

WIRECARD AG

INTERIM REPORT AS AT  
SEPTEMBER 30, 2012

## KEY FIGURES

## WIRECARD GROUP

		9M 2012	9M 2011
Revenues	TEUR	279,538	232,369
EBITDA	TEUR	78,128	58,579
EBIT	TEUR	66,237	52,730
Earnings per share (basic)	EUR	0.48	0.42
Shareholders' equity	TEUR	522,078	321,978
Total assets	TEUR	996,950	598,079
Cash flow from operating activities (adjusted)	TEUR	65,254	48,163
Employees		599	479
of which part-time		149	128

## SEGMENTS\*

in EUR '000		9M 2012	9M 2011
Payment Processing & Risk Management	Revenues	193,907	171,664
	EBITDA	59,943	43,770
Acquiring & Issuing	Revenues	102,745	79,185
	EBITDA	17,827	14,660
Call Center & Communication Services	Revenues	3,633	3,081
	EBITDA	388	149
Consolidation	Revenues	(20,747)	(21,561)
	EBITDA	(30)	0
<b>Total</b>	<b>Revenues</b>	<b>279,538</b>	<b>232,369</b>
	<b>EBITDA</b>	<b>78,128</b>	<b>58,579</b>

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

# CONTENT

<b>■ LETTER FROM THE CEO</b>	<b>4</b>
<hr/>	
<b>■ GROUP MANAEGMENT REPORT</b>	
<hr/>	
1. Business, products and services	6
2. Underlying economic conditions and business trends	13
3. Financial position and performance	19
4. Group structure and organization	26
5. Report on events after the balance sheet date	30
6. Research and development/ risks and chances	31
7. Outlook	32
<b>■ WIRECARD-SHARES</b>	<b>33</b>
<hr/>	
<b>■ CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>36</b>
<hr/>	
Consolidated balance sheet	36
Consolidated income statement	38
Consolidated cash-flow statement	40
Consolidated statement of changes in equity	42
<b>■ EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>43</b>
<hr/>	
1. Disclosures related to the Company	43
2. Notes to the consolidated balance sheet assets	48
3. Notes to the consolidated balance sheet equity and liabilities	53
4. Notes to the consolidated income statement	57
5. Notes to the consolidated cash flow statement	60
6. Other notes	64
7. Additional mandatory disclosures	68
<hr/>	
Publication details	69

## LETTER FROM THE CEO

Dear Shareholders,

Our results in the first nine months of 2012 and the generally positive growth in our operating business mean that the Wirecard Group is right on track to bring this year to a very successful close. Consolidated revenues increased in the third quarter by 20 percent to EUR 101.6 million. We increased EBITDA to EUR 28.8 million (up 24 percent).

Compared to the first nine months of the previous year, EBITDA in 2012 was lifted by 33 percent to EUR 78 million. After adjustment for extraordinary factors in the first six months of 2011, EBITDA grew by 23 percent.

Compared to the same period of the previous year, the transaction volume processed via the Wirecard platform increased by 33 percent to EUR 14.9 billion. This is due to the dynamic growth in online payments in our core business. The proportion accounted by Asia totaled EUR 1.5 billion or approximately 10 percent.

4

In addition to the sustained positive growth of eCommerce in Europe and Asia, our new business fields also offer extraordinary opportunities for the Wirecard Group's future growth. As an international payment and risk management specialist with our own acquiring bank we are also focusing on end-to-end services for mobile commerce and mobile payments. In this regard, we use our core competence of technical payment processing in combination with innovative prepaid cards - both with virtual card numbers and also plastic cards. Finally, consumers' increasingly mobile purchasing and payment behavior is changing how sales channels are seen and demands convergent solutions - for payment processing in particular.

During the period under review, we were already able to announce agreements with key partners from the telecommunications sector, who we support as a technical service provider for mobile payments using smartphones based on NFC technology.

We are very satisfied with the integration of the acquisitions we made last year. Our most recent purchase, PT Prima Vista Solusi, based in Jakarta, Indonesia, has secured the Wirecard Group's access to one of the leading providers of payment transaction, network operation and technology services in this high-growth economic region. This transaction will presumably be closed in the fourth quarter of 2012.

We are also continuing to focus on mostly organic growth, which we will supplement with smaller acquisitions on our target markets.

The Management Board has added granularity to its previous EBITDA forecast for fiscal year 2012 of EUR 103 to 115 million, to a current forecast of EUR 106 to 113 million.

Sincerely,

Aschheim, November 2012

  
Dr. Markus Braun  
CEO

# 1. BUSINESS, PRODUCTS AND SERVICES

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

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

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

6

## **Products and solutions**

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

## **Payment platform - global gateway**

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

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

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

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

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

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

Compared with buying and running a payment processing software package, working with Wirecard AG reduces operating expenses substantially, so that merchants are supported in their efforts to cut costs. In parallel, Wirecard AG advises its customers on structuring

settlement and accounting processes or support on decisions regarding the risk management methods to be used. The decision is based on criterias such as the risk profile for the individual payment method or the merchant's target markets.

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

### **Alternative payment methods**

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

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

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

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



### **Merchant services – collection**

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

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

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

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

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

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

### Banking services

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

### Card issuing

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

- The Supplier and Commission Payments (SCP) product is an industry-specific automated solution that is particularly suitable for tourism operators, offering speedy, secure processing and settlement of global payouts at exact costs. A virtual, credit balance-based MasterCard, Visa card, Visa Electron, Maestro or UATP card is created in real time for each individual booking.
- Companies use co-branded cards as marketing instruments. From the individual conception and management of credit card projects through to innovative software solutions for managing customer loyalty programs to comprehensive services, Wirecard Group ensures the continuing success of each of its card projects. The prepaid card platform mywirecard is available as a white label solution. It will then be possible to implement individual co-branded card concepts for prepaid cards with minimum lead time as all of the processes are standardized. As a result, not only the card but also the online user interface is set up with the respective company's desired design or corporate identity. The wide range of products also meets the wide variety of users' needs. The card programs are available for several areas of use: they can be virtual or physical, available for sale in stores such as mywirecard 2go Visa or ordered online such as the mywirecard MasterCard. The product range is supplemented by Maestro and Visa Electron cards for special areas of use.

### Mobile Payments

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

processing of card payments, account management, couponing and loyalty solutions, commercial network operations and additional banking services.

### **Point of sale services**

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

### **Call center services**

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

## The Group's portfolio of technology and banking services

### Payment, risk management and issuing platform

<b>Wirecard Enterprise Portal (WEP)</b>	<ul style="list-style-type: none"> <li>– Administrative application for merchants including transaction management, statistics and reports</li> </ul>
<b>Online payment services</b>	<ul style="list-style-type: none"> <li>– Credit card transactions via the international credit card and bank network</li> <li>– Alternative payment methods including giropay, iDEAL, eps, paysafecard, Alipay, direct debit, payment guarantee, SEPA direct debit, eKonto, Moneta.ru, Mercado Pago, POLi, processing of local methods in other countries</li> </ul>
<b>Acquiring services/payment acceptance</b>	<ul style="list-style-type: none"> <li>– Card acceptance for Visa, MasterCard, Maestro, China UnionPay, American Express, Discover/Diners Club and JCB</li> <li>– Payment acceptance for local methods in other countries</li> </ul>
<b>POS Payment processing</b>	<ul style="list-style-type: none"> <li>– Clearing via POS card terminals for all conventional card-based payment methods, including ec-Cash (PIN), Maestro and credit cards</li> </ul>
<b>Issuing of innovative card-based payment solutions</b>	<ul style="list-style-type: none"> <li>– Supplier and Commission Payments (SCP)</li> <li>– Payout cards</li> </ul>
<b>Issuing of prepaid cards</b>	<ul style="list-style-type: none"> <li>– mywirecard.com (mywirecard 2go Visa and mywirecard MasterCard)</li> <li>– Prepaid Trio (online bank account, girocard/Maestro and Visa card)</li> <li>– Co-branded cards</li> </ul>
<b>Mobile Payment</b>	<ul style="list-style-type: none"> <li>– Issue and provisioning of virtual cards in NFC-enabled mobile phones</li> <li>– Acceptance and processing of card payments, account management, couponing and loyalty solutions, commercial network operations and additional banking services</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>– Decision-making strategies for cash control, fraud identification (Fraud Prevention Suite), new and portfolio customer assessment and others</li> <li>– Authentication schemes for online payments including 3-D Secure™, CUP-Secure</li> <li>– Specialized partners: Experian, Quova, and others</li> <li>– Credit status check: CEG Consumer Rating, BÜRCEL, arvato infoscore, Deltavista and many more</li> </ul>
<b>Connection of sales channels via XML and/or front-end interface</b>	<ul style="list-style-type: none"> <li>– Internet/call centers/mail order: access to more than 85 payment and risk management methods</li> <li>– Point-of-sale processing of payments via stationary and mobile terminals</li> </ul>
<b>Extended industry-specific integration options</b>	<ul style="list-style-type: none"> <li>– Shop software modules for all leading shop providers (e.g., integrated into hybris, Magento, Oxid eSales, xt:Commerce, PrestaShop, osCommerce, Websale, PowerGap, CosmoShop, OpenCart, Virtuemart, Gambio GX)</li> <li>– Tourism: integration into leading booking systems (CRS, GDS: e.g., Sabre, Amadeus, SITA, AirKiosk, Rezgateway), software systems (IBE: e.g., 2e-Systems, Partners Software GmbH), mid-offices systems (e.g., Midoco, Bosys, DCS GmbH, TravelTainment, ETACS, Ypsilon.Net AG) and BSP</li> </ul>
<b>Other services</b>	
<b>Banking</b>	<ul style="list-style-type: none"> <li>– Account and currency management</li> <li>– Business and private customer accounts</li> </ul>
<b>Call center services</b>	<ul style="list-style-type: none"> <li>– Stationary, virtual and hybrid/multilingual help desk 24/7</li> </ul>

## 2. UNDERLYING ECONOMIC CONDITIONS AND BUSINESS PERFORMANCE

### 2.1. Underlying conditions

#### **Global economic conditions**

The International Monetary Fund (IMF) recently cut this year's growth forecast for the global economy by 0.2 percentage points to a current total of 3.3 percent.

The European Commission is forecasting economic output in the eurozone to fall by 0.3 percent in 2012, and zero growth on the whole for the EU-27 countries.

#### **Industry-specific underlying conditions**

As a result of the summarized forecasts for Europe by market research institutes such as Forrester Research, PhoCusWright, Deutscher Versandhandelsverband, Handelsverband des Deutschen Einzelhandels and other institutes, we are forecasting growth for the European eCommerce market of around 11 percent in 2012 spanning all industries. We are sticking to this forecast in line with our business in the first nine months of 2012.

13

### 2.2. Business trend in the period under review

In the third quarter and first nine months of 2012, we expanded our existing customer relationships on our European core market and also in Asia, and have concluded promising agreements with new customers. More than 13,000 business customers now rely on Wirecard AG's solution portfolio. Other corporate divisions within the Wirecard Group, such as our Issuing business, contributed to the ongoing positive business growth in the period under review.

#### **Transaction volume**

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

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

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

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally dependent on the transaction volumes processed. In the third quarter of 2012 the transaction volume totaled EUR 5.4 billion. (Q3/2011: EUR 4.1 billion). Asia accounted EUR 0.6 billion of this total. The transaction volume increased by 33 percent in the first nine months of 2012 compared to the same period of 2011 to EUR 14.9 billion. Asia accounted for EUR 1.5 billion which corresponds to approximately 10 percent on average over the year.

At the end of period under review, there was the following breakdown in our target industries:

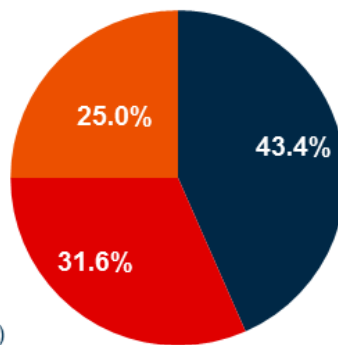
14

**Travel & Tourism**

- Airlines
- Hotels
- Travel sites
- Travel agents

**Digital Goods**

- Downloads (Music / Software)
- Games
- Communities
- Sports betting
- Poker / Casino



**Consumer Goods**

- Mail order / TV shopping
- Brick and Mortar shops
- Direct Sales / Distribution

**Business by target industry**

Wirecard AG continued its operational growth and at the same time broadened its customer base and international network of cooperation and distribution partners thanks to direct sales distributed across target industries, its technological expertise and product depth in the third quarter of 2012. During the first nine months, Wirecard AG was able to establish many new customer relationships in all of its target industries. These include, for example, Neckarsulm-based Bechtle for its B2B online shops and the “Wunderkit” application from Berlin-based 6Wunderkinder GmbH. Wirecard has implemented an innovative solution for myTaxi, allowing passengers to pay for their taxi cash-free.

Wirecard has been involved in strategic alliance for payments with Netrada Management since the asset deal for Netrada Payment was concluded on April 1, 2012. Netrada offers eCommerce fulfillment solutions, in particular for well-known fashion and luxury brands including the likes of Buffalo, Puma and Triumph. Substantial positive synergies have already been recorded as part of this strategic alliance, as existing customers have ordered additional services and as Wirecard has been able to conclude agreements with new customers.

In the tourism industry, we were able to acquire Thomas Cook, one of Europe's leading travel companies, as a new customer, in addition to expanding our strategic alliance with LMX Touristik. Thomas Cook spans the entire spectrum of tourism services for various target groups. Customers can combine their Lufthansa flights with a broad hotel offering from Thomas Cook with the new online offering [www.lufthansaholidays.com](http://www.lufthansaholidays.com).

In the Telecommunications/Mobile Payment segment, Wirecard AG has concluded several agreements for technical services for all aspects of mobile payments using smartphones based on NFC technology.

Wirecard is working together with Deutsche Telekom AG in implementing its mobile payment strategy. As part of this strategic cooperation, Wirecard is realizing the technical processes for issuing the Telekom MasterCard payment card for Deutsche Telekom.

Téléfonica Germany is also driving the launch of its mobile payment service mpass for retail. mpass uses contact-free NFC (near field communication) technology in stores thanks to Wirecard's support. Téléfonica offers its customers a NFC sticker, which is attached to their mobile phone and which allows contact-free payments. mpass customers can use this service at around 500,000 global PayPass acceptance points, of which 100,000 are located in Europe.

Wirecard provides all processing and issuing services and card management for the French telecommunication company SFR, which presented an NFC-based MasterCard in October.

Wirecard has based the Mobile Card Reader on a white-label program, comprising various card-reader solutions, the associated card acceptance and wallet application, as well as open interfaces for developers. The card readers are connected to smartphones or tablets and support both the EMV standard as well as magnetic strips for mobile card payments at the point of sale. The end customer confirms payment via a touchscreen signature or using a PIN. The solution is already being used by orderbird, a Berlin-based company which develops and sells iOS-based cash-desk and settlement systems for the catering industry.

A particular unique selling point of the Wirecard Group is the centralization of payment transactions from many and various distribution and procurement channels on a single

platform. In addition to new business involving the assumption of payment processing, risk management and credit card acceptance in combination with ancillary and downstream banking services, significant cross-selling opportunities are developing in business with existing portfolio customers, contributing to consistent growth in the course of business relations expanding.

The Wirecard Group's revenues are currently recorded in three key target industries, and these are addressed by means of cross-platform, industry-specific solutions and services as well as various integration options:

- Consumer goods
- Digital goods
- Tourism

#### **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/furniture/interior decorating, musical instruments/tickets, cosmetics, pharmaceuticals, and many more.

#### **Digital goods**

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

#### **Tourism**

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

#### **Business with banking services and issuing**

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

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



Income in the Issuing division comprises B2B product lines, such as the Supplier & Commission Payments solution as well as B2C prepaid card products. Contributions to revenues and earnings from the acquisition of the UK prepaid card portfolio from Newcastle Building Society started in December 2011. The takeover has been performed in two phases: In the first phase, Wirecard Card Solutions Ltd., as an outsourcing service provider, took over key functions as part of the Newcastle Building Society's prepaid card business. In the second phase, Wirecard Card Solutions Ltd. took over full control of the business, as it has received its license as an eMoney institution from the UK Financial Services Authority with effect of September 7, 2012.

The Wirecard Group's Issuing business grew slightly better than forecast in the first nine months of the fiscal year.

### **Call Center & Communication Services**

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

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

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

## 2.3. Reporting segments

Wirecard AG reports on its business development in three segments.

### **Payment Processing & Risk Management (PP&RM)**

This reporting segment comprises business activities by Wirecard Technologies GmbH, Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH, Wirecard Sales International GmbH (formerly: Trustpay International GmbH), Wirecard Central Eastern Europe GmbH, Wirecard UK and Ireland Ltd., Wirecard Asia Group (Singapore) and its subsidiaries, Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC) with its registered office in Dubai, United Arab Emirates, and Systems@Work Pte. Ltd. with its registered office in Singapore and its subsidiaries.

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

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

### **Acquiring & Issuing (A&I)**

This reporting segment includes the entire current business activities of Wirecard Bank AG, the newly formed Wirecard Card Solutions Ltd. with its registered office in Newcastle, UK, and Wirecard Acquiring & Issuing GmbH (formerly: Wire Card Beteiligungs GmbH). In addition to acceptance (acquiring) and issuing of credit and prepaid cards, it includes account and payment transaction services for business and private clients.

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

### **Call Center & Communication Services (CC&CS)**

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

## 3. EARNINGS-, FINANCIAL AND ASSET POSITION

### 3.1. Financial performance

During the third quarter 2012, Wirecard AG successfully continued its revenue and income-oriented on-track growth.

#### Revenue growth

In the third quarter 2012, consolidated revenues were up by 20.3 percent to EUR 101,641K (Q3 2011: EUR 84,497K). In the nine-month period 2012 consolidated revenues increased from EUR 232,369K by 20.3 percent to EUR 279,538K.

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

At present and in future the contractual services will continue to be invoiced to the same extent by the Wirecard Group. This change has not impacted Wirecard AG's financial position and results of operations. Payment services now have to be invoiced by Wirecard Bank AG. Technical services and customer support will be provided by local group subsidiaries, as was previously the case.

From May 2011, as a result revenues from external customers have been disclosed in the Acquiring & Issuing segment. These were previously booked in the PP&RM segment.

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

Revenue recorded in the core segment Payment Processing & Risk Management segment stemming from risk management services and processing online payment transactions lifted in the third quarter 2012 due to the transition by 17.4 percent to EUR 75,268K (Q3 2011: EUR 64,139K). In the nine-month period 2012 revenues totaled EUR 193,907K (9M 2011: EUR 190,335K). With the corresponding change assumed on January 1, 2011 (due to a transition in connection with the EU payment services directive), revenues in the nine-month period 2012 in the PP&RM segment would have been up by EUR 22,243K.

The proportion of consolidated revenues accounted for by Acquiring & Issuing increased in the third quarter 2012 by 23.9 percent to EUR 33,143K (Q3 2011: EUR 26,750K), and for the nine-month period 2012 this totaled EUR 102,745K (9M 2011: EUR 73,177K), with the proportion of Issuing of EUR 24,070K for the nine-month period 2012. With the change assumed already on January 1, 2011, revenues in the first nine months of 2012 in the A&I segment would have been up by 29.8 percent.

Income from Acquiring & Issuing in the nine-month period 2012 primarily comprised out of commissions, interest from financial investments and income from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. Customer deposits to be invested by Wirecard Bank and Wirecard Card Solutions (September 30, 2012: EUR 221,649K; September 30, 2011: EUR 98,600K) are held only in sight deposits, overnight or fixed-term deposits and bearer bonds with or held by other banks which meet the credit-worthiness requirements from the group's own risk valuation and - to the extent that third-party ratings are available - are assessed by rating agencies of note as being subject to minimal risk. In addition, the group prepares its own risk valuation for the counterparty.

The interest income recorded by the Acquiring & Issuing segment in the nine-month period 2012 totaled EUR 2,495K (9M 2011: EUR 1,908K), and in the third quarter 2012 this totaled EUR 719K (Q3 2011: EUR 726K) and is presented as revenues. Accordingly, it is not included in the Group's net financial income but is also reported here as revenues. It comprises interest income on investment of own as well as customer funds (deposits and acquiring money) with external banks.

The Call Center & Communication Services segment generated revenues of EUR 3,633K in the period under review, compared with EUR 3,081K in the nine-month period 2011. Revenues in the third quarter 2012 totaled EUR 1,059K (Q3 2011: EUR 1,011K).

#### **Development of key expenditure items**

Other own work capitalized consists primarily of the continued development of the core system for payment processing activities. In this regard, own work is only capitalized if it is subject to mandatory capitalization in accordance with IFRS accounting principles. In the nine-month period 2012 the total own work capitalized amounted to EUR 6,317K (previous year: EUR 5,271K) and in the third quarter 2012 this totaled EUR 2,136K (Q3 2011: EUR 1,836K). It is corporate policy to value assets conservatively and to capitalize them only if this is required in terms of international accounting standards.

The Group's cost of materials increased in the nine-month period 2012 to EUR 160,842K, compared to EUR 135,828K in the previous year. In the third quarter 2012 this totaled EUR 58,325K (Q3 2011: EUR 49,859K). In particular, the cost of materials includes commission payables to banks issuing credit cards (Interchange), charges payable to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-based fees to third party suppliers (e.g. in the field of risk management and acquiring). It also includes expenses for payment guarantees and factoring. In the field of acquiring it comprises commission costs for external distributions.

At the Wirecard Bank, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as Interchange, and primarily processing costs for external services providers, production, personalization and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts. In the nine-month period 2012 the cost of materials, not adjusted for consolidation effects, amounted to EUR 65,844K at Wirecard Bank, compared with EUR 48,572K in the nine-month period 2011.

Gross earnings (revenues including other own work capitalized less cost of materials) increased in the nine-month period 2012 by 22.8 percent, amounting to EUR 125,013K (9M 2011: EUR 101,812K). In the third quarter 2012 gross earnings increased by 24.6 percent to EUR 45,452K (Q3 2011: EUR 36,474K). In the nine-month period 2012, without taking consolidation effects into account, Wirecard Bank generated gross earnings of EUR 25,724K (9M 2011: EUR 24,605K).

Group personnel expenses in the nine-month period 2012 increased to EUR 26,885K, and thus increased by 29.5 percent year-on-year (9M 2011: EUR 20,759K). The consolidated personnel expense ratio lifted by 0.7 percentage points year-on-year, to 9.6 percent. The increase in personnel expenses is due to the acquisitions made in the last year, which also restrict the comparability of this item. Personnel expenses at Wirecard Bank in the nine-month period 2012 amounted to EUR 2,542K (9M 2011: EUR 2,231K).

Other operating expenses essentially comprise expenses on sales and marketing, operating equipment and leasing, consultancy and similar fees, as well as office expenses. In the nine-month period 2012, these amounted to EUR 22,114K in the Wirecard Group (9M 2011: EUR 23,576K), and in the third quarter 2012 these totaled EUR 8,399K (Q3 2011: EUR 6,923K). As a result, in the nine-month period 2012 they amounted to 7.9 percent (9M 2011: 10.1 percent) of revenues or 8.3 percent of revenues in the third quarter 2012 (Q3 2011: 8.2 percent). Of these, without taking consolidation effects into consideration, the Wirecard Bank accounted for EUR 6,877K (9M 2011: EUR 8,173K).

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

Depreciation and amortization in the nine-month period 2012 amounted to EUR 11,891K (9M 2011: 5,849K) and in the third quarter 2012 this totaled EUR 4,267K (Q3 2011: EUR 2,310K). Amortization/depreciation increased in the nine-month period 2012 compared to the same period of the previous year, mostly due to the initial consolidation of Systems@Work Pte. Ltd., Singapore and its subsidiaries and Wirecard Card Solutions Limited, Newcastle (UK) and the acquisition of the assets of NETRADA Payment GmbH. In addition, amortization/depreciation increased by EUR 1,069K as a result of a change in the remaining useful life of some customer relationships, which have been written down over a period of 20 years for the first time since the third quarter of 2011. The share of amortization and depreciation effected at the Wirecard Bank in the nine-month period 2012 amounted to EUR 70K (9M 2011: EUR 57K).

Other operating income comprised primarily income from the reversal of provisions and impairment and in the nine-month period 2012 this totaled EUR 2,114K for the Group as a whole, compared with EUR 1,102K in the previous year. Of this sum, excluding consolidation effects, the Wirecard Bank accounted for EUR 567K (9M 2011: EUR 459K).

### **EBITDA development**

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up in the nine-month period 2012 by 33.4 percent in the Group, including one off expenses in the prior-year period for the relocation of the company's headquarters and the accelerated expansion in Asia, from EUR 58,579K in the previous period to EUR 78,128K. The EBITDA margin in the nine-month period 2012 amounted to 27.9 percent (previous year: 25.2 percent). In the third quarter 2012 EBITDA totaled EUR 28,759K. The corresponding EBITDA margin totaled 28.3 percent.

EBITDA in the Payment Processing & Risk Management segment in the nine-month period 2012 totaled EUR 59,943K, and was thus up by 36.9 percent (9M 2011: EUR 43,770K). In the nine-month period 2012 the Acquiring & Issuing segment accounted for EUR 17,827K of EBITDA (9M 2011: EUR 14,660K), and in the nine-month period 2012 Issuing accounted for EUR 7,936K and in the third quarter 2012 it accounted for EUR 2,947K.

### Financial result

Net financial income in the nine-month period 2012 totaled EUR - 970K (9M 2011: EUR - 1,113K). Group financial expenditure in the nine-month period 2012 amounted to EUR 3,416K (previous year: EUR 1,444K) and resulted primarily from loans taken out for past corporate acquisitions and the revaluation of financial assets. Financial income does not include interest income generated by the Wirecard Bank, which must be reported as revenue in accordance with IFRS accounting principles.

### Taxes

Owing to the international orientation of the business, the cash-to-taxes ratio for the nine-month period 2012 (without deferred taxes) amounted to 17.0 percent (9M 2011: 17.8 percent). Including deferred taxes, the tax rate came to 18.9 percent (previous year: 18.0 percent). As a result of the relocation of major parts of the business from Grasbrunn to Aschheim in 2011, the company has to bear a higher trade tax rate of 11.55 percent (in Grasbrunn: 10.15 percent).

### Profit after taxes

In the nine-month period 2012 earnings after taxes increased from EUR 42,313K in the previous year by 25.1 percent to EUR 52,941K.

### Earnings per share

The number of shares issued on September 30, 2012 was 112,192,241 shares (September 30, 2011: 101,803,139). Earnings per share (basic) in the nine-month period 2012 totaled EUR 0.48 (9M 2011: EUR 0.42).

## 3.2. Financial performance

### Principles and objectives of finance management

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. The Treasury department is responsible for monitoring currency hedges. Following individual inspections, risks are restricted by additional deployment of financial derivatives. As in the previous year, currency options were deployed as financial derivatives to hedge revenues in foreign currencies in the period under review. It has been stipulated throughout the Group that no speculative transactions are entered into with financial derivatives (see Chapter 7.7 Financial Risks of the 2011 annual report).

### Capital and financing analysis

Wirecard AG reports equity of EUR 522,078K (December 31, 2011: EUR 340,887K). Due to the nature of our business, the highest liabilities exist vis-à-vis merchants in the field of credit card acquiring and customer deposit-taking as part of banking operations. These have a

substantial effect on the equity ratio. The commercial banks, which granted Wirecard AG loans as at September 30, 2012 amounting to EUR 57,048K at variable interest rates of between 3.0 and 5.7 percent, do not include these items in the credit agreement concluded in 2011 in equity capital calculations due to the facts and circumstances associated with this particular business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual situation. These banks determine Wirecard AG's equity ratio by dividing the amount of liable equity by total assets. Liable equity is determined by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. If there are any receivables from shareholders or planned distributions, these should also be deducted. Total assets are identified by subtracting customer deposits, the Acquiring funds of Wirecard Bank and the reduction in equity from the audited total assets, and leasing liabilities are added again to these total assets. This calculation gives an equity ratio of 70.5 percent for Wirecard AG (previous year: 66.6 percent).

### Capital expenditure

The criteria for investment decisions in the Wirecard Group are, as a rule: the capital employed, the securing of a comfortable inventory of cash and cash equivalents, the results of an in-depth analysis of both potential risks and the opportunity/risk profile, and finally the type of financing (purchase or leasing). Depending on the type and size of the capital expenditure, the chronological course of investment return flows is taken fully into account. In the period under review, capital expenditure was essentially for further expansion and internationalization. EUR 12,983K was invested in medium-term agreements with sales partners and with PrimaVista. EUR 39,632K was invested in customer portfolios/M&A and in addition in components for the operating payment platform. An investment of EUR 3,427K was made in externally developed and EUR 6,317K in internally created software.

### Liquidity analysis

Current customer deposits are fully due and payable on a daily basis and are reported under Other liabilities (customer deposits) on the equity and liabilities side in Wirecard's consolidated balance sheet. These customer funds are comparable in economic terms with short-term (bank) account loans or overdraft facilities. For customer deposits (on September 30, 2012 these amounted to EUR 221,649K; September 30, 2011: EUR 98,600K) separate accounts have been set up for these funds on the assets side, which may not be used for any other business purposes. Against this backdrop, securities (so-called collared floaters and current interest-bearing securities) with a nominal value of EUR 91,764K (September 30, 2011: EUR 32,773K) are held, and deposits with the central bank, sight and short-term time deposits with credit institutions are maintained in the total amount of the customer deposits of EUR 128,761K (September 30, 2011: EUR 65,827K). These are reported in the Wirecard Group under the balance sheet item "cash and cash equivalents", under non-current "financial and other assets" and under "current interest-bearing securities."



However, they are not included in the financial resource fund. As of September 30, 2012 this totaled EUR 216,936K (previous year: EUR 118,580K).

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

The cash flow from operating activities (adjusted) amounting to EUR 65,254K, clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times.

The interest-bearing liabilities are mostly non-current and fell in the nine-month period 2012 by EUR 28,976K to EUR 57,048K (December 31, 2011: EUR 86,024K). In addition, EUR 17,117K was taken up by guaranteed credits.

### **Asset position**

Assets reported in the balance sheet of Wirecard AG in the nine-month period 2012 increased by EUR 289,891K from EUR 707,059K to EUR 996,950K. In the period under review both the non-current assets and also the current assets increased, the latter increasing from EUR 411,075K to EUR 627,593K. In addition to the capital expenditure last year and the growth in operating business, the changes are primarily due to the consolidation of the assets and liabilities acquired as part of the purchase of Newcastle Building Society's prepaid card portfolio. This has caused various balance sheet items to increase substantially. As a result, the figures can only be compared with prior periods to a limited extent. In particular these include the asset items of receivables and cash and cash equivalents, which correspond to the customer deposits item on the equity and liabilities side. The capital increase caused the current assets to increase, in particular Wirecard's cash and cash equivalents.

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

## 4. GROUP STRUCTURE AND ORGANIZATION

### 4.1. Subsidiaries

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

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

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

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

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

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

The Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC) based in Dubai, United Arab Emirates is specialized in services relating to electronic payment processing, credit card acceptance and the issuing of debit and credit cards. The company has a regional customer portfolio.

Singapore-based Systems@Work Pte. Ltd. and its subsidiaries were acquired in December 2011. Systems@Work Pte. Ltd with its brand TeleMoney is one of the leading technical payment service providers for merchants and banks in the East Asian region. The Group includes the subsidiaries Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) and Safe2Pay Pte. Ltd. (Singapore).

In addition, in December 2011 we also acquired the entire prepaid card issuing business from Newcastle Building Society, United Kingdom via a recently formed British subsidiary of the Wirecard Group, Wirecard Card Solutions Ltd. The Newcastle Building Society's prepaid card portfolio is one of the largest in Europe. The takeover has been performed in two phases: In the first phase, Wirecard Card Solutions Ltd., as an outsourcing service provider, took over key functions as part of the Newcastle Building Society's prepaid card business. In the second phase, Wirecard Card Solutions Ltd. took over full control of the business, as it has received its license as an eMoney institution from the UK Financial Services Authority with effect of September 7, 2012.

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

## 4.2. Management Board and Supervisory Board

The Management Board of Wirecard AG remained unchanged as of September 30, 2012, consisting of three members:

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

The Supervisory Board of Wirecard AG remained unchanged as of September 30, 2012, consisting of three members:

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

The remuneration system for the Management and Supervisory Boards consists of fixed and variable components. Further particulars are documented in Corporate Governance Report of the Annual Report 2011.

### **Directors Dealings**

In accordance with § 15a of the German Securities Trading Act (WpHG) the members of the Board of Management and Supervisory Board of Wirecard AG are required to disclose the acquisition and sale of Wirecard AG shares and related financial instruments. For the period under review, Wirecard AG received the following disclosures which are also published on our Company's website: <http://www.wirecard.com/investorrelations/corporate-governance/directorsdealings/>.

On August 20, 2012 Burkhard Ley exercised his subscription rights to the employee equity participation program based on convertible bonds from 2004 (Stock Option Plan 2004) and acquired 200,000 shares of the company at a price of EUR 8.059 with a total value of EUR 1,612K. On August 21, 2012 Burkhard Ley sold these shares at a price of EUR 16.40 (Frankfurt, OTC) with a total volume of EUR 3,280K.

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

### 4.3. Employees

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

On average during the first nine months of 2012, the Wirecard Group had 599 employees without the Board Members and apprentices (previous year: 479 employees), of which 149 (previous year: 128) were employed part-time.

#### **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 26, 2012 to issue subscription rights to Wirecard AG stock to employees and members of the Board of Management. Accordingly, the company's employees and the members of management and employees at the company's associated companies can be issued shares from authorized capital (Authorized Capital 2012) according to Section 204 (3) of the Aktiengesetz (AktG - German Public Limited Companies Act).

## 5. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

### 5.1. Events of particular importance

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

Wirecard AG published its preliminary financial results for the third quarter of 2012 in an ad hoc disclosure dated October 31, 2012.

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

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

Details can be found online at

<http://www.wirecard.com/investorrelations/financial-news/financialnews/>

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

After the end of the reporting period until publication of the interim report for the third quarter of fiscal year 2012 there were no events which impacted the financial position or financial performance.

## 6. RESEARCH AND DEVELOPMENT/ RISKS AND CHANCES

### 6.1. Research and development

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

### 6.2. Risks and chances

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

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

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

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

As there have been no changes in the intervening period of time please refer to the Annual Report of fiscal 2011, Risk Report for more details. We wish to advise that no risks are present that could endanger the Group as a going concern.

## 7. OUTLOOK

We are taking a positive view of the coming year thanks to our current sales pipeline.

Our Group is continuing to expand its range of products and services in our core business for payment services in Europe and Asia in order to support companies in optimizing their payment processes along their sales channels.

Consumers' increasingly mobile purchasing and payment behavior is playing a key role in the increasing convergence of bricks-and-mortar and online-based retailing. Wirecard AG is an experienced technology partner and moves with the relevant market trends at an early stage. The company's issuing business, which was launched in 2007, is also to be viewed in this context. This business comprises the issue of prepaid cards based on the card platform which we developed in house. The existing technology and the expertise that has been built up are now used in the mobile payments sector. In addition to the provision of mobile wallets on a white label basis, including the associated technical services, Wirecard offers end-to-end card management as well as the issue of virtual or plastic cards with near field communication (NFC) technology.


Telecommunication service providers are establishing new ecosystems by launching contact-less payments. The use of NFC technology is opening-up totally new opportunities for both merchants and customers, which means that it is only a matter of time for this market to become relevant.

We are sticking to our mostly organic growth strategy in our target markets of Europe and Asia, even though we will continue to play an active role in the consolidation of the ePayment market.

The Management Board has added granularity to its previous EBITDA forecast for fiscal year 2012 of EUR 103 to 115 million, to a current forecast of EUR 106 to 113 million.

Aschheim (Munich), November 13, 2012

### Wirecard AG



Dr. Markus Braun



Burkhard Ley

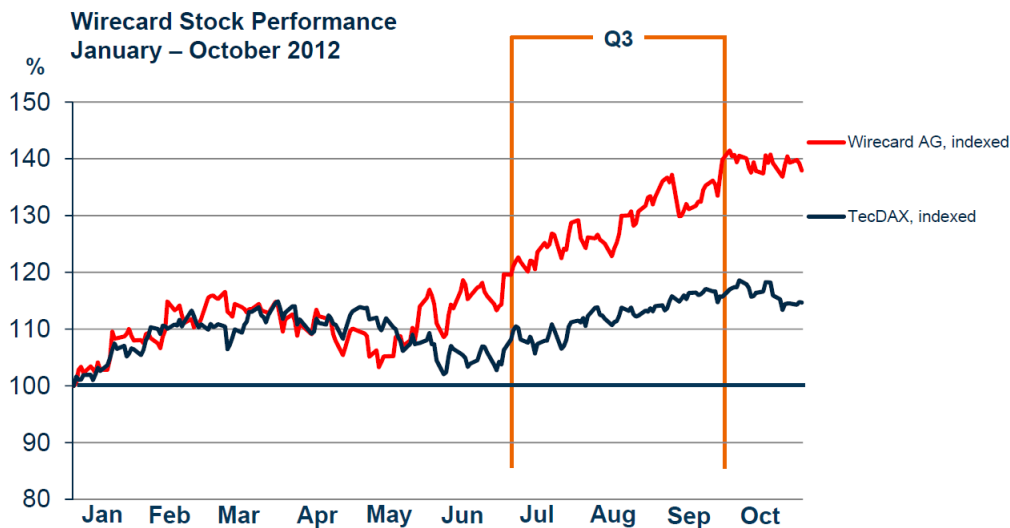


Jan Marsalek



## 8. WIRECARD STOCK

At the end of the third quarter of 2012 the German stock markets had recovered substantially, even though the European debt crisis continued to unsettle the markets. In the third quarter the DAX lifted by 12.5 percent to 7,216 points. The TecDAX climbed to 809 points, and was thus up 8.8 percent. Wirecard's shares were up 16.9 percent during the period under review and once again outperformed the benchmark index TecDAX, and on the last day of trading they closed at a record-breaking high of EUR 17.87. The share recorded its lowest price in the three-month period of EUR 15.28 on July 2, 2012. In total, Wirecard's share price lifted by 43.9 percent in the first nine months of the year.



A total of 16.2 million shares of Wirecard were traded on the electronic trading platform XETRA, which corresponds to an average trading volume of 248,951 shares per day.

**KEY FIGURES WIRECARD STOCK Q3 2012**

		Q3 2012	Q3 2011
Number of shares - all dividend-entitled		112,192,241	101,803,139
Capital stock	EUR K	112,192	101,803
Market capitalization (September 30)	EUR bn	2.0	1.17
Share price (September 30)	EUR	17.87	11.52
Annual high as of September 30	EUR	17.87	13.28
Annual low as of September 30	EUR	12.78	9.43

Stock data: XETRA closing prices

**General Meeting/dividend resolution**

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

All of the agenda items were passed with a majority. Details of the results of voting are available online at:

<http://www.wirecard.com/investorrelations/agm/>

**Investor Relations**

Wirecard AG's Management Board and Investor Relations department are in constant dialog with the company's institutional investors - in individual talks, roadshows and investor conferences. At the end of the period under review, fourteen analysts from well-known banks were monitoring Wirecard's shares.

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

Further information can be found online at: <http://www.wirecard.com/investorrelations>

**BASIC INFORMATION ON WIRECARD STOCK**

Year established:	1999
Market segment:	Prime Standard
Index:	TecDAX
Type of equity:	no-par-value common bearer shares
Stock exchange ticker:	WDI; Reuters: WDIG.DE; Bloomberg: WDI GY
German Securities Code (WKN):	747206
ISIN:	DE0007472060
Authorized capital, in number of shares:	112,192,241
Group accounting category:	exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year:	December 31
Total capital stock as at September 30, 2012:	EUR 112,192K
Beginning of stock market listing:	Oct. 25, 2000
<b>Management Board:</b>	<b>Dr. Markus Braun</b> CEO, CTO
	<b>Burkhard Ley</b> CFO
	<b>Jan Marsalek</b> CSO
<b>Supervisory Board:</b>	<b>Wulf Matthias</b> Chairman
	<b>Alfons W. Henseler</b> Deputy Chairman
	<b>Stefan Klestil</b> Member
Shareholder structure* as at Sept. 30, 2012	(Shareholders with more than 3% of voting rights)
	6% MB Beteiligungsgesellschaft mbH
	6% Jupiter Asset Management Ltd. (UK)
	5% Alken Fund Sicav (LU)
	3% Wasatch Holdings, Inc. (US)
	94% free float (according to Deutsche Börse's definition)

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

**CONSOLIDATED BALANCE SHEET – ASSETS**

in EUR '000s	09/30/2012	12/31/2011
<b>ASSETS</b>		
<b>I. Non-current assets</b>		
1. Intangible assets		
Goodwill	133,184	127,565
Internally generated intangible assets	25,589	21,748
Other intangible assets	19,951	28,530
Customer relationships	112,359	87,570
	<b>291,083</b>	<b>265,413</b>
2. Property, plant and equipment		
Other property, plant and equipment	9,512	2,921
3. Financial and other assets / interest-bearing securities	67,517	26,714
4. Tax credits		
Deferred tax assets	1,245	936
<b>Total non-current assets</b>	<b>369,357</b>	<b>295,984</b>
<b>II. Current assets</b>		
1. Inventories and work in progress	586	779
2. Trade receivables and other receivables	205,636	182,146
3. Tax credits		
Tax refund entitlements	8,430	5,747
4. Interest-bearing securities and fixed deposits	67,196	9,000
5. Cash and cash equivalents	345,745	213,403
<b>Total current assets</b>	<b>627,593</b>	<b>411,075</b>
<b>Total assets</b>	<b>996,950</b>	<b>707,059</b>

**CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES**

in EUR '000s	09/30/2012	12/31/2011
<b>EQUITY AND LIABILITIES</b>		
<b>I. Shareholders' equity</b>		
1. Subscribed capital	112,192	101,803
2. Capital reserve	140,425	11,261
3. Retained earnings	269,391	227,648
4. Foreign currency translation reserve	70	175
<b>Total shareholders' equity</b>	<b>522,078</b>	<b>340,887</b>
<b>II. Liabilities</b>		
1. Non-current liabilities		
Non-current interest-bearing bank liabilities	46,000	85,024
Other non-current liabilities	8,430	12,919
Deferred tax liabilities	10,276	9,344
	<b>64,706</b>	<b>107,287</b>
2. Current liabilities		
Trade payables	147,763	135,428
Current interest-bearing liabilities	11,048	1,000
Other current provisions	1,002	992
Other current liabilities	23,564	15,104
Customer deposits from banking operations	221,649	105,042
Tax provisions	5,140	1,319
	<b>410,166</b>	<b>258,885</b>
<b>Total liabilities</b>	<b>474,872</b>	<b>366,172</b>
<b>Total shareholders' equity and liabilities</b>	<b>996,950</b>	<b>707,059</b>

**CONSOLIDATED INCOME STATEMENT**

in EUR '000s	07/01/2012 - 09/30/2012	07/01/2011 - 09/30/2011
I. Revenues	101,641	84,497
<b>II. Other own work capitalized</b>	<b>2,136</b>	<b>1,836</b>
1. Own work capitalized	2,136	1,836
<b>III. Operating expenses</b>	<b>71,632</b>	<b>58,886</b>
1. Cost of materials	58,325	49,859
2. Personnel expenses	9,040	6,717
3. Amortization and depreciation	4,267	2,310
<b>IV. Other operating income and expenses</b>	<b>- 7,653</b>	<b>- 6,528</b>
1. Other operating income	746	395
2. Other operating expenses	8,399	6,923
<b>Net operating income</b>	<b>24,492</b>	<b>20,919</b>
<b>V. Financial result</b>	<b>295</b>	<b>- 1,079</b>
1. Other financial income	907	- 571
2. Financial expenses	612	508
<b>VI. Profit before taxes</b>	<b>24,787</b>	<b>19,840</b>
<b>VII. Income tax</b>	<b>4,336</b>	<b>3,134</b>
<b>VIII. Profit after taxes</b>	<b>20,451</b>	<b>16,706</b>
Earnings per share (basic)	0.18	0.16
Earnings per share (diluted)	0.18	0.16
Average shares outstanding (basic)	112,076,499	101,803,139
Average shares outstanding (diluted)	112,213,437	101,986,924

38

**CONSOLIDATED  
STATEMENT OF  
COMPREHENSIVE INCOME**

in EUR '000s	07/01/2012 - 09/30/2012	07/01/2011 - 09/30/2011
Profit after taxes	20,451	16,706
Change in exchange differences from translation of operations outside the euro zone	- 75	56
<b>Total comprehensive income</b>	<b>20,376</b>	<b>16,762</b>

**CONSOLIDATED INCOME STATEMENT**

01/01/2012 - 09/30/2012	01/01/2011 - 09/30/2011	in EUR '000s
<b>279,538</b>	<b>232,369</b>	<b>I. Revenues</b>
<b>6,317</b>	<b>5,271</b>	<b>II. Other own work capitalized</b>
6,317	5,271	1. Own work capitalized
<b>199,618</b>	<b>162,436</b>	<b>III. Operating expenses</b>
160,842	135,828	1. Cost of materials
26,885	20,759	2. Personnel expenses
11,891	5,849	3. Amortization and depreciation
<b>- 20,000</b>	<b>- 22,474</b>	<b>IV. Other operating income and expenses</b>
2,114	1,102	1. Other operating income
22,114	23,576	2. Other operating expenses
<b>66,237</b>	<b>52,730</b>	<b>Net operating income</b>
<b>- 970</b>	<b>- 1,113</b>	<b>V. Financial result</b>
2,446	331	1. Other financial income
3,416	1,444	2. Financial expenses
<b>65,267</b>	<b>51,617</b>	<b>VI. Profit before taxes</b>
<b>12,326</b>	<b>9,304</b>	<b>VII. Income tax</b>
<b>52,941</b>	<b>42,313</b>	<b>VIII. Profit after taxes</b>
0.48	0.42	Earnings per share (basic)
0.48	0.41	Earnings per share (diluted)
<b>109,488,193</b>	<b>101,803,139</b>	<b>Average shares outstanding (basic)</b>
109,625,131	101,986,584	Average shares outstanding (diluted)

39

01/01/2012 - 09/30/2012	01/01/2011 - 09/30/2011	
52,941	42,312	Profit after taxes
- 105	1	Change in exchange differences from translation of operations outside the euro zone
52,836	42,313	Total comprehensive income

**CONSOLIDATED CASH FLOW STATEMENT**

in EUR '000s	01/01/2012 - 09/30/2012	01/01/2011 - 09/30/2011
EBIT	66,237	52,730
Gains/Losses from the disposal of non-current assets	- 17	76
Amortization/depreciation/write-ups of non-current assets	11,891	5,849
Impact on foreign currency translation	- 338	- 554
Changes in inventories	193	57
Changes in trade and other receivables	- 23,757	- 41,005
Changes in other assets	- 12,574	1,026
Changes in provisions	- 556	- 457
Changes in non-current liabilities excluding financial liabilities	- 7,004	705
Changes in trade payables	12,374	14,385
Changes in other current liabilities	8,011	1,263
Income taxes paid	- 9,423	- 9,080
Interest paid (excl. interest on loans)	- 228	- 597
Interest received	180	44
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation	- 1,453	- 1,256
<b>Cash flow from operating activities</b>	<b>43,536</b>	<b>23,186</b>
Cash paid for investments in intangible assets and property, plant and equipment	- 35,761	- 8,209
Cash received from the sale of intangible assets and property, plant and equipment	572	34
Cash paid for investments in financial assets and interest bearing securities	- 12,983	0
Cash paid for the acquisition of entities and investments in consolidated entities	- 16,432	- 2,881
<b>Cash flow from investing activities</b>	<b>- 64,604</b>	<b>- 11,056</b>
Cash received from the issue of shares	141,152	0
Cash paid for expenses from the issue of shares	- 2,202	0
Drawdown/redemption of lease liabilities	- 952	0
Cash received from financial liabilities	15,000	15,000
Cash paid for expenses from financial liabilities	- 406	0
Cash paid from repayments of financial liabilities	- 44,024	- 10,000
Dividends paid	- 11,198	- 10,180
Interest paid on loans	- 1,171	- 391
<b>Cash flow from financing activities</b>	<b>96,199</b>	<b>- 5,571</b>
<b>Net change in cash and cash equivalents</b>	<b>75,131</b>	<b>6,559</b>
Adjustments due to currency translation	- 105	1
Adjustments due to consolidation	0	- 16
Financial resources fund at the beginning of period	141,910	112,036
<b>Financial resources fund at the end of period</b>	<b>216,936</b>	<b>118,580</b>



## CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES (ADJUSTED)

in EUR '000s	01/01/2012 - 09/30/2012	01/01/2011 - 09/30/2011
<b>EBIT</b>	<b>66,237</b>	<b>52,730</b>
Gains/losses from the disposal of non-current assets	- 17	76
Amortization/depreciation/write-ups of non-current assets	11,891	5,849
Impact from foreign currency translation	- 579	- 7
Changes in inventories	193	57
Changes in trade receivables and other assets (adjusted)	- 3,191	- 6,594
Changes in provisions	- 556	1,026
Changes in non-current liabilities excluding financial liabilities	- 7,004	- 457
Changes in trade payables (adjusted)	- 87	705
Changes in other current liabilities	8,145	265
Other non-cash income/expenses	0	1,355
Income taxes paid (adjusted)	- 8,277	- 5,034
Interest paid (excl. interest on loans)	- 228	- 597
Interest received	180	44
Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation	- 1,453	- 1,255
<b>Cash flow from operating activities</b>	<b>65,254</b>	<b>48,163</b>

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. In so doing, the capital gains taxes on dividends that were paid or refunded in the respective year are eliminated. This is intended to facilitate the identification and reporting of the cash-relevant portion of the Company's results.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Subscribed capital Nominal value / number of shares issued	Capital reserve	Retained earnings	Foreign currency translation reserve	Total Shareholders' Equity
	EUR '000s / NO.'000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s
<b>Balance as of December 31, 2010</b>	<b>101,803</b>	<b>11,261</b>	<b>176,643</b>	<b>137</b>	<b>289,844</b>
Profit after taxes			42,313		42,313
Dividends paid			- 10,180		- 10,180
Capital increase	0	0			0
Currency translation differences				1	1
<b>Balance as of September 30, 2011</b>	<b>101,803</b>	<b>11,261</b>	<b>208,776</b>	<b>138</b>	<b>321,978</b>
<b>Balance as of December 31, 2011</b>	<b>101,803</b>	<b>11,261</b>	<b>227,648</b>	<b>175</b>	<b>340,887</b>
<b>Profit after taxes</b>			<b>52,941</b>		52,941
<b>Dividends paid</b>			<b>- 11,198</b>		- 11,198
<b>Capital increase</b>	<b>10,180</b>	<b>127,691</b>			137,871
<b>Contingent capital increase (convertible bonds)</b>	<b>209</b>	<b>1,473</b>			1,682
<b>Currency translation differences</b>				<b>- 105</b>	- 105
<b>Balance as of September 30, 2012</b>	<b>112,192</b>	<b>140,425</b>	<b>269,391</b>	<b>70</b>	<b>522,078</b>

# EXPLANATORY NOTES

## Consolidated Financial Statements as of September 30, 2012

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

#### 1.1. Business activities and legal background

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

#### Group of consolidated companies

On September 30, 2012, a total of 22 subsidiaries were fully consolidated. As of September 30, 2011, there were a total of 19 fully consolidated subsidiaries.

#### SUBSIDIARIES OF WIRECARD AG

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

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

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

### Business combinations

#### Assets from NETRADA Payment GmbH

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

The agreed cash purchase price for the assets totaled EUR 2,500K. Depending on the success of the business, an earn-out payment of EUR 500K may have to be paid for 2012. The portfolio generated revenues of EUR 1,976K in 2011 and earnings of EUR -565K. A positive contribution to earnings is forecast for fiscal year 2012, taking synergies into account. The material assets acquired, in addition to the strategic importance, include customer relationships.

The breakdown is as follows:

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

in EUR '000s	Fair value
Goodwill	1,045
Customer relationships	1,823
Other non-current intangible assets	140

### **Prepaid card portfolio of the Newcastle Building Society**

The Wirecard Group reached an agreement with Newcastle Building Society, United Kingdom, on December 16, 2011, to take over this company's entire prepaid card issuing business. Newcastle Building Society's prepaid card portfolio ranks among Europe's largest.

The card portfolio was purchased by a 2011 formed UK subsidiary of the Wirecard Group, Wirecard Card Solutions Limited, Newcastle (United Kingdom). The cash purchase price totaled GBP 7.5 million (around EUR 8.9 million). Depending on the income thrown off by the business, further earn-out payments of up to GBP 1.5 million (approx. EUR 1.8 million) for 2012 and up to GBP 1.0 million (approx. EUR 1.2 million) for 2013 will have to be paid.

The card portfolio has issued approx. 1.5 million prepaid cards in six European countries. The employees in Newcastle will continue to be employed by Wirecard in order to operate the business. As at 31 December 2011 the company had 26 employees. This transaction has reinforced Wirecard AG's position as one of the leading providers on the European prepaid card market.

The acquisition, which took place in two phases, has now been completed as a result of the formal recognition by the Financial Services Authority (FSA) with the issue of a license to act as an eMoney institution.

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

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

Approval by the FSA means that the conditions required for consolidating the company in the financial statements have been fulfilled. As a result, the advance payment is no longer carried, and the assets and liabilities from the purchase price are carried. In addition, the variable components of the purchase price are carried as a liability.

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

**AMOUNTS RECORDED AND FAIR VALUE PER MAIN CATEGORY  
ARISING FROM THE CORPORATE ACQUISITION  
PREPAIDCARD PORTFOLIO NEWCASTLE**

in EUR '000s	Fair value
Cash & cash equivalents	77,352
Goodwill	4,509
Customer relationships	7,326
Other non-current intangible assets	444
Receivables	1,216
Customer deposits	78,568
Shareholders' equity	0

**Acquisition of PT Prima Vista Solusi**

On August 16<sup>th</sup> 2012 Wirecard Group has agreed to purchase all shares in PT Prima Vista Solusi, headquartered in Jakarta, Indonesia, from its shareholders. The considerations in connection with this transaction comprise cash payments in an amount of approximately EUR 39.7 million and earn out-components of up to approx. EUR 4.7 million, dependent on the operational profit of the acquired company in the years 2012 to 2014. It is expected that the acquisition will contribute an amount of approx. EUR 4.0 million to the consolidated operational earnings before interest, taxes, depreciation and amortization (EBITDA) of Wirecard Group in the fiscal year 2013. The closing of the transaction can be expected in the fourth quarter of 2012, subject to the approval of the relevant authorities in Indonesia. By then the payment is accounted as an advanced payment on investments.

The founder and main shareholder of Prima Vista will remain in the management team. Founded in 2002, Prima Vista employs approx. 250 staff and is with more than 130,000 deployed terminals one of the leading payment and technology service providers for financial institutions and retailers in Indonesia.

**1.2. Principals and assumptions used in preparing the financial statements**

**Principles**

The financial statements as at September 30, 2012 were prepared in accordance with IAS 34 (Interim Financial Reporting) with consideration of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by EU. The notes of the consolidated financial statements as at December 31, 2011 also apply accordingly to the present financial statements and should be taken into consideration in connection with the interim financial statements. Any variations from the above are explained below.

## Presentation

The presentation of the Group's Balance Sheet, Income Statement, Cash Flow Statement and Segment reporting was effected in accordance with the consolidated financial statements as at December 31, 2011. The balance sheet, income statement and cash flow statement were presented in EUR thousand for the first time as of September 30, 2012. This helps to make these easier to read. However, this presentation can result in differences between the actual figures and the individual figures disclosed. In addition, rounding can result in differences in the corresponding figures in other tables or in the text.

## Comparability

The comparability with the previous period is limited owing to the first time consolidation in the fourth quarter of 2011 of Systems@Work Pte. Ltd., Singapore, with its subsidiaries, and Wirecard Card Solutions Limited, Newcastle (United Kingdom).

Material changes to individual balance sheet items are primarily due to the consolidation of the assets and liabilities as part of the purchase of Newcastle Building Society's prepaid card portfolio and the Assets from NETRADA Payment GmbH. As a result, the figures can only be compared to a limited extent. In particular these include the asset items of receivables and cash and cash equivalents and the customer deposits item on the equity and liabilities side. In addition, customer relationships totaling EUR 42,775K have been written down since the third quarter 2011 for the first time with a remaining useful life of 20 years, which is why amortization/depreciation increased by EUR 1,069K in the nine-month period 2012.

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

This change has not impacted the Wirecard Group's financial position and results of operations, however the comparability of segment reporting is restricted. Detailed information and reconciliations for comparability are included in Chapter 6.1. Segment Reporting.

## Accounting and valuation methods

In the course of preparing the financial statements as at September 30, 2012, the same accounting and valuation principles were used as for the last consolidated financial statements (December 31, 2011) and in the previous-year period (January 1, 2011 through September 30, 2011) if no other information is provided in the report. For more details please refer to the Annual Report as at December 31, 2011.

## 2. Notes to the consolidated balance sheet assets

### 2.1. 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 (last assessment on December 31, 2011) or if there is an indicator of possible impairment. The recoverable amount of a business segment (cash-generating unit) to which goodwill was assigned is determined on the basis of estimates by management. These take into account the current underlying economic conditions. The Company determines these values using valuation methods based on discounted cash flows.

In the nine-month period 2012, due to the acquisition of the assets of Netrada Payment GmbH and the consolidation of the prepaid card portfolio of Newcastle Building Society, the level of goodwill changed and totaled EUR 133,184K (December 31, 2011: EUR 127,565K) and is disclosed in the following cash-generating units:

#### GOODWILL

in EUR '000s	09/30/2012	12/31/2011
Payment Processing & Risk Management	102,126	101,081
Acquiring & Issuing	30,770	26,196
Call Center & Communication Services	288	288
<b>Total</b>	<b>133,184</b>	<b>127,565</b>

#### Internally-generated intangible assets

In the nine-month period 2012 internally generated software was developed and capitalized in the amount of EUR 6,317K (9M 2011: EUR 5,271K). This relates to software for the Payment Processing & Risk Management and Acquiring & Issuing segment. It is written off using the straight line method over its anticipated useful life. The period in question is ten years.

#### Other intangible assets

Other intangible assets, in addition to the software for the individual workstations, essentially relate to software acquired for and used by the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments. They are written down using the straight line method over the course of their useful lives. This is between three and ten years. In the period under review, this item decreased from EUR 28,530K to EUR 19,951K. This item fell (by the pur-



chase price of EUR 8,999K as a result of the consolidation of Newcastle Building Society's prepaid card portfolio. This was previously carried as an advance payment under this item.

### **Customer relationships**

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. Customer relationships have an amortization period between 3 and 20 years.

During the period under review, this item increased by EUR 24,789K as a result of the acquisitions of companies and portfolios performed and also as a result of the distribution agreements concluded as a result of acquisitions.

## **2.2. Property, plant and equipment**

### **Other property, plant and equipment**

Property plant and equipment comprises office and business equipment. It is stated at cost and depreciated using the straight-line method over its estimated useful life. For computer hardware this period is three to five years and, as a rule, up to ten years for office equipment and furniture. This item includes assets from a lease agreement in the amount of EUR 4,774K, which were recognized in the period under review for the first time. The lease liability is carried correspondingly under other liabilities.

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

## **2.3. Financial and other assets**

Financial and other assets, amounting to EUR 67,517K (December 31, 2011: EUR 26,714K) mostly comprise interest-bearing securities from Wirecard Bank AG that were invested in various interest-bearing securities to improve interest income. These have an original term of four to five years and exclusively bear income based on the money market, however minimum and maximum interest rates have been agreed (so-called collared floaters). These were disclosed under financial and other assets, which is why these reduce the item cash and cash equivalents. It also includes medium-term financing agreements, including for sales partners. In addition, payments in connection with the acquisition of PT Prima Vista Solusi in the amount of EUR 14,500K are carried under this item, and a loan to Prima Vista Solusi of EUR 5,431K to expand its operating business in this location

## 2.4. Tax credits

### **Deferred tax assets**

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

On account of tax assessments up to December 31, 2011, tax notices issued up to the 2010 assessment year and consolidated taxable earnings in the nine-month period 2012, deferred tax assets as at September 30, 2012 amounted to EUR 1,245K following a valuation allowance (December 31, 2011: EUR 936K).

## 2.5. Inventories and work in progress

As at September 30, 2012, the inventories reported, amounting to EUR 586K (December 31, 2011: EUR 779K), merchandise such as, in particular, terminals and debit cards. In addition, customer-specific payment-related software solutions were sold at Systems@Work Pte. Ltd.. Of this total EUR 150K was accounted for as work in progress. Their value was measured in accordance with IAS 2.

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

## 2.6. Trade receivables and other receivables

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

Receivables and liabilities (less commissions and charges) are transitory in nature and subject to substantial fluctuations from one balance sheet date to another. The increase as of September 30, 2012 is due to organic growth and also, mostly, to an increase in receivables from Acquiring due to the balance sheet date. Moreover, cooperation with other acquiring banks in the Asian region and software projects led to an increase in receivables year-on-year for accounting reasons. In addition, comparability is restricted due to the new companies. In particular the consolidation of Newcastle Building Society's prepaid card portfolio caused this item to increase. As a result of the business model, after first-time consolidation for the NBS prepaid card portfolio there may also be fluctuations caused by cut-off dates in future. On the balance sheet date, this item increased by EUR 6,151K as a result of Wirecard Card Solutions Ltd..

## 2.7. Tax credits

As at September 30, 2012, the tax credits reported included tax refunds amounting to EUR 7,692K (December 31, 2011: EUR 5,570K). In addition, as at September 30, 2012, there were VAT refund claims amounting to EUR 738K (December 31, 2011: EUR 177K).

## 2.8. Fixed interest securities and fixed-term deposits

To improve its interest income, apart from investing in various interest-bearing securities, Wirecard Group also invested in fixed-term deposits. All of the investments are only concluded with banks or counterparties which meet the creditworthiness requirements from the group's own risk valuation and - to the extent that third-party ratings are available - are assessed by rating agencies of note as being subject to minimal risk. Fixed-term deposits with a term of more than three months are carried under interest-bearing securities and fixed-term deposits; for this reason, it reduces the level of cash and cash equivalents accordingly. Fixed-term deposits with a term of up to three months are carried under cash and cash equivalents.

## 2.9. Cash and cash equivalents

The item Cash and cash equivalents (September 30, 2012: EUR 345,745K; December 31, 2011: EUR 213,403K) lists cash in hand and credit balances with banks (sight and time deposits with terms of up to three months and overnight [call] money). These also include resources from current customer deposits of Wirecard Bank AG (September 30, 2012: EUR 128,761K; December 31, 2011: EUR 71,493K) and funds derived from Wirecard Bank AG's acquiring business. To improve its interest income, Wirecard Bank AG invested parts of the customer deposits in various short, medium and long-term bearing securities and fixed-term deposits (so-called collared floaters and interest-bearing securities). These are disclosed under non-current financial and other assets and other current interest-bearing securities. Excluding the purchase of these instruments, the item cash and cash equivalents would have been higher by a total of EUR 91,764K.

The strong increase in cash and cash equivalents is due to factors including the consolidation of the Newcastle Building Society's prepaid card portfolio (EUR 77,352K) and also a capital increase which Wirecard AG successfully placed with institutional investors at a price of EUR 13.70 on March 8, 2012.

As a result, Wirecard received net proceeds of EUR 137,268K. This was used to repay financial liabilities in the amount of EUR 28,976K.

### 3. Notes to the consolidated balance sheet equity and liabilities

As regards the development of consolidated equity for the nine-month period 2012, further particulars in addition to the following explanations are provided in the table “Consolidated statement of changes in equity”.

#### 3.1. Subscribed capital

Subscribed capital increased after the capital increase performed on March 8, 2012 and entered in the commercial register on March 9, 2012 by EUR 10,180,313.00. In addition, this increased by EUR 209K as a result of the conversion of convertible bonds from the 2004 employee participation program. As at September 30, 2012 it totaled EUR 112,192K and comprises 112,192,241 no-par-value bearer shares based on a notional common stock of EUR 1.00 per share.

#### **Authorized capital**

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

As a result of this resolution, the authorized capital 2009/I no longer exists.

#### **Contingent capital**

Due to the fact that conversions took place during the nine-month period 2012, the level of contingent capital (contingent capital 2004 was reduced to EUR 789K in the reporting period (December 31, 2011: EUR 998K).

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

The share capital has been conditionally increased by up to EUR 25,000K comprising 25 million bearer shares (Conditional Capital 2012). The conditional capital increase is only performed to the extent that the bearers of the convertible bonds or bonds with warrants issued by the company or its indirect or direct majority participations as a result of the authorization resolved by the General Meeting on June 26, 2012 actually use their conversion or option rights up to June 25, 2017 or how the holders of the convertible bonds who have a conversion requirement for the convertible bonds to be issued by the company or its direct or indirect majority participations fulfill their requirement for conversion by June 25, 2017.

### **Purchase of treasury stock**

By a resolution adopted at the Annual General Meeting on June 17, 2010, the Management Board is authorized to acquire up to 10 percent of the capital stock of Wirecard AG existing at the time of the resolution. This authorization is valid until June 16, 2015.

Until September 30, 2012, the Board of Management did not make use of its authority to acquire and utilize treasury shares in accordance with Section 71 (1) No. 8 of AktG).

54

## **3.2. Capital reserve**

On March 7, 2012, Wirecard AG resolved a capital increase for 10,180,313 new shares. These were successfully placed with institutional investors at a price of EUR 13.70. Wirecard thus obtained a premium of EUR 129,290K. This is offset by directly allocable transaction costs of EUR 2,202K, which are reduced by all of the associated income tax advantages, with the result that the premium is offset by an amount of EUR 1,599K. In addition, as a result of the conversion of convertible bonds, a premium of EUR 1,473K was included in the capital reserve. As a result, the share premium increased during the period under review by EUR 129,164K and on September 30, 2012 it thus totaled EUR 140,425K.

## **3.3. Retained earnings**

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

### 3.4. Non-current liabilities

Non-current liabilities break down into non-current interest-bearing liabilities, other non-current liabilities and deferred tax liabilities.

#### **Non-current interest-bearing liabilities**

Interest-bearing liabilities were partially repaid on schedule in the second quarter. As a result, non-current interest-bearing liabilities fell to EUR 46,000K; December 31, 2011: EUR 85,024K).

#### **Other non-current liabilities**

Other non-current liabilities on September 30, 2012 mostly comprise the non-current portion of the earn-out components as part of the purchase of the Systems@Work Group on the amount of EUR 3,147K (December 31, 2011: EUR 12,135K) and in the amount of EUR 1,165K for the prepaid card portfolio, which are due in 2014. In addition, on September 30, 2012 this item included lease liabilities in the amount of EUR 3,467K (December 31, 2011: EUR 0K) and EUR 198K (December 31, 2011: EUR 332K) in (convertible) bonds.

The part of the earn-out component of EUR 10,018K, which will become due as part of the purchase of the Systems@Work Group in the first half of 2013, has been reclassified to current.

#### **Deferred tax liabilities**

Deferred tax liabilities, amounting to EUR 10,276K (December 31, 2011: EUR 9,344K) related to temporary differences between the tax base and the consolidated financial statements according to IFRS and are reported under non-current liabilities.

### 3.5. Current liabilities

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

#### **Trade payables**

Trade payables are owed chiefly to online traders (merchants). A total of EUR 135,217K is due to Wirecard Bank AG.

**Interest-bearing liabilities**

Interest-bearing liabilities, amounting to EUR 11,048K (December 31, 2011: EUR 1,000K) mostly include loans, of which EUR 10,000K is due in the first half of 2013 and EUR 1,000K in the fourth quarter of 2012.

**Other provisions**

Provisions are generally current in nature and are expected to be consumed within one year. Other current provisions amounting to EUR 1,002K (December 31, 2011: EUR 992K ) include financial statement and other auditing costs of EUR 582K as the largest single item (December 31, 2011: EUR 508K).

**Other liabilities**

Other liabilities, amounting to EUR 23,564K (December 31, 2011: EUR 15,104K) include EUR 7,328K (December 31, 2011: EUR 6,051K) of accrued liabilities, EUR 1,486K (December 31, 2011: EUR 0K) as current lease liabilities, and EUR 12,360K (December 31, 2011: EUR 1,868K) as current purchase price liabilities from variable remuneration for M&A transactions. In addition, the item includes liabilities from payment transactions, wages and salaries, social security and similar.

**Customer deposits from banking operations**

This line item included customer deposits amounting to EUR 221,649K (December 31, 2011: EUR 105,042K) with Wirecard Bank AG and with Wirecard Card Solutions Ltd..

In particular the consolidation of Newcastle Building Society's prepaid card portfolio caused this item to increase. Customer deposits on prepaid cards of EUR 78,568K were taken over. These are offset by cash, or current other receivables.

**Provisions for taxes**

Tax provisions essentially relate to provisions set up for income taxes for foreign companies.



## 4. Notes to the consolidated income statement

### 4.1. Revenues

Consolidated revenues (EUR 279,538K) in the nine-month period 2012 are generated in the “Call Center & Communication Services“, “Payment Processing & Risk Management“ divisions as well as the proceeds generated from commission payments of the “Acquiring & Issuing” division. In addition, in the period under review the interest income generated by the Acquiring & Issuing segment (EUR 2,495K) according to IAS 18.5(a) is carried under revenues. A detailed breakdown of revenues is shown under segment reporting.

### 4.2. Cost of materials

The cost of materials essentially comprises charges of the credit card issuing banks (Interchange), charges to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (e.g. in the field of Risk Management services and Acquiring). Transaction-related charges, revenues from purchases of receivables and from payment guarantees arise in the course of risk management activities. In the field of Acquiring, intermediary commissions are also recorded for external sales activities.

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

### 4.3. Personnel expenses

Der Personnel expenses in the nine-month period 2012 totaled EUR 26,885K (9M 2011: EUR 20,759K) and were composed of salaries totaling EUR 23,919K (9M 2011: EUR 18,469K) and social security in the amount of EUR 2,966K (9M 2011: EUR 2,290K).

In the nine-month period 2012, the Wirecard Group had an average of 599 employees (previous year: 479 employees (excluding the Board of Management and apprentices). Of this total 149 (9M 2011: 128) were employed part time. Of the 599 employees, 17 (9M 2011: 17) were employed as management board members / general managers of a subsidiary.

These employees were engaged in the following functions:

#### **EMPLOYEES**

	<b>9M 2012</b>	<b>9M 2011</b>
Sales	<b>119</b>	92
Administration	<b>118</b>	99
Customer service	<b>182</b>	156
Research/Development and IT	<b>180</b>	132
<b>Total</b>	<b>599</b>	<b>479</b>
<b>of which part-time</b>	<b>149</b>	<b>128</b>

#### 4.4. Depreciation/amortization

Depreciation and amortization in the nine-month period 2012 amounted to EUR 11,891K (9M 2011: EUR 5,849K). Amortization/depreciation increased in the nine-month period 2012 compared to the same period of the previous year, mostly due to the initial consolidation of Systems@Work Pte. Ltd., Singapore and its subsidiaries and Wirecard Card Solutions Limited, Newcastle (UK) and the acquisition of the assets of Netrada Payment GmbH. In addition, amortization/depreciation increased by EUR 1,069K as a result of a change in the remaining useful life of some customer stocks, which have been written down over a period of 20 years for the first time since the third quarter of 2011.

#### 4.5. Other operating income

Other operating income in the amount of EUR 2,114K (9M 2011: EUR 1,102K) essentially consists of income from reversal of provisions, the revaluation of receivables or netted remunerations in kind.

## 4.6. Other operating expenses

Breakdown of other operating expenses:

### OTHER OPERATING EXPENSES

in EUR '000s	9M 2012	9M 2011
Legal and financial statement costs	2,366	1,656
Consulting expenses and consulting-related expenses	3,852	3,692
Office expenses	3,269	2,729
Equipment and leasing	3,832	4,029
Sales and marketing	3,463	2,556
Other	5,332	8,914
<b>Total</b>	<b>22,114</b>	<b>23,576</b>

## 4.7. Financial result

Net financial income totaled EUR - 970K (9M 2011: EUR - 1,113K). Expenses, amounting to EUR 3,416K, included EUR 3,179K in interest (9M 2011: EUR 999K), and currency-related expenses of EUR 101K (9M 2011: EUR 254K), which was offset by currency-related income of EUR 6K (9M 2011: EUR 2K). In the nine-month period 2012 financial assets were amortized in the amount of EUR 136K (9M 2011: EUR 191K). In addition, EUR 552K (9M 2011: EUR 329K) in interest income and EUR 1,888K (9M 2011: EUR 0K) was recorded from income from securities and loans, resulting in financial income being recorded in the amount of EUR 2,446K (9M 2011: EUR 331K).

Interest income in the Acquiring & Issuing segment in the amount of EUR 2,495K (9M 2011: EUR 1,908K) is not disclosed under the financial result, but under revenues. Please refer to Chapter 4.1. Revenues and 6.1. Segment reporting.

## 4.8. Income tax expense and deferred taxes

The consolidated income statement for the nine-month period 2012 includes income tax expenses of EUR 12,326K. Essentially, these related to the income tax burdens determined for the Group member companies on the basis of the tax calculations for the nine-month period 2012. In addition, these related to the change in deferred tax liabilities in the amount of EUR 932K and the change in deferred tax assets in the amount of EUR 293K.

The cash-relevant tax rate (excluding deferred taxes) amounted to 17.0 percent (9M 2011: 17.8 percent). Including deferred taxes, the tax rate came to 18.9 percent (9M 2011: 18.0 percent).

## 5. Notes to the consolidated cash flow statement

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

### **Method used to measure cash and cash equivalents**

For purposes of the cash flow statement, a cash fund is used, consisting of cash and cash equivalents. Cash includes cash in hand and sight or demand deposits.

Cash equivalents comprise current, extremely liquid financial investments that can be converted at any time at short notice into certain amounts of cash and are only subject to negligible fluctuations in value.

As at September 30, 2012, and September 30, 2011 the Company had both cash and cash equivalents in its books.

### **Reconciliation to financial resources to IAS 7.45**

The balance of financial resources at the end of the period includes cash in hand and bank balances included in the line item cash and cash equivalents (September 30, 2012: EUR 345,745K; September 30, 2011: EUR 184,489K), less current (immediately due and payable) liabilities to banks (September 30, 2012: EUR 48K; September 30, 2011: EUR 82K) included in the item current, interest-bearing liabilities. In addition, the financial resources corresponding to the current customer deposits from banking operations (September 30, 2012: EUR 128,761K; September 30, 2011: EUR 65,827K) were deducted according to IAS 7.22 or were included as a reduction in financial resources.

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

On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes.

With the exception of cash in transit, securities (so-called collared floaters and current interest-bearing securities and fixed-term deposits) with a nominal value of EUR 91,764K are held, and deposits with the central bank, sight and short-term time deposits with banks are maintained in the total amount of the customer deposits of EUR 128,761K. These are reported in the Wirecard Group under the balance sheet item "Cash and cash equivalents", under non-current "financial and other assets" and under "current interest-bearing securities".

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

### CASH AND CASH EQUIVALENTS

in EUR '000s	09/30/2012	09/30/2011
Cash and cash equivalents	345,745	184,489
Current interest-bearing liabilities	- 11,048	- 1,082
of which, current liabilities to bank	- 48	- 82
<b>Reconciliation to cash and cash equivalents</b>	<b>345,697</b>	<b>184,407</b>
of which, current customer deposits from banking operations	- 128,761	- 65,827
of which, Acquiring deposits in Wirecard Bank AG	- 73,991	- 52,521
<b>Financial resources fund at the end of period</b>	<b>216,936</b>	<b>118,580</b>

61

## 5.1. 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. In so doing, the capital gains taxes on dividends that were paid or refunded in the respective year are eliminated. The previous year cash flow was retrospective adapted. These addenda help to identify and present the cash-relevant portion of the Company's result.

The item Elimination of purchase price liabilities and adjustments to net working capital from initial consolidation reflects necessary adjustments e.g. due to investments as well as the effects of the first-time consolidation. This item also reflects the deduction of the relevant

residual purchase price liabilities from the item Increase/decrease in other current liabilities that do not relate to the cash flow from current business activities.

The cash flow from operating activities is determined according to the indirect method by initially adjusting Group earnings to eliminate non-cash transactions, accruals, deferrals or provisions relating to past or future cash receipts or payments as well as income and expense items to be allocated to the field of investments or finance. After taking the changes to net current assets into account, this results in an inflow/outflow of funds from current business operations. The inflow/outflow of funds from operating activities is determined by adding the company's interest and tax payments.

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

The unadjusted cash flow from operating activities grew from EUR 23,186K in the nine-month period 2011 to EUR 43,536K in the nine-month period 2012, essentially attributable to the special system used in the Acquiring division, which is impacted by cut-off date effects of a transitory nature inherent in the Company's business model. The cash flow from operating activities (adjusted) amounts to EUR 65,254K (9M 2011: EUR 48,163K).

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

## 5.2. Cash flow from investing activities

The cash flow from investment activities is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The cash flow from investment activities in the nine-month period 2012 totaled EUR 64,604K (9M 2011: EUR 11,056K).

The following are essentially affected by this:

### **SUBSTANTIAL CASH OUTFLOWS FOR INVESTMENTS**

in EUR '000s

M&A transactions and acquisition of customer relationships	<b>39,632</b>
Internally generated intangible assets	<b>6,317</b>
Medium-term financing-agreements with sales partners and Prima Vista, (Indonesia)	<b>12,983</b>
Other intangible assets (software)	<b>3,427</b>
Property, plant and equipment	<b>2,817</b>

### 5.3. Cash flow from financing activities

In the present report, interest paid and interest received are reported separately. In the process, interest immediately related to financing is assigned to the cash flow from financing activities, and all other to the cash flow from operating activities.

On March 7, 2012, Wirecard AG resolved a capital increase for 10,180,313 new shares. These were successfully placed with institutional investors at a price of EUR 13.70 on March 8, 2012. As a result of the capital increase, gross proceeds from the issue of around EUR 137,268K accrued to the Company. Interest-bearing liabilities were partially repaid on schedule in the second quarter in the amount of EUR 44,024K with EUR 15,000K new interest bearing bank loans.

Furthermore the cash flow from financing activities in the nine-month period 2012 related to the dividend disbursement in the amount of EUR 11,198K (9M 2011: EUR 10,180K).

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

Taking into account this net cash provided/used(9M 2012: EUR 75,131K; 9M 2011: EUR 6,559K), the exchange-rate related changes (9M 2012: EUR 105K; 9M 2011: EUR 1K) and changes in the cash and cash equivalents due to the group of consolidated companies (9M 2012: EUR 0K; 9M 2011: EUR 16K) and the cash and cash equivalents at the start of the period (9M 2012: EUR 141,910K; 9M 2011: EUR 112,036K), there are cash and cash equivalents at the end of the period in the amount of EUR 216,936K (September 30, 2011: EUR 118,580K).

## 6. Other notes

### 6.1. Segment reporting

Reportable segments are determined in accordance with an internal reporting. Apart from revenues, EBITDA is also used as an internal measurement criterion, which is why EBITDA is also reported as the segment result. The settlement of services between the segments is made on the basis of third-party comparisons. Within the scope of internal reporting to the main decision-makers, balance-sheet items, interest and taxes are not reported at segment level.

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, Wirecard Acquiring & Issuing GmbH and Wirecard Card Solutions Ltd.

**Payment Processing & Risk Management** (PP&RM) is the largest segment for the Wirecard Group. This division accounts for all products and services for electronic payment processing and risk management.

The **Acquiring & Issuing** (A&I) segment completes and extends the value added chain of the Wirecard Group with the financial services provided via Wirecard Bank AG, the newly formed Wirecard Card Solutions Ltd. and the financial services offered via Wirecard Acquiring & Issuing GmbH. In the business segment Acquiring, merchants are offered statements of credit card revenues for online and terminal payments.

In addition, traders can process their transaction-oriented payment transactions in numerous currencies via accounts kept with Wirecard Bank AG.

In the field of Issuing, prepaid cards are issued to private customers and to business clients, with end customers also being offered current (giro) accounts combined with prepaid cards and ec/Maestro cards.

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

In addition, information is provided on geographical regions according to production locations. These are broken down into three segments. The segmentation "Europe" contains Wirecard (Gibraltar) Ltd. and the companies Wirecard Payment Solutions Holdings Ltd.,



Dublin (Ireland), along with its subsidiaries and Wirecard Card Solutions Ltd., Newcastle (United Kingdom) and Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria). In the segment "Other Countries", the company cardSystems FZ-LLC, Dubai (United Arab Emirates) Wirecard Processing FZ LLC (formerly: Procard Services FZ LLC), Dubai (United Arab Emirates) and Wirecard Asia Pte. Ltd. (Singapore), and Systems@Work Pte. Ltd. (Singapore) are included together with their subsidiaries. The segment "Germany" includes all other companies within the Wirecard Group.

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

At present and in future the contractual services will continue to be invoiced to the same extent by the Wirecard Group. This change has not impacted Wirecard AG's financial position and results of operations. Payment services now have to be invoiced by Wirecard Bank AG. Technical services and customer support will be provided by local group subsidiaries, as was previously the case.

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

Revenues with other business segments within the Group (consolidations) have also changed as a result. The changes have resulted in lower revenues in the PP&RM segment and higher revenues in the A&I segment. The change will not impact consolidated revenues and the profitability of the Group and the individual segments.

This transition also impacts the geographic breakdown, as revenues that are recorded by Wirecard's local European facilities are partially incurred in Germany, where Wirecard Bank AG has its registered office.

The "as if" information included in the additional tables in the following sections eases comparison. These represent the prior periods as if the contractual transition had also taken place in 2011.

**REVENUES BY OPERATING DIVISIONS**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Payment Processing & Risk Management (PP&RM)	193,907	190,335	75,268	64,139
Acquiring & Issuing (A&I)	102,745	73,177	33,143	26,750
Call Center & Communication Services (CC&CS)	3,633	3,081	1,059	1,011
	<b>300,285</b>	<b>266,593</b>	<b>109,470</b>	<b>91,900</b>
Consolidation PP&RM	- 18,764	- 11,220	- 7,173	- 6,555
Consolidation A&I	- 740	- 22,032	- 270	- 536
Consolidation CC&CS	- 1,243	- 972	- 386	- 312
<b>Total</b>	<b>279,538</b>	<b>232,369</b>	<b>101,641</b>	<b>84,497</b>

**REVENUES BY OPERATING DIVISIONS (AS IF)**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Payment Processing & Risk Management	193,907	171,664	75,268	64,139
Acquiring & Issuing	102,745	79,185	33,143	26,750
Call Center & Communication Services	3,633	3,081	1,059	1,011
	<b>300,285</b>	<b>253,930</b>	<b>109,470</b>	<b>91,900</b>
Consolidation PP&RM	- 18,764	- 17,228	- 7,173	- 6,555
Consolidation A&I	- 740	- 3,361	- 270	- 536
Consolidation CC&CS	- 1,243	- 972	- 386	- 312
<b>Total</b>	<b>279,538</b>	<b>232,369</b>	<b>101,641</b>	<b>84,497</b>

**EBITDA BY OPERATING DIVISIONS**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Payment Processing & Risk Management	59,943	43,770	23,074	18,888
Acquiring & Issuing	17,827	14,660	5,607	4,465
Call Center & Communication Services	388	149	73	- 124
	<b>78,158</b>	<b>58,579</b>	<b>28,754</b>	<b>23,229</b>
Consolidation	- 30	0	5	0
<b>Total</b>	<b>78,128</b>	<b>58,579</b>	<b>28,759</b>	<b>23,229</b>

**REGIONAL REVENUE BREAKDOWN**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Germany	143,204	146,180	48,045	53,798
Europe	132,886	94,195	50,861	32,116
Other countries	13,088	4,673	6,179	2,154
	<b>289,178</b>	<b>245,048</b>	<b>105,085</b>	<b>88,068</b>
Consolidation Germany	- 4,502	- 10,083	- 1,576	- 1,925
Consolidation Europe	- 5,123	- 2,596	- 1,864	- 1,646
Consolidation Other countries	- 15	0	- 4	0
<b>Total</b>	<b>279,538</b>	<b>232,369</b>	<b>101,641</b>	<b>84,497</b>

**REGIONAL REVENUES (AS IF)**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Germany	143,204	147,134	48,045	53,798
Europe	132,886	91,771	50,861	32,116
Other countries	13,088	4,673	6,179	2,154
	<b>289,178</b>	<b>243,578</b>	<b>105,085</b>	<b>88,068</b>
Consolidation Germany	- 4,502	- 7,659	- 1,576	- 1,925
Consolidation Europe	- 5,123	- 3,551	- 1,864	- 1,646
Consolidation Other countries	- 15	0	- 4	0
<b>Total</b>	<b>279,538</b>	<b>232,368</b>	<b>101,641</b>	<b>84,497</b>

**EBITDA BY REGIONS**

in EUR '000s	9M 2012	9M 2011	Q3 2012	Q3 2011
Germany	30,344	29,281	8,644	10,676
Europe	44,756	29,714	17,919	11,569
Other countries	3,016	- 416	2,191	984
	<b>78,116</b>	<b>58,579</b>	<b>28,754</b>	<b>23,229</b>
Consolidation	12	0	5	0
<b>Total</b>	<b>78,128</b>	<b>58,579</b>	<b>28,759</b>	<b>23,229</b>

## 7. Additional mandatory disclosures

### 7.1. Management Board

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

**Dr. Markus Braun**, commercial computer scientist, member of the Management Board since October 1, 2004

CEO, Chief Technology Officer

**Burkhard Ley**, banker, member of the Management Board since January 1, 2006

Chief Financial Officer

Other supervisory board mandates: Backbone Technology AG, Hamburg (Germany)

**Jan Marsalek**, computer scientist, member of the Management Board since February 1, 2010

Chief Sales Officer

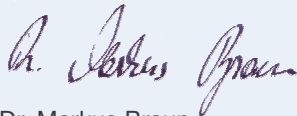
68

### 7.2. Events after the balance sheet date

Events after the balance-sheet date, providing additional information on the Company's position as at the balance-sheet date (events required to be taken into account) have been included in the consolidated financial statements. Events not to be taken into account after the balance-sheet date are reported in the Notes if material in nature. However no such events had occurred.

Aschheim (Munich), November 13, 2012

#### Wirecard AG



Dr. Markus Braun



Burkhard Ley



Jan Marsalek

## PUBLICATION DETAILS

### Published by

#### **Wirecard AG**

Einsteinring 35, D-85609 Aschheim, Germany

Phone: +49 (0) 89 / 4424 - 1400

Fax: +49 (0) 89 / 4424 - 1500

Mail: [kontakt@wirecard.com](mailto:kontakt@wirecard.com)

### Financial calendar

Please visit our website to find news and events in the Investor Relations section:

<http://www.wirecard.com/investorrelations>

69

#### **Wirecard AG**

Investor Relations

Einsteinring 35, D-85609 Aschheim, Germany

Phone: +49 (0) 89 / 4424 - 1424

Mail: [ir@wirecard.com](mailto:ir@wirecard.com)

This report is drawn up in the German language; translations into other languages are made only for information purposes. In the event that the versions should diverge, the German version shall be authoritative.