our payment platform will also be capable of processing SEPA payments starting in the third quarter of 2010. The project of implementing a standardized, Europe-wide payment region for transactions in euros (Single Euro Payments Area, SEPA) is bound to gain momentum over the next two years. The aim of the SEPA program is to standardize cashless payments within the participating countries in such a manner as to ensure that there are no longer any differences for bank customers between national and cross-border payments. This will apply not only to money transfers, but also to payments using direct debits and debit cards.

Wirecard AG is well prepared for the move in the coming years from national debit card systems to processes that are standardized across Europe and which are also suitable as payments over the Internet. The credit card companies Visa and MasterCard have already introduced the relevant prepaid card products, and the Wirecard Bank will be issuing these as a licensed, card-issuing institution. In addition to SEPA direct debits, the Wirecard platform will also be able to process these card payments, as well as those of its business customers (online merchants).

Through strategic cooperative ventures, we will also be stepping up the marketing of prepaid cards at the Point of Sale (PoS) in future. The merging of existing consumer products will provide us with new sales opportunities in the issuing segment.

In the field of payment processing for stationary (brick & mortar) trading, the technological convergence with the new generation of stationary terminals supporting IP-based connection technologies is gaining in importance. Even today, brick-and-mortar merchants can view and manage all accounting entries and statistics on the same day via the Wirecard platform by using IP-based terminals made available by our subsidiary Wirecard Retail Services GmbH. This allows them to derive the benefit of the same real-time-based tools as our on-line merchants – in addition to technological convergence in payment acceptance on the Internet or via call centers already in place. By deploying Internet technologies at the points of sale, we will increasingly be in a position to enable merchants to conduct convergent payment processing across all distribution channels - online, stationary, mobiles and via call centers - via a single, centralized platform.

9.7. Expected financial and earnings position

Financial position

Current forecasts suggest that economic growth in the euro zone, at this time still our most important core market, will slowly recover over the next two years. Given that the Wirecard Group operated at a profit even during the economically difficult year of 2009 thanks to the continuing double-digit growth in the eCommerce market, its strong market position and its innovative products, we expect the financial position of Wirecard AG to remain very stable.

Maintaining a comfortable equity ratio is an important financial objective in this regard. A dividend payment of EUR 0.09 per share to be proposed to the annual general meeting has already been taken into account here.

A further strategic objective of the Wirecard Group is to ensure that there is no net financial debt whatsoever. Only cash loans in connection with earlier investments have been used, amounting to 5.5 million euros, compared with cash and cash equivalents of EUR 272,529K.

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

Earnings position

The central performance indicators for operational financial controlling purposes for Wirecard AG are earnings before interest, taxes and depreciation (EBITDA), and earnings before interest and taxes (EBIT). These also set the benchmarks throughout the Company, from Controlling all the way through to assessing the profitability of individual fields of activity. Accordingly, our profit projection for fiscal 2010 is also based on the success-oriented key ratio EBITDA.

For fiscal 2010, the Board of Management anticipates an increase in EBITDA of 15 to 23 percent, to between 70 and 75 million euros.

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

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

We are also convinced that our unique positioning in the market—the combination of technology and software with innovative banking services—will allow the Wirecard Group to outperform the eCommerce market in fiscal 2010.

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

9.8. Opportunities emerging from general trends

The eCommerce market recorded solid double-digit growth in 2009. Based on forecasts by a range of market research institutes, growth in the eCommerce market of the European region as a whole is expected to be between 11 and 13 percent in 2010. The level of growth might accelerate in 2011 and 2012.

The Internet has become an essential distribution channel today. Manufacturers and merchants who used to sell only via brick & mortar outlets are adapting their activities accordingly. Merchants engaging in eCommerce are increasingly setting up cross-border operations in order to attract new strata of buyers. We support our customers by providing appropriate risk management methods along with matching international payment services. At the same time, we are offering the consumer goods industry and the tourism sector in particular the opportunity to realize cost and process benefits along their value-adding chains.

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

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

Today our Company has acquired considerable relevance internationally in our market, and thanks to a diversified customer portfolio and a scalable business model, our operation is highly profitable. We plan to exploit the potentials of new products and solutions as well as those of emerging markets in order to continue our positive business performance.

For the current fiscal year and the next, we are optimistic that the sustained growth in the eCommerce market will increase—provided that the general economic conditions for European consumers and overall economic trends do not deteriorate significantly.

The spate of consolidations in our European market for payment services providers accelerated as a result of the crisis experienced in 2008 and 2009. Wirecard AG intends to emerge from this situation as a winner. Though we are in the comfortable situation of not having to rely on inorganic growth, we will continue to apply extremely restrictive criteria when examining opportunities for potential takeovers.

For fiscal 2010, the Management Board of Wirecard AG, taking account of the risks still prevailing in the global economy, has forecast EDITDA in a bandwidth from 70 to 75 million euros.

For fiscal 2011, we again assume that the gradual shift from stationary to Internet-based payment processes will continue, so that we can once again expect substantial growth in our core markets of Europe and Asia. We can therefore anticipate a further increase in the volume of transactions of existing and new customers processed by us.

Grasbrunn, Munich, April 8, 2010

Wirecard AG



Dr. Markus Braun

Burkhard Ley



Jan Marsalek

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Group-Balance Sheet – Assets

in EUR	Notes	12/31/2009	12/31/2008
ASSETS	(3.1.), (2.2.)		
I. Non-current assets			
1. Intangible assets	(3.1.), (2.3.)		
Goodwill		90,289,025.39	90,289,025.39
Internally generated intangible assets		12,723,396.73	9,580,000.00
Other intangible assets		11,576,877.19	10,275,093.19
Customer relationships		48,649,808.94	44,675,049.94
		163,239,108.25	154,819,168.52
2. Property, plant and equipment	(3.2.), (2.3.)		
Other property, plant and equipment		1,497,025.35	1,642,279.78
3. Financial and other assets	(3.3.), (2.2.)	16,285,831.22	1,785,066.15
4. Tax credits			
Deferred tax assets	(3.4.), (2.4.)	4,351,455.95	6,946,737.83
Total non-current assets		185,373,420.77	165,193,252.28
II. Current assets			
1. Inventories	(3.5.), (2.3.)	353,531.91	62,939.52
2. Trade receivables and other receivables	(3.6.), (2.3.)	80,561,820.67	56,684,402.10
3. Tax credits	(3.7.), (2.4.)		
Tax assets		1,750,965.38	3,070,040.43
4. Cash and cash equivalents	(3.8.), (6.)	272,528,622.02	195,938,594.25
Total current assets		355,194,939.98	255,755,976.30
Total assets		540,568,360.75	420,949,228.58

Group-Balance Sheet – Equity and Liabilities

In EUR	Notes	12/31/2009	12/31/2008
EQUITY AND LIABILITIES			
I. Shareholders' equity	(4.)		
1. Subscribed capital	(4.1.)	101,803,139.00	101,803,139.00
2. Capital reserve	(4.2.)	11,261,517.49	10,722,517.49
3. Consolidated accumulated profits	(4.3.)	131,831,808.10	94,453,905.44
4. Foreign currency translation reserve	(4.4.)	(14,094.75)	(24,443.14)
Total shareholders' equity		244,882,369.84	206,955,118.79
II. LIABILITIES			
	(4.), (2.2)		
1. Non-current liabilities	(4.5.), (2.3.)		
Non-current interest bearing bank liabilities		2,000,000.00	5,500,000.00
Other non-current liabilities		1,482,592.62	0.00
Deferred tax liabilities		6,314,956.86	4,642,133.26
		9,797,549.48	10,142,133.26
2. Current liabilities	(4.5.), (2.3.)		
Trade payables		140,479,318.80	113,820,765.57
Current interest bearing liabilities		3,509,590.31	3,500,000.00
Other current provisions		1,241,015.59	1,526,723.74
Other current liabilities		16,739,660.63	4,534,330.17
Customer deposits from banking operations		122,819,737.38	78,738,777.72
Tax provisions	(2.4)	1,099,118.72	1,731,379.33
		285,888,441.43	203,851,976.53
Total liabilities		295,685,990.91	213,994,109.79
Total shareholders' equity and liabilities		540,568,360.75	420,949,228.58

Consolidated Income Statement

in EUR	Notes	01/01/2009 - 12/31/2009	01/01/2008 - 12/31/2008
I. Sales	(5.1.), (2.3.)	228,508,252.04	196,789,873.12
II. Other own work capitalized		4,577,310.66	4,107,656.00
1. Other own work capitalized	(5.2.)	4,577,310.66	4,107,656.00
III. Operating expenses		156,726,729.02	137,476,679.39
1. Cost of materials	(5.3.)	126,644,508.14	110,386,501.34
2. Personnel expenses	(5.4.)	25,877,428.40	23,709,215.52
3. Amortization and depreciation	(3.1.), (3.2.)	4,204,792.48	3,380,962.53
IV. Other operating income and expenses		(19,831,985.63)	(14,403,096.19)
1. Other operating income	(5.5.)	3,619,150.09	4,264,451.45
2. Other operating expenses	(5.6.)	23,451,135.72	18,667,547.64
Net operating income		56,526,848.05	49,017,753.54
V. Financial result	(5.7.)	(1,794,791.54)	(624,373.11)
1. Other interest and similar income		1,400,458.67	871,201.36
2. Financial cost		3,195,250.21	1,495,574.47
VI. Profit before taxes		54,732,056.51	48,393,380.43
VII. Income tax	(5.8.)	9,209,902.73	6,087,959.87
VIII. Profit after taxes		45,522,153.78	42,305,420.56
IX. Profit carry-forward		86,309,654.32	52,148,484.88
X. Consolidated accumulated profits	(4.3.)	131,831,808.10	94,453,905.44
Earnings per share (basic)	(5.9.)	0.45	0.42
Earnings per share (diluted)	(5.9.)	0.45	0.41
Weight average shares outstanding (basic)	(5.9.), (4.1.)	101,803,139	101,792,876
Weight average shares outstanding (diluted)	(5.9.), (4.1.)	102,097,893	101,984,635

Consolidated Statement of Comprehensive Income

in EUR	Notes	01/01/2009 - 12/31/2009	01/01/2008 - 12/31/2008
Profit after taxes	(5.)	45,522,153.78	42,305,420.56
Change in exchange differences from translation of operations outside the euro zone	(4.5.)	10,348.39	(20,210.37)
Total comprehensive income		45,532,502.17	42,285,210.19

Consolidated cash flow from operating activities (Adjusted for transaction volumes of a transitory nature)		
in EUR	01/01/2009 - 12/31/2009	01/01/2008 - 12/31/2008
EBIT	56,526,848.05	49,017,753.54
Gains/Losses from the disposal of investments in consolidated entities	0.00	0.00
Gains/Losses from the disposal of fixed assets	31,286.95	6,726.16
Amortization/depreciation/write-ups of non-current assets	4,204,792.48	3,380,962.53
Changes due to currency translation	(1,183.07)	(1,809,511.39)
Changes in inventories	(290,592.39)	1,439,154.66
Changes in trade receivables and other receivables (adjusted for transaction volumes of a transitory nature)	4,758,142.64	3,490,169.39
Changes in other assets	(2,343,796.80)	365,866.08
Changes in provisions	(285,708.15)	(3,146,364.57)
Increase/decrease in current liabilities excluding financial liabilities	1,482,592.62	0.00
Changes in trade payables (adjusted for transaction volumes of a transitory nature)	(943,892.87)	(754,728.22)
Changes in other current liabilities	12,133,486.90	(34,764,794.97)
Other non-cash income/expenses	539,000.00	2,461,572.52
Income taxes paid	(3,931,814.30)	(6,187,896.68)
Interest paid (excl. interest for loans)	(609,791.51)	(375,987.37)
Interest received	1,145,302.23	415,041.37
Elimination of purchase price liabilities	(2,912,603.73)	27,894,539.25
Cash flow from operating activities	69,502,069.05	41,432,502.30

Due to the special system used in Acquiring, which is essentially characterized by balance sheet date effects inherent in the business model, Wirecard discloses a further statement in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda will make it easier to identify and depict the cash-relevant portion of the Company's result.

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

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

Consolidated Cash Flow Statement

in EUR	Notes	01/01/2009 (12)/31/2009	01/01/2008 (12)/31/2008
EBIT	(5.)	56,526,848.05	49,017,753.54
Gains/Losses from the disposal of fixed assets		31,286.95	6,726.16
Amortization/depreciation/write-ups of non-current assets		4,204,792.48	3,380,962.53
Changes due to currency translation		(590,763.92)	(1,809,511.39)
Changes in inventories		(290,592.39)	1,439,154.66
Changes in trade and other receivables		(25,366,943.83)	19,050,789.87
Changes in other assets		(2,343,796.80)	365,866.08
Changes in provisions		(285,708.15)	(3,146,364.57)
Increase/decrease in current liabilities excluding financial liabilities		1,482,592.62	0.00
Changes in trade payables		26,631,063.82	(16,369,204.71)
Changes in other current liabilities		12,133,486.90	(34,764,794.97)
Other non-cash income/expenses		539,000.00	2,461,572.52
Income taxes paid		(3,931,814.30)	(6,187,896.68)
Interest paid (excl. interest for loans)		(609,791.51)	(375,987.37)
Interest received		1,145,302.23	415,041.37
Elimination of purchase price liabilities		(2,912,603.73)	27,894,539.25
Cash flow from operating activities	(6.1.)	66,362,358.42	41,378,646.29
Cash paid for investments in intangible assets and property, plant and equipment		(12,509,167.89)	(12,930,226.28)
Cash received from sale of intangible assets and property, plant and equipment		1,639.84	0.00
Cash paid for investments in financial assets		(10,341,544.08)	(159,173.21)
Cash received from sale of financial assets		67,025.81	0.00
Deposits made from bond issues redeemed		1,000,000.00	0.00
Cash paid for the acquisition of entities and investments in consolidated entities less cash acquired		0.00	(23,434,789.69)
Cash flow from investing activities	(6.2.)	(21,782,046.32)	(36,524,189.18)
Proceeds from issue of shares		0.00	135,781.47
Cash paid for repayment of financial liabilities		(3,500,000.00)	(2,500,000.00)
Dividends paid		(8,144,251.12)	0.00
Interest paid on loans		(446,931.57)	(577,091.88)
Cash flow from financing activities	(6.3.)	(12,091,182.69)	(2,941,310.41)
Net change in cash and cash equivalents		32,489,129.41	1,913,146.70
Adjustments due to currency translation		10,348.39	(20,210.37)
Cash and cash equivalents as of beginning of period		117,199,816.53	115,306,880.20
Cash and cash equivalents as of end of period	(6.4.)	149,699,294.33	117,199,816.53

Consolidated Statement of Changes in Equity

	Common stock Nominal value/Number of shares issued	Capital reserve	Consolidated accumulated profits and losses	Foreign currency translation reserve	Total Shareholders' Equity
	EUR/ STK	EUR	EUR	EUR	EUR
Balance as of December 31, 2007	81,429,915.00	30,313,960.02	52,148,484.88	(4,232.77)	163,888,127.13
Profit after taxes			42,305,420.56		42,305,420.56
Capital increase from company funds	20,357,967.00	(20,357,967.00)			0.00
Contingent capital increase (convertible bonds)	15,257.00	766,524.47			781,781.47
Currency translation differences				(20,210.37)	(20,210.37)
Balance as of December 31, 2008	101,803,139.00	10,722,517.49	94,453,905.44	(24,443.14)	206,955,118.79
Balance as of December 31, 2008	101,803,139.00	10,722,517.49	94,453,905.44	(24,443.14)	206,955,118.79
Profit after taxes			45,522,153.78		45,522,153.78
Dividends paid			(8,144,251.12)		(8,144,251.12)
Contingent capital increase (convertible bonds)	0.00	539,000.00			539,000.00
Currency translation differences				10,348.39	10,348.39
Balance as of December 31, 2009	101,803,139.00	11,261,517.49	131,831,808.10	(14,094.75)	244,882,369.84

NOTES - Consolidated Financial Statements for the Year ended December 31, 2009

1. Disclosures related to the Company and its valuation principles

1.1. Business activities and legal background

Wirecard AG, Bretonischer Ring 4, 85630 Grasbrunn (hereafter referred to as “Wirecard”, “Group” or “the Company”) was established on May 6, 1999. The name of the Company was changed from InfoGenie Europe AG to Wire Card AG upon entry thereof in the commercial register on March 14, 2005 and to Wirecard AG upon entry in the commercial register on June 19, 2006.

Being the ultimate parent company, Wirecard AG is required to prepare consolidated financial statements. The business activities of the Wirecard Group are structured into the three reporting segments of “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services”. The parent company, Wirecard AG, is headquartered in Grasbrunn/Munich, Germany. This simultaneously serves as the head office of Wirecard Bank AG, Wire Card Beteiligungs GmbH, Wirecard Technologies AG, Wirecard Retail Services GmbH, Click2Pay GmbH and Pro Card Kartensysteme GmbH. Wirecard Communication Services GmbH is headquartered 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.

Since October 2007 Trustpay International AG headquartered in Munich/Grasbrunn 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 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 Payment Processing & Risk Management.

Wirecard Retail Services GmbH and Pro Card Kartensysteme GmbH 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 brick-and-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, Dubai focuses on sales of affiliate products along with associated value added services.

Consolidation perimeter

As at December 31, 2009, 16 companies were fully consolidated (December 31, 2008: 16).

Subsidiaries of Wirecard AG

	Shares
Click2Pay GmbH, Grasbrunn (Germany)	100%
InfoGenie Ltd., Windsor, Berkshire (United Kingdom)	100%
Wirecard (Gibraltar) Ltd., (Gibraltar)	100%
Trustpay International AG, Grasbrunn (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard Payment Solutions Ltd., Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Genta 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, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Grasbrunn (Germany)	100%
cardSystems FZ-LLC, Dubai (United Arab 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.

Sale of companies

No company was sold in fiscal 2009.

Business combinations

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

The purchase price for the group of companies amounted to EUR 10,283K. In addition, an amount of EUR 2,477K was capitalized as an earn-out component measured according to the expected operating revenue of the E-Credit Group in the year 2010. The additional ancillary acquisition costs capitalized amounted to EUR 523K. Essentially, these were consultancy costs associated with the legal and financial due diligence audit, the costs of contracting and directly related travel and other expenses. As at December 31, 2009, the value of the holding at amortized cost amounted to EUR 13,283K. The material assets of the companies taken over are customer and supplier relations in eastern Asia, valued at EUR 1,210K. Since the annual financial statements of the group of companies have not been issued with an audit certificate as yet, adjustments to the value of the acquired assets may be necessary. The preliminary breakdown is as follows:

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

in EUR '000s	Carrying amount	Fair value
Cash & cash equivalents	4,085	4,085
Goodwill	472	11,314
Customer relationships	0	1,210
Other tangible assets	6	6
Receivables	2,033	2,033
Other assets	153	153
Deferred tax liabilities	0	218
Liabilities	5,300	5,300
Shareholders' equity	1,449	1,449
thereof, profit for the year 2009	1,178	1,178

The purchase price was funded with cash held by the Company. Neither were any equity instruments issued, nor were any funds borrowed for financing purposes.

The E-Credit Group, consisting of E-Credit Plus Pte. Ltd. and its seven subsidiaries, in particular E-Credit Plus Corp. (Philippines), Infotop Singapore Pte. Ltd. (Singapore) and E-Payments Singapore Pte. Ltd. (Singapore), is engaged in the field of online payment processing, chiefly for eCommerce merchants in the eastern Asian region. In the process, Wirecard AG is extending its existing presence in eastern Asia with its Philippine subsidiary Wirecard Asia Pacific Inc. For its operations in Asia, Wirecard expects synergy effects to be generated for the Group as a whole.

In the period under review, no amount from the company acquisition or investment was recognized with an impact on profit or loss. For the year 2010, a contribution to Group earnings before interest and taxes, depreciation and amortization (EBITDA) is expected to amount to at least 1.4 million euros.

In addition, in fiscal 2009 European customer relationships were acquired from e-Prompt International Holding AG. These were valued as a business combination in accordance with IFRS 3. For further particulars, reference is made to Chapter 3.1. Intangible assets - customer relationships.

Exemption from the duty to prepare consolidated financial statements

In accordance with Sec. 291 (1) HGB (German Commercial Code), Wirecard Technologies AG, Grasbrunn, and Trustpay International AG, Grasbrunn, are exempted from the duty to prepare consolidated financial statements since the requirements of Sec. 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 sub-group statements of Wirecard Technologies AG, Trustpay International AG and of Wirecard Payment Solutions Holdings Ltd. are included in these annual financial statements.

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

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

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

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

Action for rescission

The investor protection association Schutzgemeinschaft der Kapitalanleger e.V. (SdK) has raised an action to challenge the resolutions adopted at the Annual General Meeting 2008 to exonerate the Management and Supervisory Board of Wirecard AG as well as a petition for a court order to have the annual financial statements of Wirecard AG for fiscal 2007 declared null and void. The reasons given to justify these actions are mainly alleged deficiencies in the annual financial statements of Wirecard Group. The Supervisory Board of the Company arranged for Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to prepare a comprehensive expert opinion on the key issues and perceives no need for any corrections in light of the audit findings.

A further action for rescission and declaration of nullity filed by an individual shareholder was settled by compromise, without this giving rise to an advantage to the plaintiff. The settlement was published in the electronic German Federal Gazette on February 23, 2009.

2. Principles used in preparing the financial statements

2.1. Principles and assumptions used in preparing the financial statements

Operational environment and 'going concern' assumption

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

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

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

All interpretations valid for fiscal 2009 by the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

Currency translations

The 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 balance sheet date. Shareholders' equity is translated at historical exchange rates. Revenues, expenses and income reported in the profit & loss statement are translated at average exchange rates. Differences arising from foreign currency translation are recorded without affecting income and reported separately as part of shareholders' equity in the foreign currency translation reserve.

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

Differences arising from foreign currency translation between the nominal value of a transaction and the exchange rate prevailing at the date of the settlement or consolidation are recognized in profit and loss and included in cost of material if the payment is related to customer

money. Otherwise they are disclosed in other operating expenses/income. Expenses impacting on profit and loss associated with foreign currency translation amounted to EUR 591K in 2009 (previous year: EUR 1,810K).

Judgments, estimates and assumptions

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

Classification

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Wirecard AG and its subsidiaries as at 31 December 2009. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared as of the same balance sheet date as the parent company, using consistent accounting policies. Sales revenues, expenses and income, receivables, provisions and liabilities between the companies included were eliminated.

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

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss for the Group's investment in its associates. The Group determines as of each balance sheet date whether there is any objective evidence that the investment in the associate may be impaired. If this is the case the Group calculates the amount of impairment loss as the difference between the recoverable amount of the investment in the associate and its carrying value and recognizes the amount in the income statement.

Comparison

Owing to changes in the contractual terms and conditions between Wirecard and a third-party acquirer, outstanding payments to merchants in this field are no longer to be reported as trade payables since they are no longer to be assigned to Wirecard and any liability on the part of Wirecard must be ruled out for such amounts. Against this backdrop, the comparability of the items cash & cash equivalents and trade payables is restricted. If these funds were to continue to be accounted for by Wirecard, the balance sheet items for 2009 would be up by EUR 16,998K (December 31, 2008: EUR 26,323K). The same applies to the cash flow from operating business activities that has not been adjusted for transaction volumes. This cash flow for 2009 would be improved by this amount. The cash flow from operating business activities (adjusted for transaction volumes of a transitory nature) is comparable without any restrictions whatsoever.

2.2. Accounting for financial assets and liabilities

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

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

- Financial assets and financial liabilities at fair value through profit or loss
- Held-to-maturity-investments
- Financial assets available for sale
- Loans and receivables.

Financial assets

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade receivables, loan and other receivables, unquoted financial instruments, and derivative financial instruments.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognized the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. A reassessment is performed only if there is a change in the terms of the contract that significantly modifies the cash flows that would have occurred otherwise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR). Profits and losses are recognized in the consolidated income statement when loans and receivables are derecognized or impaired and within the scope of amortization measures.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Profits and losses are recognized in the consolidated income statement when the investments are derecognized or impaired and within the scope of amortization measures. The Group did not have any held-to-maturity investments during the years ended December 31, 2009 and 2008.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets classified as available for sale and those that do not fall within one of the three categories mentioned above. After initial measurement, available-for-sale financial Investments are measured at fair value, with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in income, or determined to be impaired, at which time the cumulative loss previously recognized in equity is recognized in the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights to receive cash flows from the asset have expired
- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; which accomplish the requirements of IAS 39.19 and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its contractual rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

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

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

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

Loans and borrowings

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

Financial guarantee contracts

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

Offsetting of financial instruments

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

Derecognition

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid prices), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Significant accounting judgments, estimates and assumptions concerning financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.3. Essential accounting and valuation methods

Accounting for goodwill

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

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

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

The most important assumptions on which the determination of the value in use is based are shown below:

- Risk-free interest: 4.17%
- Market risk premium: 4.5%
- Beta factor: 1.06
- Capitalization interest rate: 8.94%

The median of yields on government bonds in euros with a term to maturity of up to 30 years was used as the risk-free interest rate. These are published by Deutsche Bundesbank. The market risk premium and the beta factor are derived from external assessments. These premises and the underlying methods used may have a substantial influence on the respective values and, ultimately, on the extent of a potential goodwill impairment.

The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are based on forecasts consisting of detailed forecasts for one year and high-level forecasts for four years, established on the basis of budgets approved by management. Cash flows beyond the planning or budget period are extrapolated without growth rates.

With respect to the composition, development and distribution of the respective goodwill reference is made to No. 3.1. Intangible assets – Goodwill.

Accounting for intangible assets

Acquired customer relationships are stated at cost and for a significant part, subject to impairment tests regularly, at least once per year. As regards the approach and essential assumptions, reference is made on the notes on accounting for goodwill. A smaller part is amortized using the straight-line method over the estimated useful life of ten years. Purchased software is stated at cost and amortized using the straight-line method over the estimated useful life of the software, generally five years. Financing costs that are directly attributable to the acquisition or manufacture of a qualified asset are capitalized in accordance with IAS 23. No financing costs were recognized in fiscal 2009. The software constituting the Group's core operations, which has mostly been developed in-house, has a longer estimated useful life and is amortized over a period of ten years.

The periods of use and amortization methods are reviewed on an annual basis. In addition, as in previous years the useful life of a material share of customer relationships is classified as indefinite (not infinite) in 2009 since it was not possible to identify a "best practice" for the industry segment and past experience does not reflect a limitation of the inflow of benefits. Moreover, the agreements between the Wirecard Group and merchants do not show any contractual restrictions. In the event of a change in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the intangible asset, some other amortization period or method is used. Such changes are treated as modified estimates.

Research costs are recognized as expenses at the time incurred. The costs of development activities are capitalized if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. The initial capitalization of costs is based on an assessment by management that the technical and commercial feasibility has been proved to apply; as a rule, this will be the case where a product development project has reached a certain milestone within the scope of an existing project management model. Moreover, Wirecard must have the intention and adequate resources to complete such development and either use or sell the asset in question. Development costs are capitalized in accordance with the accounting method explained and written down over the useful life of an asset from the point in time at which it is usable. During the development phase, an impairment test is carried out on an annual basis and the assumptions of management are reviewed in the process. The development costs capitalized in the year under review amounted to EUR 4,577K.

Accounting for property, plant and equipment

The original cost of acquisition or manufacture of property, plant and equipment comprises the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the object of property, plant and equipment was deployed, such as maintenance and repair costs, are reported with an impact on profit and loss in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalized in accordance with IAS 23. No financing costs were recognized in fiscal 2009.

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 up to 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 profit or loss as incurred.

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

Useful life and methods of amortization and depreciation used are subject to yearly review. 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 an asset may be impaired. If there are such signs, then the Company will make an estimate of the recoverable amount of the asset in question.

The recoverable amount corresponds to the higher of the value in use of the asset and its fair value less costs of sale. To determine the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations with regard to the time value of money and the specific risks of the asset.

In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, then the asset is considered impaired and is written down to its recoverable amount. Impairment losses, 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 that the reasons for impairment charges recorded in previous years no longer apply. An impairment loss recognized previously must be reversed if, since the last impairment loss was recorded, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, then the carrying amount of the asset is to be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognized after taking account of amortization or depreciation if no impairment loss had been recognized in previous years. Such a reversal of an impairment loss is immediately recognized in the result for the fiscal year.

After such a reversal the amortization or depreciation charge is adjusted in future reporting periods in order to allocate the adjusted carrying amount of the asset, less any residual carrying amounts, systematically over its residual useful life.

No impairments und no reversals of impairment losses were recognized in the year under review.

Inventories

Products or goods are valued at their cost of acquisition. As far as the costs of acquisition exceed the value of the inventories based on a realizable sale price less the costs to sell, the lower value is applied.

Cash and cash equivalents

Cash on hand and demand 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. Accounts of the Acquiring division which are partly not held directly but for the account of Wirecard and via which Wirecard makes payments to merchants are also reported under cash and cash equivalents. Not freely available cash and cash equivalents from rent deposits amounted to EUR 37K (previous year: EUR 36K) and were classified as “Trade and other receivables”.

Provisions

Provisions take account of all identifiable risks and uncertain liabilities and are recorded to the extent required according to prudent business judgement. All discernible risks were taken into consideration. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions which are reported separately and to other current provisions.

Expenditure incurred in setting up provisions is reported in the income statement. Income from reversals of provisions is reported under other operating income.

Leases—Group as a lessee

According to IAS 17, in the case of leases beneficial ownership of the leased assets is attributable to the party which bears the substantial risks and rewards of ownership associated with the leased asset. If the leased asset is recognized by the lessor (operating lease), the expense is recorded on a straight-line basis over the lease term. If the Group is deemed beneficial owner (finance lease), the leased asset is recognized at the time at which utilization begins either at fair value or at the present value of the minimum lease payments, whichever is the lower.

Leases—Group as a lessor

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized. These are listed in the Notes unless the likelihood of an outflow of resources embodying economic benefits is very remote. Contingent assets are not recognized in the financial statements. They are disclosed in the Notes if the inflow of an economic benefit is likely to occur. Reference is also made to the Risk Report under No. 7 of the Management Report.

Revenue realization

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

Uncertainties regarding valuation

In applying the accounting and valuation methods, discretionary decisions are required to be taken. The most important future-related assumptions as well as other key sources of estimation uncertainty at the balance sheet 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 of the useful lives of the assets is based on assessments made by management. This also applies to the determination of impairments of items of property, plant and equipment, of intangible assets as well as of financial assets. Bad debt allowances are recognized on doubtful debts in order to take account of estimated losses arising from insolvency or unwillingness of customers to pay
- In accounting for and valuing provisions, expected obligations represent the key sources for estimates.
- The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

In the event of measurement uncertainties the best possible information on the circumstances prevailing as at the balance sheet date is considered. However, actual amounts may differ from the estimates made. The carrying amounts reported in the financial statements which are subject to such 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 2010.

2.4. Accounting for and valuations of tax items

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and liabilities

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

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

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

Deferred taxes are determined on the basis of a corporation tax rate of 15.0 percent (previous year: 15.0 percent) plus a solidarity surcharge of 5.5 percent on corporation tax (previous year: 5.5 percent) and a flat trade tax rate of 10.15 percent (previous year: 10.15 percent) in Germany and the respectively applicable tax rates of the foreign companies (Ireland 12.5 percent, Austria 25 percent).

Value-added tax (VAT)

Revenues, expenses and assets are recognized net of the VAT, where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable. Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is netted and included as part of receivables or payables in the balance sheet. Tax assets and liabilities are netted to the extent that they relate to taxes imposed by the same fiscal authority on the same company and if the Group intends to settle its current tax claims and tax debts on a net basis.

Essential discretionary decisions, estimates and assumptions in connection with taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes

to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's country of domicile.

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

2.5. Changes in accounting policies – change compared with methods used in the previous year

The accounting policies adopted are consistent with those of the previous fiscal year except as follows. The Group has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2009.

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures effective January 1, 2009
- IFRS 8 Operating Segments effective January 1, 2009
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing Costs (Revised) effective January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1, 2009
- IFRIC 13 Customer Loyalty Programmes effective July 1, 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 1, 2008
- Improvements to IFRS 2008

The revised standard IAS 1 separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense recognized in the income statement together with the earnings components which are recognized directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements. The revised standard was applied in the reporting year for the first time, including the subsequent amendments following the amendment to IAS 27, leading to corresponding disclosure changes. No essential changes regarding presentation and the Group's financial position and performance have arisen due to the mandatory disclosures of IFRS 7 and the prescribed analyses. This information is reported under item 7.4 of the Notes. IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Chapter 7.1., including the related revised comparative information. No substantial impacts on the Group's financial position and performance resulted from the application of the other standards or an interpretation.

2.6. Changes in accounting policies – new accounting regulations following EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were already incorporated in EU law within the scope of the comitology procedures but were not of mandatory application as yet in the fiscal year 2009. The Group has not adopted these standards and interpretations early.

IAS 27 Consolidated and individual financial statements

The revised standard IAS 27 was published in January 2008 and is to be applied for the first time in the fiscal year beginning on or after July 1, 2009. The standard prescribes that a change in the ownership interest in a subsidiary that does not lead to a loss of control is to be accounted for as a transaction with shareholders in their capacity as such. Neither goodwill nor profit or loss can result from such a transaction. In the event of loss of control over a subsidiary, the remaining shareholding is to be remeasured at fair value and taken into account in determining the profit on the sale. Losses sustained by a subsidiary must be allocated among the owners of the parent company, and the non-controlling shares (referred to as "minority interest" in the past) even if this leads to the non-controlling shares reflecting a negative balance. The transitional rules provide for prospective application in this context. Accordingly, there are no changes regarding assets and liabilities resulting from such transactions before the initial application of the new standard. Since neither the transactions mentioned above nor a negative balance for minority interests is expected to result in the reporting period on initial application in the Group, the application of this standard will have no impacts on the consolidated financial statements.

Amendment to IAS 32 – classification of subscription rights

The revised standard IAS 32 was published in October 2009 and is to be applied for the first time in the fiscal year beginning on or after February 1, 2010. This amendment comprises an adjustment to the definition of a financial liability in the sense that certain subscription rights can be classified as equity instruments. This will apply if these rights are granted pro rata to current owners of non-derivative equity instruments of the same class of a company in order to acquire a fixed number of equity instruments of the company at a fixed price in any given currency. No change is assumed to occur as far as the consolidated financial statements are concerned.

Amendments to IAS 39 – suitable underlying transaction

The revised standard IAS 39 was published in July 2008 and is to be applied retrospectively for the first time in the fiscal year beginning on or after July 1, 2009.

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the consolidated financial statements, as the Group has not entered into any such hedges.

IFRS 3 Business Combinations

The revised standard IFRS 3 was published in January 2008 and is to be applied for the first time in the fiscal year beginning on or after July 1, 2009. Within the scope of the convergence project of the IASB and the FASB, the standard was subjected to a comprehensive revision. In particular, the most significant changes relate to the introduction of a choice in measuring the value of non-controlling shares (referred to in the past as “minority interests”) which are to be measured either at fair value or pro rata as a share of the identifiable net assets of the company acquired. What must also be emphasized is the restatement, in income, of previously held shares on first acquisition of control (gradual business acquisition), the mandatory recognition of consideration that is tied to the occurrence of future events, at the time of acquisition, and the recognition of transaction costs in profit and loss. These new provisions will have an impact on the extent of the recognition of goodwill, on earnings for the reporting period in which a business combination takes place, and on future results.

The transitional rules provide for prospective application in this context. Accordingly, there are no changes regarding assets and liabilities resulting from business combinations before the initial application of the new Standard. The corporate acquisition of E-Credit Plus Pte. Ltd. will be accounted under the new IFRS 3 as at January 1, 2010. The amendments will have an impact on future business acquisitions in terms of the extent of goodwill and on the results of the relevant reporting period.

Amendments to IFRS 5 within the scope of improvements to IFRS 2008

The changes relating to the improvement project 2008 were published in May 2008 and – except for IFRS 5 (which is effective as of July 1, 2009) – are to be applied for the first time in the fiscal year beginning on or after January 1, 2009. With the amendment to IFRS 5, it was clarified that all assets and liabilities of a subsidiary whose planned sale results in loss of control must be classified as available for sale even if the company retains a non-controlling share without a controlling influence in the former subsidiary after the sale. No essential change is assumed to occur as far as the consolidated financial statements are concerned.

IFRIC 12 Service Concession Arrangements

The revised IFRIC Interpretation 12 was published in November 2006 and is to be applied for the first time in the fiscal year beginning on or after January 1, 2008. This interpretation was incorporated into EU law in March 2009, accompanied by a ruling that this interpretation is to be applied in the EU at the latest when the first fiscal year begins after June 30, 2009. The interpretation governs the treatment, for accounting purposes, of liabilities assumed within the scope of service concession arrangements and rights received in the financial statements of the concession holder. The companies included in the consolidated financial statements are no concession holders as contemplated by IFRIC 12. Accordingly, this Interpretation will have no impacts on the Group.

IFRIC 15 Agreements for the Construction of Real Estate

The revised IFRIC Interpretation 15 was published in July 2008 and is to be applied for the first time in the fiscal year beginning on or after January 1, 2009. This interpretation was incorporated into EU law in July 2009, accompanied by a ruling that this interpretation is to be applied in the EU at the latest when the first fiscal year begins after December 31, 2009. This interpretation provides guidance on the time and extent of income realized from projects to develop properties. IFRIC 15 will have no impacts on the consolidated financial statements since IFRIC 15 is not applicable to the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was published in July 2008 and is to be applied for the first time in the fiscal year beginning on or after October 1, 2008. This interpretation was incorporated into EU law in June 2009, accompanied by a ruling that this interpretation is to be applied in the EU at the latest when the first fiscal year begins after June 30, 2009. IFRIC 16 provides guidance on identifying foreign currency risks that can be hedged within the scope of hedging a net investment, for determining which group entities can hold hedge instruments to hedge a net investment, and for determining the profit or loss in foreign currency that is to be reclassified from equity to income on a sale of the foreign business operation hedged. This Interpretation is to be applied prospectively. IFRIC 16 will have no impacts on the consolidated financial statements since the Group holds no investments of this kind.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC Interpretation 17 was published in November 2008 and is to be applied for the first time in the fiscal year beginning on or after July 1, 2009. This Interpretation provides guidance on accounting for and measuring the value of obligations to distribute non-cash dividends to shareholders. In particular, this Interpretation provides guidance on the point in time at which a liability is recognized, how its value is measured and on the assets affected, as well as on the time at which these assets and the recognized liability are to be derecognized. This Interpretation is to be applied prospectively. IFRIC 17 will have no consequences on the consolidated financial statements since a payout of non-cash dividends is not anticipated within the Group.

IFRIC 18 Transfers of Assets from Customers

IFRIC Interpretation 18 was published in January 2009 and is to be applied for the first time in the financial year beginning on or after July 1, 2009. This interpretation provides guidance on accounting for agreements in which a company receives property, plant and equipment or cash from a customer which the company is required to use to connect the customer to a network and/or provide the customer with ongoing access to a supply of goods or services (or to do both). In particular, this interpretation clarifies the criteria for recognition of customer contributions and the point in time and extent of recognition of revenue from such transactions. This Interpretation is to be applied prospectively. IFRIC 18 will have no impacts on the consolidated financial statements since the Group transacts no business of this kind.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised in 2008)
- Amendment to IFRS 1 – Other exception rules for first-time adopters of IFRS
- Amendment to IFRS 1 – Limited exceptions for first-time adopters of IFRS regarding comparative disclosures in accordance with IFRS 7.

2.7. Changes to accounting policies – new accounting regulations with outstanding EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were not of mandatory application yet in fiscal 2009. These standards and interpretations have not been recognized by the EU to date and have not been adopted by the Group.

Amendment to IFRS 2 – Share-based Payment: Intragroup Cash-settled Share-based Payment Transactions

IFRS 2 was published in June 2009 and is to be applied for the first time in the fiscal year beginning on or after January 1, 2010. Following the amendment to IFRS 2, the definition of share-based remuneration and the scope of application of IFRS 2 were modified, with additional guidance being provided in accounting for intragroup share-based payments. This rule provides for a company to account for goods or services received according to the provisions relating to share-based payment by settlement using equity instruments if the company's own equity instruments can be granted as consideration or if the company is not obliged to settle a share-based payment agreement. In all other cases, the arrangement will be recognized as a share-based payment with settlement in cash. These principles apply irrespective of any internal repayment arrangements within a group. Within the scope of the amendment, the provisions in IFRIC 8 Scope of application of IFRS and IFRIC 11 Group and Treasury Share Transactions were incorporated in IFRS 2, and both Interpretations became invalid.

Improvements on IFRS 2009

The improvements on IFRS 2009 are a collective standard that was published in April 2009 on the subject of amendments to various IFRS. The points in time of application and transitional rules are laid down for each standard. In the absence of anything to the contrary below, specific rules and regulations will be applied for the first time to the fiscal year starting on or after January 1, 2010.

The Group has not yet applied the following changes that will not have any significant impacts on its financial position and performance:

- **IFRS 2 Share-based payments:** It was clarified that the contribution of a business division on establishing a joint venture as well as business combinations under joint control do not fall within the scope of application of IFRS 2. First-time application is planned for fiscal years beginning on or after July 1, 2009.
- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if the respective standards or interpretations are specifically required for such non-current assets or discontinued operations.
- **IFRS 8 Operating Segment Information:** clarifies that segment assets and liabilities need only be reported if the amounts of those assets and liabilities are regularly provided to the chief operating decision maker.
- **IAS 1 Presentation of Financial Statements:** Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.
- **IAS 7 Statements of Cash Flows:** Explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- **IAS 17 Leases:** The special guidelines on the classification of leases in the case of land have been revoked. The general guidelines will apply in future.
- **IAS 18 Revenue:** The Board has added guidance to determine whether an entity is acting as a principal or an agent. No time-related application rules have been provided for this amendment, which is included in the appendix to IAS 18 and is therefore not part of the standard; accordingly, it entered into force when it was published.
- **IAS 36 Impairment of Assets:** The amendment clarified that the largest cash-generating unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

- **IAS 38 Intangible Assets:** If an intangible asset acquired within the scope of a business combination is identifiable only in conjunction with some other intangible asset, the acquirer may recognize these intangible assets as a single asset if individual assets within this group have the same useful economic life. Moreover, it is determined that the methods indicated in the standard to determine the fair value of intangible assets acquired as part of a business combination merely represent examples. The Company is free to use other methods in this regard. These amendments are applicable for the first time to the fiscal year beginning on or after July 1, 2009.
- **IAS 39 Financial instruments: Recognition and Measurement:** A prepayment option is considered to be closely related to the host contract if the exercise price of the prepayment option reimburses the lender for the present value of lost interest for the remaining term of the host contract. It is also determined that the rule relating to exceptions for contracts between an acquirer and a seller to buy or sell an entity at a future point in time applies only to binding forward agreements and not to derivative contracts, for which additional measures are required. The third new rule states that profits or losses from the cash flow hedge of an expected transaction that leads to recognition of a financial instrument at a later date or which are to be reclassified from the cash flow hedge on financial instruments recognized in the period in which the expected cash flows hedged have an impact on profit or loss.
- **IFRIC 9 Reassessment of Embedded Derivatives:** IFRIC 9 does not apply to a possible reassessment of embedded derivatives in contracts at the time of business acquisition for host contracts acquired in the combination of entities or business units under shared control or in the establishment of a joint venture. This amendment is to be applied for the first time to the fiscal year beginning on or after July 1, 2009.
- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation:** Hedge instruments can be held by any entity within a group provided the designation, documentation and effectiveness requirements stipulated in IAS 39 have been met. This amendment is to be applied for the first time to the fiscal year beginning on or after July 1, 2009.

IFRS 9 – Financial Instruments: Classification and Measurement

The standard IFRS 9 was published in November 2009 and is to be applied for the first time in the fiscal year beginning on or after January 1, 2013. The standard was created by the IASB as the first section of the project for the comprehensive revision of the rules relating to accounting for financial instruments and contains new rules on the classification and measurement of financial assets. Accordingly, financial assets – depending on their respective characteristics and taking account of their business model or models – are either to be recognized at amortized cost or at fair value through profit or loss. Equity instruments must always be recognized at fair value; however, fluctuations in the value of equity instruments may be recognized in other operating income as an instrument-specific option exercisable on receipts of an instrument. In this case, only certain dividend income for equity instruments would be recognized in the income statement.

IAS 24 – Related Party Disclosures

The revised standard IAS 24 was published in November 2009 and is to be applied for the first time in the financial year beginning on or after January 1, 2011. On the one hand, the definition of related parties has been changed and, on the other, government-controlled entities are relieved of their duty to disclose transactions with the state and with other entities controlled by it. The standard provides for retrospective application.

Amendment to IFRIC 14 – Advance Payments on Minimum Funding Requirements

The amendment to IFRIC 14 was published in November 2009 and is to be applied for the first time in the fiscal year beginning on or after January 1, 2011. Application of the Interpretation IFRIC 14 published in July 2007, which intended to limit an asset generated under a defined benefit plan to its recoverable amount, had a number of unintended consequences for entities in certain countries. The amendment made is to enable entities to recognize an asset for advance payments on minimum funding requirements.

IFRIC 19 – Settlement of financial liabilities using equity instruments

IFRIC Interpretation 19 was published in November 2009 and is to be applied for the first time in the fiscal year beginning on or after July 1, 2010. This interpretation clarifies that when issuing equity instruments to creditors in payment of a financial liability, the equity instrument is to be treated as consideration for settlement of the liability. Equity instruments are measured either at fair value or at the fair value of the liability settled, depending on which method is more reliable. Any difference between the carrying amount of the financial liability settled and the fair value of the equity instruments issued is recognized directly in profit or loss for the period.

3. Notes to the Group's balance sheet – assets

For a breakdown of non-current assets relating to intangible assets, property, plant & equipment and financial assets (historic acquisition costs, adjustments based on foreign currency translations, additions due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying amounts), reference is made to the attached Schedule of fixed asset movements from January 1, 2009 through December 31, 2009 (including the previous period).

3.1. Intangible assets

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

Goodwill

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments or whenever the need arises (most recently on December 31, 2009). The determination of the recoverable amount of a business segment (cash-generating unit) to which goodwill was assigned is based on estimates by management. These took account of the prevailing general economic conditions. The Company determines these values using valuation methods based on discounted cash flows.

Goodwill amounting to EUR 90,289K (December 31, 2008: EUR 90,289K) is reported in the following cash-generating units:

Goodwill		
in EUR '000s	12/31/2009	12/31/2008
Payment Processing & Risk Management	65,984	65,984
Acquiring & Issuing	24,017	24,017
Call Center & Communication Services	288	288
Total	90,289	90,289

Please refer to the table Schedule of fixed asset movements for further details on trends relating to goodwill.

Internally generated intangible assets

In fiscal 2009 software worth EUR 4,577K (Previous year: EUR 4,108K) was developed and capitalized. The software in question was developed for the Payment Processing & Risk Management segment. It will be amortized off using the straight-line method over the course of its useful economic life. The period in question is 10 years.

Other intangible assets

In addition to the software for the individual workstations, other intangible assets, essentially relate to software acquired for and used by the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments. They will be amortized using the straight-line method over their useful economic life. The relevant period ranges from three to ten years. In the period under review, Wirecard received software that had been ordered and partially paid for the Asian and Pacific region. The advance payments therefore decreased from EUR 2,510K to EUR 65K.

Customer relationships

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. Of customer relationships, an amount equivalent to EUR 42,775K has an indefinite useful life. Accordingly, these are subjected to regular impairment testing (the last occasion being December 31, 2009). A customer portfolio amounting to EUR 1,535K will be amortized over the next four years. The remaining customer bases (December 31, 2009: EUR 4,340K) will be amortized over a period of ten years, of which an amount equivalent to EUR 1,685K has a remaining useful life of 8 years. The total customer base includes the European customer relationships newly acquired in the financial year, consisting in particular of some 200 SME eCommerce merchants worth EUR 2,655K. The purchase price amounted to EUR 2,711K. In addition, ancillary acquisition costs of EUR 84K were taken into account for this purchase. For fiscal 2010, this portfolio is expected to make a contribution to operating profit before interest, taxes, depreciation and amortization (EBITDA) of 0.3 to 0.5 million euros.

3.2. Property, plant and equipment

Other property, plant and equipment

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

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

3.3. Financial and other assets

Financial and other assets in 2009, amounting to EUR 16,286K (previous year: EUR 1,785K) essentially comprised EUR 13,463K (December 31, 2008: EUR 231K) in shares in non-consolidated entities and equity investments, EUR 2,177K (December 31, 2008: EUR 1,397K) in loans and EUR 177K (December 31, 2008: EUR 157K) in securities of Visa Inc. The significant change is attributable to the purchase of E-Credit Plus Pte. Ltd., Singapore, which is dealt with in detail in Section 1.1. Business activities and legal background – Business combinations.

3.4. Tax credits

Deferred tax assets

Tax credits/deferred tax assets refer to loss carry-forwards and their realizability as well as temporary differences between the tax balance sheet figures and Group earnings in accordance with IFRS. Deferred tax assets are recognized in accordance with IAS 12.15-45. The Company utilizes the balance sheet oriented liability method of accounting for deferred tax assets in accordance with IAS 12. Under the liability method, deferred taxes are determined according to the temporary differences between the carrying amounts of asset and liability items in the consolidated balance sheet and the tax balance sheet, as well as taking account of the tax rates in effect at the time the aforesaid differences are reversed. Valuation adjustments to deferred tax assets are made if the probability of a tax benefit being realized is below 50 percent (IAS 12.24).

On account of tax assessments up to December 31, 2008, tax notices issued up to the assessment year of 2009 and consolidated taxable earnings in 2009, deferred tax assets as at December 31, 2009 amounted to EUR 4,351K following a valuation allowance (December 31, 2008: EUR 6,947K).

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

3.5. Inventories

In fiscal 2009, the inventories reported (EUR 354K; December 31, 2008: EUR 63K) related to merchandise such as terminals and debit cards. 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 and in the previous period. No value reversals occurred either.

3.6. Trade receivables and other receivables

Trade receivables are non-interest-bearing and are measured at their nominal amount or the lower value as at the balance sheet date. The transaction volume of the Wirecard Group is also reported under the item Trade receivables as a receivable from credit card organizations and banks. At the same time, these business operations give rise to liabilities to our merchants, amounting to the transaction volume less our charges.

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

Depending on the age structure of receivables, uniform valuation adjustments are made to receivables throughout the Group.

In the case of trade receivables older than 180 days, the Group applies a full impairment charge in the absence of any other information on the value of such receivables. This procedure is based on past experience, according to which trade receivables older than 180 days can no longer be expected to generate inflows.

Breakdown of trade and other receivables:

Structure of trade receivables and other receivables		
in EUR '000s	12/31/2009	12/31/2008
Trade receivables (before value adjustments)	82,341	58,632
Value adjustments	(1,779)	(1,948)
Book value trade receivables	80,562	56,684

Prior to accepting a new business customer, the Group utilizes external credit 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 income and reversals under other operating expenses.

Moreover, receivables in foreign currency were written down due to currency translation factors by EUR 8K with an impact on expenses at the exchange rate prevailing on the balance sheet date.

Receivables from affiliated companies and equity investments

Receivables from affiliated companies, amounting to EUR 191K, are reported under "Trade receivables and other receivables". As at December 31, 2009 these concerned receivables from the non-consolidated companies Wire Card ESP S.L., Palma de Mallorca, and Wirecard Asia Pacific Inc., Manila.

3.7. Tax credits

Tax assets in 2009 comprise claims for income tax refunds of EUR 566K (December 31, 2008: EUR 2,169K) and for value-added tax refunds of EUR 1,185K (December 31, 2008: EUR 901K).

3.8. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2009: EUR 272,529K; December 31, 2008: EUR 195,939K) lists cash in hand and credit balances with banks (demand and time deposits and call money). These also include resources from current customer deposits of Wirecard Bank AG (December 31, 2009: EUR 122,820K; December 31, 2008: EUR 78,739K) and funds derived from the Bank's Acquiring business (December 31, 2009: EUR 93,131K; December 31, 2008: EUR 28,109K). With regard to comparability, reference is made to the relevant passage under 2.1 Principles and assumptions used in preparing the financial statements.

4. Notes to the Group's balance sheet – equity and liabilities

For information on consolidated equity for fiscal 2009, reference is made to the table “Consolidated Statement of Changes in Equity”.

4.1. Subscribed Capital

The Company's subscribed capital as at December 31, 2009 remained unchanged year-on-year at EUR 101,803,139.00 and is divided up into 101,803,139 no-par-value bearer shares based on a notional capital stock of EUR 1.00 per share.

Authorized Capital

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

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

- In the event of a capital increase in return for contributions in kind in connection with the acquisition of an entity, of parts of an entity, an equity investment in an entity or other material operating resources provided that the new shares issued out of said Authorized Capital 2009/I in return for contributions in kind with the subscription right excluded do not in total exceed 20 percent of the share capital and, more particularly, neither at the time when this authorization becomes effective nor at the time when this authorization is exercised.

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

The resolution was entered in the competent commercial register on August 20, 2009. As at January 1, 2009 authorized capital from the year 2004 amounted to EUR 13,601,917.00 (Authorized Capital 2004/II). This expired on December 14, 2009. Due to the newly registered capital in the reporting period (Authorized Capital 2009/I), on the balance sheet date the authorized capital amounted to EUR 37,299,652.00.

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 only be effected 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 are issued 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, 2009 the parties entitled subscribed to a total of 983,250 convertible bonds of which 571,922 are outstanding for conversion and exercisable. According to terms and conditions of the SOP program, employees receive shares with a value of 50 percent of the average closing price of Wirecard AG stock in the last ten bank days of trading prior to the date of exercise. The convertible bonds are convertible daily within the exercise periods, have a term to

maturity of ten years and do not bear interest. 480,000 convertible bonds have a residual term to maturity until December 2017, and all other convertible bonds outstanding expire in the year 2015.

Because no conversions took place during the financial year, there was no change to the level of contingent capital in the reporting period and, as in the previous period, it remains at EUR 997,927.25.

In order to continue offering managerial staff and employees of Wirecard AG and its related companies a variable remuneration component with a long-term incentive effect to foster their future loyalty to the Wirecard Group, in the Annual General Meeting held on June 24, 2008 a resolution was adopted to create the possibility of issuing subscription rights to the Company's shares to employees and members of the Company's Management Board.

To this end, a new contingent capital of EUR 3,053,700.00 (Contingent Capital 2008/I) was registered.

The basic regulations for the issue of subscription rights for the Contingent Capital 2008/I are:

a. Group of persons entitled to subscription and distribution of subscription rights

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

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

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

- Members of the Company's Management Board shall receive a maximum total of up to 916,110 subscription rights;
- Members of the management of companies affiliated to the Company shall receive a maximum total of up to 305,370 subscription rights;

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

b. Grant of subscription rights (acquisition periods) and terms of the subscription rights

The subscription rights shall be granted by June 24, 2012 on the last Monday in February or the first Monday of the month following the ordinary General Meeting of the year in question (referred to as “the Issuing Date”); in departure from this rule, subscription rights are granted for the first time on the first Monday of the calendar month following entry of the contingent capital in the Commercial Register.

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

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

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

c. Exercise price (issue amount), performance target and other terms and conditions of exercise

The exercise price (issue amount) of a subscription right corresponds to the average stock market price (closing price) of a no-par-value bearer share of the Company in the electronic “Xetra” trading system of Deutsche Börse AG in Frankfurt/Main or a comparable successor system on the last 30 days prior to the respective issue date in euros. The issue price shall be at least the pro-rated amount of the Company’s capital stock represented by each individual share (Sec. 9 para.1 AktG).

A precondition for the exercise of subscription rights is the achievement of the annual performance target within the two-year Waiting Period as defined in d). The performance target is determined for the Entitled Parties as follows:

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

If the performance target is attained only for one fiscal year within the Waiting Period as defined in d), then only half of the respective subscription rights issued from time to time will be capable of being exercised once the Waiting Period has expired; all other subscription rights shall lapse without replacement or compensation being made. If the performance target is not achieved in both years within the Waiting Period in accordance with No. d), then all subscription rights already issued shall lapse without replacement or compensation being made. This shall not affect the above-mentioned possibility of compensation in the subsequent year.

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

The Waiting Period for first exercise shall amount to two years from the respective End of the Subscription Rights Issue (“the Waiting Period”).

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

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

- The period of six weeks prior to a General Meeting of the Company until the end of the date of the General Meeting;
- The period from the day on which the Company makes an offer to its shareholders for subscription to new shares in an official stock exchange gazette or in the electronic German Federal Gazette up to the day on which the Company's shares with subscription rights are listed for the first time as “ex Bezugsrecht (ex subscription rights)” on the Frankfurt Stock Exchange, and
- The period from the 15th calendar day prior to publication of the quarterly results of the Group or from the 30th calendar day prior to publication of the annual results of the Group up to one week after publication of the consolidated quarterly results or consolidated annual results, as the case may be.

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

e. Adjustment in the case of capital measures (protection from dilution)

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

In the event of a capital increase from Company funds by issuing new shares, the contingent capital in accordance with Sec. 218 AktG will be increased in the same ratio as the capital

stock. The right of the Entitled Parties to acquire new shares by exercising the subscription right will increase in the same ratio; the exercise price per share will be reduced in the same ratio, provided this is permissible by law. If the capital increase from Company funds is effected without issuing new shares, then the subscription right and the exercise price shall remain unchanged.

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

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

f. Non-transferability and lapse of subscription rights

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

g. Rules relating to further details

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

Purchase of treasury stocks

By a resolution adopted at the Annual General Meeting on June 18, 2009, the Board of Management is authorized to acquire up to 10 percent of the capital stock of Wirecard AG existing at the time of the resolution. This authorization is valid until December 17, 2010.

The Board of Management did not exercise its authority to acquire and use treasury stocks in accordance with Sec. 71 (1) No. 8 AktG by December 31, 2009.

4.2. Capital reserve

The change in the capital reserve, from EUR 10,723K (2008) by EUR 539K to EUR 11,262K (2009), was attributable to the convertible bonds issued in 2007 (EUR 539K), which again resulted in an increase in the capital reserve in 2009. In line with this issue of new convertible bonds, personnel expenditure also increased by EUR 539 k in the period under review.

4.3. Consolidated accumulated profits

At the Annual General Shareholders' Meeting held on June 18, 2009, a resolution was adopted to carry forward an amount of EUR 1,267,185.16 to new account and to pay a dividend of EUR 8,144,251.12 in aggregate, i.e. a dividend of EUR 0.08 per no-par-value share on the 101,803,139 no-par value shares being entitled to dividends, from the consolidated accumulated profits for fiscal year 2008 in the amount of EUR 9,411,436.28. At the Annual General Meeting in 2010, a proposal will be made for a dividend amounting to EUR 0.09 per share to be paid out to the shareholders, which is equivalent to a total amount of EUR 9,162,282.51.

4.4. Foreign currency translation reserve

In fiscal year 2009, the foreign currency translation reserve changed due to exchange rate factors and with no impact on profit or loss from -EUR 24K in the previous year to -EUR 14K. Due to exchange rate factors, the value of property, plant and equipment declined by EUR 1K. The foreign currency translation adjustments for property, plant and equipment are indicated separately in the Schedule of fixed asset movements. With regard to the foreign currency translation reserve, reference is made to the relevant passage under 2.1. Principles and assumptions used in preparing the financial statements.

4.5. Non-current liabilities

Non-current liabilities are classified into non-current interest-bearing liabilities, other non-current liabilities and deferred tax liabilities,

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities amounting to EUR 2,000K (December 31, 2008: EUR 5,500K) serve to finance the customer portfolios acquired in the years 2006 and 2007. According to agreements entered into, repayment is scheduled to be made in annual installments by the year 2012. Repayments due in the short term are reported under current interest-bearing liabilities.

Other non-current liabilities

Under other non-current liabilities amounting to EUR 1,483K, the shares of the earn-out component are recognized, which will fall due in 2011 once the relevant preconditions have been met. An amount of EUR 994K of the earn-out is already due in the year 2010 and is therefore reported under other non-current liabilities.

Deferred tax liabilities

Deferred tax liabilities, amounting to EUR 6,315K (December 31, 2008: EUR 4,642K) related to temporary differences between profit or loss as stated in the tax accounts and the consolidated profit or loss according to IFRS and are reported under non-current liabilities. With reference to the tax reconciliation account and the development of deferred taxes, reference is made to the further details under 5.8 Income tax expense and deferred taxes.

4.6. Current liabilities

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

Trade payables

Trade payables are owed mainly to merchants/online traders. Foreign currency liabilities resulting from currency translation were measured at EUR 798K based on the exchange rates on the balance sheet date and recognized in profit and loss. Including the Acquiring segment, Wirecard Bank AG accounts for EUR 111,948K of such trade payables.

With regard to comparability, reference is made to the relevant passage under 2.1 Principles and assumptions used in preparing the financial statements.

Interest-bearing liabilities

Interest-bearing liabilities, amounting to EUR 3,510K (December 31, 2008: EUR 3,500K) represent the current portion of the financing relating to the customer portfolios acquired in 2006 and 2007. In accordance with agreements entered into, repayment is to be made by 2012 in annual installments. Non-current repayments are recorded under long-term interest-bearing liabilities.

Other provisions

All provisions are short-term in nature and will presumably be used in the first half of 2010. Other short-term provisions amounting to EUR 1,241K (December 31, 2008: EUR 1,527K) include accounting and auditing costs of EUR 742K as the largest single item (December 31, 2008: EUR 926K).

Specific provisions developed as follows during the fiscal year:

Schedule of Provisions						
in EUR '000s	01/01/2009	Addition first-time consolidation	Consumption	Reversal	Addition	12/31/2009
Risks of litigation	390	0	(284)	0	3	109
Archiving	47	0	(24)	(6)	48	65
Annual General Meeting	48	0	(48)	0	120	120
Auditing and other inspection costs	926	0	(420)	(251)	487	742
Other	116	0	(34)	0	123	205
Other current provisions	1,527	0	(810)	(257)	781	1,241
Bonuses & commissions from wages and salaries	920	0	(920)	0	1,419	1,419
Emoluments of the Supervisory Board	131	0	(110)	(3)	123	141
Vacation	413	0	(413)	0	439	439
Berufsgenossenschaft (employees industrial compensation society)	65	0	(58)	(7)	66	66
Outstanding invoices	217	0	(171)	(10)	5,081	5,117
Loan interest	15	0	(15)	0	86	86
Accrued liabilities	1,761	0	(1,687)	(20)	7,214	7,268
Tax provisions	1,731	0	(1,600)	(52)	1,020	1,099
Total	5,019	0	(4,097)	(329)	9,015	9,608

Other liabilities

Other liabilities amounting to EUR 16,740K (December 31, 2008: EUR 4,534K) comprised deferred/accrued liabilities of EUR 7,268K (December 31, 2008: EUR 1,761K), other accrual/deferral items of EUR 4,971K and EUR 1,748K (December 31, 2008: EUR 1,017K) in current purchase price commitments from variable remuneration for the acquisition of the holding and, in the previous year, purchase price commitments arising from the acquisition of customer relationships. The increase in accrued/deferred liabilities in the reporting period is chiefly attributable to invoices still outstanding in the field of credit card acquiring activities. Moreover, this item comprised EUR 572K (December 31, 2008: EUR 572K) in (convertible) bonds as well as liabilities arising in the fields of payment transactions, wages and salaries, social security and the like. Liabilities to associated companies were also subsumed under other liabilities. These were reported at EUR 36K as at December 31, 2009 (December 31, 2008: EUR 111K). They concerned the non-consolidated entity Wirecard Asia Pacific Inc.

Customer deposits from banking operations

This line item included customer deposits amounting to EUR 122,820K (December 31, 2008: EUR 78,739K) with Wirecard Bank AG.

Tax provisions

Tax provisions essentially relate to provisions set up for income taxes of Wirecard Bank AG (EUR 470K) and Wirecard AG (EUR 600K). Due to the provisional tax payments for the period under review, provisions of only EUR 29K had to be set up for taxes of the foreign companies.

Maturity structure

The maturity structure of other liabilities (excluding deferred tax liabilities) is as follows:

Maturity Structure			
in EUR '000s	up to 1 year	1 to 5 years	over 5 years
Interest-bearing bank liabilities	3,510	2,000	0
Trade payables	140,479	0	0
Customer deposits	122,820	0	0
Other liabilities and provisions	19,079	0	0
Total	285,888	2,000	0

5. Notes to the Income Statement

5.1. Sales revenues

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

Breakdown of total revenues by operating divisions		
in EUR '000s	2009	2008
Payment Processing & Risk Management (PP&RM)	216,611	185,089
Acquiring & Issuing (A&I)	76,988	41,717
Call Center & Communication Services (CC&CS)	4,453	4,332
	298,052	231,138
Consolidation PP&RM	(1,531)	(1,054)
Consolidation A&I	(66,206)	(31,562)
Consolidation CC&CS	(1,807)	(1,732)
Total	228,508	196,790

In the „Payment Processing & Risk Management“-division, the Wirecard Group generates revenues on services in the field of payment processing, particularly on services rendered using the FSCM software platform and the product CLICK2PAY.

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

The majority 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 11,000 enterprises were connected to the FSCM software platform.

With the sale of credit cards through 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 for resubmission of transactions. In addition, annual charges are payable on the credit cards.

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

Additional sales revenues are generated in the “Acquiring & Issuing” division by the so-called Interchange agreement, under which Wirecard Bank AG receives a volume-dependent fee from the credit card organizations.

The Wirecard Bank AG offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it does not only earn a fixed charge but also generates sales revenues from card agreements entered into.

In addition, in the “Acquiring & Issuing” division EUR 1,121 k (previous year: EUR 3,406 k) in interest income of Wirecard Bank AG is reported as revenue in accordance with IAS 18.5(a).

The Call Center & Communications Services division generates revenues in operating telephony-based advisory services and by providing classical call center services. The bulk of external revenues is generated 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 revenues both directly with business (B2B) clients as well as with private customers (B2C), with the telephone companies being responsible for invoicing to private customers and for transferring the amounts in question.

5.2. Other own work capitalized

Expenditure on research and development amounted to EUR 8.9 million in fiscal 2009 (previous year: EUR 9.2 million). The R&D ratio, i.e. the share of total sales revenues accounted for by research and development costs, was 3.9 percent in the period under review (previous year: 4.7 percent).

The individual expenditure items are included in the personnel expenditure of the relevant departments (Product Management, Development, etc.), in the advisory costs as well as in other expenses. Of this amount, EUR 4,577K was taken into account as own work capitalized in the period under review (previous year: EUR 4,108K).

5.3. Cost of materials

The cost of materials essentially comprises charges from the credit card issuing banks (Interchange), charges from credit card companies (e.g. MasterCard and Visa) as well as transaction-related charges from third-party providers (e.g. in the field of Risk Management services).

The cost of materials of Wirecard Bank AG includes expenditure incurred by the Acquiring, Issuing and Payment Transactions business divisions. This includes the production costs of credit cards and the transaction costs for payment processes executed.

5.4. Personnel expenses

Personnel expenditure in fiscal 2009 amounted to EUR 25,877K (previous year: EUR 23,709K), comprising salaries amounting to EUR 23,076K and social security contributions of EUR 2,801 k.

Under salaries, EUR 539 k in expenses resulting from the issue of new convertible bonds in the previous year were taken into account. Personnel expenses are specifically included in operating expenses as personnel expenses. The increase in personnel expenditure is chiefly due the recruitment of qualified personnel and payments of bonuses to the Board of Management.

As at December 31, 2009 (excluding the Board of Management and trainees) the Group's workforce comprised 501 employees (previous year: 438), of whom 138 (previous year: 114) were employed on a part-time basis. As at December 31, 2009 the Group employed one trainee, whereas on December 31, 2008 there was also one trainee. Of the 501 employees, 14 (previous year: 12) were employed as Management Board members / general managers of a subsidiary. On average, the Wirecard Group had 468 employees (excluding the Board of Management and trainees).

These employees were engaged in the following functions:

Employees		
	01/01/2009 - 12/31/2009	01/01/2008 - 12/31/2008
Distribution	93	85
Administration	84	81
Customer Service	170	151
Research and Development and IT	121	105
Total	468	422
Thereof employed part-time	123	111

In the event of a change of control of the Company (change of control clause) the Board of Management and the Supervisory Board have decided that royalties can be awarded to employees of Wirecard AG and its subsidiaries on similar terms applicable to the Board of Management. To this end, a total of 0.8 percent of the Company's value has been made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must still be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments. The exact terms and conditions are specified in the remuneration report included in the group management report,

In order to continue to be able to foster loyalty to the Wirecard Group by offering managerial staff and employees a variable remuneration component with a long-term incentive effect, a resolution was adopted at the Annual General Meeting of Wirecard AG on June 24, 2008 to issue subscription rights to Wirecard AG stocks to employees and members of the Board of Management, which was not applied yet in the fiscal year. Accordingly, new Contingent Capital of EUR 3,053,700.00 (Contingent Capital 2008/I) was registered.

The key points relating to the issue of subscription rights are explained in 4.1. Subscribed capital – Contingent capital.

5.5. Other operating income

Breakdown of other operating income:

Other operating income		
in EUR '000s	2009	2008
Reversal of provisions/accrued liabilities	277	335
Income from contractual agreements	880	791
Currency translation differences	400	192
Income from the IPO of Visa Inc.	0	454
Income due to the revaluation of receivables	306	586
Income from compensation payments	0	450
Netted remuneration in kind	259	256
Other	1,497	1,200
Total	3,619	4,264

5.6. Other operating expenses

Breakdown of other operating expenses:

Other operating expenses		
in EUR '000s	2009	2008
Legal and audit expenses	3,051	3,517
Consulting expenses and consulting-related expenses	3,986	2,588
Office expenses	2,519	2,732
Equipment and leasing	3,689	2,346
Sales and marketing	4,484	3,837
Other	5,722	3,648
Total	23,451	18,668

5.7. Financial result

The financial result amounts to -EUR 1,795K (previous year: -EUR 624K). Expenses amounting to EUR 3,195K, included interest of EUR 1,536K, write-downs of financial assets of EUR 565K and currency-related expenses of EUR 1,094K, compared with currency gains of EUR 713K. In addition, EUR 520K in interest income and EUR 167K in income from securities and loans was generated, resulting in net financial income of EUR 1,400K. In accordance

with IAS 18.5 (a), interest income of Wirecard Bank AG, amounting to EUR 1,121K, is not included in the financial result but in sales revenues instead. Reference is made to Chapter 5.1 Sales revenues and to 7.1 Segment reporting.

5.8. Income tax expense and deferred taxes

Tax reconciliation account		
EUR '000s	2009	2008
Earnings before taxes	54,732	48,393
Expected income tax expense on corporate net income before income taxes 25.975% (previous year: 25.975%)	(14,217)	(12,570)
Utilization of tax loss carry-forwards	7,129	4,370
Different effective tax rates applicable abroad	977	2,965
Internally generated intangible assets that cannot be capitalized for tax purposes	1,150	1,067
Non-tax-deductible amortization on internally generated intangible assets	(368)	(276)
Incidental acquisition costs that cannot be capitalized for tax purposes	275	0
Non-tax-deductible amortization on intangible assets due to acquisitions	(118)	(120)
Non-tax-deductible personnel expenses from issuing convertible bonds	(140)	(168)
Tax increases due to non-deductible write-downs of equity investments	0	115
Adjustment/reversal value adjustments on deferred tax assets (tax loss carry-forwards)	0	(56)
Tax increases/reductions on account of non-deductible expenses	49	(105)
Other tax effects	361	198
	(4,902)	(4,580)
Addition of deferred tax assets (loss carry-forwards)	584	706
Reversal of deferred tax assets (loss carry-forwards)	(3,197)	(1,159)
Reversal of deferred tax assets (temporary differences)	0	(105)
Addition of deferred tax assets (temporary differences)	17	5
Addition of deferred tax liabilities (temporary differences)	(1,672)	(955)
Other taxes	(40)	0
	(4,308)	(1,508)
Taxes on income	(9,210)	(6,088)
thereof: Actual income tax expenses	(4,902)	(4,580)
Deferred tax expenses (incl. adjustment of valuation allowances)	(4,308)	(1,508)

Other tax effects essentially resulted from the different treatment of assets and liabilities in foreign currency between local taxation law and IAS/IFRS (EUR 253K). Differences in the recognition and measurement of individual balance sheet items resulted in the following deferred tax assets and liabilities:

Deferred taxes

In EUR '000s	Deferred tax assets		Deferred tax liabilities	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Expenses on starting up and extending business operations	22	5		
Internally generated intangible assets			3,148	2,458
Other intangible assets			14	49
Customer relationships			2,140	1,858
Financial assets			281	114
Trade receivables and other receivables			282	110
Cash and cash equivalents			16	0
Other non-current liabilities			(19)	0
Trade payables			0	40
Other provisions			13	13
Other current liabilities			(244)	0
	22	5	5,631	4,642
Loss carry-forwards	4,329	6,942		
Outside basis differences			684	0
Deferred taxes recognized	4,351	6,947	6,315	4,642

Breakdown of deferred tax assets:

Deferred tax assets		
in EUR '000s	12/31/2009	12/31/2008
Tax loss carry-forwards		
Deferred tax assets (previous year)	7,750	8,770
Adjustments in the year under review relating to the previous year	0	827
Reversed valuation allowances from previous years	(325)	0
Additions due to loss carry-forwards being taken into account for the first time	432	706
Loss utilization (tax group) by way of an adjustment to valuation allowances (directly in equity)	0	(56)
Loss utilization Wirecard Bank AG	(3,160)	(2,462)
Additions/Loss utilization others	120	(35)
Tax loss carry-forwards before valuation allowances	4,817	7,750
(Cumulative) valuation allowances	(488)	(808)
Tax loss carry-forwards	4,329	6,942
Temporary differences		
Deferred tax assets (previous year)	5	105
Additions/reversals	17	(100)
Deferred tax assets	4,351	6,947

The item “Adjustment in year under review relating to the previous year” essentially relates in 2008 to the tax loss carry-forwards of Wirecard Bank AG, which changed owing to a tax audit carried out in 2008. The basis for this were the tax notices of December 9, 2008 on the separate determination of the remaining loss carry-forward for corporation tax and trade tax as at December 31, 2007. The adjustments, amounting to EUR 827K were taken into account in the table above.

Breakdown of deferred tax liabilities:

Deferred tax liabilities - Temporary differences		
in EUR '000s	12/31/2009	12/31/2008
Deferred tax liabilities (previous year)	4,642	3,688
Additions/reversals	1,673	954
Deferred tax liabilities	6,315	4,642

Temporary differences between profit or loss as stated in the accounts and the consolidated profit or loss were included both on the assets and on the liabilities side. The calculation of deferred taxes as at December 31, 2009 and in the previous year was performed on the basis of the new tax rates applicable as of December 31, 2009 and in the previous year on the basis of the relevant tax rates applicable in the home market and abroad.

On the assets side, deferred taxes relate to assets that had to be recognized under IAS/IFRS at a lower level than in the tax balance sheet or not at all, e. g. expenses on starting up and extending business operations.

On the liabilities side, these relate to assets to be recognized under IAS/IFRS at a higher value than in the tax balance sheet (e.g. capitalized internally developed software) which are offset again in the course of time (December 31, 2009: EUR 5,631K; December 31, 2008: EUR 4,642K). Moreover, deferred tax liabilities amounting to EUR 684K were incurred due to "outside basis differences" in accordance with IAS 12.44. The basis of the tax reconciliation and the presentation and measurement of deferred tax assets and liabilities was the tax rate applicable to tax groups of 25.975 percent (previous year: 25.975 percent) or the respective tax rates of the foreign entities.

As at December 31, 2009 the Group reported corporation tax loss carry-forwards amounting to approx. EUR 18,825K accounted for by Wirecard Retail Services GmbH (EUR 1,221K), Wirecard Communication Services GmbH (EUR 1,484K), Pro Card Kartensysteme GmbH (EUR 411K), Trustpay International AG (EUR 2,313K), Webcommunication EDV Dienstleistungen und Entwicklungen GmbH (EUR 12K), Wire Card Beteiligungs GmbH (EUR 1,676K) and Wirecard Bank AG (EUR 11,708K).

According to the present tax law situation, the loss carry-forwards can be utilized for an indefinite period. On the other hand, German tax law provides for loss carry-forwards to lapse in certain circumstances.

However, the Company perceives risks concerning the recognition of loss carry-forwards for tax purposes and therefore has made valuation allowances for the part of deferred tax assets

in respect of the current loss carry-forwards for which the realization of the tax benefit is less probable than its expiry. With regard to the realizability of these loss carry-forwards, the company wrote down its deferred tax assets amounting to EUR 4,817K as at December 31, 2009 (previous year: EUR 7,750K) by EUR 488K to EUR 4,329K (previous year: EUR 6,942K). In the results for 2009, EUR 2,613K (previous year: EUR 453K) of deferred tax assets were reversed with an impact on profit and loss and recognized as income tax expense.

As regards deferred taxes, reference is also made to Note 3.4. Tax credits – deferred tax assets.

5.9. Earnings per share

Basic earnings per share were determined in accordance with IAS 33.10, through division of the periodic earnings due to the common shareholders of the parent company (numerator) by the weighted average number of common shares in circulation during the period under review (denominator). In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into account in accordance with IAS 33.30–60. As at December 31, 2009, EUR 571,922.00 in (convertible) bonds had been subscribed to (IAS 33.60). The subscription price and the additional exercise price for conversion into shares together account for a value below the market price of Wirecard stock. The number of potential bonus shares was calculated from the difference in relation to the market price. In the reporting year 2009, the number of potential bonus shares came to 294,754. In the preceding year, there were 191,759 potential bonus shares.

The trend relating to convertible bonds issued is dealt with under No. 4.1 of this report. As regards the development of the number of no-par-value shares issued, reference is made to the consolidated statement of changes in equity for fiscal 2009.

Earnings per share

Description	Measure	2009	2008
After-tax profit to which the shareholders of Wirecard AG are entitled	EUR	45,522,153.78	42,305,420.56
Weighted average number of common shares – basic		101,803,139	101,792,876
Potential bonus shares resulting from the dilutive effect of the convertible bonds	Number	294,754	191,759
Weighted average number of common shares – diluted	Number	102,097,893	101,984,635
Earnings per share - basic	EUR	0.45	0.42
Earnings per share - diluted	EUR	0.45	0.41

6. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Statement of Cash flows). It discloses the cash flows in order to show the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in cash flows from operating, investing and financing activities.

Method used to 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 demand 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, 2009, in addition to cash there were also cash equivalents in use. As at December 31, 2008 only cash and no cash equivalents were recorded.

Reconciliation to cash and cash equivalents according to IAS 7.45

Cash and cash equivalents at the end of the period includes cash in hand and bank balances disclosed in the line item cash and cash equivalents (December 31, 2009: EUR 272,529K; December 31, 2008: EUR 195,939K), less current (immediately due and payable) liabilities to banks (December 31, 2009: EUR 10K; December 31, 2008: EUR 0K) included in the line item Current interest-bearing liabilities. In addition, current customer deposits from banking operations (December 31, 2009: EUR 122,820 k; December 31, 2008: EUR 78,739K) were deducted or taken into account in cash and cash equivalents (IAS 7.22).

Current customer deposits are fully due and payable on a daily basis and are reported under Other liabilities (customer deposits) on the liabilities side of Wirecard's consolidated annual financial statements. These customer funds are comparable in economic terms with short-term (bank) overdraft facilities which are also due and payable on a daily basis.

On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes. Against this backdrop, deposits are held with the central bank and demand or short-term time deposits are maintained with banks in the total amount of these customer deposits. These are reported both in the Wirecard Group and at the Wirecard Bank under the balance sheet line item "Cash and cash equivalents".

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

Cash and cash equivalents		
in EUR '000s	12/31/2009	12/31/2008
Cash and cash equivalents	272,529	195,939
of which, cash (cash in hand and bank balances)	270,529	195,939
of which, cash equivalents	2,000	0
Current interest-bearing liabilities	(3,510)	(3,500)
of which, current liabilities to bank	(10)	0
Reconciliation to cash and cash equivalents	272,519	195,939
of which, current customer deposits from banking operations	(122,820)	(78,739)
of which, Acquiring deposits in Wirecard Bank AG	(93,131)	(28,109)
Cash and cash equivalents at the end of the period	149,699	117,200

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

In fiscal 2009, European customer relationships were acquired from e-Prompt International Holding AG. This was treated as a business combination in accordance with IFRS 3. Mandatory disclosures in accordance with IAS 7.40 are as follows:

Customer portfolio acquired	
in EUR '000s	
Purchase price	
Total purchase price 12/31/2009	2,795
of which, incidental acquisition costs	84
of which, earn-out components	750
Purchase price without incidental acquisition and implementation costs	2,711
Paid in cash in 2009	1,807
Residual purchase price debt as at December 31, 2009	988
Acquired assets and liabilities (fair values)	
Intangible assets	2,795
of which, customer relationships	2,795

The carrying amounts prior to the acquisition differed from the fair values of the items Customer relationships (EUR 2,795K).

Mandatory disclosures on the acquisition of E-Credit Plus Pte. Ltd. were as follows:

E-Credit Plus Pte. Ltd., Singapore	
in EUR '000s	
Purchase price	
Total purchase price 12/31/2009	13,283
of which, incidental acquisition costs	523
of which, earn-out components	2,477
Purchase price in 2009 without incidental acquisition costs	12,760
Paid in cash in 2009	10,342
Residual purchase price debt as at December 31, 2009	2,941
Acquired assets and liabilities (fair values)	
Intangible assets	1,210
of which, customer relationships	1,210
Property, plant and equipment	6
Current assets and cash and cash equivalents	6,271
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	4,085
Current liabilities	5,300
Deferred taxes	218
Goodwill	11,314
Total fair values acquired	13,283
Purchase price	13,283

The carrying amounts prior to consolidation differed from the fair values of the items Customer relationships (EUR 1,210K), Deferred tax liabilities (EUR 218K) and Goodwill (EUR 10,842K). As the valuations are based on non-final balance sheets of E-Credit Plus Pte., specific values may change within the scope of the initial consolidation.

6.1. Cash flow from operating activities

Due to the special system used in Acquiring, which is essentially characterized by balance sheet date effects inherent in the business model, Wirecard decided to present a further statement in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda help to identify and present the cash-relevant portion of the Company's result.

The item "Elimination of purchase price liabilities" reflects necessary adjustments in accordance with IAS 7.43 e.g. due to investments in customer relationships and in E-Credit Plus Pte. Ltd., Singapore including subsidiaries. Among other things, this item also reflects the deduction of the relevant residual purchase price liabilities from the item Increase/decrease in other current liabilities that do not relate to the cash flow from operating activities.

The cash flow from operating activities is determined according to the indirect method by initially adjusting Group earnings to take account of non-cash transactions, accruals/deferrals or provisions relating to past or future cash receipts or cash payments as well as income and expense items to be attributed to investments or finance activities. After taking the changes in working capital into account, this results in a cash inflow/outflow from ordinary operating activities. The cash inflow/outflow from ordinary activities is determined by adding the company's interest and tax payments.

The principal reasons for the changes in relation to the previous year are as follows:

The cash flow from operating activities improved by EUR 24,983K in fiscal 2009, from EUR 41,379K to EUR 66,362K, essentially attributable to increased earnings before interest and taxes and to the special system used in the Acquiring division, which is impacted by balance sheet date effects inherent in the Company's business model.

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

The cash flow from operating activity (adjusted for transaction volumes of a transitory nature) improved from EUR 41,433K to EUR 69,502K, primarily as a result of the increase in net operating income.

Interest received/paid in accordance with IAS 7.31

Interest received in 2009 came to EUR 1,145K (previous year: EUR 415K). Interest paid in 2009 excluding interest on loans, amounted to EUR 610K (previous year: EUR 376K). Both were recognized in the cash flow from operating activities.

Respective cash flows from interest received and interest paid are classified as operating activity. Interest paid for loans in 2009 amounted to EUR 447K (previous year: EUR 577K) and are reported under cash flow from financing activities.

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

The cash-effective balance of income taxes in 2009 (cash flow from income taxes) amounted to EUR 3,932K (previous year: EUR 6,188K) and was consistently classified as operating activity.

6.2. Cash flow from investment activities

The cash flow from investment activities is the result of the cash inflow from non-current assets (excluding deferred taxes) and the cash outflow for investments in non-current assets (excluding deferred taxes). The cash outflow arising from investment activities amounted to EUR 21,782K in the year under review (previous year: EUR 36,524K).

The following are essentially affected by this:

Substantial cash outflows for investments

in EUR '000s	
Purchase of a customer portfolio	4,426
Internally generated intangible assets	4,577
Other intangible assets (software)	2,794
Acquisition of businesses	10,342

6.3. Cash flow from financing activities

In the present report, interest paid and interest received is reported separately. In the process, interest immediately related to financing is assigned to the cash flow from financing activities, and all other to cash flow from operations.

The cash flow from financing activities in 2009 essentially refers to payouts on account of the dividend distributed, amounting to EUR 8,144K and the disbursement resulting from the redemption of financial liabilities amounting to EUR 3,500K.

In the year under review, the cash flow from financing activities was reduced by EUR 9,150K from EUR 2,941K (outflow) to EUR 12,091K (outflow), primarily comprising a dividend payment.

6.4. Financial resource fund at end of period

Taking account of these inflows and outflows (2009: EUR 32,489K; 2008: EUR 1,913K), of the changes to the financial resource fund due to exchange rate fluctuations (2009: EUR 10K; 2008: -EUR 20K), and of the financial resource fund at the beginning of the period (2009: EUR 117,200K; 2008: EUR 115,307K) – the financial resource fund at the end of the period amounted to EUR 149,699K (2008: EUR 117,200K).

7. Other notes

7.1. Segment reporting

At the beginning of 2009, accounting standard IFRS 8 (Operating segments) was applied for the first time. Segments subject to mandatory disclosure are also determined in accordance with internal reporting. Next to sales revenues, another internal measurement criterion is the EBIT contribution, which is why EBIT is also reported as part of segment results. The settlement of services between the segments is made on the basis of third-party comparisons. Within the scope of internal reporting to the main decision-makers, balance-sheet assets, interest and taxes are not reported at segment level.

Sales revenues are segmented into the following operating divisions: Distinctions are drawn here between the Payment Processing & Risk Management, Acquiring & Issuing and Call Center & Communication Services divisions. The Acquiring & Issuing segment comprises all business divisions of Wirecard Bank AG.

Payment Processing & Risk Management (PP&RM) is the largest segment for the Wirecard Group. All products and services from the comprehensive portfolio of financial services are listed in this division.

The **Acquiring & Issuing (A&I)** segment completes and extends the value added chain of the Wirecard Group with the financial services provided via Wirecard Bank AG. In the Acquiring business segment, merchants are offered statements of credit card sales revenues for online and terminal payments.

In addition, traders can process their transaction-oriented payment transactions in numerous currencies via accounts kept with Wirecard Bank AG.

In the field of Issuing, prepaid cards are issued to end customers and to business clients, with end customers also being offered current (giro) accounts combined with prepaid cards and ec/Maestro cards.

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

Sales revenues are also reported geographically by production sites. The Europe segment includes Wirecard (Gibraltar) Ltd., InfoGenie Ltd. (UK), the Marielle Invest Business Corp. (until final consolidation in 2008) and the companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland), together with its subsidiaries; Qenta paymentsolutions Beratungs und

Informations GmbH, Klagenfurt (Austria), and webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria). The Other countries segment includes cardSystems FZ-LLC. All other group companies are accounted for under Germany.

Segment assets reflect the total assets of the individual segments and, in addition to the long-term assets, also include deferred taxes and the entire volume of current assets.

Breakdown of total revenues by operating divisions

in EUR '000s	2009	2008
Payment Processing & Risk Management (PP&RM)	216,611	185,089
Acquiring & Issuing (A&I)	76,988	41,717
Call Center & Communication Services (CC&CS)	4,453	4,332
	298,052	231,138
Consolidation PP&RM	(1,531)	(1,054)
Consolidation A&I	(66,206)	(31,562)
Consolidation CC&CS	(1,807)	(1,732)
Total	228,508	196,790

EBITDA by operating divisions

in EUR '000s	2009	2008
Payment Processing & Risk Management	40,936	37,494
Acquiring & Issuing	19,740	15,137
Call Center & Communication Services	56	(340)
	60,732	52,291
Consolidations	0	108
Total	60,732	52,399

EBIT by operating divisions

in EUR '000s	2009	2008
Payment Processing & Risk Management	36,888	34,254
Acquiring & Issuing	19,665	15,090
Call Center & Communication Services	(26)	(434)
	56,527	48,910
Consolidations	0	108
Total	56,527	49,018

Depreciation and amortization by operating divisions

in EUR '000s	2009	2008
Payment Processing & Risk Management	4,048	3,240
Acquiring & Issuing	76	47
Call Center & Communication Services	81	94
	4,205	3,381
Consolidations	0	0
Total	4,205	3,381

Investments by operating divisions

in EUR '000s	12/31/2009	12/31/2008
Payment Processing & Risk Management	26,329	10,023
Acquiring & Issuing	143	372
Call Center & Communication Services	1	3
	26,473	10,398
Consolidations	0	(1,643)
Total	26,473	8,755

Segment assets by operating divisions

in EUR '000s	12/31/2009	12/31/2008
Payment Processing & Risk Management	360,651	278,446
Acquiring & Issuing	314,647	195,822
Call Center & Communication Services	1,056	1,117
	676,354	475,385
Consolidations	(135,786)	(54,436)
Total	540,568	420,949

Segment liabilities by operating divisions

in EUR '000s	12/31/2009	12/31/2008
Payment Processing & Risk Management	172,655	113,914
Acquiring & Issuing	243,496	139,162
Call Center & Communication Services	543	575
	416,694	253,651
Consolidations	(121,008)	(39,657)
Total	295,686	213,994

Regional revenue breakdown

in EUR '000s	2009	2008
Germany	153,640	121,182
Europe	114,745	90,817
Other countries	0	6
	268,385	212,005
Consolidation Germany	(39,687)	(15,207)
Consolidation Europe	(190)	(8)
Consolidation Other countries	0	0
Total	228,508	196,790

EBITDA by regions

in EUR '000s	2009	2008
Germany	27,430	19,246
Europe	33,302	33,124
Other countries	0	(79)
	60,732	52,291
Consolidations	0	108
Total	60,732	52,399

EBIT by regions

in EUR '000s	2009	2008
Germany	24,538	17,178
Europe	31,989	31,811
Other countries	0	(79)
	56,527	48,910
Consolidations	0	108
Total	56,527	49,018

Depreciation and amortization by regions

in EUR '000s	2009	2008
Germany	2,892	2,068
Europe	1,313	1,313
Other countries	0	0
	4,205	3,381
Consolidations	0	0
Total	4,205	3,381

Investments by regions

in EUR '000s	12/31/2009	12/31/2008
Germany	25,300	8,511
Europe	1,173	244
Other countries	0	0
	26,473	8,755
Consolidations	0	0
Total	26,473	8,755

Segment assets by regions

in EUR '000s	12/31/2009	12/31/2008
Germany	500,522	346,763
Europe	200,623	162,044
Other countries	315	1,560
	701,460	510,367
Consolidations	(160,892)	(89,418)
Total	540,568	420,949

Thereof: long-term in 2009 Germany: EUR 78,283K; Europe: EUR 86,453K; other countries: EUR 0K

Thereof: long-term in 2008 Germany: EUR 69,869K; Europe: EUR 86,592K; other countries: EUR 0K

Regional segment liabilities

in EUR '000s	12/31/2009	12/31/2008
Germany	303,699	186,713
Europe	101,609	63,548
Other countries	257	2,138
	405,565	252,399
Consolidations	(109,879)	(38,405)
Total	295,686	213,994

7.2. Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the chart below. All risks may lead to individual or even all intangible assets having to be subjected to impairment charges, resulting in a negative earnings situation. These risks are dealt with in detail in the Management Report under 7. Risk Report. Since the debtor and financial risks have a direct impact on specific items in the balance sheet and income statement, these risks are explicitly dealt with below. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that set limits based on underlying transactions, define approval procedures, exclude derivatives for speculative purposes, mitigate credit risks and govern internal reporting and the separation of functions. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, subject to a separation of functions. All derivatives are only transacted with banks that have the highest of credit ratings.

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

Interest risks

The Group has substantial liquidity at its disposal for investment in demand and time deposits and/or 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 273 million in line with the portfolio as at December 31, 2009, would result in unrealized income amounting to EUR 2.73 million. Accordingly, an increase by one percentage point would produce additional earnings of EUR 2.73 million.

The Group's interest-bearing liabilities to banks are reported to amount to EUR 5,500K as at December 31, 2009. This relates to redeemable loans taken out in connection with acquisitions made, which provide for fixed interest payable on the loan in its entirety until such time as it 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 "Payment Processing & Risk Management" and "Acquiring & Issuing" segments, which generate a substantial share of their sales revenues in foreign currencies. A reduction of the exchange rates of relevance to the Wirecard Group by one percent, based on gross income in foreign currency of about EUR 50 million, would correspond to unrealized earnings of EUR 500K. Accordingly, an increase by one percentage point would produce additional earnings of EUR 500K. In these segments, 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 2009, forward exchange and options transactions were used as financial derivatives to hedge foreign currency risks. In 2009, 23 forward exchange transactions were entered into with a total volume of some EUR 17 million. Moreover, 23 currency option transactions were entered into with a total volume of approximately EUR 7 million.

The deployment of financial derivatives is subject to strict internal controls which take the form of centrally determined mechanisms and uniform guidelines. 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, 2009, the Wirecard Group had currency options in its portfolio amounting to a nominal volume equivalent to EUR 24 million for fiscal 2010. These have a fair value of EUR 446K.

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 forecast and actual cash flows.

Debtor risks

To counteract the risk of business partners of the Wirecard Group defaulting on their payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before entering into business relations with them. This also applies to the review of business relations with commercial banks and merchants.

Payment flows of merchants are monitored on a regular basis, and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risks of default arising from the Acquiring business, consisting of potential reverse debits following insolvency or the inability of a merchant to deliver, are very low since open receivables from customers are covered by individual security retentions (reserve) or, alternatively, delayed payouts to merchants, which are adjusted regularly on the basis of close monitoring of the merchant business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group might not be enforceable against the customer in question, especially due to the reversal of credit card transactions.

As a rule, this form of collateral security is adequate. In business with private individuals, particularly involving novel products of Wirecard Bank AG in the field of card issuing services, risks are perceived to arise from the fact that a lack of historical data with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite high security standards being adhered to.

In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation allowances or derecognized without delay, and the risks are booked with an impact on profit and loss.

7.3. Capital risk management

The Group controls its capital with the objective of maximizing the shareholders' return by optimizing the debt/equity ratio. In doing so, it is ensured that all Group member companies can operate under the premise of a going concern. In particular, attention is paid to banking-specific regulation requirements, such as compliance with equity capital limits, being certainly adhered to in the entire course of business. The Group's capital structure consists of debts, cash and cash equivalents as well as the equity to which the shareholders of the parent company are entitled. This comprises issued shares, capital reserve, accumulated profits and foreign currency translation reserve. The objectives of capital management are to secure operations as a going concern along with adequate interest earned on equity. For implementation purposes, this equity is compared with the total capital.

Following the successful organic growth as a whole and the acquisition of the customer portfolio in 2009 and the business acquisition in December 2009, the Company aims to maintain a comfortable equity capital ratio for fiscal 2010 and 2011. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by 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 an appropriate addition to our existing portfolio of products and customers.

The capital is being monitored on the basis of economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Liabilities are generally defined as non-current and current financial obligations, provisions and other liabilities.

The capital structure is as follows:

Capital structure		
in EUR '000s (where not in %)	12/31/2009	12/31/2008
Equity	244,882	206,955
Equity in % of total capital	45%	49%
Liabilities	295,686	213,994
Liabilities in % of total capital	55%	51%
Total capital (equity and liabilities)	540,568	420,949

The Group reviews the capital structure on a regular basis.

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

The required breakdown of balance sheet carrying amounts in accordance with IFRS 7.8 was adjusted with regard to the previous year's values for comparison purposes. The breakdown according to valuation categories of IAS 39 is shown as follows:

Balance sheet carrying amounts in 2009 according to IFRS 7.8						
in EUR '000s						
	Financial and other assets	Trade receivables	Other receivables	Cash and cash equivalents	Trade payables	Other liabilities
Financial assets/liabilities at fair value with P+L impact	177	0	446	0	0	0
thereof held for trading	0	0	446	0	0	0
Available-for-sale financial assets	180	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Loans and receivables	2,177	64,677	14,312	272,529	0	0
thereof cash and cash equivalents	0	0	0	272,529	0	0
Financial liabilities measured at their net carrying amounts	0	0	0	0	140,479	141,581
Total financial instruments	2,534	64,677	14,758	272,529	140,479	141,581
Items not within the scope of IAS 39	13,752	0	1,127	0	0	13,626
Total	16,286	64,677	15,885	272,529	140,479	155,207

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

Market value				
	Book value		Current market value	
in EUR '000s	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Financial assets at fair value through profit or loss	623	766	623	766
Financial liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	180	231	180	231
Held-to-maturity investments	0	0	0	0
Loans and receivables (assets)	353,695	252,182	353,695	252,182
Loans (liabilities)	(282,060)	(205,758)	(282,203)	(205,758)
Total	72,438	47,421	72,295	47,421

Hierarchy of fair values

As at December 31, 2009, the Group held the following financial instruments measured at fair value which are detailed below. The Group uses the following hierarchy of valuation techniques to determine and disclose fair values of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value				
in EUR '000s	12/31/2009	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Visa shares with blocking notes	177			177
Foreign currency options	446		446	

The market value of cash and cash equivalents (in loans and receivables), short-term receivables, trade liabilities, other short-term financial liabilities as well as revolving loan facilities and other financial liabilities corresponds approximately to the carrying value. The reason for this is mainly the short term of such instruments. Foreign currency options were revalued as at December 31, 2009 from EUR 622K to EUR 446K with an impact on expenses. The Visa shares resulted in a revaluation gain of EUR 68K. In the course of the valuation, the price of shares without blocking note was discounted at a certain percentage.

7.5. Financial relationships with affiliates

In fiscal 2009, various agreements for financing were in place among various companies of the Group. These transactions were eliminated in the course of the consolidation of liabilities and earnings. In addition, reference is made to 8.3. Transactions with affiliated companies and related parties.

7.6. Other obligations

The Wirecard Group member companies entered into leases for office space and other leasing agreements. The payment obligations from these agreements over the next five years are as follows:

Other financial obligations					
in EUR '000s	2010	2011	2012	2013	2014
Annual commitments	6,481	2,717	128	15	13

After the period indicated, there are no payment obligations for the Wirecard Group. No obligations existed vis-à-vis non-consolidated subsidiaries. For interest-bearing debt, Wirecard assured the banks of an equity ratio of over 35 percent or within one banking relationship of 30 percent. The equity ratio of Wirecard is determined by these banks by dividing liable equity by the balance sheet total. Liable equity is determined by subtracting deferred tax assets and 50 percent of intangible assets from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these are also to be deducted. Total assets are determined by subtracting customer deposits, the acquiring funds of the Wirecard Bank and the reduced level of equity from the audited balance sheet total, to which any leasing commitments are then added back. On the basis of this calculation, an equity ratio of 65.94 percent has been determined for Wirecard AG (previous year: 52.97 percent).

Other claims based on leasing relationships in which the Group acts as lessor are shown as follows:

Claims arising from leasing					
in EUR '000s	2010	2011	2012	2013	2014
Annual claims	971	645	412	221	55

After the period indicated, there are no payment claims for the Wirecard Group.

8. Additional mandatory disclosures

8.1. Board of Management

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

Dr. Markus Braun, commercial computer scientist, member of the Board of Management since October 1, 2004

Chief Executive Officer

Rüdiger Trautmann, economist, member of the Board of Management since November 1, 2005

Chief Sales Officer

Burkhard Ley, banker, member of the Board of Management since January 1, 2006

Chief Financial Officer

In the period under review, EUR 1,120,567.58 (previous year: EUR 1,046,896.00) was paid to the members of the Board of Management by way of a fixed salary. This includes EUR 45K from subsidiaries. In addition, the members of the Board of Management were paid performance-related remuneration amounting to EUR 750K. Accordingly, total emoluments came to EUR 1,870,567.58 (previous year: EUR 1,346,896.00). In 2007, the Board of Management had received convertible bonds for which an amount of EUR 539K was recognized as scheduled expenses for fiscal 2009. The fair value as at the date of issue amounted to EUR 2,585K.

In the event of a change of control within the company, a total bonus of 1.2 percent of the Company's enterprise value has been promised to the Board of Management (for all members). Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to Secs. 21, 22 WpHG (German Securities Trading Act) is or should have been received by the Company to the effect that 30 percent or more of the Company's voting rights as contemplated by Secs. 21, 22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or a body of persons. In the event of such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a royalty shall apply only if the change of control is effected on the basis of an offer to all shareholders of the Company, or if such change of control is followed by an offer to all shareholders. The enterprise value of the Company is defined as the offer in euros per share of the Company, multiplied by the total number of all shares issued at the time of publication of the offer. The royalty shall 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 term of the employment agreements ends on December 31, 2011, the employment agreement with the new Member of the Board, Jan Marsalek ends on January 31, 2012. A special claim to severance pay in the event of early termination of the employment agreements is not included. Accordingly, a possible claim for compensation on the part of the members of the Board of Management in the event of early termination of the employment agreement would be confined to an amount equivalent to two annual remuneration sums including ancillary benefits.

8.2. Supervisory Board

The following persons were engaged as members of the Supervisory Board at Wirecard AG:

Wulf Matthias (Chairman)

Executive Board member of Credit Suisse Deutschland AG

Other supervisory board mandates:

Wirecard Bank AG, Grasbrunn (Germany)

Wirecard Technologies AG, Grasbrunn (Germany)

TrustPay International AG, Grasbrunn (Germany)

Leica Camera AG, Solms (Germany); until July 22, 2009

Alfons W. Henseler (Deputy Chairman),

Self-employed business consultant

Other supervisory board mandates:

Wirecard Bank AG, Grasbrunn (Germany)

Wirecard Technologies AG, Grasbrunn (Germany)

TrustPay International AG, Grasbrunn (Germany)

Diamos AG, Sulzbach (Germany)

Paul Bauer-Schlichtegroll, until October 31, 2009

Self-employed businessman

Other supervisory board mandates:

Wirecard Technologies AG, Grasbrunn (Germany)

TrustPay International AG, Grasbrunn (Germany)

Stefan Klestil, from December 1, 2009

Managing Director of Stefan Klestil Beratungs- & Beteiligungs GmbH

Other supervisory board mandates:

Wirecard Bank AG, Grasbrunn (Germany)

Wirecard Technologies AG, Grasbrunn (Germany)

TrustPay International AG, Grasbrunn (Germany)

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 18, 2009. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration apart from being reimbursed for out-of-pocket expenses. The members of the Supervisory Board shall, for each full fiscal year of their membership of the Supervisory Board, receive remuneration of EUR 55K net, payable at the end of the fiscal year. In addition, they shall receive a long-term, performance-oriented annual remuneration, the extent of which shall depend on consolidated EBIT (earnings in the ordinary course of business before interest and income taxes) of the Company, namely for each full million of euros by which the Company's consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30,000K, a variable remuneration component of EUR 1,000.00 net; this minimum amount of EUR 30,000K shall increase by 10 percent per annum from the beginning of fiscal 2009. The Chairman of the Supervisory Board shall receive double and the Deputy Chairman of the Supervisory Board shall receive one-and-a-half times the other members' remuneration. If the term of office of a member of the Supervisory Board did not extend uninterrupted across the entire fiscal year, then the remuneration of the Supervisory Board shall be paid pro rata temporis. In addition, the members of the Supervisory Board shall receive a session fee of EUR 1,250.00 exclusive of value added tax for each meeting of the Supervisory Board that they attend. 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.

Annual Remuneration

EUR '000s	Function	from	to	Not performance-related	Meeting	Performance-related	Long-term incentive effect	Relating to subsidiaries	Total
Wulf Matthias	Chairman	01/01/09	12/31/09	110,000	6,250	46,000	-	62,000	224,250
Alfons Henseler	Deputy	01/01/09	12/31/09	82,500	6,250	34,500	-	36,500	159,750
Paul Bauer-Schlichtegroll	Member	01/01/09	10/31/09	45,833	5,000	19,167	-	3,333	73,333
Stefan Klestil	Member	12/01/09	12/31/09	4,583	1,250	1,917	-	3,083	10,833
Total remuneration				242,916	18,750	101,584	-	104,916	468,166

Remuneration paid to the Supervisory Board in fiscal 2009 totaled EUR 468K (previous year: EUR 453K). This remuneration includes the emoluments received for acting as Supervisory Board members for subsidiaries, amounting to EUR 105K. EUR 123K of this remuneration was deferred with an impact on expenses, with disbursement scheduled for 2010.

8.3. Transactions with affiliated companies and related parties

Related parties

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

In 2009 the following legal transactions were entered into by Wirecard AG with a related party as indicated above or at the instance or in the interests of such parties:

Legal transactions with impact on P&L				
Related party/ related entity	Type of legal relationship	Expen- diture in EUR '000s	Liability as at December 31, 2009 in EUR '000s	Explanatory note
Wulf Matthias	Supervisory Board mandate	10	0	Supervisory Board of Wirecard Technologies AG
Wulf Matthias	Supervisory Board mandate	59	0	Supervisory Board of Wirecard Bank AG
Wulf Matthias	Supervisory Board mandate	2	2	Supervisory Board of Trustpay International AG
Stefan Klestil	Supervisory Board mandate	1	1	Supervisory Board of Wirecard Technologies AG
Stefan Klestil	Supervisory Board mandate	3	3	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	0	0	Supervisory Board of Trustpay International AG
Alfons W. Henseler	Supervisory Board mandate	10	12	Supervisory Board of Wirecard Technologies AG
Alfons W. Henseler	Supervisory Board mandate	30	30	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	2	2	Supervisory Board of Trustpay International AG
Paul Bauer-Schlichtegroll	Supervisory Board mandate	3	3	Supervisory Board of Wirecard Technologies AG
Paul Bauer-Schlichtegroll	Supervisory Board mandate	1	1	Supervisory Board of Trustpay International AG
Alfons W. Henseler	Consultant	46	0	Consultant at Wirecard Technologies AG, remuneration based on daily rates.
Stefan Klestil	Consultant	38	28	Consultant at Wirecard AG, remuneration based on daily rates.
Wire Card ESP S.L.	Services	34	5	Wire Card ESP S.L. is engaged as a service provider for Wirecard Technologies AG and received remuneration based on daily rates.
Wirecard Asia Pacific Inc.	Intermediary services	225	19	Wirecard Technologies AG paid commission for intermediary services to acquire customers.
Wirecard Asia Pacific Inc.	Intermediary services	254	17	Wirecard Payment Solutions Ltd. paid commission for intermediary services to acquire customers.

Legal transactions with an impact on assets and liabilities

Related person/ related entity	Type of legal relationship	Nominal amount in EUR '000s	Receivable as at December 31, 2009 in EUR '000s	Explanatory note
Paul Bauer-Schlichtegroll	Credit	400	0	Overdraft facility from Wirecard Bank AG at 6 percent interest was fully repaid.
Dr Markus Braun	Credit	430	390	Overdraft facility of Wirecard Bank AG to an entity related to Dr. Braun at 6 percent interest.
Paul Bauer-Schlichtegroll	Credit	19	19	Overdraft facility of Wirecard Bank AG to parties related to Mr. Bauer at 6 percent interest.
Wirecard Asia Pacific Inc.	Credit	104	104	Wirecard AG made a credit facility available at 3 percent interest
Wire Card ESP S.L.	Assumption of payments	90	90	The Wirecard Group assumed payments for various expenditure items of this non-consolidated subsidiary.

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

8.4. Declaration of compliance

The declaration of compliance required pursuant to Sec. 161 of the German Stock Corporation Act (AktG) for the periods from April 2009 through March 2010 and April 2010 through March 2011 was signed in March 2009 and March 2010, respectively, and also made available to the shareholders for download from the website of Wirecard AG in March 2009 and March 2010.

8.5. Auditors' fees

In the fiscal year, the following fees of the auditors and related auditors from the same network of firms were recognized as expenses (Sec. 314 para.1 no. 9 HGB):

Auditors' fees				
in EUR '000s	01/01/2009 - 12/31/2009		01/01/2008 - 12/31/2008	
	Total	of which subsidiaries	Total	of which subsidiaries
Ernst & Young GmbH				
Audit of the annual financial statements	275	145	-	-
Tax consultancy service	0	0	-	-
Other confirmation services	0	0	-	-
Other services	17	5	159	
Total Ernst & Young GmbH	292	150	159	0
RP Richter GmbH				
Audit of the annual financial statements	252	72	351	175
Tax consultancy service	165	105	30	0
Other confirmation services	60	0	60	0
Other services	435	44	391	0
Total RP Richter GmbH	912	221	832	175
Total auditors' fees	1,204	371	991	175

These figures include ancillary acquisition costs capitalized as such and which are therefore not included in the income statement. Value added tax not deductible for the Wirecard Group, amounting to EUR 20K, is not included in the disclosures on auditors' fees. The auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been engaged to audit of the Company's financial statements for the first time in the current year. The previous year's figures have been adjusted accordingly.

8.6. Events after the balance sheet date

Events after the balance-sheet date, providing additional information on the Company's position as at the balance-sheet date (events required to be taken into account) are reflected in the consolidated financial statements. Events not taken into account after the balance-sheet date are reported in the Notes if they are material. These are as follows:

Rüdiger Trautmann, Management Board member for Sales and Marketing since the fall of 2005, left the company for personal reasons effective as of January 31, 2010. Following a resolution adopted by the Supervisory Board, Jan Marsalek was appointed his successor as a member of the Management Board as of February 1, 2010. Marsalek joined the Wirecard Group in the year 2000 and helped to shape its successful corporate development from the very beginning.

In connection with a criminal investigation launched against a private individual, in March 2010 untrue allegations were spread, which Wirecard AG rejected as false in a statement to the press. At the same time, a law firm of note was instructed to initiate legal proceedings.

8.7. Authorization for issue in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2009 were prepared by the end of March 2010 and authorized for issue by the Board of Management as at April 15, 2010.

Munich/Grasbrunn, April 8, 2010

Wirecard AG




Dr. Markus Braun

Burkhard Ley



Jan Marsalek

Development of non-current assets

2009 in EUR	Cost							
	01/01/2009	Adjustments from currency translation	Addition first-time consolidation	Additions	Disposals	Reclassi- fication	12/31/2009	
NON-CURRENT ASSETS*								
1. Intangible assets								
Goodwill	95,034,581.49	0.00	0.00	0.00	0.00	0.00	95,034,581.49	
Internally generated intangible assets	11,492,926.57	0.00	0.00	4,577,310.66	0.00	0.00	16,070,237.23	
Other intangible assets	10,965,422.06	0.00	0.00	2,794,115.10	0.00	2,510,200.00	16,269,737.16	
Cient relationships	44,925,999.94	0.00	0.00	4,396,327.24	0.00	0.00	49,322,327.18	
Advance payments made	2,510,000.00	0.00	0.00	64,866.85	0.00	(2,510,200.00)	64,666.85	
	164,928,930.06	0.00	0.00	11,832,619.85	0.00	0.00	176,761,549.91	
2. Property, plant and equipment								
Other property, plant and equipment	3,465,227.42	0.00	0.00	647,223.70	(1,639.84)	0.00	4,110,811.28	
3. Financial assets	1,785,066.15	0.00	0.00	13,993,140.00	(1,663,340.46)	0.00	14,114,865.69	
	170,179,223.63	0.00	0.00	26,472,983.55	(1,664,980.30)	0.00	194,987,226.88	

2008 in EUR	Cost							
	01/01/2008	Adjustments from currency translation	Addition first-time consolidation	Additions	Disposals	Reclassi- fication	12/31/2008	
NON-CURRENT ASSETS*								
1. Intangible assets								
Goodwill	94,838,339.01	0.00	0.00	196,242.48	0.00	0.00	95,034,581.49	
Internally generated intangible assets	7,385,270.57	0.00	0.00	4,107,656.00	0.00	0.00	11,492,926.57	
Other intangible assets	9,703,929.35	0.00	0.00	1,222,130.53	0.00	39,362.18	10,965,422.06	
Cient relationships	44,925,999.94	0.00	0.00	0.00	0.00	0.00	44,925,999.94	
Advance payments made	0.00	0.00	0.00	2,549,362.18	0.00	(39,362.18)	2,510,000.00	
	156,853,538.87	0.00	0.00	8,075,391.19	0.00	0.00	164,928,930.06	
2. Property, plant and equipment								
Other property, plant and equipment	3,074,306.48	0.00	0.00	395,085.53	(4,164.59)	0.00	3,465,227.42	
3. Financial assets	2,503,667.14	0.00	0.00	284,140.17	(1,002,741.16)	0.00	1,785,066.15	
	162,431,512.49	0.00	0.00	8,754,616.89	(1,006,905.75)	0.00	170,179,223.63	

* excluding deferred tax assets and other non-current assets

	Accumulated amortization, depreciation and write-downs						Net book value	Net book value	Amortization, depreciation and write-downs 2009
	01/01/2009	Adjustments from currency translation	Additions	Disposals	Reclassification	12/31/2009	12/31/2009	12/31/2008	
	4,745,556.10	0.00	0.00	0.00	0.00	4,745,556.10	90,289,025.39	90,289,025.39	0.00
	1,912,926.57	0.00	1,433,913.93	0.00	0.00	3,346,840.50	12,723,396.73	9,580,000.00	1,433,913.93
	3,200,328.87	0.00	1,557,197.95	0.00	0.00	4,757,526.82	11,512,210.34	7,765,093.19	1,557,197.95
	250,950.00	0.00	421,568.24	0.00	0.00	672,518.24	48,649,808.94	44,675,049.94	421,568.24
	0.00	0.00	0.00	0.00	0.00	0.00	64,666.85	2,510,000.00	0.00
	10,109,761.54	0.00	3,412,680.12	0.00	0.00	13,522,441.66	163,239,108.25	154,819,168.52	3,412,680.12
	1,822,947.64	(1,183.07)	792,112.36	(91.00)	0.00	2,613,785.93	1,497,025.35	1,642,279.78	792,112.36
	0.00	0.00	0.00	0.00	0.00	0.00	14,114,865.69	1,785,066.15	0.00
	11,932,709.18	(1,183.07)	4,204,792.48	(91.00)	0.00	16,136,227.59	178,850,999.29	158,246,514.45	4,204,792.48

	Accumulated amortization, depreciation and write-downs						Net book value	Net book value	Amortization, depreciation and write-downs 2009
	01/01/2008	Adjustments from currency translation	Additions	Disposals	Reclassification	12/31/2008	12/31/2008	12/31/2007	
	4,745,556.10	0.00	0.00	0.00	0.00	4,745,556.10	90,289,025.39	90,092,782.91	0.00
	834,932.57	0.00	1,077,994.00	0.00	0.00	1,912,926.57	9,580,000.00	6,550,338.00	1,077,994.00
	1,820,608.55	0.00	1,379,720.32	0.00	0.00	3,200,328.87	7,765,093.19	7,883,320.80	1,379,720.32
	35,850.00	0.00	215,100.00	0.00	0.00	250,950.00	44,675,049.94	44,890,149.94	215,100.00
	0.00	0.00	0.00	0.00	0.00	0.00	2,510,000.00	0.00	0.00
	7,436,947.22	0.00	2,672,814.32	0.00	0.00	10,109,761.54	154,819,168.52	149,416,591.65	2,672,814.32
	1,109,458.74	5,520.28	708,148.21	(179.59)	0.00	1,822,947.64	1,642,279.78	1,964,847.74	708,148.21
	0.00	0.00	0.00	0.00	0.00	0.00	1,785,066.15	2,503,667.14	0.00
	8,546,405.96	5,520.28	3,380,962.53	(179.59)	0.00	11,932,709.18	158,246,514.45	153,885,106.53	3,380,962.53

AUDITORS' REPORT

Wirecard AG audit report of the consolidated financial statements ending as at December 31, 2009 and the group management report of the fiscal year 2009 in accordance with IAS/IFRS

We have audited the consolidated financial statements prepared by Wirecard AG, Grasbrunn, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB is the responsibility of the Company's management board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] 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, the determination of entities to be included in consolidation, the accounting and 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB 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 relating to future development.

Without qualifying this opinion, we draw attention to the following special aspect: As stated in the group management report, an action for annulment of the annual financial statements for fiscal year 2007 of the parent company Wirecard AG as well as an action contesting two shareholder meeting resolutions passed in 2008 relating to the exoneration of the management board and the supervisory board of Wirecard AG were lodged. To this effect, the Munich I Regional Court engaged an appraiser in 2009. The proceedings are still pending.

Munich, April 08, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

RP RICHTER GmbH
Wirtschaftsprüfungsgesellschaft

Broschulat
Wirtschaftsprüfer
[German Public
Auditor]

Bauer
Wirtschaftsprüfer
[German Public
Auditor]

Stahl
Wirtschaftsprüfer
[German Public
Auditor]

Costa
Wirtschaftsprüfer
[German Public
Auditor]

COMPLIANCE STATEMENT OF THE LEGAL
REPRESENTATIVES AND DISCLOSURES IN
ACCORDANCE WITH SEC. 37Y NO.1 OF THE
GERMAN SECURITIES TRADING ACT (WPHG) IN
CONJUNCTION WITH SECS. 297 (2) SENTENCE 4
AND 315 (1) SENTENCE 6 OF THE GERMAN
COMMERCIAL CODE (HGB)

We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the group management report gives a true and fair view of the business performance, including financial performance and the situation of the Group, and describes the main opportunities and risks relating to the Group's anticipated development in accordance with the applicable accounting framework.

Grasbrunn, April 8, 2010

Wirecard AG



Dr. Markus Braun

Burkhard Ley



Jan Marsalek

GLOSSARY

3-D Secure™ A standardized security protocol developed by Visa and MasterCard for the authentication of online credit card payments.

Account Management System (ACM) A central web-based application allowing merchants to view and manage their payment transactions and risk checks as well as generate reports and statistics.

Acquirer/Acquiring Bank A bank or financial institution licensed by a credit card organization to accept credit cards as means of payment for goods and services and process card transaction on behalf of the merchant.

Address Verification Service (AVS) A fraud prevention method defined by Visa, MasterCard and American Express for e-commerce and MOTO card transactions. It matches the numeric address data provided by the cardholder at the time of the purchase with the card billing address held by the card organization.

Bank Identification Number (BIN) The first 6 digits of a credit card or debit card number.

Bank Identifier Code (BIC) Also known as SWIFT code (see below) this format consists of eight or eleven characters used to identify a bank for cross-border payments.

Blacklist A list of negative data which is automatically recognized and rejected in a transaction process. For example, merchants who in the past encountered problems with a certain card number or cardholder can enter both number and name in a list to bar further use of this card.

Chargeback A procedure allowing a card issuer to claim back a transaction amount (in part or in full). A chargeback occurs when a cardholder disputes a card transaction with the card issuer. The card issuer then contacts the acquirer and initiates a chargeback against the merchant account.

CLICK2PAY An Internet payment method with an online account for secure, easy and swift payment of goods and services (streamings, downloads and subscriptions etc.) worldwide.

CNP Card Not Present. A type of online card transaction where the card used to make the payment is not physically presented to the merchant (like in e-commerce or MOTO payments).

Co-branded Card Wirecard corporate customers can issue payment cards displaying their own corporate logo in a number of designs. Co-branded cards can be ordered at short lead times and low quantities.

CVC1, CWV1 Security feature (Card Verification Code 1, Card Verification Value 1) encoded on the magnetic stripe of a credit card. It is used when the card is physically presented at a POS.

CVC2, CVD, CWV2 A 3-digit or 4-digit security code printed on the back or the front of credit cards. It is used in Card Not Present (CNP) transactions. Card Verification Code 2 = MasterCard, Card Verification Data = American Express, Card Verification Value 2 = Visa.

Direct Debit An electronic payment method (EFT) directly deducting funds from a checking account on explicit instruction (mandate) of the account holder.

Electronic Funds Transfer (EFT) A paperless transmission of electronically recorded payment data, representing a monetary value in a certain currency. It replaces paper instruments like checks and is accepted as prove of payment by a customer, merchant or bank in lieu of cash (see also Direct Debit).

esp	A payment method supported by Austrian banks. It offers direct online banking access similar to giropay, providing secure payment processing and on-demand payment guarantee.
giropay	A convenient payment solution for German bank account holders with direct access to their home banking website. Introduced in 2006 with the highest security standards it offers merchants a payment guarantee of up to 5000 euro per transaction.
IBAN	International Bank Account Number. Standardized international account identifier (made up account number, bank routing code and a prefix) for cross-border payments.
iDEAL	An Internet payment solution available to bank account holders in The Netherlands offering direct online-banking access to participating banks. Similar to giropay, iDEAL comes with a payment guarantee for merchants allowing them to ship their goods at no risk immediately on receiving the payment confirmation.
Internet Payment Service Wirecard	A payment solution for the Internet based on the global MasterCard network. Users can pay with <i>Wirecard</i> wherever MasterCard payments are accepted without actually owning a MasterCard credit card.
IP/BIN Check	A fraud prevention method for online credit card transactions. It locates the IP address of the shopper's geographical position or Internet access point and screens the Bank Identification Number (BIN) to identify the issuing bank and the country where the card was issued. Using both screening methods in combination merchants can set filter rules to determine from which countries to accept or reject online purchase requests.
Issuer/Issuing Bank	A financial institution which issues payment cards (credit, debit prepaid card) and accepts transactions of its cardholders from associated banks and merchants. Wirecard Bank issues prepaid cards for their B2B products SCP and Payout Cards and their B2C payment solutions <i>Wirecard</i> and <i>Prepaid Triple</i> .
LUHN Check	An algorithm used to check the authenticity of bank card or credit card numbers.
Maestro Card	A debit card issued by MasterCard International providing worldwide PIN-based payment with direct deduction from the associated bank account.
Merchant Account	A bank account established by a merchant to receive the proceeds of credit card payments.
Merchant Bank	A bank licensed by Visa or MasterCard to provide merchants with an account, thereby allowing them to accept credit cards payments.
Merchant Identification Number (MID)	A number assigned by the credit card industry to a merchant account to identify a merchant and account for transaction tracking purposes. It is provided by the acquirer and is sometimes also called simply merchant number.
MOTO	Mail Order/Telephone Order. Purchase of goods or services ordered over the phone or through mail or fax. If ordered with debit card or credit card, this is a CNP transaction.
Payment Page	An Internet page which merchants can incorporate in their webshop to offer a broad range of secure payment methods. Consumers simply enter their payment data in a Wirecard-hosted Internet page launched from the merchant's webshop. It provides a fast, secure and PCI-compliant acceptance of credit cards and other payment methods such as direct debit (for Germany and Austria), giropay, iDEAL, eps, paybox, paysafecard, CLICK2PAY and other.
Payment Service Provider (PSP)	A company which handles electronic payments on behalf of a merchant, authenticating customers, processing transactions and providing the merchant with the necessary software tools.

Payout Card	The Wirecard payout card is a low-cost, swift and secure way to pay staff and business associates anywhere in the world within seconds. It is a highly convenient alternative to cash and check payouts for companies residing in a SEPA country and is available as personalized card or company card.
PAYShield	Jointly developed by Wirecard and CEG Creditreform Consumer GmbH this intelligent risk management product offers online retailers a payment guarantee to minimize the risks of non-payment form purchases by direct debit or with invoice.
PCI	Short for Payment Card Industry Data Security Standard (PCI DSS). A security standard by VISA and MasterCard for merchants and Payment Service Providers (PSPs) which process, store and transmit payment card data. All PSPs are scanned quarterly and audited annually on site.
Personal Identification Number (PIN)	A secret numeric password assigned to a payment card. It authenticates the cardholder and allows him to authorize a POS transaction or access his online banking account.
Phishing	Phishing is the criminal process of obtaining passwords from customers by means of a fake web site. Usually the perpetrators pose as trustworthy [individuals/entities] in order to persuade customers to offer sensitive information such as their user name, password and credit card data.
POS	Point of Sale. A terminal (card reader) used for accepting card payments in retail business. The card is read electronically and the cardholder authorizes the transaction by entering his PIN.
Prepaid Card	A payment card licensed by Visa and MasterCard which carries a prepaid balance. It has the same worldwide acceptance as any conventional credit card. Funds spent on a purchase are immediately deducted from the available card balance.
Risk Management	A methodology for recording and analyzing transaction data to prevent online fraud and protect merchants against the risk of non-payment.
Scoring	An approach to forecast the behavior of consumers. Based on the financial behavior of a specific individual, it groups other individual with the same features thereby determining the payment morale and risks of that particular group.
SCP	Supplier and Commission Payments. An automated Wirecard solution based on the concept of a virtual prepaid card allowing companies to receive payments through their credit card acceptance channels. The virtual payment card solution supports 27 currencies. It can be incorporated in the ERP system of the customer and offers companies from a range of industries cost-efficient and flexible financial management.
SEPA	The Single Euro Payment Area, short SEPA, defines the geographical zone in which all payments are treated as domestic transactions. SEPA makes no distinction between national and cross-border payments and enables users to make cashless payments in euro. SEPA includes all 27 member states of the European Union as well as Iceland, Norway, Lichtenstein and Switzerland.
Settlement	The act by which transactions are sent to the processor for payment to the merchant. This procedure routes all captured transactions to the merchant's acquiring bank for deposit.

Settlement Currency	The currency in which processed payments are credited to an account.
SWIFT Code	A standard format of a bank identification code (BIC) assigned by the Society for World-wide Interbank Financial Telecommunication. It is made up of 8 or 11 alphanumeric characters and is used for international bank transfers to identify the receiving bank. Wirecard Bank uses the BIC-(SWIFT)-Code WIREDEMM for payments to foreign currency accounts.
Transaction Number (TAN)	Also known as Transaction Authentication Number, this is a one-time password used by online banking services as a second security feature to authorize transactions.
Transaction Currency	This is the currency in which a transaction is received and processed.
Velocity Check	A method allowing merchants to screen payment transactions within a defined time window for repetitive patterns. The check can be performed on various transaction parameters to see if variables used in several transactions over a certain time period show a pattern indicative of fraud. The check can be configured to determine how many times a transaction showing a certain pattern is accepted before similar attempts are rejected for risk of fraud.
Virtual Account Number	A 10-digit Wirecard Bank account number suitable for corporate payments. It is made up of a dedicated 3-digit part and a flexible 7-digit part which can be freely assigned by the company with the purpose to identify the sender of the payment unambiguous.
Virtual Terminal	A web-based user interface used predominantly in call centers for accepting MOTO payments. Entered payment data is posted to the processing system without requiring the signature of the payee. The same risk checks apply as for online payments.
Virtual Card	A non-physical payment card. Instead of a piece of plastic, the cardholder receives only a card number and security code. Virtual cards are typically one-time payment instruments which due to the lack of magnetic stripe can be used only for online or MOTO transactions.
WEP	Wirecard Enterprise Portal. Wirecard's new web-based payment management and reporting tool. It supports all features required by the merchant for the administration of payment processes, the selection of risk checks and strategies, the management of payment cards and the creation of reports and statistics.



Financial diary

April 15, 2010	2009 Press Conference and Analyst Meeting
May 19, 2010	Publication of Q1 report
June 17, 2010	General Meeting in Munich
August 18, 2010	Interim report on Q1 and Q2, 2010
November 18, 2010	Interim report on Q3, 2010

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Wednesday, April 15, 2010

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Wirecard AG

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