

A N N U A L R E P O R T 2 0 0 8

WIRECARD

N E W P E R S P E C T I V E S

wirecard

KEY FIGURES


■ WIRECARD GROUP

		2008	2007
Sales revenues	TEUR	196,790	134,168
EBIT	TEUR	49,018	33,089
Earnings per share (diluted)	EUR	0.41	*0.30
Shareholders' equity	TEUR	206,955	163,888
Total assets	TEUR	420,949	397,667
Cash flow on ordinary trading activity (adjusted by transaction volume of transitory nature)	TEUR	41,433	27,404
Employees		442	459
of which part-time		114	137

* Taking into account the capital increase from company funds

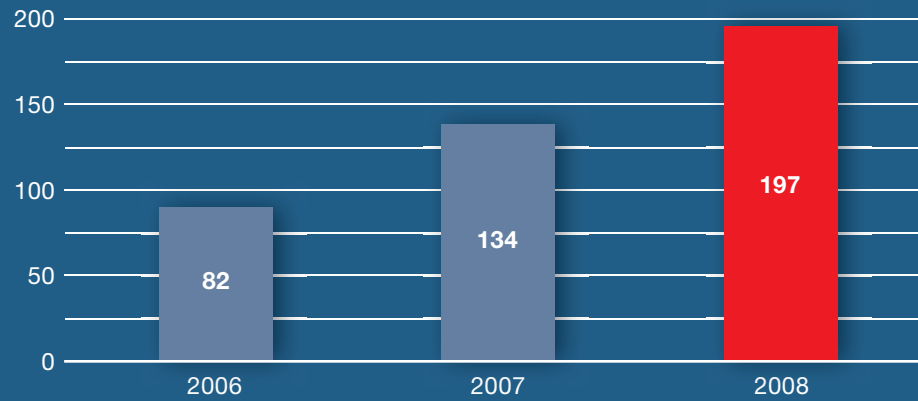
■ SEGMENTS

			2008	2007
Payment Processing & Risk Management	Sales revenues	TEUR	185,089	123,134
	EBIT	TEUR	34,254	26,343
Acquiring & Issuing	Sales revenues	TEUR	41,717	20,815
	EBIT	TEUR	15,090	6,097
Call Center & Communication Services	Sales revenues	TEUR	4,332	6,571
	EBIT	TEUR	-434	570
Consolidation	Sales revenues	TEUR	-34,348	-16,352
	EBIT	TEUR	108	79
Total	Sales revenues	TEUR	196,790	134,168
	EBIT	TEUR	49,018	33,089

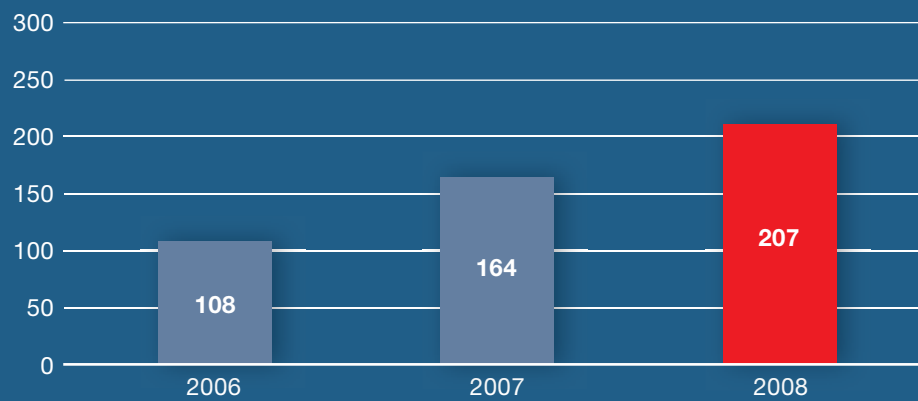


WIRECARD AG continued its successful development in 2008, in the context of a global E-commerce that remains highly dynamic. Innovative solutions for the entire value added chain of Internet trade are more in demand than ever. Additional impetus is generated with the opening of new international markets and the development of new product worlds. In an overall economic environment that is rich in challenges, Wirecard AG is laying the foundations for future growth.

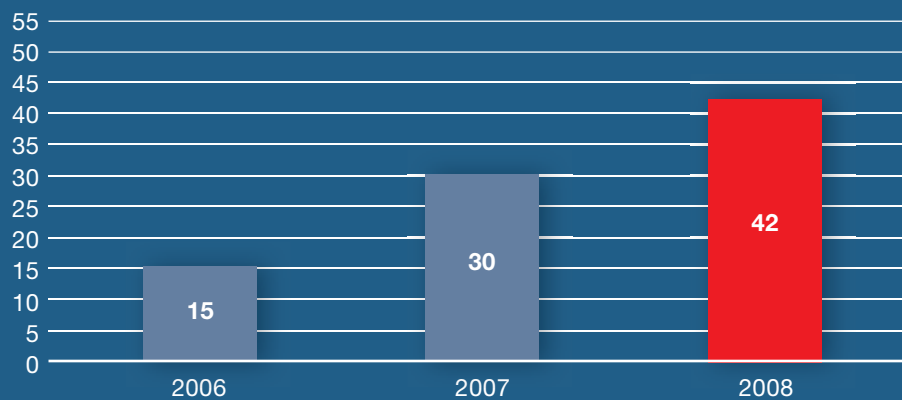
SALES ▶ € million



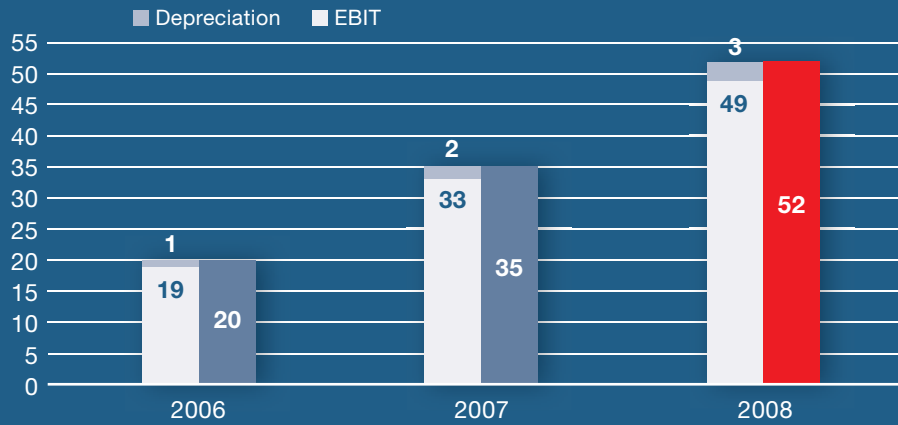
SHAREHOLDERS' EQUITY ▶ € million



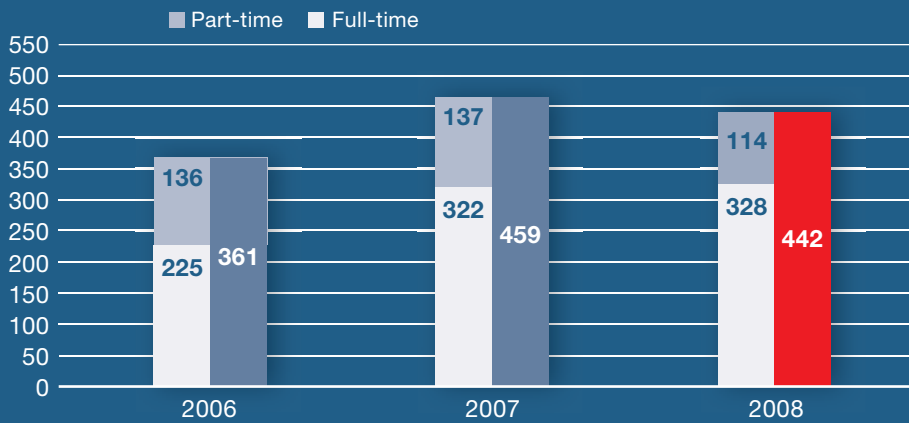
NET INCOME ▶ € million



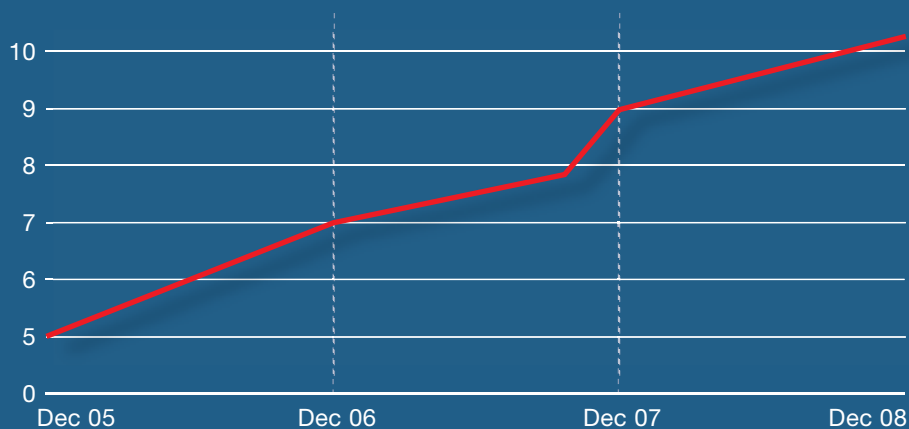
EBITDA € million



EMPLOYEES



BUSINESS CUSTOMER DEVELOPMENT THOUSAND





NEW PERSPECTIVES

▶▶ Using illustrations by the artist Tina Berning, Wirecard AG is taking a fresh look at the services it provides. **20**

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Dr. Markus Braun
CEO

Rüdiger Trautmann
COO

Burkhard Ley
CFO

Dear shareholders,

A year of successful and highly eventful operations lies behind us.

In 2008 we once again managed to achieve our growth targets, even though the overall economic situation deteriorated in the second half of the year.

Group sales revenues, at 196.8 million euros, exceeded the previous year's result by 47 percent. Earnings before interest and taxes were up by 48 percent, from 33.1 million euros in the previous year to 49 million euros in 2008. Earnings per share rose from 0.30 euros to 0.41 euros.

Dear shareholders, based on the good results we would like to offer you in the General Annual Meeting 2009 for the first time to distribute a dividend of 0.08 Euro per share.

ONGOING GOOD MARKET TRENDS

Wirecard's good corporate development in fiscal 2008 was essentially based on the unchanged growth in the level of E-commerce in our target markets, Europe and Asia.

This led to a substantial rise in sales revenues of our customer base along with a sustained, positive trend in the volume of new customers acquired. In addition to the general trend in the direction of business processes being shifted from the offline to the online community, in difficult economic times all companies are required to put cost and efficiency optimization measures to the test. This has an immediate impact on the decision to outsource non-strategic business divisions to specialists.

However, not only the good market development and the trend in favor of outsourcing have been of decisive importance to the ongoing profitability of Wirecard AG; another factor is the growing share of business customers to whom the services and products of the Wirecard Bank provide considerable added value.

Payment processing as such is also subject to changes. E-commerce merchants increasingly provide their customers with online payment methods based on credit and debit cards. The benefits of these often real-time-based payments compared with purchasing on account or C.O.D. ideally satisfy the mutual interests of merchants and buyers when it comes to convenience, security and speed.

EVERYTHING FROM A SINGLE SOURCE

As specialists for processing electronic payments the Wirecard Group enables merchants to outsource all the relevant processes to it: the technical processing of payments, credit rating and transaction analyses, credit card acceptance, account management, reversal (back-charges) of transactions, dynamic currency conversions, and international payout processes.

On the one hand, our competitive advantages are based on the increasingly international nature of our services; another factor is our ability to provide all the necessary technology and banking processes from a single source. With the aid of leading-edge Internet technology, in particular card-based payments are processed worldwide across a centralized platform.

During the last fiscal year, we processed a volume of payments amounting to more than 8 billion euros for more than 10,000 merchants. With these performance figures, Wirecard AG is one of the leading providers of electronic payment processing, risk management and card acceptance services.

At the center of the geographic expansion in 2008 was the integration of the new operating units, our subsidiaries in Ireland and Austria, which joined the Wirecard Group following the acquisition made in 2007. This acquisition was successfully concluded. The balance of the purchase price, amounting to 23.4 million euros, was paid in cash in 2008.

A further focus of our activities was on investments in the East Asian region. Both the extension of Wirecard Asia Pacific (founded in Manila at the end of 2007) and the decision to enter into a strategic partnership with IPS, one of the leading payment services providers in the Chinese region, were of material importance in this regard.

Our strategic concentration on Europe and Asia is based predominantly on the added value we are able to offer our international merchants in these regions in the form of appropriate combinations of international and local payment and risk management methods. In addition, we are increasingly devoting our attention to global large-scale customers who want to realize savings potential by using a centralized platform for processing their global payment transactions.

OUTLOOK

We remain optimistic that the level of growth in E-commerce will continue in the future, too. Moreover, two further trends are bound to have a positive influence on our business development in the next several years.

Driven by the single euro payments area (SEPA), within which all transfers are treated as domestic payments, national debit card systems are gradually being replaced with standardized processes throughout Europe. The benefit is that these are also suitable as means of payment on the Internet.

Apart from the technical convergence that has already taken place in the field of payment processing between online and mail-order trading, the stationary, brick & mortar points of sale will attract increasing attention in the next several years. This is because the new generation of stationary terminals is able to support IP-based connection technologies. By deploying Internet technologies at the points of sale as well, we are in a position to enable merchants to conduct payment processing across all distribution channels – online, stationary, mobile and via call centers – via a single, centralized platform.

On the basis of these positive prospects for our Company overall, we forecast double-digit earnings growth for 2009, despite the global economic challenges in store. We affirm our forecast of generating EBIT growth of 10 to 25 percent this fiscal year.

On behalf of my colleagues on the Board of Management, I would like to express my thanks to our employees for their tireless efforts, to our customers and partners for their successful collaboration, and to our shareholders for their confidence and trust.

Grasbrunn, April 2009



Dr. Markus Braun
CEO



Wulf Matthias,
Chairman of the
Supervisory Board

Dear shareholders,

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

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD

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

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

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

FOCAL POINTS OF DISCUSSIONS

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

One of the primary issues discussed by the Supervisory Board in January 2008 was the integration of the new acquisitions made in fiscal 2007; both the technical and close personnel-related integration of the companies added was assessed as successful. In the process, discussions extended to the financial situation and development of all subsidiaries, focusing in particular on the newly added enterprises in Ireland and Austria. In doing so, the Board of Management presented the Supervisory Board with information on sales revenue trends and profitability of the subsidiaries and the development of the individual business divisions.

At its meeting in April 2008, the Supervisory Board discussed the annual and consolidated financial statements as at December 31, 2007. Next, it also discussed the topics planned for the Annual General Meeting scheduled for June 24, 2008. In this connection, the introduction of a new employee participation program was discussed at length, along with an increase in the authorized capital and an increase in the capital stock sourced from Company funds, among other issues addressed.

At its meeting in June 2008, the Supervisory Board discussed the forthcoming Annual General Meeting in particular.

One of the primary topics of the Supervisory Board in July 2008 was a discussion and assessment of the price decline following the ordinary general meeting. The Supervisory Board obtained a comprehensive impression of the Company's situation and discussed the complaints raised by an association of shareholders after the Annual General in detail. In this

connection, the Supervisory Board commissioned the auditing company Ernst & Young in accordance with § 111 (2) sentence 2 of the German Stock Corporation Act (AktG) to conduct a special audit of the consolidated financial statements for 2007. The audit comprised the presentation of the capital flow account, the statement regarding the risks of business activities arising from the processing of Internet-based payments, compliance with the requirements relating to segment reporting and an appropriate evaluation of such items as “goodwill” and “other intangible assets” (customer portfolio, enterprise values), with special consideration being devoted to the acquisition of TrustPay International AG including its subsidiaries in 2007. These topics were again discussed in detail in the meeting of the Supervisory Board in August 2008.

Prior to its meeting in October 2008, the Chairman of the Supervisory Board and the Board of Management requested the auditors from Ernst & Young to provide an explanation of the findings of their audit. In the process, individual items were discussed but which had no material impact on the meaningful nature and correctness of the consolidated financial statements and the consolidated management report for 2007. On the whole, there were no indications of any misleading statements in the consolidated financial statements and consolidated management report for 2007. In the meeting in October 2008, the Supervisory Board the report and its implications were again discussed in detail as well as the actions raised by two shareholders after the Annual General Meeting 2008. Furthermore, at its meeting in October 2008 the Supervisory Board also dealt with the subject of corporate governance of the Wirecard Group and the recommendations of the German Corporate Governance Code in its version of June 14, 2007 and the new version thereof dated June 6, 2008.

At its final meeting in December 2008, the Supervisory Board discussed the course of business in 2008 and the implications of the financial markets crisis, among other issues.

CAPITAL MEASURES

The Company’s subscribed capital amounted to EUR 101,803,139.00 as at December 31, 2008, divided up into 101,803,139 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. This increase in the subscribed capital in relation to the previous year is attributable on the one hand to the subscription in January, August, September and December 2008 of 15,257 new shares from the Company’s contingent capital 2004/I – due to the partial exercise of the right to conversion relating to the convertible bonds. Moreover, at the General Meeting of June 24, 2008 a resolution was adopted to increase the Company’s capital stock by 20,357,967.00 euros sourced from Company funds; this resolution was entered in the Commercial Register effective August 1, 2008.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The auditing firm RP Richter GmbH Wirtschaftsprüfungsgesellschaft audited the individual annual financial statements of Wirecard AG as at December 31, 2008, the consolidated annual financial statements as at December 31, 2008 as well as the management report and consolidated management report, issuing an unqualified audit certificate in all instances. The annual financial statements were prepared according to the German Commercial Code (HGB) and the consolidated annual financial statements according to IFRS.

The above-mentioned documents, the proposal for the appropriation of profits and reports of the auditors were made available to all members of the Supervisory Board in time for the meeting of the Supervisory Board held on April 6, 2009. The auditor attended this meeting and reported on the material findings of his audit and was available to provide the members of the Supervisory Board with additional information. Following a careful audit of its own, the Supervisory Board came to the conclusion that the annual financial statements, the summarized management report for the Company and the Group, the consolidated annual financial statements and the reports by the auditors gave rise to no objections. In its resolution of April 6, 2009, the Supervisory Board approved the annual financial statements of Wirecard AG prepared by the Company March 2009 and the consolidated annual financial statements prepared by the Company March 2009 in accordance with IFRS for fiscal 2008. Accordingly, the annual financial statements have been confirmed in accordance with § 173 of AktG.

The Board of Management plans to propose to the General Annual Meeting to pay a dividend of EUR 0.08 per share to our shareholders. The Supervisory Board approves this decision.

CHANGE OF CONTROL CLAUSE

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

PERSONAL DETAILS AND CONFLICTS OF INTEREST

In the course of the ordinary General Meeting held on June 24, 2008, the former Chairman of the Supervisory Board, Mr. Klaus Rehnig, resigned from office as a member of the Supervisory Board in line with a prior announcement to that effect; the General Meeting elected Mr. Wulf Matthias to the Supervisory Board, which appointed him as its Chairman. Other than that, there were no changes to the composition of the Company's management bodies.

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

OUTLOOK

Business trends last year and in the current fiscal year 2009 have induced companies to further outsource their process with a view to streamlining their internal structures. The Wirecard Group also succeeded in generating additional business in this context. The successful integration of the acquisitions, the resulting synergy effects and the further shift from stationary to online trading are additional contributory growth factors. As a result, the Wirecard Group succeeded in defying the general trend in the last fiscal year to record a sound increase in its activities.

The Supervisory Board wishes to thank its now retired member and Chairman for many years, Mr. Klaus Rehnig, for his services and merits to the Company. The Board of Management would like to express its thanks and recognition to the workforce for its immense dedication and commitment in fiscal 2008.

For the Supervisory Board
Grasbrunn, April 2009

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

Wulf Matthias
Chairman of the Supervisory Board

WIRECARD STOCK

In 2008 the stock markets were impacted by a massive intensification of the financial crisis. In the second half of the year in particular, the never-ending spate of negative news resulted in extensive price losses across the globe.

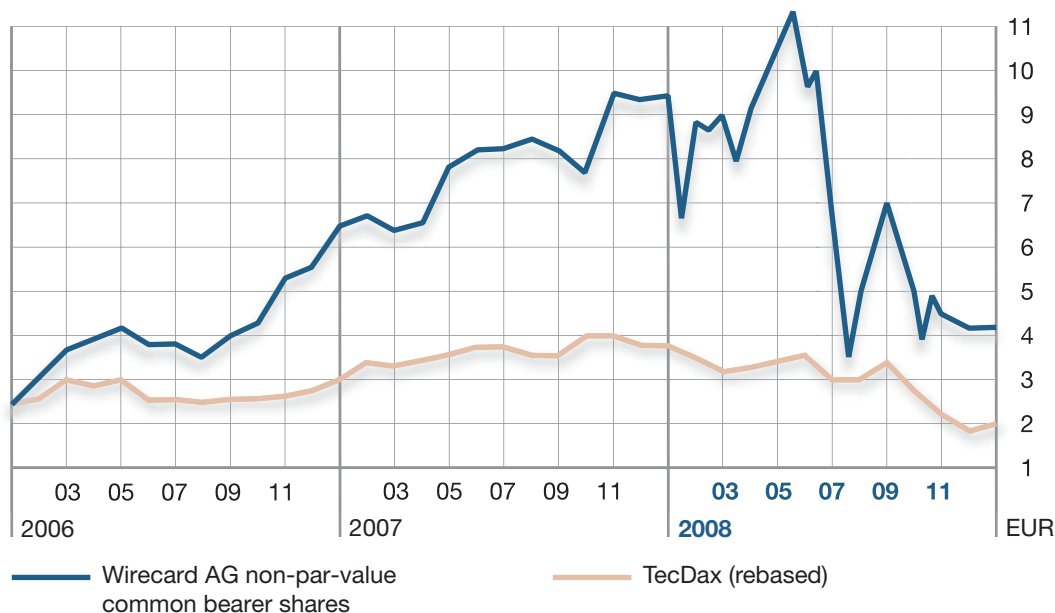
The DAX ended the year at a level of 4,810 points, down by 40 percent year-on-year. The TecDAX, the leading index for Wirecard shares, initially recorded 970 points and closed the year at 508 points, a minus of 48 percent.

The performance of Wirecard's stock price was extremely positive in the first several months of the year under review. On May 14, 2008 the high point for the year was reached at 14.39 euros. Including the capital increase from company funds, the adjusted value came to 11.54 euros. From the end of June to the end of July, the price of Wirecard stock came under pressure. The share price fell to an annual low of 4.37 euros, to 3.40 euros after being adjusted.

When the half-year report was published in August 2008, Wirecard's share price saw a recovery. On September 10, 2008, 20,357,967 new Wirecard shares were listed following a capital increase sourced from company funds. As a result, the German Stock Exchange adjusted the

■ PERFORMANCE OF THE WIRECARD STOCK

January 1, 2006, to December 31, 2008



price of our shares downward by 20 percent, in line with the capital measure adopted. By mid-September, Wirecard's share price had risen to 6.56 euros. Yet the slight recovery phase was halted by the dramatic slide of the global stock markets in October. In the fall, the share price trended sideways at about 4 euros, finishing the year at 4.13 euros.

The price performance of our stock in the course of fiscal 2008 was not satisfactory, having declined by 55.37 percent, since this was no true reflection of the positive business trends registered by the company.

The average XETRA trading volume of Wirecard shares increased from 396,534 to 1,063,177 units per trading day for 2008 as a whole. What was decisive for this in particular was the high trading volume in the summer months.

Information on price developments in the months of June and July 2008

Following the Annual General Meeting of the company, which was held in Munich on June 24, 2008, Wirecard stock came under massive pressure on account of several allegations which were spread rapidly. From the management's point of view the situation was dealt with adequately. We refer to related press releases.

In this connection, the Supervisory Board commissioned the auditing company Ernst & Young, in accordance with § 111 (2) sentence 2 of the German Stock Corporation Act (AktG), to conduct a special audit of the consolidated financial statements for 2007. The audit concluded that there were no indications of any misleading statements in the consolidated financial statements and consolidated management report for 2007.

Investor Relations

Attendance and participation at investor conferences and numerous road shows again turned out to be an important element of financial communication.

The Management Board took part in six national and international conferences and traveled on a total of 15 road shows in Europe. In the course of the fiscal year, the Management Board held several hundred one-on-one talks (visits and telephone conferences) with investors.

As at the balance sheet date (December 31, 2008), ten analysts of renowned banks monitored Wirecard's share price.

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

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

Capital Investor Relations award



The "Capital Investor Relations award" is among the key investor relations prizes in Germany and was awarded for the twelfth time by the business weekly "Capital" and the Deutsche Gesellschaft für Finanzanalyse und Asset Management (DVFA) in June 2008.

In 2008, Wirecard AG was ranked in 3rd position among the companies listed in the TecDAX segment. The Capital Investor Relations award in 2008 was based on an opinion poll taken among just under 400 analysts and fund managers with some 300 financial institutions in Germany and internationally.

Capital measures in the year under review

The subscribed capital as at December 31, 2008 amounted to EUR 101,803,139.00 and is divided up into 101,803,139 no-par-value bearer shares with a notional capital stock of EUR 1.00 each. On August 1, 2008 the capital measures adopted at the General Meeting of June 24, 2008 were entered in the Commercial Register of Munich. A capital increase from company funds was registered, raising the level of the Company's common or capital stock by EUR 20,357,967.00, to EUR 101,789,835.00.

Other changes (TEUR 15) resulted from shares being subscribed to from contingent capital due to the partial exercise of the conversion right relating to convertible bonds issued in the period under review.

Annual General Meeting

The Annual General Meeting of Wirecard AG was held in Munich on June 24, 2008. No counter-proposals were submitted. The shareholders present accounted for 62.23 per cent of the company's capital stock.

When votes were taken on items of the agenda, the shareholders in each case endorsed the Management's proposals with a substantial majority. Only in the case of the vote taken on item 7 of the agenda concerning the "Resolution concerning the cancellation of the authorized capital and the creation of new authorized capital as well as on an amendment to the articles of incorporation" was the required majority not attained. A detailed description of the items on the agenda and the voting results can be accessed from the Investor Relations website, <http://ir.wirecard.com>, under Annual General Meeting.

In the aftermath of the Annual General Meeting of the company on June 24, 2008, two shareholders instituted actions to challenge resolutions adopted (in particular based on the reasoning that there were misstatements in the annual and consolidated financial statements of 2007) as well as petitions for a court order to have the annual financial statements for 2007 declared null and void (details in this regard can be found under item 7.6 of the Risk Report). A claim to challenge and set aside a resolution as null and void was already settled by compromise, without granting a benefit to the plaintiff. From the perspective of Wirecard AG, the remaining action still pending is likewise unfounded. Wirecard is supported in its assumption not least by an extensive special expert opinion prepared by the auditing company Ernst & Young.

■ WIRECARD STOCK – KEY FIGURES

		2008	2007
Number of shares (Dec 31)		101,803,139	81,429,915
Common stock (Dec 31)	EUR	101,803,139.00	81,429,915.00
Market capitalization (Dec 31)	EUR mn	420	941
Stock market price (Dec 31)	EUR	4.13	11.56
High	EUR	11.54*	12.94
Low	EUR	3.40*	7.25
TecDAX Rank Market capitalization		8	11
TecDAX Rank Sales		8	16
Earnings per share (basic)	EUR	0.42	0.30**
Earnings per share (diluted)	EUR	0.41	0.30**

* On September 10, 2008 20,357,967 new Wirecard shares from the capital increase from company funds were listed. Previously the maximum stock price 2008 was 14.39 and the minimum price 4.37 euro.

** Taking into account the capital increase from company funds

■ BASIC INFORMATION ON WIRECARD STOCK


Year established	1999
Market segment	Prime Standard
Indices	TecDAX
Type of equity	No-par-value common bearer stocks
Stock exchange ticker	WDI Reuters: WDIG.DE Bloomberg: WDI@GR
WKN (SIN)	747206
ISIN	DE0007472060
Authorized capital, in number of shares	101,803,139
Group accounting category	Exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year	December 31
Total common stock as at December 31, 2008	101,803,139.00 Euro
Beginning of stock market listing	October 25, 2000
Board of Management	Dr. Markus Braun, CEO Burkhard Ley (CFO) Rüdiger Trautmann (COO)
Supervisory Board	Wulf Matthias (Chairman) Alfons Henseler Paul Bauer-Schlichtegroll
Shareholder structure on Dec 31, 2008	(Shareholders with more than 3 percent of voting rights)
	7.60% MB Beteiligungsgesellschaft mbH (DE)
	5.41% William Blair (US)
	5.00% VAUBAN Fund SICAV (LU)*
	3.43% Sloane Robinson LLP (UK)*
	3.10% Wasatch Holdings Inc. (US)*
	3.06% Artisan Funds (US)*
	3.06% Capital Research and Management Company (US)*
	3.03% The New Economy Fund (US)*
	86.99% Freefloat

* to be listed under freefloat according to the rules of Deutsche Börse (German Stock Exchange)



NEW PERSPECTIVES

- Using illustrations by the artist Tina Berning, Wirecard AG is taking a fresh look at the services it provides.



Technical processes and innovations are becoming ever more complex and fast-moving, and at the same time less visible, less tangible. An example is nanotechnology, and the way it is opening up the world of the smallest things in the universe. In this microcosm, even one millionth of a millimeter is still of relevance. Computer scientists and physicists are also developing quantum computers that will operate using fluids instead of transistors. Controlled by laser pulses, calculations in these devices will be performed a billion times faster than they are today.

The trend towards miniaturization, individualization and technical abstraction also took hold in the world of payment processing a long time ago. Using virtual credit cards, business and private individuals can operate more cost-effectively and with greater flexibility. Independent of their physical equivalent, these virtual cards can be charged in a fraction of a second, are protected by the ultimate in security standards and can be used worldwide over the Internet.

Risk management processes are also becoming ever more complex and sophisticated. Both transaction data and customer data are tested for plausibility using multiple levels of tests and algorithms. This allows intelligent risk management to maximize sales revenues, while minimizing financial losses caused by fraudulent transactions.

Technical processes are shrinking and moving ever closer together, yet they offer an increasing number of possibilities and options. The issue of how to represent and convey these future technologies is therefore of growing importance. For this Annual Report, Wirecard AG chose an unconventional route in order to afford a new perspective on the services it provides. On the pages that follow, the Berlin-based artist Tina Berning engages with the product portfolio of Wirecard AG.



E-PAYMENT

SUCCESS THROUGH



UGH >>> A SYSTEMATIC APPROACH




The dynamic growth of E-commerce continues unabated. There are indications of a substantial increase in electronic trading. According to a study investigating the status of E-commerce carried out by the German Federal Association of Mail Order Houses (*Bundesverband des Deutschen Versandhandels*), online sales increased by 23 per cent in 2008 in Germany alone, to a total of 13.4 billion euros. And the migration of consumers to the Internet – the so-called offline-online shift – is far from completed. On the contrary: In these times of multi-channel distribution, where the use of a varied range of distribution channels is the order of the day, more and more merchants are expanding their operations to include the Internet.

In the global online commerce, the issues of payment processing and risk management play a vital role. This is because security, speed and transparency are factors that are crucial for the successful processing of Internet-based transactions.

In this fast-moving environment, Wirecard AG offers tailor-made solutions catering for the entire E-commerce process chain. The central Wirecard platform allows all financial processing to be outsourced: from the processing of electronic payments via transaction and customer checks right through to support services for call center and E-mail management areas.

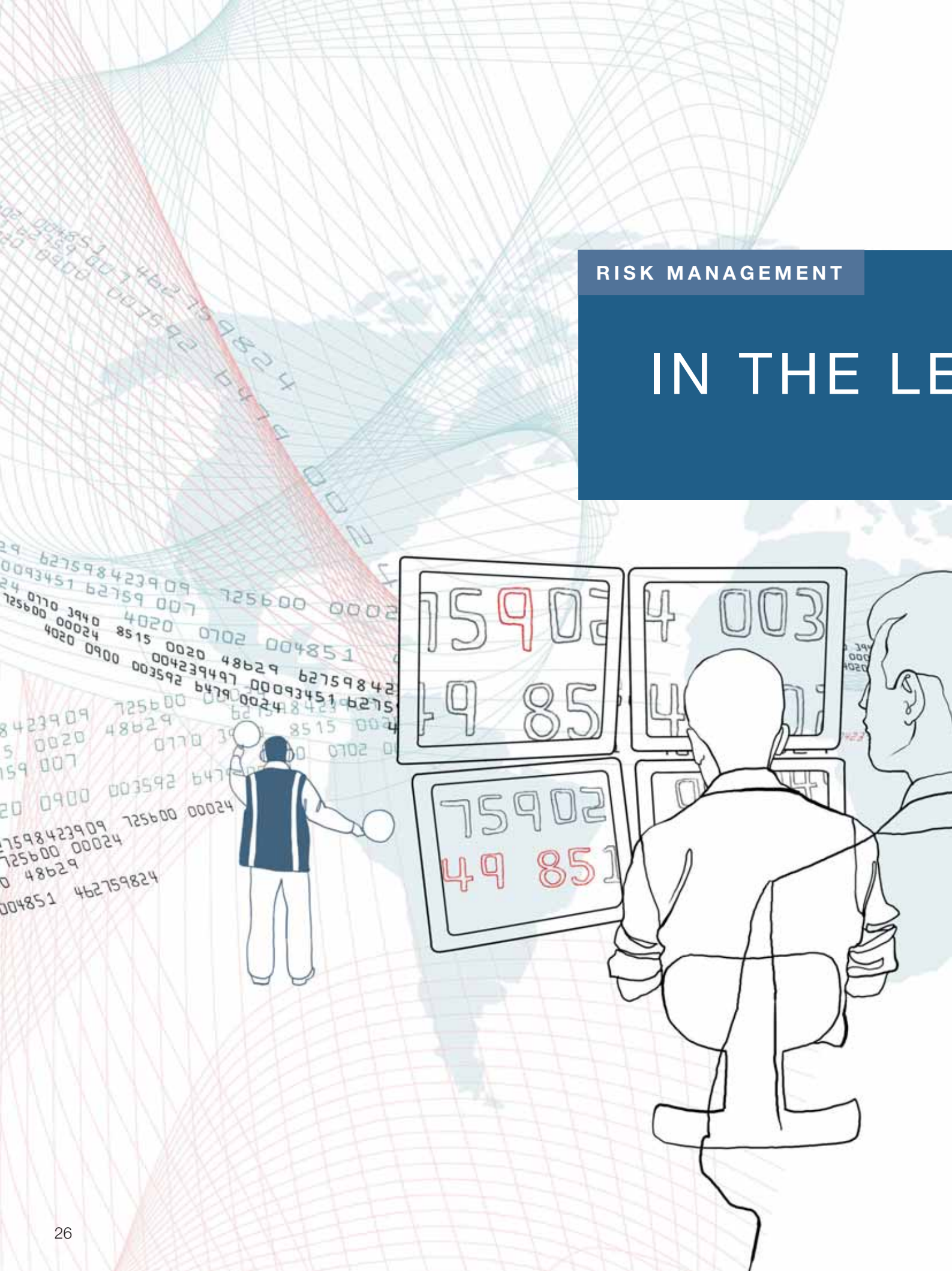
Against this backdrop of continuing strong growth in E-commerce, with its extensive portfolio of products Wirecard AG can rely on a sound foundation for successful business performance even in difficult economic times.



An intelligent payment facility is an instrument for fostering customer loyalty, and it is therefore a pivotal success factor in E-commerce. As a leading provider of payment processing and risk management services, Wirecard AG develops solutions and services designed to enhance online commerce. Worldwide, secure, and transparent at every stage.

RISK MANAGEMENT

IN THE LE



HEAD >>> THANKS TO SECURITY



Some of the advantages of E-commerce are also disadvantages: the combination of the factors of anonymity, distance and speed mean that buyers and sellers never get to know each other and are unable to assess and evaluate each other adequately. For merchants in particular, this continually raises the issues of the credit rating of the buyer and of the level of certainty that payment will be received. A finely tuned and reliable risk management system is therefore indispensable in ensuring the success of any E-commerce merchant.

Wirecard AG offers a broad, comprehensive spectrum of effective fraud prevention tools. The Wirecard solutions are fully integrated into the payment process, and as they are able to detect dangers and risk as soon as a payment is submitted, they can reliably prevent payment defaults.

These security systems can be customized to suit each merchant's individual specifications and requirements – and they can be fully integrated into the merchant's billing system. It goes without saying that these tools are continually upgraded and adapted to conform to any changing legal requirements.

The result: a major drop in payment defaults and a higher rate of sales with real payment flows. In this way, Wirecard AG provides the necessary level of security for E-commerce applications and promotes future growth.

Intelligent risk management can make the difference between success and failure in global trade. State-of-the-art security concepts ensure reliably predictable sales revenues. Wirecard AG, through its diverse range of solutions, provides security in E-commerce, and hence the foundation for long-term growth in online trade.





ISSUING

A FUTU

URE >>> THROUGH INNOVATION



Issuing credit and debit cards is one of the core competences of Wirecard AG. The company's portfolio includes consumer products like the card and account combination *Prepaid Trio/Triple* and the Internet payment service *Wirecard*.

Beyond the activities in the end-customer segment, the card products of Wirecard AG and Wirecard Bank AG are also making successful inroads in the business-to-business segment. An outstanding example here is the innovative payout card: with this product, Wirecard AG has created a compelling alternative to cash transactions in operational cost management. Its advantages are budget control, a reduction in manual processing, complete transparency and cost-effectiveness.

Another forward-looking development concerns the issuing business: With its Supplier and Commission Payments (SCP) system, Wirecard AG is offering an automated solution for payouts worldwide. This innovation is based on the virtual credit card technology. SCP generates significant improvements in terms of cost-effectiveness and flexibility for businesses in the tourism industry and in procurement.

The success of these new Wirecard services shows clearly that the area of cashless payment solutions is on the move – and the innovations developed by Wirecard AG are making a real contribution to this trend.



The world of globalization and E-commerce calls for payment solutions that can operate across national borders, are reliable, lightning-fast and flexible. Accordingly, Wirecard AG is setting new benchmarks with a series of innovations in the areas of cashless payment solutions and credit cards.



PLATFORM

EFFICIEN

NCY >>> THROUGH FLEXIBILITY



The whole is more than the sum of its parts. This insight takes on special significance given the reality of business today. In a world of “on-demand” and “ad-hoc” process sequences, many systems must not only be able to operate in real-time – they must do so in a complex interaction along the entire value-adding chain.

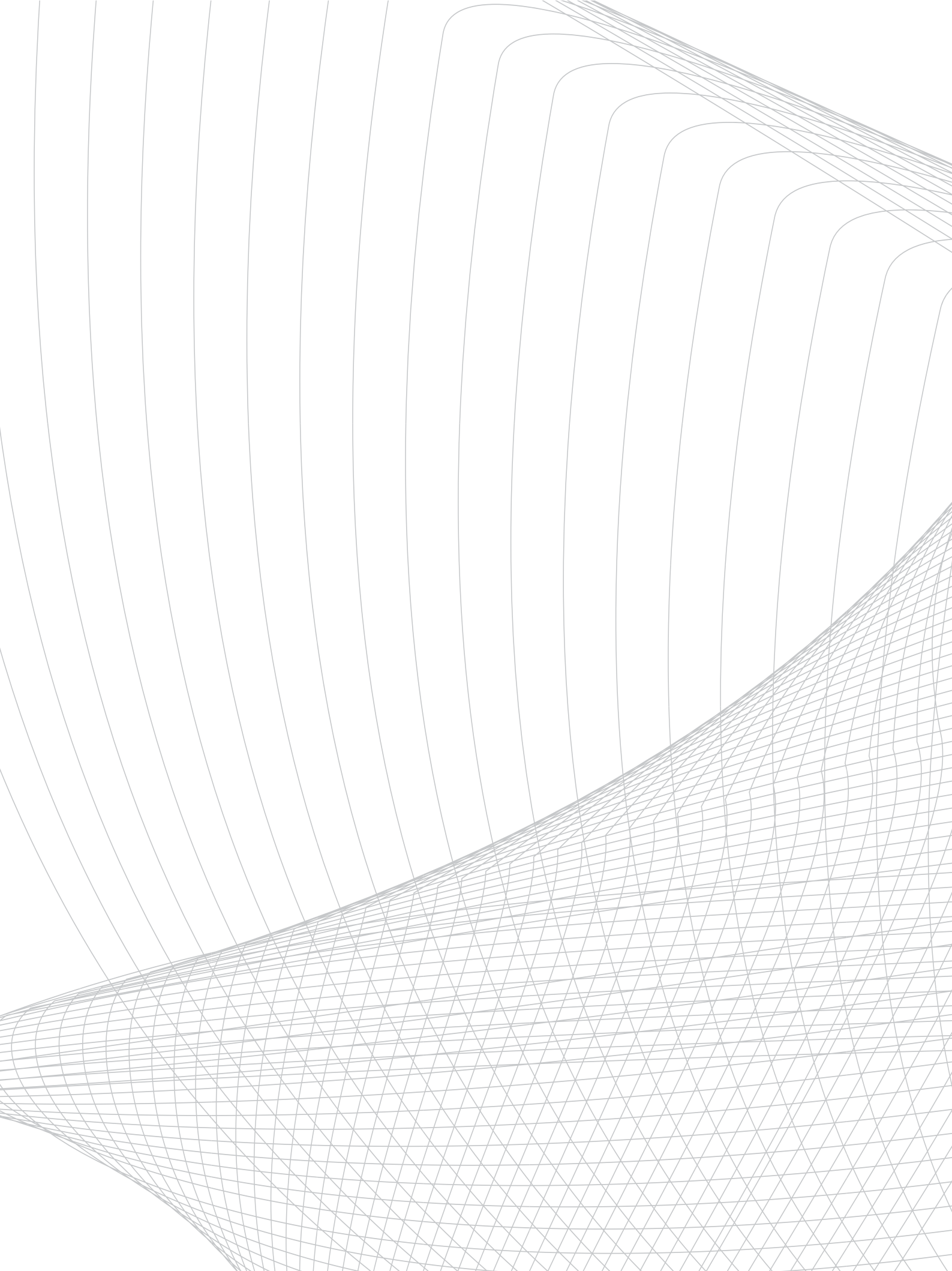
This trend caught up with the area of payment processing a long time ago. This is why concepts such as business process outsourcing are in demand. Outsourcing of entire business processes to external service providers allows many businesses to boost their competitive standing.

Wirecard AG is reaping the benefits of this development on an ongoing basis, because the company’s portfolio includes solutions for all the processes along the financial supply chain. The focus is on tailor-made services and individually scalable solutions – to suit every business model and every type of distribution channel.

The products and services of Wirecard AG can be integrated into existing customer systems quickly and easily via the central Wirecard platform. They are outstanding in terms of their quality, reliability and security, as well as their high levels of availability and flexibility. The result: shorter processing times, reduced administration costs, and optimized protection against payment defaults.

In the field of payment processing, procedures are also becoming ever more complex and involve an ever increasing level of networking. Wirecard AG is responding to this trend with customized services and solutions catering to the entire value-adding chain of financial management that can be scaled to suit individual requirements.





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1. BUSINESS, GENERAL CONDITIONS AND PERFORMANCE

1.1. Business activities and products

The Wirecard Group provides customers with products and services for all forms of electronic payment transactions. Our objective is to enable businesses and consumers around the world to conveniently make and receive electronic payments securely and efficiently.

SOLUTIONS FOR CORPORATE CUSTOMERS

Our business activities focus on payment solutions for companies distributing their products primarily over the Internet or through call centers. Compared with brick-and-mortar businesses, merchants selling products online or via call centers are confronted with a large number of new challenges: different time zones, a range of foreign currencies, the risk of fraud or payment default –all of which raise issues that most merchants will only be able to resolve by working with a competent, experienced partner specializing in this field.

When selecting a suitable payment processing system, every merchant must start by considering and evaluating a number of requirements:

- What are the specific requirements in terms of internationality, anonymity and the widespread use of the payment method, and the regular nature of payments?
- What is the order of magnitude of payments to be processed, and what cost structure is involved when it comes to payment processing and settlement?
- How high is the risk of a default in payment? Is there scope for the consumer to dispute payment after the fact? Is the system open to misuse (are there any counterparty and reputation risks)?
- What is the cost of integrating the payment system and associated processes into the merchant's IT structure and business processes?
- What is the degree of portability of the payment system across different sales channels (Internet, call centers, mobile)?

Depending on the target markets in which an online merchant wants to sell products, an analysis is initially performed to determine which payment methods predominate in the relevant country, and to identify the risk associated with that particular payment method in the country in question. Credit cards are the leading means of payment in electronic commerce around the world. In an effort to reach a more extensive buyer base, a merchant should include local payment methods such as direct debits and invoicing.

We offer our customers the opportunity to accept a wide range of national and international payment methods. Numerous complementary products and services afford far-reaching protection against payment defaults and render even complex international payment flows transparent and comprehensible. The core of the Wirecard portfolio is a platform combining all distribution channels. This offers advantages to the merchant in terms of cost and

processing effort. It allows our customers to focus on the main game: running their own businesses.

THE WIRECARD PAYMENT PLATFORM

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

Our products and services are provided to merchants in the form of outsourcing solutions, which means there is no need to install our software in the merchant's IT infrastructure. The interface between our customers' systems and our payment platform is usually via a simple link over the Internet. It goes without saying that we deploy state-of-the-art encryption technologies to safeguard the exchange of data. Transmission protocols such as XML, SOAP, SFTP, HTTPS and VPN ensure data security and flexibility in terms of the connection using the very latest technologies. The Wirecard Enterprise Portal (WEP) is an application for managing transactions, statistics and reports for use by merchants.

Compared with the acquisition and local operation of a payment processing software package, working with Wirecard reduces operating expenses substantially, making a proactive contribution toward lowering costs for merchants. Our services include advice on how to structure billing and bookkeeping procedures, as well as support in choosing the best risk management process, based on both an evaluation of the individual risk profiles of the various payment methods and on the merchant's target markets.

Moreover, merchants have the option to outsource parts of order acceptance processes that are critical for security to our call center or to a secure Internet page provided by us. Doing so eliminates the need for merchants to continually upgrade their own IT infrastructure to keep pace with increasingly demanding data protection and security requirements.

RISK MANAGEMENT FOR SECURE COMMERCE

There are two main risk categories relating to payment defaults in online commerce: the credit risk and the risk of fraud. In the case of the credit risk, the customer actually makes contact with the merchant, but the payment fails due to the customer's inadequate credit status. The risk of fraud, on the other hand, pertains to cases where the customer is not who they pretend to be, resulting in an uncollectible debt. To minimize payment defaults due to insufficient credit in online commerce, the merchant must be in a position to find out as much as possible about the creditworthiness of the virtual counterparty. This is referred to as the "know-your-customer" (KYC) principle. The Wirecard Group offers a range of automated "KYC" services:

- Verification and validation of customer data such as address and payment data,
- Data consolidation via credit reference agencies (credit rating inquiries),
- Comparison with negative lists (e.g. black lists and sanction lists) based on names/addresses or other personal characteristics,
- Checking of account data with respect to return debits,
- Review of payment history for existing customers.

By combining various risk management tools, Wirecard arrives at the best decision based on the end customer data and the merchant's risk profile. Merchants are able to define this outcome themselves. A possible result of strategy might be the determination of the payment methods to be offered (invoice, direct debit, credit card, cash in advance, cash on delivery), combined with a suitable limit. This approach allows a merchant to implement risk-optimized cash management for new and portfolio customers.

As well as the risk of payment default described above, merchants engaging in online commerce also face the constant risk of fraud. In these cases, the buyer acts with fraudulent intent, for example by providing a false identity when making a purchase. Unlike the stationary, brick-and-mortar retail trade, identifying characteristics such as a signature on a credit card cannot be verified over the Internet. In eCommerce, the customer remains anonymous, a fact that lowers the inhibition threshold for fraud further still.

Wirecard AG employs a wide range of methods for detecting whether a transaction is fraudulent:

- Reconciliation of negative lists based on payment transaction data such as account details and credit card numbers
- Pattern recognition designed to detect suspicious data and/or behavior patterns
- IP/BIN check – a means to investigate potentially fraudulent patterns in connection with a credit card transaction
- Address Verification Service (AVS), a risk check carried out by VISA or MasterCard in which the numerical address data supplied by the end customer is compared with the data held by the credit card organization
- 3D-Secure is an authentication protocol developed by VISA (Verified by Visa) and MasterCard (MasterCard SecureCode) designed to protect card payments over the Internet

With its payment guarantee, the new *PAYShield* product takes another step beyond simple credit status checks. In the German market, PAYShield is offered by Wirecard in collaboration with CEG Creditreform Consumer GmbH. It is a combined credit information and collection service, supplemented with services in the field of payments (direct debits, billing accounts).

The consumer is checked and then approved for a specific payment method (invoice, direct debits). PAYShield provides small and medium-sized merchants with a highly differentiated risk management system of the kind previously only affordable to large mail-order operations.

WIRECARD BANK PRODUCTS

Wirecard Bank AG offers businesses a comprehensive package of corporate banking services. Options include business accounts and the allocation of credit card acceptance agreements as well as the issue of payment cards within the scope of co-branding and projects to boost customer loyalty.

In joining forces with Wirecard Bank AG (now part of the Wirecard Group), Wirecard succeeded in transforming itself into a full-range provider of payment processing services.

To be able to accept payments by credit card, the merchant requires a credit card acceptance agreement from a bank licensed by the credit card organization (known as an acquiring bank). As a Principal Member of VISA and MasterCard and a full member of the largest Asian credit card organization JCB International (Japan Credit Bureau), not only does the Wirecard Bank have the license to conclude credit card acceptance agreements; it is also entitled to issue card products (in its role as an issuing bank). Moreover, the Wirecard Bank's membership of SWIFT (Society for Worldwide International Financial Telecommunication) enables it to provide its corporate customers operating with a global reach a large number of supplementary services in the field of foreign payment transactions and forex management services.

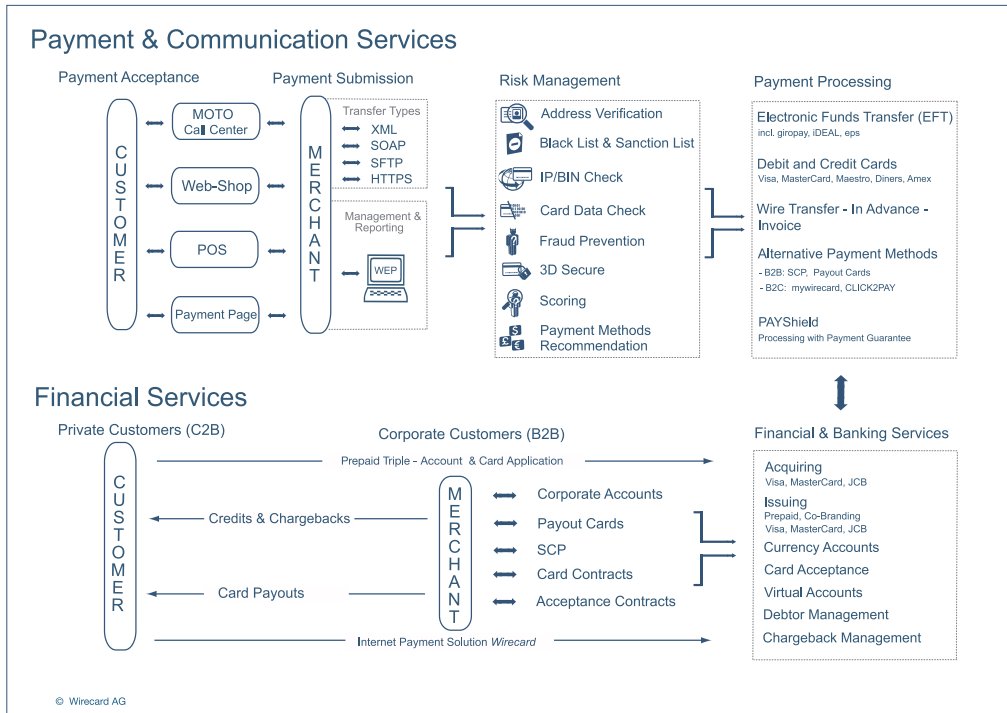
Furthermore, the Wirecard Bank's license to trade as an issuing bank and the technological expertise of the Wirecard Group are the basis for additional offers to business customers:

- The *Supplier and Commission Payments (SCP)* product is an industry-specific automated solution for tourism operators for speedy, secure processing and settlement of global payouts at exact, pre-agreed costs. A virtual MasterCard on a non-borrowing basis is created real-time for each individual booking transaction.
- A further development of the virtual credit card for business customers are *payout cards*. This provides employers with an alternative solution for payouts to temporary, seasonal or auxiliary workers or for payouts of commissions. *Payout cards* are MasterCards on a non-borrowing basis, which are cheap and convenient for the disbursing companies to load. They can then be immediately used for payouts to workers. The product is available throughout the SEPA (Single Euro Payments Area).
- *Co-branded cards* are not only interesting as a means of payment but are deployed by corporations more and more frequently as a marketing instrument. Wirecard Bank AG ensures the sustained success of each and every card project, from individual conceptualization and relationship management of credit card projects, through innovative software solutions for electronic management of customer loyalty programs to all-embracing services from a single source.

As a result of the options available to the Group's own bank in the field of issuing, the Wirecard Group has been able to develop and market its product portfolio also with regard to consumer products to complement the Group's core business activities. This produces synergy effects in the field of corporate customer products, as in the case of the *Wirecard* Internet payment service. Online merchants can extend their customer base in the SEPA region without this entailing technical integration or any additional costs.

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

SIMPLIFIED OVERVIEW OF CORE SERVICES AVAILABLE:



THE GROUP'S PORTFOLIO OF PRODUCTS AND SERVICES

Wirecard Enterprise Portal – administrative application for merchants

- Transaction Management, Statistics and Reports

Wirecard platform

- Payment services
 - Credit card processing via the VISA and MasterCard network as well as JCB International through Wirecard Bank AG
 - Electronic Fund Transfer (EFT): processing and settlement of direct debits within Germany as well as local and foreign payment methods (including eight Chinese ones)
 - Alternative payment solutions: CLICK2PAY, *Wirecard* Internet payment service
 - Other payment schemes (e.g. giropay, iDEAL, eps, paysafecard, Paybox)
 - Innovative products: Payment guarantee (*PAYShield*), Supplier & Commission Payments (SCP) – solution for B2B payment processing, Payout Cards
- Risk management
 - Decision-making strategies for cash control, fraud identification, new and portfolio customer evaluation, etc.
 - Specialized partners: Retail Decisions Ltd., Quova and others
 - Credit rating checks by CEG Consumer Rating, Bürgel, Arvato Infoscore, DeltaVista and others
- Integration of sales channels
 - Internet: back office via XML interface / front end via Wirecard payment page – access to more than 85 payment and risk management methods
 - Call centers/mail orders: direct debits and card transactions via a virtual terminal
 - Point of sale processing of payments via stationary and mobile terminals
- Industry-specific interfaces
 - Shop software (e.g. integrated into os Commerce, xt: Commerce, Sage, OXID eSales, ShopFactory, CosmoShop, ePages, Magento)
 - Tourism: Integration into booking or software systems (CRS, GDS, IBE, BSP), booking systems, e.g. Sabre, Amadeus, SITA, Midoco, Bosys, Airkiosk, 2e-Systems, Partner Software GmbH, DCS GmbH, Traveltainment, Etacs, Ypsilon Net AG
- Additional services
 - Banking services (acquiring, account and forex management, virtual account numbers, co-branded cards, and others)
 - Point-of-sale card terminals (e.g. Ingenico, Atos Origin)
 - Call center services (stationary, virtual and hybrid)

PRIVATE CUSTOMERS

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

1.2. General economic conditions

GENERAL GLOBAL ECONOMIC CONDITIONS

In 2008 the world economy grew by 3.4 percent, compared with 5.2 percent in the preceding year. As in 2007, the highest growth rate was achieved by China (9.0 percent). According to data of the International Monetary Fund (IMF), 1.0 percent was accounted for by the U.S. and 1.0 percent by the euro zone (EZ15). In the second half of 2008, the financial crisis expanded to take on global dimensions. Initial negative impacts were evident toward the end of the year in terms of orders received in the real economy.

Eurostat, the Statistical Office of the European Communities, reported early in March 2009 that according to early estimates, aggregate economic output in the euro zone (EZ15) and in the EU27 in the fourth quarter of 2008 was down by 1.5 percent on the previous quarter. For 2008 as a whole, GDP growth in the euro zone and the EU amounted to 0.8 and 0.9 percent, respectively (2007: 2.6 and 2.9 percent).

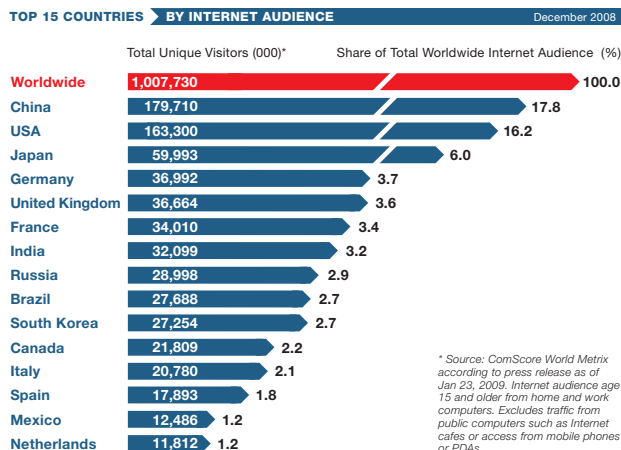
The German economy expanded by 1.3 percent in 2008, compared with 2.5 percent in the previous year. A major reason for this was the strong growth recorded in the first quarter of 2008, reflecting an improvement by 1.5 percent over the same quarter a year earlier (Q4 2007). However, in each of the second and third quarters, Gross Domestic Product declined by 0.5 percent, and in the fourth quarter of 2008 economic output decreased by 2.1 percent.

INDUSTRY-SPECIFIC FUNDAMENTALS

Even though the real economy was increasingly impacted by the significant effects of the financial crisis in the second half of 2008, in Europe the ongoing positive development of E-commerce continued in the third and fourth quarter. Only in the U.S. and the United Kingdom were declining online trading volumes recorded in the fourth quarter.

Below is an outline of the general conditions that served to boost electronic trading in the year under review and had a positive influence on the growth of Wirecard AG. Internet access is being made available to an increasing number of persons, especially since the global expansion of high-speed Internet links is proceeding apace. The surge in Internet users is accompanied by an increase in the number of people who not only use the Web for information purposes but are also prepared to pay for merchandise and services online.

GENERAL CONDITION NO. 1: THE INTERNET AND THE NUMBER OF USERS



The ComScore World Metrix lists the top 15 countries worldwide according to the number of Internet users they have. According to these statistics, the one billion users barrier (1.008 billion users) was broken for the first time in December 2008. This corresponds to 17.5 percent of the global population and an increase of roughly 300 million people compared with our notes in the

Annual Report for 2007 (source: nielsen.com, at 875 million). Even though only 20 percent of the Chinese population has Internet access, the country has already reached first position.

Further increase in the number of Internet users essentially depends on the continued expansion of broadband Internet access points. In many countries, this certainly still represents an obstacle due to infrastructure-related or regulatory problems.

In November 2008 the EU Commission reported that broadband access within Europe continued to improve, with more than 107 million connections at present. Its statistics show that about 17 million new fixed broadband access points are created each year. Denmark and the Netherlands are in leading position worldwide with broadband ADSL availability at 35 percent. A total of nine EU countries (Denmark, the Netherlands, Sweden, Finland, the United Kingdom, Luxembourg, Belgium, France and Germany) range from 25 to 35 percent. In comparison, according to the OECD statistics of June 2008, broadband ADLSSL availability in the U.S. is in the region of 25 percent.

According to the Commission, the spread of mobile broadband services has increased by 6.9 percent. Three of four broadband access points in the EU meanwhile provide download transfer rates of 2 Megabits per second (MBps). With broadband mobile telephony rates of over 10 percent, Denmark, Greece, Germany, Italy, Slovenia and Spain are in the lead in the EU.

GENERAL CONDITION NO. 2: THE INTERNET AND THE NUMBER OF USERS WHO SHOP ONLINE

The popularity of online shopping continued to grow in the year under review. In the three largest countries of the European Union (United Kingdom, France and Germany) more than 50 percent of all Internet users engaged in online shopping in 2008.

In the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland) alone, the proportion of Internet users who bought products and services online last year came to 91 percent. The eCommerce market also continued to grow in Italy and Spain. From 2006 to 2008, the

share of consumers in the European Union who had bought at least one article via the Internet rose from 27 to 33 percent. The EU Commission reported these statistics early in March 2009.

GENERAL CONDITIONS IN GERMANY

The study “*Monitoring Informations- und Kommunikationswirtschaft 2008*” (monitoring of the information and communications industry 2008) conducted by TNS Infratest at the behest of the German Federal Ministry for Finance and Technology (*Bundesministerium für Wirtschaft und Technologie - BMWi*) determined that 72 percent of Germans aged 14 and over use the Internet on a regular basis. Broadband internet access is available to 54 percent of this age group.

Of the 42.84 million Germans aged 14 and older who already are online, 35.47 million also shop on the Web. These are the findings of an association known as *Arbeitsgemeinschaft Online Forschung e. V. (AGOF)*, which releases its market media study “internet facts” each quarter.

Just under 70 percent (29.09 million) of Germans have been online for three years and therefore qualify as experienced users. This result was also confirmed by the IZV9 study, the ninth regular opinion poll taken by the University of Karlsruhe (Internet payment systems from the perspective of consumers). The IZV9 survey revealed that most of the so-called experienced users predominantly have and use credit cards.

DEVELOPMENT OF THE IT MARKET AND BUSINESS PROCESS OUTSOURCING (BPO)

According to the surveys taken by the European Information Technology Observatory (EITO), sales revenues in the European IT outsourcing market were up by approximately 7.4 percent from 2007 to 2008, to reach 13.6 billion euros.

Nevertheless, the outsourcing of ePayment services to special services providers such as Wirecard AG is also interesting from another perspective. The Wirecard solution is also based on Internet technology. Yet the difference in relation to classic business-process outsourcing lies essentially in the transaction-based business model. Processing income payments from various distribution channels on a centralized basis via a single platform supports companies in automating manual processes and also provides cost savings potential. The outsourcing in the field of payment processing continued in Europe in 2008. Companies operating internationally are increasingly focusing on outsourcing this part of their process chain – which is not of relevance for strategic purposes – to special services providers.

STUDY: “INTERNET PAYMENT SYSTEM FROM CONSUMERS’ PERSPECTIVE”

In 2008, Wirecard AG once again proactively dealt with issues on the subject of payment processes and supported the ninth opinion poll on Internet payment systems from consumers’ perspective (*Internetzahlungssysteme aus Sicht der Verbraucher - IZV9*) carried out by the University of Karlsruhe. More than 5,000 respondents were registered. This series of opinion polls has been carried out in the German-speaking region since 1998 and is among most well-established surveys conducted in this field. The study provides everyone engaged

Experienced Internet users
pay by credit card

in the field of eCommerce, from consumers and online merchants to providers of payment systems, with comprehensive information and key findings.

Nearly all respondents (98 percent) indicated that they were already relatively experienced Internet use and that they used it most frequently as a source of information (94 percent). Moreover, just over two thirds (74 percent) said that they used the Internet for their virtual shopping trips. Online trading is thus becoming increasingly international: the proportion of respondents who predominantly shop outside their countries amounts to 17 percent for tangible goods, and up to 33 percent for digital goods.

In analyzing how these goods are being paid for, evidently a major shift has taken place since the last such study: now, for the first time, credit cards are the payment method of choice. Almost one third (27 percent) of payment transactions concluded were paid for by credit card. The classical bank-based methods especially popular in Germany, such as remittances by transfer (purchase on account) and direct debits follow at 22 and 19 percent (ranking second and third, respectively). Alternative payment systems play a more subordinate role, as is the case for C.O.D., an expensive method for consumers.

Conventional transfers are the payment method of choice for what are termed peer-to-peer (P2P) transactions. Even though some alternative payment processes comprise special P2P functions, such as being able to send money, these are not very widespread in connection with private sales at this time.

Credit cards are making
headway, with alternative
Internet payment methods
still having to contend with
difficult conditions.

To make payment methods more attractive in general, 80.4 percent of all respondents would appreciate a serious operator behind any given payment process. What is also important is improved information on liability issues in the event of damage or loss (69.2 percent), closely followed by standardization (67 percent) and protection in the form of a statutory framework (66 percent).

In contrast, for the credit card industry the opportunities and challenges are in close proximity to one another: if credit card use is to be increased also among less experienced Internet users, then the first issue will be to make acceptance of this payment method more popular. Prepaid products and virtual cards may yield interesting potential in this regard.

ALTERNATIVE INTERNET PAYMENT SYSTEMS

In the case of alternative payment systems and risk management systems, national payment methods are already integrated into the relevant applications. All the merchant needs to do is offer a payment method. The drawback of these systems, however, is that they are not very widespread. This is a problem that can currently be resolved only by the *Wirecard* Internet payment service since it provides for payment via a virtual MasterCard made available to customers irrespective of credit-rating factors. What is particularly advantageous is that the prepaid principle reduces the incidence of defaults in payment.

The merchants themselves need no technical integration, but only a credit card acceptance agreement. While individual payment methods such as credit cards, direct debits or remittances by transfer have become established as standard methods, the development in the field of alternative payment systems has not been concluded as yet.

1.3. Business trends in the period under review

The year 2008 was essentially characterized by one of operational growth and continual new customer acquisitions. The number of our business customers in our target markets of Europe and Asia increased to more than 10,000 companies. The operational integration of two subsidiary companies acquired in the fall of 2007—Wirecard Payment Solutions Ltd. Holdings in Dublin newly acquired in the fall of 2007 and Qenta paymentsolutions Beratungs und Informations GmbH in Klagenfurt— was successfully concluded.

Existing synergies between the individual products, markets and business divisions of the group of companies were strengthened in 2008.

GROWTH DRIVERS IN 2008

The E-commerce market reflects sustained growth, particularly in Europe and Asia. Consumers are increasingly shopping online since they are looking for price benefits in addition to convenience.

This led to a substantial increase in sales revenues in our merchant portfolio along with a sustained, positive trend in new customers acquired. And in tandem with the general trend in the direction of business processes being relocated from the offline to the online community, in difficult economic times all companies are required to put cost and efficiency optimization measures to the test.

However, not only the good market development and the trend in favor of outsourcing have been critical to the ongoing profitability of Wirecard AG. Economies of scale are also being generated from both the existing platform and the growing share of business customers who boost the transaction volume because of those very acquiring bank services rendered.

A particular universal selling point of the Wirecard Group is the centralization of payment transactions from many and various distribution and procurement channels within a single platform. Apart from taking over payment processing for Internet business and/or credit card acceptance for ancillary and down-stream banking services, an increasing number of cross- and up-selling opportunities have arose in business with portfolio customers, facilitating a continual expansion of business relations with specific customers.

Thanks to robust direct sales, Wirecard AG boosted growth of operations and further extended the international network of cooperation and distribution partners. In particular, small and medium-sized payment services providers from all over Europe opted for Wirecard Bank as their partner in the acquiring business.

In the East Asian region, the alliance formed in the summer 2008 with the Chinese payment services provider International Payment Solutions (Shanghai) Limited (IPS) reinforced our market position. This collaboration made it possible to extend the range of services for the Asian market to include additional regional Chinese payment processes. At the same time,

with the various country-specific payment and risk management methods of Wirecard Group, IPS is opening up the European market to merchants from China.

TRANSACTION VOLUME IN 2008

The majority of Group sales revenues is generated on the basis of customer relations with providers of merchandise or services on the Internet, who outsource their payment processes to Wirecard AG. Conventional services in the context of settlement and risk analysis of a payment transaction performed by a payment services provider and credit card acceptance by Wirecard Bank AG are therefore closely synchronized with one another.

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally dependent on the transaction volumes processed. In fiscal 2008 the transaction volume amounted to 8.4 billion euros.

At the end of the reporting period the following transaction volumes are allocated to the individual target industry segments:

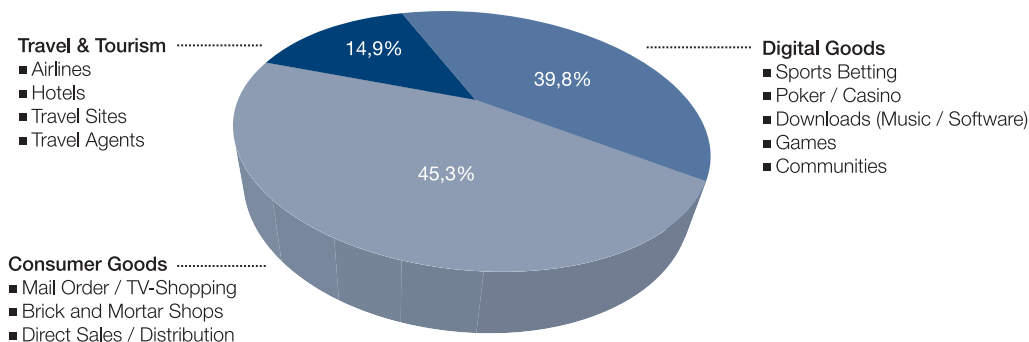


Illustration: Transaction volumes in connection with financial services as well as acceptance and issuing of means of payment by industry.

1.4. Market development and business trend by target industry segments

Business activities of the Wirecard Group are classified into three key target industry segments addressed by means of cross-platform solutions and services. These include the following segments:

- Consumer goods
- Digital goods
- Tourism

During the period under review, substantially positive and sustained business development was recorded, with the acquisition of large-scale customers operating on a global scale, who manage to realize savings potential by processing their global payment flows via a single, central platform.

Forrester Research estimates that the three big western European Internet nations, namely the United Kingdom, Germany and France, recorded more than 80 billion euros in E-commerce sales revenues (including tourism) last year.

- Germany 2008: 27.6 billion euros
- France 2008: 14.8 billion euros
- United Kingdom 2008: 36.5 billion GBP

According to European Technographics (source: Forrester), in Western Europe, online trading alone is estimated to have generated more than 100 billion euros in sales revenues in 2008.

CONSUMER GOODS

Online trade seems to be booming, because expectations were also exceeded in Germany in the year under review. In 2008, a total of 19.3 billion euros was spent on merchandise and services on the Internet, according to the Federal Association of the German Mail-Order Trade (*Bundesverband des deutschen Versandhandels - bvh*). In 2007, the bvh estimated growth in Internet trading revenues to reach more than 9 percent for 2008. At 13.8 billion euros, an increase of 23 percent was achieved. Of this, 4.6 billion euros was accounted for by clothing, textiles and footwear. In 2008, at 51 percent (previous year: 48 percent) more than half of all merchandise orders in the mail-order industry were received via the Internet for the first time.

Wirecard AG was able to profit from this positive trend, as it signed up such customers as the Lidl Online Shop, Schneider Versand, Stiftung Warentest eShop, Mexx Fashion, along with many more others. Online tickets sales turned out to be a field of business with particularly robust growth statistics. In addition to SKIDATA, an organization with which we managed to announce a general framework agreement for ticketing in numerous ski resorts, we

also took on the payment processing activities for the online ticket vending provider Tickets-Per-Post.

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

In Germany, we work for the two largest Teleshopping mailers HSE24 and QVC, who have been our customers for many years now. At the end of the year, an agreement was reached with HSE to once again considerably extend the level of cooperation in the field of risk management services in 2009.

By means of key bvH figures and ratios, the trends in the various mailer groups can be presented in even greater detail. Mailers who also sell via the Internet and catalogs are among the groups that generate the highest sales revenues in Germany (sales in 2008: EUR 5.190 million / +21.9 percent), followed by merchants trading solely on the Internet (sales in 2008: EUR 3.740 million / +57.3 percent). What is interesting, since we can also identify this trend among our new customers, is the immense surge recorded by two other groups: merchants who used to sell only via brick & mortar outlets but who have extended their activities to the online channel, and producers who also rely on direct sales, recorded over 100 percent growth year-on-year.

DIGITAL GOODS

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

Companies like bwin, bet-at-home, 888.com and other providers of note engaged in the European region are among our successful customers in the entertainment and sport bets industry. H2 Gambling Capital estimates that global online sales revenues from this industry, including state-run lotteries, amounted to just under 20 billion US dollars in 2008. Global Betting and Gaming Consultants (GBGC) came to a similar assessment.

In the year under review, Wirecard AG substantially reinforced its customer base for digital goods, greatly extending some of its cooperative ventures with customers. Among the new customers, William Hill and Betsson Malta Ltd. are worthy of note.

Music from the Internet is in more demand than ever: in 2008, in Germany alone, music downloads generated 80 million euros in revenue, equivalent to an increase of 34 percent year-on-year (BITKOM).

The *Bundesverband Interaktive Unterhaltungssoftware e.V. (BIU)* association reported a new sales record for the gaming industry of +14 percent in fiscal 2008. All in all, interactive entertainment software generated 1.57 billion euros (2007: 1.37 billion euros) in Germany.

TOURISM

The year 2008 was also an extremely successful one for the online tourism market; because the Internet is gaining importance for the tourism industry. According to PhoCusWright, the European tourism industry generated a third (29 percent, previous year: 25 percent) of the 246 billion euro market on the Internet in 2008 alone, expanding by 19 percent year-on-year. The three leading European tourism markets, the United Kingdom, Germany and France, accounted for 70 percent of the online volume. In Germany, as many as one fifth of all travel arrangements are booked online, with online hotel accommodation rising by 60 percent.

In its latest study already quoted at the beginning of this chapter, Forrester Research established that online trading revenues in the tourism industry in Germany amounted to EUR 8.9 billion (sum total including retail trade: EUR 27.58 billion).

According to the Federal Association of the Information Industry, Telecommunications and New Media (*Bundesverband Informationswirtschaft, Telekommunikation und neue Medien* (BITKOM)), last year as many as 16.3 million Germans bought an airline ticket on the Internet, just over 13 million reserved hotel rooms and 7.2 million booked a package tour.

For Wirecard AG, this manifested itself in significant new customer acquisitions in this target industry segment. As in the previous year, combining online and offline payment methods made a direct contribution to the success of our company in this strategically important growth market. Malaysia Airlines, Jet Airways and Turkish Airlines are only a few examples of numerous new customer acquisitions in the international airline environment. Moreover, the level of cooperation with tourism operators was further extended, including Vtours GmbH and TUI plc.

According to IPK International's European Travel Monitor, two of five reservations in Europe were made online

1.5. Business trend in the field of banking services

The combination of technology solutions and banking services within the Wirecard Group also facilitated a surge in profitability during the last fiscal year. In addition to its function as an acquiring bank for the technology-based core business of electronic payment processing services, the Wirecard Bank again succeeded in further developing its performance depth in 2008.

CARD SOLUTIONS FOR BUSINESS CUSTOMERS

Supplier and Commission Payments (SCP) represent an enrichment of the portfolio of services made available to business customers. In the period under review, the product was presented to a broad public interest community focusing on the "travel industry," leading to a large number of contracts being signed.

A further development of the virtual credit card for business customers are the so-called *payout cards*. This provides employers with an alternative solution for payouts to temporary, seasonal or auxiliary workers. Wages are still sometimes paid in cash or by check. Not only

is this complicated; it is also expensive. *Payout cards* are MasterCards on a non-borrowing basis, which are cheap and convenient for the disbursing companies to load and can then be used immediately for payouts to workers. In addition, companies have maximum control over their budgets, need to keep less cash in hand and therefore reduce their manual labor in the process. Moreover, the system provides full transparency on payments made. German companies are not the only ones who stand to benefit from this system; the product is available throughout the SEPA (Single Euro Payments Area).

In general, prepaid cards are the ideal card product for consumers to participate in cashless payment transactions without being confronted with the drawbacks of conventional credit card products - such as the risk of being over-indebted. However, they also represent an alternative for people who do not wish to use their conventional credit card for payments on the Internet for security reasons. From the merchant's point of view, prepaid cards are a secure method of payment thanks to the fact that they are covered by a credit balance. Payments via these prepaid cards can be made only from previously deposited credit balances, as is the case with prepaid telephone cards. Moreover, such cards are not tied to the issuance of a physical, plastic card but can also be issued in purely virtual format (www.mywirecard.com).

1.6. Call Center & Communication Services Division

Wirecard Communication Services GmbH concentrates primarily on providing core services to the Wirecard Group. In the year under review, attention was devoted in particular to extending the level of customer services to private customers of Wirecard Bank AG. New quality measures were introduced in this context, to provide optimum management for the rising number of customer inquiries. As a bank that operates exclusively online, Wirecard Bank, considers customer satisfaction of primary importance.

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

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

Wirecard Communication Services GmbH provides a favorably priced customer contact center. Thanks to its hybrid structure, it is able to achieve effective peak level management for inbound customers with spot-dependent call volumes. At present, all six 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 at short notice. To the conventional communication channels such as telephony and fax Wirecard Communication

Services can add e-mail, tickets, chat rooms, forums and maintenance of knowledge data-bases. Portfolio customers comprise software producers, creators of PC and console games and publishing houses of note.

1.7. Segments of reporting

Wirecard AG reports on its business development in three segments:

PAYMENT PROCESSING & RISK MANAGEMENT (PP&RM)

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

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

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

ACQUIRING & ISSUING (A&I)

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

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

CALL CENTER & COMMUNICATION SERVICES (CC&CS)

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

2. EARNINGS, FINANCIAL AND ASSET POSITION

2.1. Earnings position

In spite of the increasingly difficult economic conditions prevailing in the course of the year, in fiscal 2008 the Wirecard Group succeeded in boosting both sales revenues and earnings significantly, exceeding the expectations of income growth published at the beginning of the year. Gratifying market growth, new customer acquisition, the increased utilization of our banking services and the successful integration of the acquisitions made in 2007 were essential contributory factors in this regard. At the same time, it was possible to benefit from further economies of scale

DEVELOPMENT OF SALES

Consolidated Group sales revenues for fiscal 2008 as a whole were bolstered by 46.7 percent, from TEUR 134,168 to TEUR 196,790.

Sales revenues generated by risk management services and the processing of online payment transactions in the core segment of "Payment Processing & Risk Management" were up by 50.3 percent, from TEUR 123,134 to TEUR 185,089.

The share of consolidated sales accounted for by the "Acquiring & Issuing" segment, i.e. Wirecard Bank AG, rose from TEUR 20,815 to TEUR 41,717, equivalent to an increase of 100.4 percent.

The "Call Center & Communication Services" segment generated TEUR 4,332 in sales revenues in the year under review, compared with TEUR 6,571 in 2007.

As in the preceding financial year, revenues of the Wirecard Bank chiefly comprised commission income from the Acquiring & Issuing division, from interest on financial investments and income earned on processing payment transactions, along with exchange rate differentials in handling transactions in foreign currencies. In the process, customer deposits to be invested by Wirecard Bank AG (December 31, 2008: TEUR 78,739; December 31, 2007: TEUR 41,858) are solely held in sight deposits, overnight or fixed-term deposits with other banks assessed by rating agencies of note as being subject to minimal risk (equivalent to an "Investment Grade" rating by Standard & Poor's and Moody's). With these measures, against the backdrop of the financial crisis Wirecard AG makes an effort to protect its liquidity at all times. No investments are made in money market instruments, stocks, certificates, financial derivatives or other speculative financial instruments. Forward exchange transactions and currency options hedged in foreign currencies are excluded from the above.

The Wirecard Bank's interest income in 2008, amounting to TEUR 3,406, is reported as revenue in the financial statements of the Wirecard Bank in accordance with the IFRS accounting principles and therefore is not included in the Group's net financial income but is also reported as revenue in this context. It comprises interest income on investment of equity and customer funds (deposits and acquiring money) with external banks.

DEVELOPMENT OF KEY EXPENDITURE ITEMS

Other own work capitalized consists primarily of the further development of the core system for payment processing activities. In this regard, only own work is capitalized that is subject to mandatory capitalization in accordance with the IFRS accounting principles. In fiscal 2008, the sum total of items capitalized amounted to TEUR 4,108 (previous year: TEUR 4,328).

The cost of materials within the Group rose to TEUR 110,387 in fiscal 2008, compared with TEUR 72,969 a year earlier. In particular, the cost of materials includes commissions payable to banks issuing credit cards (Interchange) as well as charges payable to credit card companies.

At the Wirecard Bank, apart from Interchange, the cost of materials primarily comprises expenses incurred by the business divisions Acquiring & Issuing and Payment Transactions in the field of processing costs of external services providers, of production and transaction costs for prepaid cards and the payment transactions effected with them as well as account management and transaction charges for keeping customer accounts. In fiscal 2008, the cost of materials of the Wirecard Bank amounted to TEUR 22,560, compared with TEUR 11,104 in 2007.

Gross earnings (sales revenues incl. inventory changes and other own work capitalized less cost of materials) increased by 38.1 percent in fiscal 2008, amounting to TEUR 90,511 (previous year: TEUR 65,527). Of this sum, gross earnings generated by the Wirecard Bank, without taking consolidation effects into account, amounted to TEUR 19,157 (previous year: TEUR 9,711).

Differences arising from foreign currency translation between the nominal value of a transaction when consummated and the date on which it is either settled or translated for inclusion in a consolidated balance sheet are accounted for as impacting on loss and profit and included in cost of material if the payment is related to customer money. In other cases it is accounted for in other operating expenses/income. Expenses impacting on profit and loss associated with foreign currency translation amounted to TEUR 1,396 in fiscal 2008 (previous year: TEUR 478).

Group personnel expenditure in fiscal 2008 increased to TEUR 23,709, or by 29.7 percent year-on-year (previous year: TEUR 18,276). This increase is attributable in particular to full-time staff being added to the payroll in the wake of the acquisition of Trustpay International AG in the fourth quarter of 2007. Personnel expenditure at the Wirecard Bank amounted to TEUR 1,693 in fiscal 2008 (previous year: TEUR 1,374).

Other operating expenses for fiscal 2008 comprise non-recurring and extraordinary expenses in excess of EUR 1 million, particularly for additional legal and consultancy fees as well as a special expert opinion prepared by the auditing firm Ernst & Young AG. Including third-party services, cost of premises, administration, sales and travel expenses, these came to TEUR 18,668 in the Wirecard Group in fiscal 2008 as a whole (previous year: TEUR 14,291). Of this sum the Wirecard Bank accounted for TEUR 3,372 (previous year: TEUR 2,617).

Depreciation and amortization in fiscal 2008 amounted to TEUR 3,381 (previous year: TEUR 2,048) and predominantly comprised investments in new products dating back to 2006 and 2007. Of this amount, depreciation and amortization at the Wirecard Bank in fiscal 2008 came to TEUR 47 (previous year: TEUR 18).

Other operating income primarily comprised other income, based on contractual arrangements as well as income derived from the reversal of provisions and valuation adjustments, amounting to TEUR 4,264 for the Group as a whole in fiscal 2008, compared with TEUR 2,176 in the preceding year. Of this sum, the Wirecard Bank accounted for TEUR 1,046 (previous year: TEUR 394).

EBIT DEVELOPMENT

Group earnings before interest and taxes (EBIT) were up by 48.1 percent in fiscal 2008, from TEUR 33,089 in the previous year to TEUR 49,018. The EBIT margin for fiscal 2008 as a whole improved from 24.7 percent to 24.9 percent.

EBIT generated in the Payment Processing & Risk Management segment was up by 30.0 percent in fiscal 2008, to TEUR 34,254 (previous year: TEUR 26,343).

The contribution made by the “Acquiring & Issuing” segment amounted to TEUR 15,090 in fiscal 2008 (previous year: TEUR 6,097). This increase is primarily attributable to the Acquiring division, in which numerous new customers were gained and in which the fast-growing market for online products had a positive impact in the field of portfolio customers. Moreover, the Wirecard Bank benefited from the fact that after the migration to the bank, Acquiring customers also opted in favor of other products, such as the operation of corporate accounts. In the Issuing division, the Group benefited from an increased number of prepaid cards being issued as well as a positive trend recorded for virtual prepaid cards, both in the B2B and in the B2C segments. In addition, Wirecard Bank AG succeeded in offsetting re-

duced interest rates and in achieving higher net interest income thanks to increased deposits being made by corporate and private customers.

In the year under review, the “Call Center & Communication Services” segment produced a negative result of TEUR (434) (previous year: TEUR 570).

FINANCIAL RESULT

The financial result, or net financial income, amounted to TEUR (624) in fiscal 2008 (previous year: TEUR (3,233)), with the result for fiscal 2007 also including a goodwill correction amounting to TEUR 2,963. This correction was made because the loss carry-forward of Wirecard Bank AG had been confirmed by official notice from the fiscal authorities in the previous year.

Group financial expenditure in fiscal 2008, amounting to TEUR 1,496 (previous year: TEUR 3,971) chiefly comprised loans taken out for the corporate acquisitions in the past; again, however, the result for fiscal 2007 also contains the goodwill correction on account of the capitalization of tax loss carry-forwards on the part of Wirecard Bank AG. The Group's net financial income does not include interest income generated by the Wirecard Bank, which is required to be reported as revenue of the Wirecard Bank in accordance with IFRS accounting principles.

TAXES

Owing to the international orientation of the business and the utilization of the loss carry-forward of the Wirecard Bank, the cash-to-taxes ratio (excluding deferred taxes) amounted to 9.5 percent (previous year: 9.1 percent). Including deferred taxes, the tax ratio came to 12.6 percent (previous year: (2.1) percent).

In the previous year period, tax expenditure was reduced on account of full recognition of the loss carry-forwards of Wirecard Bank AG and the loss carry-forwards not capitalized in the past of Wirecard Bank AG, amounting to TEUR 4,993. In fiscal 2008, a tax audit resulted in further income amounting to TEUR 827. This has also been taken into account in the tax expenditure. Accordingly, comparability is only limited in terms of tax expenditure, the operating result, net income for the year and earnings per share.

NET INCOME

Earnings after taxes rose by 38.8 percent in fiscal 2008 year-on-year, from TEUR 30,472 to TEUR 42,305. On the other hand, there is only a limited degree of comparability with the previous-year figures since only the income-tax related loss carry-forwards of Wirecard Bank AG are reflected in the figures for 2007.

EARNINGS PER SHARE

The number of shares issued increased from 81,429,915 to 101,803,139 year-on-year

Earnings per share increased from EUR 0.30 to EUR 0.41 (diluted) or EUR 0.42 (basic) in fiscal 2008. However, the capital increase from company funds implemented on August 1, 2008, which had been adopted at the General Meeting of June 24, 2008 must be taken into account in this regard, which increased the Company's capital stock by EUR 20,357,967.00. Moreover, 15,257 shares were issued on the basis of the current staff participation program.

2.2. Financial and asset position

PRINCIPLES AND OBJECTIVES OF FINANCE MANAGEMENT

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

CAPITAL AND FINANCING ANALYSIS

As at December 31, 2008 reporting date, the level of equity at Wirecard AG amounted to TEUR 206,955, compared with TEUR 163,888 at the same time a year earlier. The equity ratio amounts to 49.2 percent (December 31, 2007: 41.2 percent).

The Company's subscribed capital as at December 31, 2008 amounted to EUR 101,803,139.00 and was divided up into 101,803,139 no-par-value bearer shares based on a notional capital stock of EUR 1.00 per share. This increase in subscribed capital year-on-year essentially resulted from a capital increase sourced from company funds in 2008. On August 1, 2008 the capital measures adopted at the Annual General Meeting of June 24, 2008 were entered in the Munich Commercial Register. A capital increase from company funds was registered, raising the level of the Company's common or capital stock by EUR 20,357,967.00.

Moreover, 15,257 shares were issued on the basis of the current staff participation program.

By resolution of the annual general meeting of December 14, 2004, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the company's common stock by December 14, 2009, on one or several occasions, by issuing new no-par-value bearer shares against cash or non-cash contributions by up to EUR 26,334,867.00 (authorized capital). This has not been fully utilized to date. Since the required majority was not reached at the Annual General Meeting of June 24, 2008 for the agenda item, "Resolution on the cancellation of authorized capital and the creation of new authorized capital and on amendment to the articles of incorporation", the extent of the authorized capital did not

change in the year under review. As at the December 31, 2008 balance sheet date, the authorized capital amounted to EUR 13,601,917.00.

The Board of Management was authorized by a resolution adopted at the Annual General Meeting of June 24, 2008 to acquire treasury stocks with a notional share of the capital or common stock of up to 10 percent. This authorization is limited until December 23, 2009. The Company has not exercised the authority conferred on it to date.

The company's contingent capital initially declined in the period under review, from EUR 810,938.00 to EUR 808,985.00 due to convertible bonds being converted.

Owing to a capital measure entered in the Munich Commercial Register on August 1, 2008 which increased the existing contingent capital 2004/I from EUR 808,985.00 to EUR 1,011,231.25 and the conversion of further convertible bonds, which reduced the level of contingent capital by EUR 13,304.00, contingent capital 2004/I amounted to EUR 997,927.25 as at December 31, 2008.

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

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

INVESTMENT ANALYSIS

Criteria for investment decisions in the Group of Wirecard AG in principle include capital employed, the securing of a comfortable cash flow availability, the results of an intense analysis of potential risks as well as of the opportunity/risk profile and the type of financing (purchase or leasing). Depending on the type and size of the investment, the chronological course of investment return flows is taken into account extensively.

LIQUIDITY ANALYSIS

The Treasury Management responsible for the Group as a whole ensures timely availability of liquidity for all corporate divisions in order to avoid taking out loans and paying interest falling due on borrowed funds.

In the wake of positive business trends, customer deposits as at December 31, 2008 increased to TEUR 78,739 (December 31, 2007: TEUR 41,858).

The increased deposits are also having a positive effect on the item of cash and cash equivalents. These increased from TEUR 157,194 to TEUR 195,939 in relation to December 31, 2007.

Wirecard AG always had a comfortable liquidity base of its own in order to meet its payment obligations. The acquisition of Trustpay International AG was successfully concluded in fiscal 2008; the final purchase price installments for Wirecard Payment Solutions Holdings Ltd. (TEUR 21,603) and for Qenta paymentsolutions Beratungs und Informations GmbH and for webcommunication EDV Dienstleistungs und Entwicklungs GmbH (TEUR 1,832) were paid in cash in the year under review.

The Group's liabilities to banks were reduced by TEUR 2,529, to TEUR 9,000 (as at December 31, 2007: TEUR 11,529).

RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES

The ratio of current assets to current liabilities of Wirecard AG is as follows:

Dec. 31, 2008	current assets	TEUR 255,756	= 1.25
	current liabilities	TEUR 203,852	
Dec. 31, 2007	current assets	TEUR 236,282	= 1.06
	current liabilities	TEUR 221,971	

ASSET POSITION

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

2.3. Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in fiscal 2008. With after-tax earnings of 42.3 million euros, earnings per share of 0.41 euros (diluted) and 0.42 euros (basic) and an equity ratio of 49.2 percent, the Wirecard Group has a solid financial and accounting position for the current fiscal year. Thanks to reduced liabilities to banks, amounting to 9 million euros, and a considerable inflow of funds from current operations, the Wirecard Group has a comfortable liquidity position.

There are good prospects for further growth of the E-commerce market in Europe and Asia despite the tense global economic situation. It is worthy of emphasis in this regard that when the forecast was released in January of increasing EBIT from 10 to 25 percent in fiscal 2009, the significantly poorer economic fundamentals were already taken into account.

In 2009, the Wirecard Group plans to continue its yield-oriented growth strategy. After all, with an increasing number of customer relationships and a rising transaction volume, additional economies of scale are expected to arise from the transaction-oriented business model along with considerable synergies with our banking services.

3. RESEARCH AND DEVELOPMENT

3.1. Orientation of research and development activities

Our market and customer oriented innovation policy secures us sustained sales potential and makes a decisive contribution to the success of the Wirecard Group. Interdisciplinary cooperation in our globally positioned group of companies, cooperative ventures with market research institutes, as well as collaboration with a large number of international partner companies within the scope of our product design enable us to identify value adding innovation potentials at an early stage and to develop them in a targeted fashion.

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

The development of agile development methods adjusted to the special requirements in the field of developing banking software as well as our market and production oriented organizational structures contribute to an efficient deployment of resources. Decision-making structures geared to the special dynamics of our field of business ensure the sustainability of investment decisions. In parallel, they enable our regionally oriented subsidiaries to exert a direct and immediate influence on the innovation and product development process.

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

3.2. Research and development expenditure

Adjusted expenditure on research and development amounted to 9.2 million euros in fiscal 2008. This corresponds to an increase of 24 percent year-on-year (2007: 7.4 million euros). The R&D ratio, i.e. the share of total sales revenues accounted for by adjusted research and development costs, amounted to 4.7 percent in the period under review (2007: 5.5 percent).

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

3.3. Employees engaged in research and development

The strategic significance of research and development for our success in business is reflected in our personnel structure. Personnel capacities in the fields of Product and Program Management, Architecture, Development and Quality Assurance amounted to 110 persons at the end of the period under review. This is equivalent to a percentage share of 25 percent of all Group-wide employees and an increase of 5 percent year-on-year.

The success of our research and development activities is attributable to a decisive degree to our employees engaged in this field. Their level of training, apart from their innovative powers and commitment, represents a critical factor in securing our technological competitive lead.

An extensive internal basic and advanced training program as well as access to outside vocational training facilities help to secure the high standard of qualifications of our staff employed in Research and Development. Proactive personnel policy, a pleasant working environment as well as competitive remuneration and incentive models protect the Company from the loss of top performers in terms of human resources.

3.4. Results of Research and Development

In fiscal 2008, our development activities were chiefly concentrated on extending our product range as well as the functional expansion of existing products and services.

A special focus of our development activities lies in the further development of our portfolio of services in the field of debtor management and risk management, as well as the development of a payment guarantee product (*PAYShield*) for the German market.

Since June 2008, Wirecard and Experian have been providing companies with access to state-of-the-art analytical, modeling and simulation technologies as part of a common outsourcing solution. The new solution, fully integrated into Wirecard's payment platform, supports merchants in making quick but qualified decisions concerning the acceptance of orders and in reducing the risk of default in payment considerably.

In collaboration with CEG Creditreform Consumer GmbH, the *PAYShield* product was created, which largely protects Internet merchants in Germany - Europe's second-largest online market - from the risk of defaults in payment even within the scope of direct debits or payment against invoices. *PAYShield* automatically creates a risk profile of a consumer on the basis of the data and current credit status information conveyed during a purchase and payment process. The merchant then receives information as to what payment solutions he is allowed to offer the consumer and whether a payment guarantee will be assumed for the particular transaction. Moreover, the merchant also stands to benefit from a reduced work-

load in terms of receivables management. If a claim is made under a payment guarantee, *PAYShield* takes care of all follow-up processes, such as collections.

By including additional partner banks based primarily in the Asian region in the fields of credit card acceptance and national payment methods as well as integrating additional alternative payment methods, we again managed to consolidate our position as a globally oriented and independent provider of payment transaction services in the period under review.

Thanks to the realization of new products and services in the field of dynamic currency conversion, we are now in a position to assist our corporate customers in reducing the complexity of their financial and payment processes in the case of multi-currency transactions on an international scale. In doing so, evidence of currency effects on an individual transaction basis and at the level of each value added stage along the payment processes ensures maximum transparency for our customers.

The high innovative capacity of the Wirecard Group underscored first eBusiness application with an electronic ID card, presented jointly by Wirecard and Giesecke & Devrient (G&D) at the CeBIT 2008; a card solution currently planned by several member states of the European Union. This application is based on registration and logging into the *Wirecard* Internet payment service of the Wirecard Bank. The electronic ID card and personal PIN number make it possible for the first time to mutually verify online authentication of the bank and its customers on the basis of an official personnel document.

4. GROUP STRUCTURE AND ORGANIZATION

4.1. Subsidiaries

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

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

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

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

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

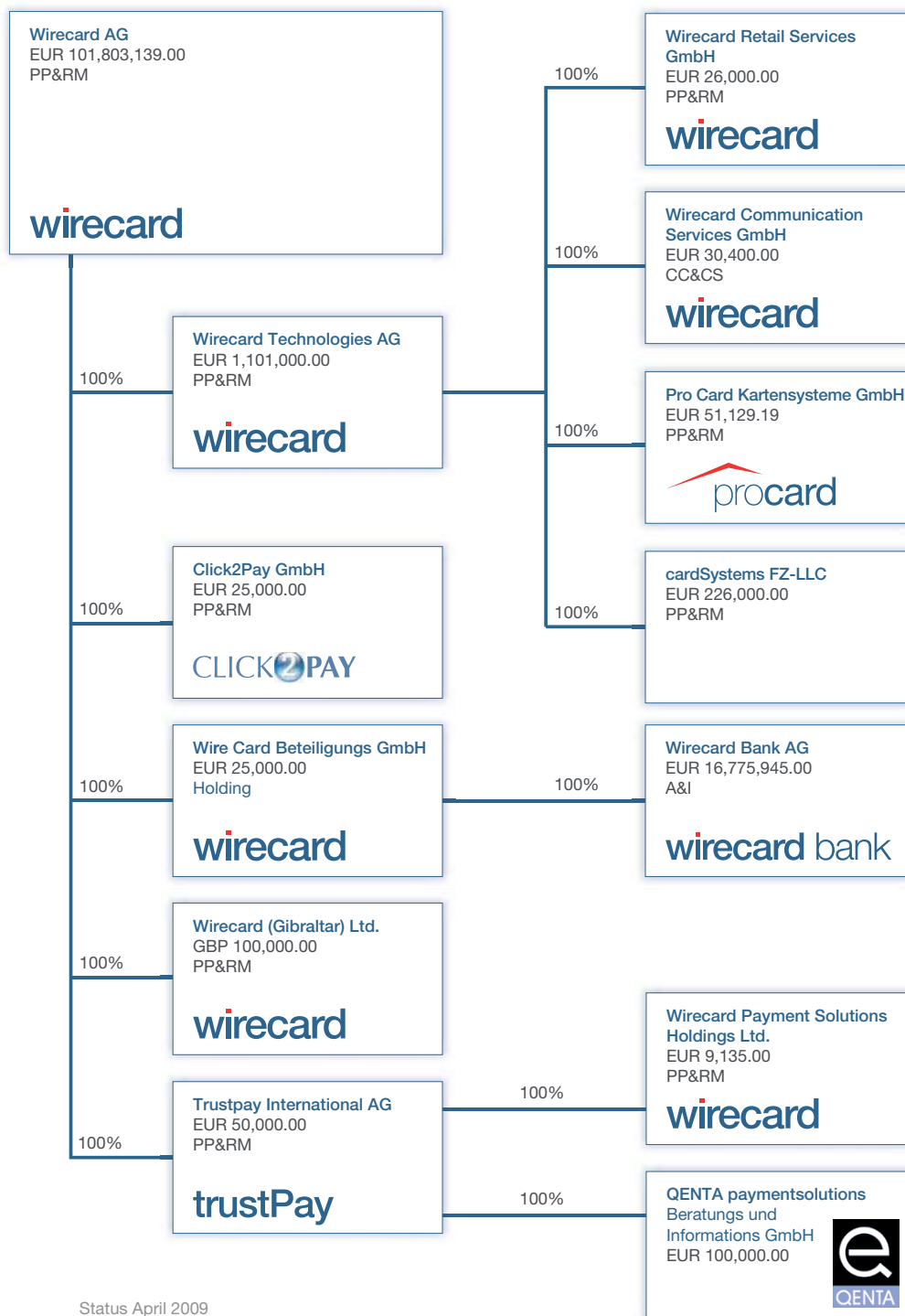
Wirecard Communication Services GmbH bundles the knowhow of virtual and physical call center solutions in a hybrid structure and can therefore meet the growing requirements relating to quality with comprehensive, flexible services, focusing chiefly on business-to-business and private customers of the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

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

Wirecard Asia Pacific Inc., newly established in Manila (Philippines) at the end of 2007, was not included as yet in the group of companies required to be consolidated. It focuses on sales of payment processing services in the Asian region.

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

OVERVIEW OF KEY GROUP SUBSIDIARIES



Status April 2009

4.2. Board of Management, Supervisory Board and Company bylaws

In the period under review, the composition of the Board of Management of Wirecard AG was unchanged as follows:

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

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

The remuneration system of the Board of Management and Supervisory Board consists of fixed and variable components. Further particulars in this regard are documented in the Notes.

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

The Board of Management and Supervisory Board have adopted a resolution to the effect that employees of Wirecard AG and of subsidiaries may be awarded a royalty on the same terms and conditions as for the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value shall be made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must have been in the Company's services for at least one year and still

be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

In the year under review, Mr. Klaus Rehnig resigned from the Supervisory Board at the end of the ordinary Annual General Meeting. At this Annual General Meeting, Mr. Wulf Matthias was elected a member of the Supervisory Board and appointed Chairman of that body at its subsequent meeting. Since June 24, 2008, the Supervisory Board has been comprised of the following members:

- Wulf Matthias, Chairman
- Alfons Henseler, Deputy Chairman
- Paul Bauer-Schlichtegroll, Member

4.3. Employees

At the December 31, 2008 balance sheet date, the Wirecard Group had a workforce of 442 employees at its various locations (previous year: 459). The number of full-time employees increased slightly, from 322 to 328 persons. Among the part-time employees predominantly engaged at the call center in Leipzig, the number of these declined in 2008, from 137 in the previous year to 114 persons. The employees of Wirecard AG are from more than 20 different nations. In the case of the foreign subsidiaries, the distribution of staff is as follows:

- Qenta paymentsolutions: 16
- Wirecard Payment Solutions: 64
- Wirecard Gibraltar: 9
- Wirecard Asia Pacific : 18

In the field of health and occupational safety, Wirecard AG meets all labor market specific and technical safety related provisions, such as inspections on site and training employees in the field of health protection.

To ensure positive corporate development, all employees are motivated and led by their supervisors on the basis of mutually agreed objectives. The talks held on half-year basis with employees are not only intended to measure objectives in terms of entrepreneurial success but also the personal development of each individual. Accordingly, these appraisal talks are not only of a functional nature but must also be viewed as opportunities for advanced vocational training. This individual approach enables any shortfalls to be evaluated on a timely basis together with each employee involved.

Staff fluctuation is very low throughout the Group. Among department heads, the level of fluctuation is close to zero. In addition, managerial staff members are motivated by a stock option program. Further details in this regard are listed in the notes to the consolidated annual financial statements. The structure of personnel expenditure is geared to the benchmarks prevailing on the market.

With regard to the age structure, we ensure that the spread is as wide as possible so as to take advantage of the strengths of all age groups with an ideal combination of experience and innovation for an optimum performance overall.

5. CORPORATE GOVERNANCE REPORT

In accordance with No. 3.10 of the German Corporate Governance Code in the version of June 6, 2008, the Board of Management – also on behalf of the Supervisory Board – reports the following on corporate governance at Wirecard AG:

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

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

SERVICE AND INTERNET INFORMATION FOR OUR SHAREHOLDERS

On our website (<http://ir.wirecard.com> – “Finance Calendar”) and in our annual and interim reports, we provide information for our shareholders, analysts, shareholder associations, the media as well as interested persons from the general public on a regular basis concerning the key recurring dates, such as that of our Annual General Meeting. Within the scope of our investor relations activities, we conduct meetings on a regular basis with analysts and institutional investors alike. In addition to the annual analysts' conferences on the annual financial statements, telephone conferences for analysts are held whenever the individual quarterly reports are published. Information on the Annual General Meeting is published in easily accessible format on the Company's website. Beyond that, for competitive reasons, the need to make documents available online – apart from the published reports and the agenda – has been dispensed with.

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

CLOSE COLLABORATION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Being a German stock corporation, Wirecard AG has a dual structure of management and control. In the interests of the enterprise, the Board of Management and the Supervisory Board cooperate very closely. The decisive common objective is to increase the Company's enterprise value on a sustained basis.

The Supervisory Board consists of three members. To guarantee independent consultancy and monitoring of the Board of Management, the number of members of the Supervisory Board who were formerly members of the Board of Management has been restricted to a maximum of one member. The Board of Management reports to the Supervisory Board comprehensively and on a regular, timely basis about all relevant questions of corporate planning and further strategic development, about the course of business and the Group's situation as well as questions relating to its risk position and risk management. Reporting of the Board of Management also extends to include the topic of compliance, i.e. the measures adopted by Wirecard AG to observe legal and statutory rules and regulations as well as internal corporate directives. Transactions of material nature are subject to approval of the Supervisory Board. The Chairman of the Supervisory Board is permanently in contact with the Board of Management. He visits the Company on a regular basis to obtain information on site on business developments and to give the Board of Management advice with its decisions.

The Company has taken out liability insurance (known as Directors' and Officers' [D&O] Insurance with an appropriate excess or deductible for members of the Board of Management and Supervisory Board of Wirecard AG as well as members of the management of affiliates.

No conflicts of interest between members of the Board of Management and Supervisory Board required to be disclosed without delay became known. Owing to its restriction in size to three members, the Supervisory Board has dispensed with the need to set up an audit committee or other Supervisory Board committees.

Further particulars on the persons and the work of the Supervisory Board in fiscal 2008 are contained in the Supervisory Board Report as well as in the Management Report (Chapter 1.).

REMUNERATION REPORT

Remuneration of the Supervisory Board is based on the relevant provisions of the Company's bylaws (Articles of Incorporation), the current version of which was adopted at the Annual General Meeting held on June 24, 2008. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration apart from being reimbursed for out-of-pocket expenses. The remuneration paid to the Supervisory Board is presented and published in a Remuneration Report within the scope of the Consolidated Management Report. In order to avoid duplication in reporting, this Corporate Governance Report expressly adopts the presentation in the Notes to the Consolidated Financial Statements (see Annex) as its own and refers to it. Remuneration or benefits for personally rendered services, in particular consultancy and intermediary services, were granted in accordance with the Notes to the Consolidated Financial Statements. In addition, the Company has taken out liability insurance in favor of the Supervisory Board members, covering statutory liability arising from the activities of the Supervisory Board.

The remuneration paid to the Board of Management is presented and published in a Remuneration Report within the scope of the Notes to the Consolidated Financial Statements. The Company also implements the rule newly included in the current version of the Code for the treatment of remuneration issues by the Supervisory Board. The Supervisory Board has adopted the remuneration system for the Board of Management, including the essential contractual elements thereof, and will review it on a regular basis.

On June 6, 2008 the Code Commission converted the earlier ideas put forward on the severance pay cap into recommendations. Since the new version of the recommendations by the German Corporate Governance Code in June 2008, however, neither has a new agreement been entered into with a member of the Board of Management at Wirecard nor has an existing agreement with a member been renewed.

Under item 8 of the agenda, at the Annual General Meeting of Wirecard AG held August 30, 2005 on the basis of § 286, (5) HGB read in conjunction with § 314, (2) HGB, it was decided to dispense with the need for disclosure of remuneration paid to the Board of Management up to and including fiscal 2009. Accordingly, the Company deviates from Nos. 4.2.4 and 4.2.5 of the declaration of conformity pursuant to the German Corporate Governance Code.

RESPONSIBLE RISK MANAGEMENT

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

TRANSPARENCY AND COMMUNICATION

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

DIRECTORS' DEALINGS

In accordance with § 15a of the German Securities Trading Act (WpHG) the members of the Board of Management and Supervisory Board of Wirecard AG are required to disclose the acquisition and sale of Wirecard AG shares and related financial instruments. For the year under review, Wirecard AG received three reports by the end of the year, which are also published on our Company's website.

On June 27, 2008 Mr. Paul Bauer-Schlichtegroll, a member of the Supervisory Board, purchased 50,000 shares of the Company at a price of EUR 7.98 per share in Xetra trading with a total volume of EUR 399,000.

On July 2, 2008, the company MB Beteiligungsgesellschaft mbH, as a legal person with relations to a person with leadership tasks, purchased 50,000 shares of the Company in Xetra trading at a price of EUR 7.6440 per share, with a total volume of EUR 382,200 (person liable to disclosure: Dr. Markus Braun).

On July 23, 2008, the company MB Beteiligungsgesellschaft mbH, as a legal person with relations to a person with leadership tasks, purchased 150,000 shares of the Company in Xetra trading at a price of EUR 11.00 per share, with a total volume of EUR 1,650,000 (person liable to disclosure: Dr. Markus Braun). The assumption took place on the basis of a non-binding arrangement made in June 2008.

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

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

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING

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

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

CORPORATE GOVERNANCE OUTLOOK

Compliance with the corporate governance principles will once again represent a central management task for us in fiscal 2009. We will continue to rely for guidance on the parameters laid down by the German Corporate Governance Code and implement these accordingly.

The Board of Management and Supervisory Board will continue to cooperate closely in a spirit of mutual trust and undertake to deal jointly with all business transactions of material relevance. We will provide our shareholders with the usual service regarding proxies and the exercise of votes throughout the Annual General Meeting scheduled for June 18, 2009. The implementation of our Group-wide Compliance program is another permanent managerial function which we intend to consistently pursue in future.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE BY WIRECARD AG IN CONFORMITY WITH § 161 OF THE GERMAN COMPANIES ACT (AKTG)

The Board of Management and the Supervisory Board declare that since the submission of the last declaration of compliance dated March 28, 2008, the Company has been and will be in compliance with the recommendations of the “Government Commission on the German Corporate Governance Code”. For the past, the above-mentioned declaration refers to the version of the Code dated June 14, 2007. For the current and future corporate governance practice of Wirecard AG, the above-mentioned declaration refers to the recommendations of the Code in its new version dated June 6, 2008.

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

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

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

According to No. 4.2.4 of the Code, the total remuneration of each member of the Board of Management, divided up into performance-independent and performance-related components as well as components with a long-term incentive effect shall be disclosed, indicating the names of the persons in question, unless the Annual General Meeting has decided otherwise in terms of a resolution based on a three-quarters’ majority of votes cast. No. 4.2.5 of the Code subsequently governs the details of disclosure relating to remuneration paid to the Board of Management. Moreover, No. 4.2.5 of the Code provides that the presentation of the concrete structure of a stock option plan or comparable components with a long-term incentive effect and risk characteristics is to include the value thereof and that in the case of benefit commitments, additions to pension reserves or pension funds are to be indicated. Finally, the essential content of commitments is to be indicated in cases where activities as a member of the Board of Management are terminated if the commitments do not differ materially in terms of their legal construction from the commitments made to employees. The

remuneration report is also to contain information on the type of ancillary services rendered by the Company.

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

No. 5.3 of the Code provides for committees to be set up. The current Supervisory Board, consisting of three members, has not appointed any committees to date. The full Supervisory Board deals with all transactions requiring consent.

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

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

6. SUBSEQUENT REPORT

6.1. Information on events of particular importance

RELEASES ACCORDING ARTICLE 26, SECTION 1 OF THE WPHG (THE GERMAN SECURITIES TRADING ACT)

(Company notified after the end of the reporting period)

On January 2, 2009 the voting rights of SR Global Fund LP, George Town, Grand Cayman, Cayman Islands have fallen below the threshold of 3% and then amounted to 2.99% (3,040,560 voting rights).

On January 20, 2009 the voting rights of William Blair & Company, LLC, Chicago, Illinois, USA have fallen below the threshold of 5% and amounted to 3.54% (3,605,086 voting rights via shares) as per this date. These 3.54% (3,605,086 voting rights) were attributable to William Blair & Company, LLC according to section 22 paragraph 1 sentence 1 number 6 WpHG.

On January 23, 2009 the voting rights of Sloane Robinson LLP, London, United Kingdom, have fallen below the threshold of 3% and amounted to 2.78% (2,835,181 voting rights via shares) as per this date. Thereof 2.78% (2,835,181 voting rights) were attributed to Sloane Robinson LLP according to section 22 paragraph 1 sentence 1 number 6 WpHG. These voting rights were held in aggregate by SR Global Fund LP and SR Europe Investment Trust Plc in relation to which Sloane Robinson LLP acts as investment manager.

On January 23, 2009 the voting rights of Sloane Robinson Investment Services Limited, London, United Kingdom, have fallen below the threshold of 3% and amounted to 2.78% (2,835,181 voting rights via shares) as per this date. Thereof 2.78% (2,835,181 voting rights) were attributed to Sloane Robinson Investment Services Limited according to section 22 paragraph 1 sentence 2 in connection with section 22 paragraph 1 sentence 1 number 6 WpHG. These voting rights were held in aggregate by SR Global Fund LP and SR Europe Investment Trust Plc in relation to which Sloane Robinson LLP acts as investment manager and Sloane Robinson Investment Services Limited acts as its managing member.

On January 23, 2009 the voting rights of T. Rowe Price International, Inc., Baltimore, Maryland, USA have exceeded the threshold of 3% and amounted to 3.39% (3,460,653 voting rights via shares) as per this date. These 3.39 % (3,460,653 voting rights) are attributed to T. Rowe Price International, Inc. according to section 22 paragraph 1 sentence 1 number 6 WpHG.

On January 23, 2009 the voting rights of TRP Finance, Inc. Wilmington, Delaware, USA have exceeded the threshold of 3% and amounted to 3.39% (3,460,653 voting rights via shares) as per this date. Thereof 3.39 % (3,460,653 voting rights) are attributed to TRP Finance, Inc. according to section 22 paragraph 1 sentence 2 in connection with section 22 paragraph 1 sentence 1 number 6 WpHG.

On January 23, 2009 the voting rights of T. Rowe Price Associates, Inc., Baltimore, Maryland, USA have exceeded the threshold of 3% and amounted to 3.39% (3,460,653 voting rights via shares) as per this date. Thereof 3.39 % (3,460,653 voting rights) are attributed to T. Rowe Price Associates, Inc. according to section 22 paragraph 1 sentence 2 in connection with section 22 paragraph 1 sentence 1 number 6 WpHG.

On January 23, 2009 the voting rights of T. Rowe Price Group, Inc., Baltimore, Maryland, USA have exceeded the threshold of 3% and amounted to 3.39% (3,460,653 voting rights via shares) as per this date. Thereof 3.39 % (3,460,653 voting rights) are attributed to T. Rowe Price Group, Inc. according to section 22 paragraph 1 sentence 2 in connection with section 22 paragraph 1 sentence 1 number 6 WpHG.

On January 30, 2009 the voting rights of William Blair & Company, LLC, Chicago, Illinois, USA have fallen below the threshold of 3% and amounted to 1.45% (1,474,628 voting rights via shares) as per this date. These 1.45% (1,474,628 voting rights) were attributable to William Blair & Company, LLC according to section 22 paragraph 1 sentence 1 number 6 WpHG.

Amendment to the Notification of Voting Rights of February 28, 2007: On February 23, 2007 the voting rights of Alken Asset Management LLP (former Vauban Asset Management LLP), London, United Kingdom have exceeded the threshold of 3% and 5% and amounted to 5.0046% (3,963,406 voting rights via shares) as per this date. These 5.0046% (3,963,406 voting rights) were attributable to Alken Asset Management LLP according to section 22 paragraph 1 sentence 1 number 6 WpHG. These voting rights are held directly by Vauban Fund SICAV (now: Alken Fund SICAV) whose percentage of voting rights is 3% or more.

On May 25, 2007 the voting rights of Alken Asset Management LLP (former Vauban Asset Management LLP), London, United Kingdom have fallen below the threshold of 5% and 3% and amounted to 0.44 % (349,526 voting rights) as per this date. These 0.44 % (349,526 voting rights) were attributable to Alken Asset Management LLP according to section 22 paragraph 1 sentence 1 number 6 WpHG.

On May 25, 2007 the voting rights of Virmont S.à.r.l., Luxembourg, Luxembourg have exceeded the threshold of 3% and 5% and amounted to 6.33% (5,018,038 voting rights via shares) as per this date. These 6.33 % (5,018,038 voting rights) were attributable to Virmont S.à.r.l. according to section 22 paragraph 1 sentence 1 number 6 WpHG. All of these voting rights are held by Alken Fund SICAV whose percentage of voting rights is 3% or more.

Amendment to the Notification of Voting Rights of February 28, 2007: On February 23, 2007 the voting rights of Vauban Fund SICAV (now: Alken Fund SICAV), Luxembourg, Luxembourg (through its subfonds Vauban Fund European Opportunities and Vauban Small Cap Europe, now: Alken Fund European Opportunities and Alken Small Cap Europe) have exceeded the threshold of 3% and 5% and amounted to 5.0046% (3,963,406 voting rights via shares) as per this date.

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

STATUS OF ACTIONS FOR RESCISSION

One action for rescission and for declaration of nullity against decisions of the General Annual Meeting 2008 has been settled without granting benefits to the plaintiff. The wording of the settlement has been published on February 23, 2009 in the German electronic Federal Gazette. For detailed information reference is made to chapter 7.6.

6.2. Impact on financial, profit and asset position

After the balance sheet date until publication of the annual report 2008 there were no events which had impact on the financial, profit or asset position.

7. RISK REPORT

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

7.1. Risk and opportunity management

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

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

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

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

7.2. Dependency relating to economic risks

The transaction-based business model of Wirecard AG can be indirectly impacted by risks in connection with consumer behavior. According to current assessments also referred to in the Management Report on future developments of electronic trading on the Internet, constant, positive growth is forecast for the next several years, particularly in the target markets of Europe and Asia. In the event of a dramatic deterioration in global economic conditions and a substantial decline in consumer spending, this may have negative impacts on the course of business and performance of the Wirecard Group. Moreover, there is a tendency at present for trade and services to outperform trade beyond the Internet, e. g. via department stores or other brick & mortar outlets. However, this trend might reverse again, which may lead to a decline in business generated by Wirecard AG.

BUSINESS TRENDS OF OUR CUSTOMERS

Owing to a primarily transaction-oriented business model, the financial success of the Wirecard Group is directly dependent on the business trends of its customers or generally dependent on the further development of electronic trading. Negative influences of both factors could be caused by the general economic situation, limited availability of technical infrastructure (e.g. the Internet) or changes in consumer behavior. Wirecard has set itself the aim with a strong diversification of the customer portfolio in terms of services rendered, geographical markets and industries to effectively compensate for temporary fluctuations in the individual customer segments. Nevertheless the Wirecard Group remains dependent in principle on the general worldwide economic situation and global consumption patterns. In the event of insolvency of one of our customers, i.e. merchants predominantly operating on the Internet, in specific cases there may be an increased number of reversals of transactions of such a merchant. The amounts retained by Wirecard for future reversals (charge-backs) might not be sufficiently high, with resulting claims for payment on the part of Wirecard Group against the merchant in question possibly not being enforceable.

ECONOMIC RISKS IN RESPECT TO THE CLEARING OF CREDIT CARD TRANSACTION

A focus of Wirecard Group's business model is the clearing of credit card transactions for merchants. When the spending capacity of consumers declines or their line of credit is utilized the capacity of consumers to purchase products and services via credit card is likewise limited. The volume of credit card transactions cleared through Wirecard might be influenced in this cases.

WILLINGNESS TO INVEST ON THE PART OF OUR CUSTOMERS

Due to a primarily transaction-oriented business model, the introduction and use of products and services from the Wirecard Group only calls for a very slight level of initial investments by most customers. Nevertheless, these are subject to an investment decision-making process by customers, which is influenced by a large number of factors. Changes to the overall social, political or legal situation can have a negative impact on customers' willingness to invest or delay or postpone investments planned. These risks are particularly evident

in countries suffering from increased legal, political or social instability. Unless this happens to be a global phenomenon, a significant influence on our business development due to a reduction in the willingness to invest on the part of one or several customers appears to be improbable.

RISKS ARISING FROM INTERNATIONAL BUSINESS ACTIVITIES

The Wirecard Group markets a substantial portion of its products and services across the globe. Both international and country-specific legal fundamentals and regulatory requirements have an influence on Wirecard's sales activities and the business trends of its customers. For instance the possibility to enforce its rights and claims may be limited due to legal uncertainties prevailing in some regions. Also a deterioration in general economic conditions, for example political and social unrest, nationalization and confiscation, non-recognition of foreign debts by the state, exchange control regulations and devaluation or depreciation of local currencies may have influence on Wirecard's profit. Furthermore the country risk includes the transfer risk that arises if debtors are unable, due to direct state intervention, to transfer assets to non-residents in order to meet their obligations that have become due and payable.

The risks arising from the various requirements of national and international legal and regulating systems regarding the use of the Internet as well as the availability of software and services, especially payment services, are dealt with in the paragraph "legal and regulatory risks" 7.6.

RISKS ARISING FROM A TREND REVERSAL WITH REGARD TO OUTSOURCING

Apart from a fundamental dependency on business trends of Wirecard's customers or the general development of electronic trading, due to the Wirecard Group's positioning as an application service provider (ASP), i.e. as an outsourcing service provider, there is the risk of a trend reversal in the direction of in-sourcing the development and/or operation of the IT infrastructure. The Company takes account of this risk by ensuring the fundamental possibility of a Wirecard software platform being installed at the customer's location.

7.3. Market and industry risks

RISKS ARISING FROM INTENSIFIED COMPETITION

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

RISKS ARISING FROM PORTFOLIO CUSTOMER BUSINESS

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

7.4. Personnel risks

AVAILABILITY OF QUALIFIED STAFF

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

The short-term loss of a large number of key service providers can have a negative impact on Wirecard's business development. By relying on a proactive human resource policy, profit participations, facilities for advanced training and an attractive working environment, the Company protects itself from the loss of key employees. As the level of staff fluctuation was low again in the period under review, we also consider the risk of a significant impairment of our business development through the loss of key employees to be negligible in fiscal 2009.

7.5. Information and security risks

RISKS ARISING FROM PUBLICATION OF BUSINESS SECRETS

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

The publication of confidential information on future strategic activities can result in a considerable impairment to our business development. However, Wirecard has taken extensive security measures and third parties are auditing its procedures and infrastructure on a continual basis to detect possible security vulnerabilities. Therefore Wirecard believes there is a low probability of this risk eventuating.

RISKS ARISING FROM PUBLICATION OF CUSTOMER DATA

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

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

7.6. Legal and regulatory risks

Wirecard offers national and international processing and clearing of payment transactions and payment services for various goods and services. On the one hand legal and regulatory parameters have influence on its business development. On the other hand legal and regulatory parameters with respect to the services of Wirecard's customers, mainly merchants selling their products and services over the Internet have direct and indirect influence on Wirecard's business development. Contractual negotiations and tax law related issues are of particular significance in the field of cross-border trading activities. The expertise necessary for assessments of day-to-day operations is contributed by our qualified staff. To mitigate risks further, when dealing with complex issues we enlist the services of external legal and tax consultants.

Moreover, in particular legal rules and regulations for use of the Internet or guidelines concerning the development or availability of software and/or services can differ profoundly both

on a national and international scale. For instance, customers wishing to make use of online pharmacies and games of chance are subject to a high degree of national or international regulation, with a trend partially being discernible in the direction of intensified regulation density. This may lead to certain transactions or the processing of payments for these to be available online only to a limit degree or not at all, depending on the countries in question. We counteract the associated risks to the business activities of the Wirecard Group by cooperating intensively with regional or specialized law firms that accompany the launch of new products along with ongoing business processes and business relations. We perceive conformity with national and international underlying legal conditions as an indispensable basis for sustained business development and have assigned a great deal of importance to complying with all the relevant regulatory requirements, both internally and with regard to our customers. Additionally Wirecard Group aims to keep up a regional and with regard to the services diversified portfolio of customers and thereby minimize the risk to Wirecard Group's profits resulting from changes of legal parameters and regulatory changes in this respect.

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

The investor protection association *Schutzgemeinschaft der Kapitalanleger e.V. (SdK)* has raised an action to challenge the resolutions adopted at the Annual General Meeting concerning a discharge of the Management and Supervisory Board as well as a petition for a court order to have the annual financial statements of the Company for fiscal 2007 declared null and void. The reasons given to justify these actions are mainly alleged deficiencies in the annual financial statements of Wirecard Group. The Supervisory Board of the Company has arranged for the alleged accounting deficiencies to be comprehensively analyzed by the auditors Ernst & Young and perceives no need for corrections considering of the outcome of the audit.

A further claim by an individual shareholder to challenge and set aside a resolution as null and void was already settled by compromise, without this giving rise to an advantage to the plaintiff. The out-of-court settlement was published in the electronic German Government Gazette on February 23, 2009.

Wirecard Group has initiated other legal procedures for the claim of damages. In particular Wirecard has raised claims for damages in Germany and Great Britain due to fraudulent behavior against one customer and related persons. Wirecard anticipates a positive outcome in the first instance within the second quarter 2009. The risk for Wirecard's profit amounts to a maximum of million EUR 2.2. As Wirecard has secured assets at a respective value it anticipates to be able to collect the amounts effectively.

Other legal risks result from a possible violation of contractual agreements by our contracting partners or the lack of enforceability or amendment of underlying legal fundamentals,

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

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

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

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

7.7. Financial risks

RISK MANAGEMENT SYSTEM WITH REFERENCE TO FINANCIAL INSTRUMENTS

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

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

RISKS ARISING FROM OUR CUSTOMERS DEFAULTING ON THEIR PAYMENT OBLIGATIONS

To counteract the risk of our business customers defaulting on their payment obligations, we subject these customers to a comprehensive credit rating and liquidity analysis before entering into business relations with them. Receivables outstanding are continually followed up by our internal debtor and liquidity management system. The risks of default arising from the Acquiring business, consisting of potential reverse debits following insolvency or the inability of a merchant to deliver are very low since open receivables from our customers are covered by individual security retentions (reserve) or, alternatively, delayed payouts to merchants, which, due to close monitoring of the merchant business, are adjusted on a regular basis. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims

for payment by Wirecard Group might not be enforceable against the customer in question. In business with private individuals, particularly involving novel products of Wirecard Bank AG, risks are perceived to arise from the fact that a lack of historic experience with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite a level of safety standards.

RISKS ARISING FROM CHARGE-BACKS IN THE ACQUIRING BUSINESS

In certain circumstances, cardholders are entitled to reversal of a transaction charged to their accounts. Each such return debit or reversal is initially borne by the acquirer and then needs to be charged to the merchant. In cases in which the charge cannot be passed on, the acquirer assumes the reversal himself.

An increased risk occurs where merchants offer merchandise or services that cannot be clearly proved to be effective (e.g. vitamins, dietary supplements, cosmetics). Within the scope of such business models, experience has shown that reversals or charge-backs occur more frequently if cardholders feel that advertising claims cannot be substantiated after taking or using such items.

In addition, there is an increased risk where there is no direct chronological link between trade receivables and the transaction, i.e. where the goods or services are to be provided at a later date (e.g. booking of airline tickets). In these cases, it cannot immediately be determined whether the service paid for was rendered in accordance with the relevant contractual terms and conditions. The periods within which charge-backs may be made by the cardholder only begin to run once the period for performance on the part of the merchant has elapsed. Wirecard takes this risk into account by means of individual security retentions (reserves) or, alternatively, by delaying payouts to the merchants. Both measures are adjusted on a regular basis thanks to close monitoring of merchant business operations.

RISKS ARISING FROM FRAUD BY CARDHOLDERS AND MERCHANTS

Merchants can act fraudulently in various ways and thereby harm Wirecard in its role as an acquirer or the party engaged in the payment process in some other way (e.g. fraud relating to credit notes, fraudulent insolvency, submission of third-party payment records, re-use of card data, or cases of the rules and regulations of the card organizations being violated, failure to provide real services to consumers). To counteract this risk, we subject merchants to a comprehensive analysis of their credit rating, reputation and business history before entering into business relations with them. Moreover, once an account has been set up, all business relations are continually monitored for conspicuous features or possible fraud patterns. Even in this case, there may be defaults in payment if, in spite of all preventive and risk management measures, the merchant turns out to be fraudulent and the end customer / cardholder fails to receive the service promised or receives faulty services even though payment has been collected. In such cases the held back payout amounts (reserves) for charge-

backs might not be sufficient to provide a adequate security for Wirecard against loss of payment of a fraudulent merchant.

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

EXCHANGE RATE RISKS OF RECEIVABLES OUTSTANDING IN FOREIGN CURRENCIES

Any anticipated holdings of foreign currency arising from transaction charges not generated in the euro zone by our Company are partly hedged by appropriate forward exchange transactions and currency options. No forward exchange operations or currency options are deployed with the intention of speculating on gains. If no hedging takes place, exchange rate risks may reduce Wirecard's earnings reported in euros, especially if Wirecard's costs involved in rendering the services are not billed in the transaction currency but in euros or some other currency.

RISKS IN THE CAPITAL FINANCING SEGMENT

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

RISKS INHERENT IN PROCESSING TRANSACTIONS WITH RESPECT TO FINANCIAL TRANSFERS

There is a risk of failure of settlement or netting of transactions. A settlement risk always arises when liquid funds, securities and/or other assets cannot be exchanged at the same time.

RISKS IN THE FIELD OF CAPITAL INVESTMENTS

Wirecard AG is not directly impacted by the global financial crisis since it has no commitments in the endangered fields of credit, real estate and securities trading.

RISKS ARISING FROM MISMATCHES BETWEEN LIQUIDITY INVESTMENTS AND LIQUIDITY REQUIREMENTS

Wirecard AG continually invests a substantial amount of liquidity not needed in demand deposits, overnight call money, and time deposits. Risks may arise due to incorrect investment decisions being taken, leading to a liquidity shortage on account of mismatches occurring between the prescribed investment duration and the time at which liquidity is required. To counteract this risk, Wirecard AG has stipulated that no long-term liquidity investments are to be made.

RISKS DUE TO DEFAULT OF CREDIT INSTITUTIONS

Indirect risks could arise due to a possible default of banks with which Wirecard AG invests its free liquidity. This risk is taken into account by a wide spread of investments, with the counterparty limits being geared to the rating of the individual credit institutions.

RISKS ARISING FROM INVESTMENTS IN SECURITIES AND DERIVATIVES

In addition, risks may arise due to investments in securities if - also on account of negative macro-economic developments - price declines occur in the case of the securities purchased. Accordingly Wirecard AG has decided not to make any investments in securities and derivatives other than to hedge open forex positions.

7.8. Project risks

RISKS IN THE CASE OF CUSTOMER PROJECTS

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

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

7.9. Product and IT risks

RISKS ARISING FROM THE DEVELOPMENT OF PRODUCTS

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

The development, quality assurance and operating processes of the Wirecard Group have been integrated into the Group-wide risk reporting system. By means of regular quality controls, we take precautions against faulty software. Strict project controlling ensures compliance of all procedures with internal Group and external regulatory parameters along with

the highest of quality standards in development activities and operations. In view of the strict quality standards of our product development, we do not anticipate any significant impairment of our business activities arising from the risks associated with the development of new products.

RISKS ARISING FROM PRODUCT INNOVATIONS

The primary focus of our sales activities on the acquisition of large and medium-scale customers calls for the establishment of a complex portfolio of products and services that is partly specialized in selected industry segments or geographical areas. While small-scale customers only need a standardized spectrum of services with little complexity, the large-scale customer and SME segment requires constant product innovation and, therefore, higher initial investments in the development of new products. By means of a dedicated approval process for product development, the market potential of a product is examined and a profit margin that is in line with corporate objectives is ensured in terms of sales pricing.

RISKS ARISING FROM THE UTILIZATION OF THIRD-PARTY SERVICE

Parts of the spectrum of products and services of the Wirecard Group call for the commissioning of external software products and services. Among other things, these comprise the development and operation of systems of decisive importance for the business activities of the Wirecard Bank. Qualitative deficiencies in services rendered or the complete elimination of such systems or services can have a negative impact on the business development of the Wirecard Group due to direct losses of sales revenues, reputation losses or claims for damages being asserted. Furthermore, there is a risk that licenses will no longer be available for third-party technologies in use in future or that these technologies will no longer be accessible. This can potentially lead to significantly higher development expenses in the short term.

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

RISKS IN CONNECTION WITH THE INTEGRITY OF CUSTOMER DATA

Due to the nature of business activities of the Wirecard Group, substantial transaction data inventories are available within the consolidation perimeter both on business customers and on consumers. Binding security standards and guidelines throughout the Group for dealing with customer data, extensive quality assurance measures during project development and comprehensive technological security and protection measures serve to counteract the risk of customer data being falsified. The falsification of customer data can have a negative impact on our business development both on account of a direct liquidity outflow due to disbursement errors in payment transactions of Wirecard Bank AG and lost sales revenues due

to incorrect statements in other fields of activity. Moreover, this may give rise to reputation loss and direct claims for damages being brought by customers. Against the backdrop of extensive security measures and the continual audit of our procedures and infrastructure by third parties, we believe there is a low probability of this risk eventuating.

RISKS ARISING FROM THE ORGANIZATION AND OPERATION OF INFORMATION SYSTEMS

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

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

7.10. Summary of overall risk

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

8. CORPORATE CONTROL, OBJECTIVES AND STRATEGY

8.1. Corporate control system

The internal corporate control system of the Wirecard Group serves to continually monitor and follow up defined key performance indicators. It is based on independent controlling models for each individual business segment. These are consolidated at Group level and integrated along with the financial results into an ongoing forecast of future business trends – based on a rolling forecast. The individual key performance indicators make it possible to measure whether the various corporate objectives have been or are in the process of being achieved.

Central key indicators of corporate governance are predominantly quantitative in nature, such as transaction or customer numbers or sales revenue and minute volumes, as well as additional indicators such as the profitability of customer accounts. The primary focus in this regard is on EBIT, the EBIT margin, net earnings and relevant balance-sheet relationships and ratios. In parallel, qualitative performance indicators – such as customer and employee satisfaction or product and service quality – are recorded on a regular basis.

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

As part of a Group-wide reporting system, the Board of Management and Divisional Heads are constantly briefed on the development of key performance indicators.

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

8.2. Financial and non-financial objectives

Earnings before interest and taxes (EBIT) represent the central performance indicator for operational and financial controlling purposes. For fiscal 2009, the Board of Management anticipates an increase in EBIT by 10 to 25 percent.

This forecast is based on expectations that the relative share of overall trading accounted for by the Internet business will see a substantial increase even if the recession persists. In parallel, it can be assumed that the trend in the direction of entire business processes being outsourced, particularly during times of less dynamic economic activity, may continue or even accelerate. With an increasing number of customer relationships and a rising transac-

tion volume, additional economies of scale are expected to arise from the transaction-oriented business model along with considerable synergies with our banking services.

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

Other financial objectives are dealt with in the chapter on sales revenue and earnings targets in the forecast report (chapter 9).

On the whole, our objectives with regard to profitable growth and enhancing our enterprise value remain unchanged. To enable the entire Wirecard Group to continue outperforming the market, we weigh our strategic decisions carefully.

At the center of the non-financial operational objectives of Wirecard AG is the successful corporate development with regard to the confidence and trust of our customers, business associates and investors, the public and, above all, also our workforce. The team of Wirecard AG constitutes the basis for good corporate development that permeates all divisions of the Company. By agreeing on objectives that are not measured in terms of our entrepreneurial success but also according to the personal development of each individual, we plan to join forces in developing our common skills and expertise.

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

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

Other objectives comprise the maintenance of our innovation and technology lead by identifying and proactively shaping essential market trends. High product and service quality represents an essential basis for sustained, long-term customer relations and accordingly is among our essential corporate objectives.

8.3. Corporate strategy

In fiscal 2008, the Wirecard Group concentrated on organic growth after its regional presence in Europe had been extended with the acquisition of new subsidiaries in Ireland and Austria in 2007.

Thanks to our branch in the Philippines and a strategic cooperative venture in China, we managed to further extend our business activities in Asia. In the forthcoming years we will consistently follow up our strategy of targeted regional expansion in Asia as well as systematic product localization.

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

Our product strategy is geared to enabling us to respond flexibly to market requirements as they unfold. This is why our product portfolio was continually adjusted and extended in 2008, particularly in the field of additional payment and risk management methods and processes. In cooperation with partners of note, we reinforced our portfolio of services in the fields of debtor and risk management and presented a payment guarantee product for the German market.

The strategic objectives of a system of far-reaching and fully integrated functional coverage of the entire value added chain of electronic payment processing will continue to represent the basis of our business and product policy in years to come.

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

9. FORECAST REPORT

9.1. General economic conditions in the following two financial years

The forecasts for global economic growth this year are fairly mixed. The International Monetary Fund (IMF) estimates that global Gross Domestic Product for 2009 will grow by as little as 0.5 percent, followed by roughly 3.0 percent in the year 2010. Other analysts predict negative growth. According to the IMF, China (6.7 percent) and India (5.1 percent) are to exhibit relatively stable growth, while negative growth is forecast for the western nations, ranging from -1.2 percent (Canada) to -2.8 percent (United Kingdom).

For the entire European Union (EU27), the EU Commission expects a Gross Domestic Product (GDP) of 0.9 percent and, within the EU15, negative growth of (0.1) percent. For the year 2010, the prospects are a little brighter again at 1.1 percent (EU27) and 0.8 percent (EU15). In Germany, the forecasts for 2009 are mixed. GDP is assumed to decline by at least 2.5 to 3 percent.

9.2. Future industry situation

Hardly any business models are functional today without using the Internet as an additional sales channel. Consumers are increasingly doing their shopping online; the trend is shifting away from the Web being used solely as a source of information. No other distribution channel has seen a bigger boom, especially when merchants also offer their goods and services on an international scale.

Due to the global recession, the Internet as a sales channel will gain increasing importance as the central element of any sales strategy. Online buyers will quite deliberately take advantage of this form of shopping to get the very best value for their money. The retail and wholesale sector and the tourism industry are increasingly realizing the cost benefits of this particular distribution channel.

Wirecard AG, along with its universal selling propositions (including, above all the independent bank within the Group), will exploit these opportunities accordingly.

MARKET GROWTH E-COMMERCE

In the fall of 2008, Datamonitor estimated that the average annual growth rate of the global Internet trade would reach 22.1 percent by 2012. Euromonitor, an international market research institute, has forecast that the volume of trade for the Asia-Pacific region would be in the region of 71 billion dollars in 2012, double the value recorded in 2007. In China, eCommerce sales were up by 86 percent from 2007 to 2008 (sources: EIU, iResearch). By 2011, the level is forecast to grow to 58 billion US dollars (2008: 1.2 billion US dollars).

The volume of eCommerce growth anticipated for the entire European region by the year 2010, amounting to 20 percent per annum as forecast by the majority of various market researchers prior to the outbreak of the financial crisis, has meanwhile been adjusted downward to an average of 10 to 15 percent.

In March 2009, Forrester Research forecast that B2C online sales in tourism and in the retail sector in Germany and France will increase by an average growth rate of 10 percent and in the United Kingdom by 6 percent by 2014.

Forrester has provided the following estimates of cumulative online sales for tourism and the retail trade in the three leading European eCommerce nations in 2009:

- Germany 2009: 31.3 billion euros (2008: 27.6 billion euros)
- France 2009: 17 billion euros (2008: 14.8 billion euros)
- United Kingdom 2009: GBP 37.9 billion (2008: GBP 36.5 billion)

The market research organization eMarketer (January 2009) anticipates that the eCommerce market in the United Kingdom will grow by 14.3 percent in 2009. Online merchants are likely to focus increasingly on special offers and reduced delivery prices to attract customers.

For Europe, sales revenues of more than 130 billion euros are anticipated in the retail sector alone in 2009. In 2010 the barrier of 150 billion euros is to be surpassed. The data in question are based on a survey conducted by European Technographics (source: Forrester).

OUTLOOK IN TARGET INDUSTRY SEGMENTS

TRADE

Four key trends will determine the course of online trading in the next two years and simultaneously boost out-sourcing of payment transactions and risk management services:

- Producers will increasingly be relying on direct sales via the Internet as well.
- New sales methods, such as eCommerceTV, will boost the Internet business to provide consumers with an optimized shopping experience.
- Multi-channel retailing (Internet, catalogs and brick & mortar outlets) will bring about a convergence of the interests of customers and merchants.
- Online merchants will extend their range to the European domestic market to acquire new purchasers.

The winners will be the providers who succeed in increasing the functionality of their shopping pages and in offering a large number of payment methods and flexible delivery services.

The German association of mail order houses (*Deutscher Versandhandelsverband - bvh*) has forecast an increase of at least 10 percent in Germany's online trade for 2009. This does not include eCommerce revenues generated in the field of tourism. For 2008, 9 percent had been predicted; in reality, merchandise sales on the Internet were up by 23 percent.

According to a current study of BITKOM (March 2009), 88 percent of German Internet users have already shopped online, and every second user is certain to have saved money by comparing prices and shopping online.

DIGITAL GOODS

The online gaming industry, which includes sport bets, poker and casinos, is predicted to have high growth potential again over the next few years. H2 Gambling Capital anticipates that sales revenues will rise to 15.4 billion US dollars by 2012. The research institute believes that this sector might be relatively immune to cyclical trends and will grow by an average of 11.3 percent per annum worldwide from 2009 to 2012.

The videogame market will continue to show stable development even in difficult economic times. The "Global Entertainment and Media Outlook 2008-2012" study released by Pricewaterhouse Coopers in August 2008, estimates that over the next five years the videogame market will grow by an average of 10.5 percent annually in Germany and by approximately 10.3 percent worldwide. According to these statistics, Asia would remain the world's leading gaming region with sales revenues forecast at 25.3 billion US dollars in 2012.

MMO (Massive Multiplayer Online) games played by thousands of players on the Internet at the same time, are gaining market share compared with videogames. DFC Intelligence estimates that sales revenues in this market will reach up to 11.8 billion dollars worldwide by 2013.

The market research institute TMNG recently forecast that the global games industry might reach a sales revenue volume of 40 billion dollars by 2012, notwithstanding the difficult consumption climate. The spread of browser or casual games, where the online game itself is free of charge and only additional services or add-ons incur charges, is proceeding apace. These enable the normal user to join games speedily, without this involving complicated software downloads. The users are changing as well, with the share of female players meanwhile only just short of 50 percent. According to TMNG, the average age of the players has risen to 33 years.

Our target market "Digital goods" also comprises other Internet offers, such as hearing books, for instance. The high-tech association BITKOM reported that the market for digital books (eBooks) was still in its infancy. According to a BITCOM survey, as many as 2.2 million Germans intend buying digital books in 2009. Digital books combine the strengths of a phys-

ical book with the benefits of the digital world and are attracting a great deal of interest particularly among youngsters.

TOURISM

Tourism experts perceive the European online travel market to be largely immune to crises. Last-minute providers are benefiting from the trend that more and more people are booking spontaneous brief vacations. This will probably be reinforced even further in light of overall economic uncertainties that might impact on people's private lives. Again, the same rule applies as in online trading, namely the best price can be found fastest on the Internet.

Early in March 2009, the ADAC, the largest German automobile association, established that about 64.5 percent of the population plan to take at least one travel vacation this year, only three percentage points less than in the previous year.

PhoCusWright, the leading market research enterprise for the tourism industry, perceives the economic crisis as an accelerating element for European online tourism. By 2010, the disproportionately strong growth of the online market is set to displace the declining brick & mortar business, which means that providers will concentrate even more on the Internet. Accordingly, double-digit growth could be generated in the online sector, compared with only 3 percent in the entire travel market. Online sales revenues are forecast to reach 91 billion euros by the year 2010.

Studies of the market researchers show that the two countries with the strongest growth potential are Spain and Italy. According to PhoCusWright's "Spanish Online Travel Overview Fourth Edition", the shift of volumes from the offline to the online world will continue dynamically until 2010, to match the European average by that time. In the relevant report for the Italian market the institute predicts growth rates of 22 percent by the year 2010.

The United Kingdom and France are likely to remain the two largest European online travel markets in future. France accounts for a quarter of all European reservations on the Internet. For the German market, which is to grow to 48.2 billion euros by the year 2010, online bookings are forecast to rise by 33 percent. Compared with 2008, this would already be equivalent to a third, rather than a fifth of the German market as a whole.

IT-OUTSOURCING TREND

Cost reductions are the single most important reason for outsourcing, particularly on account of the present economic situation. Steria Mummert Consulting canvassed managers of enterprises on their assessments. Almost all respondents who opt for outsourcing expect this to generate savings in excess of ten percent.

According to the Experton Group, the outsourcing market will continue to grow, with selective outsourcing gaining in popularity.

OUTLOOK FOR BANK-RELATED PRODUCTS

The payout card solution is largely based on products already existing in the prepaid segment. This innovative solution is particularly suitable for temporary work agencies and for companies that employ a large number of seasonal workers. Instead of paying them in cash, disbursements are loaded onto the *payout cards*. Since this represents a favorably priced, secure offer for flexible payouts, we perceive a great deal of potential for this product in the near to medium-term future.

In marketing prepaid card products for consumers, Wirecard Bank AG managed to further consolidate its operations and thus exploiting the growth opportunities in this market.

Prepaid Cards: Simply to buy and easy to use

In October 2008, PSE Consulting released a new study titled “European Prepaid Market 2008”, which was prepared in collaboration with MasterCard. According to this study, substantial growth potential is attributed to prepaid cards in Europe. By 2015, 418 million cards are forecast to generate 132 billion euros in sales revenues.

Prepaid cards are predominantly divided into two varieties. In one category, referred to as gift cards circulating within a closed loop, for instance, a department store sells cards loaded with certain amounts of money which, in turn, can be used only within that particular store or chain.

For the open loop circulation system of the prepaid card market, which has a share of 45 percent of all prepaid transactions, PSE forecasts sales revenues of 79 billion euros. The prepaid card market is to reach up to 4 percent of all credit and debit card transactions in Europe, with an average transaction volume of 30 euros.

PSE emphasizes three prepaid trends with the following sales revenues by 2015:

- 43 billion euros: prepaid cards for consumers to use on the Internet, on travel, or for sending money.
- 36 billion euros: prepaid cards for citizens or employees of public authorities or corporations (payouts of commissions or wages). The most successful payment processors will be those who can provide support in this segment with offers to public authorities or corporations.
- 23 billion euros: gift cards (most of which are to remain in the “closed loop” category).

In January 2009, the institute Retail Banking Research Limited published a study titled “The Prepaid Cards Phenomenon”, which deals with the various prepaid card variants. What is special about prepaid cards, which have meanwhile replaced travelers checks, is their immense versatility, since underlying instruments, such as secure maintenance and availability of cash, can be implemented with the various cards for their respective intended purpose.

On the whole, the prepaid card market is highly driven by technological innovations.

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

In the following two years, the Wirecard Group will continue to rely on the synergy potential derived from combining a technology enterprise with a bank.

The strategic objectives of a system of far-reaching and fully integrated functional coverage of the entire value added chain of electronic payment processing will continue to represent the basis of our business and product policy in years to come.

We managed to secure our strong position in our European core market not least by gearing our business to the growth markets of Asia and eastern Europe. This laid the foundations for ongoing successful business development in the new geographical markets.

We perceive Asia as one of the essential growth markets of the Wirecard Group in future too, and we will consistently follow up our local activities with this objective in mind.

9.4. Planned corporate policy changes

By integrating the Wirecard Bank in to the group of companies and diversifying our product portfolio by launching card and account products for consumers, the basic foundations for our corporate policy were already laid in 2006.

The future development and positioning of the Wirecard Group is derived from the product strategy measures adopted and based on a primarily organic growth strategy. No fundamental changes to our corporate policy are expected for the next several years.

9.5. Future sales markets

We anticipate that the majority of our corporate and private customers will continue to be domiciled in Europe in the forthcoming years. In this core market, we assume that there will be a substantial increase in our transaction volume. In parallel, we perceive considerable growth potential particularly in the new markets of eastern Europe, provided the overall economic situation does not deteriorate any further. Our new subsidiary in Austria is intended to intensify the development of business in the eastern European countries.

Moreover, we will make an effort to bring about a significant expansion of our business activities in Asia. The successful extension of our branch in the Philippines and a strategic cooperative venture in China will extend our reach in Asia and lead to a large number of new corporate customer relationships in future.

We perceive that the markets of the Middle East will also yield considerable potential. The primary focus in these regions is on the processing and settlement of local travel and tourism offers.

Our organic growth is based on a competitive and innovative portfolio of products and services. We will continually invest in the development of new products and optimization of existing solutions in future too. Product development measures to be focused on will include the extension of industry and market-specific payment methods and risk management processes. The development of new products in collaboration with partners has proved to be a successful model in recent years. We take it for granted that the importance of partners in design, development and distribution of our products will continue to grow in the next several years.

9.6. Future use of new processes, products and services

A large number of market and technology trends will have a positive impact on our business trends in the forthcoming years.

The project of a uniform, single payment region for transactions in euros (Single Euro Payments Area - SEPA) will have a significant influence on the market for electronic payment

processing in the next several years. The aim of the SEPA program is to standardize cashless payments within the participating countries in such a manner as to ensure that there no longer are any differences for bank customers between national and cross-border payments. As a result, national debit card systems – which frequently are not suitable for use on the Internet – will be replaced by processes standardized throughout Europe, the advantage being that these can also be used as a means of payment on the Internet.

A significant development in the field of payment processing for brick & mortar retail outlets is the new generation of stationary terminals that support IP-based connection technologies. In addition to the technical convergence that has already been concluded with regard to payment acceptances on the Internet or via call centers, attention will also increasingly be directed to the stationary segment in the next several years. By deploying Internet technologies at the points of sale, we will increasingly be in a position to enable merchants to conduct convergent payment processing across all distribution channels - online, stationary, mobile and via call centers – using a single, centralized platform.

9.7. Expected earnings and financial position

FINANCIAL POSITION

Despite the difficult economic conditions overall, which indicate negative growth rates for GDP and for consumer demand will also be likely in the most important countries of our core market of Europe, the Wirecard Group intends to continue its yield-oriented growth course in 2009. According to external market researchers, the prevailing unchanged shift from stationary to online payments will more than offset the decline in consumer demand on the whole in 2009.

For fiscal 2009 and 2010, it will remain an important objective to maintain a comfortable equity ratio, backed by the organic growth of the Wirecard Group.

In the current economic climate, we prefer to adhere to our strategy of ensuring that the Wirecard Group has no net financial debts whatsoever. Only cash loans in connection with earlier corporate acquisitions have been utilized, amounting to 9 million euros, compared with 196 million in cash and cash equivalents.

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

EARNINGS POSITION

Earnings before interest and taxes (EBIT) is our key control ratio that sets the standards throughout the Company, from Controlling all the way through to assessing the profitability of individual fields of activity. Accordingly, our guidance for fiscal 2009 is also based on this success-oriented key ratio.

For fiscal 2009, the Board of Management expects a substantial increase in earnings ranging from 10 to 25 percent – in spite of the difficult economic conditions overall. This forecast is based on a surge in the volume of business transacted with portfolio and new customers via the Wirecard Group, economies of scale arising from our transaction-oriented business model as well as the intensified use of our banking services. Possible effects of potential corporate acquisitions are not included in the forecast.

We assume that we will also be able to continually enlarge the number of our new customers in 2009 and simultaneously transact increasing volumes of business with our portfolio customers in light of the expected growth of the European eCommerce market. As in recent years, we are confident of our ability to outperform market growth thanks to our unique market position by combining technology and software with innovative banking services.

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

9.8. Opportunities arising from the development of underlying conditions

The last several months have proved that trading on the Internet loses very little of its dynamism, even in challenging economic times.

The volume of eCommerce growth anticipated for the entire European region by the year 2010, amounting to 20 percent per annum as forecast by the majority of various market researchers prior to the outbreak of the financial crisis, has meanwhile been adjusted downward to an average of 10 to 15 percent. For the Asia-Pacific region, the volume of Internet trading is expected to nearly double by 2012 despite a deterioration in the global economic situation.

More and more business models are no longer functional today without the Internet as an additional sales channel. Due to the global recession, the Internet will gain increasing importance as the central element of any sales strategy. Online buyers will quite deliberately take advantage of this form of shopping to get the very best value for their money. At the same time, merchants and producers, but also the tourism industry, are increasingly realizing the notable cost benefits of this distribution and procurement channel.

Owing to a considerably more intense competitive environment, more difficult general economic conditions and a sharp increase in cost pressure in future, we expect the prevailing trend of many companies to outsource entire business processes to intensify significantly. The targeted outsourcing of partial processes to the Wirecard Group will enable companies to concentrate their resources on their original core business activities and to secure both their innovative and investment capabilities in times of recession.

Apart from the impacts on our operating business anticipated from the overall economic situation, we take it for granted that the consolidation on the market for electronic payment processing will accelerate substantially over the next several years. Even though the Wirecard Group can assume a proactive role in shaping this process as it unfolds, strong operational and organic growth will represent the basis of our growth strategy in future too.

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

The Internet was invented twenty years ago. The market for processing and settlement of electronic payments in the virtual world of the Internet is still in its infancy, even though it is meanwhile about ten years old. After all, the bulk of electronic payments are still being made in the real world. As a result, the online market holds enormous development potential in store in the medium term, and this means that appropriate opportunities are in store for Wirecard AG.

For the next two years, we assume that the eCommerce market will remain positively dynamic, if slowed down by the negative overall economic development this year.

In many cases, the increasing cost and competitive pressure may even have a positive impact on some of the macro-trends of significance to the Wirecard Group. For instance, it can be assumed that the trend in the direction of increased outsourcing of entire business processes will accelerate in times of poor economic activity.

We can look back this year to the launch of the Wirecard platform in 1999. Ten years' experience and the establishment of know-how have developed this virtual centerpiece into a small building block of the digital evolution. Our firm market position shows that we also managed to prevail in our competitive environment.

On the basis of these prospects, we assume that further growth will also be on the cards for 2009. We affirm our forecast of being able to generate 10 to 25 percent EBIT growth in this fiscal year.

WARRANTY BY THE STATUTORY REPRESENTATIVES

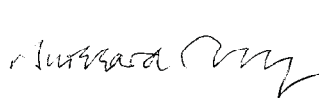
We warrant to the best of our knowledge that in accordance with the applicable accounting principles the consolidated financial statements convey a true and fair view of the Group's asset, financial and earnings position and that the consolidated management report, the course of business including the operating result and the Group's overall situation are described in such a manner as to convey a true and fair view of actual conditions prevailing, including the essential opportunities and risks inherent in the Group's foreseeable future development.

Munich/Grasbrunn, March 2009

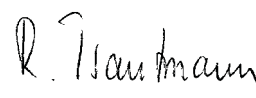
Wirecard AG.



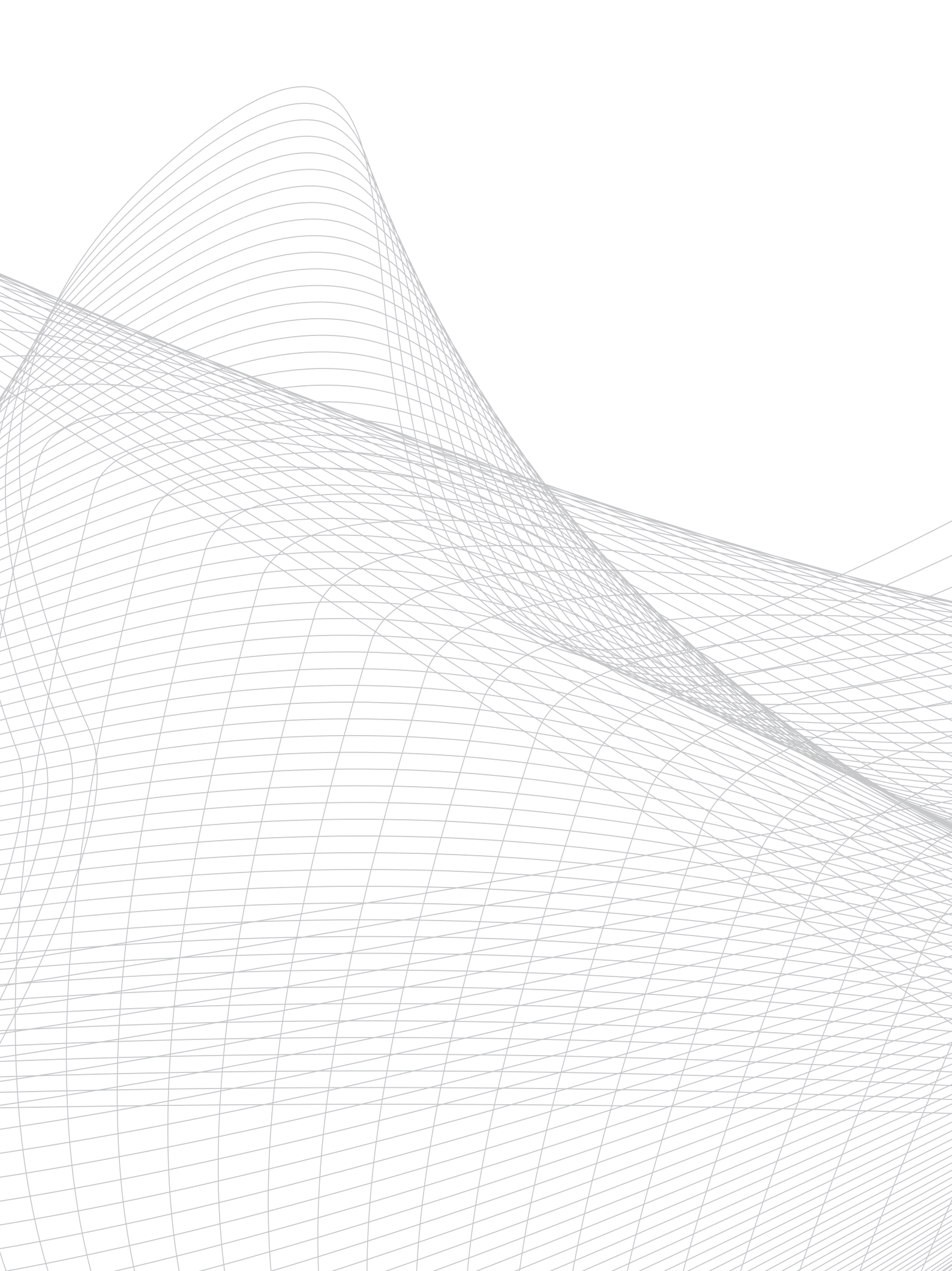
Dr. Markus Braun



Burkhard Ley



Rüdiger Trautmann



CONSOLIDATED FINANCIAL STATEMENTS

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Development of non-current assets

Auditor's report

■ **GROUP-BALANCE ASSETS**

in EUR	Notes	12/31/2008	12/31/2007
ASSETS			
I. NON-CURRENT ASSETS			
1. INTANGIBLE ASSETS	(3.1.), (2.3.)		
Goodwill	(3.1.), (2.1.)	90,289,025.39	90,092,782.91
Self-provided intangible assets	(3.1.)	9,580,000.00	6,550,338.00
Other intangible assets	(3.1.)	10,275,093.19	7,883,320.80
Customer-relationships	(3.1.)	44,675,049.94	44,890,149.94
		154,819,168.52	149,416,591.65
2. TANGIBLE ASSETS	(3.2.), (2.4.)		
Property, plant and equipment		1,642,279.78	1,964,847.74
3. FINANCIAL ASSETS	(3.3.), (2.6.)	1,785,066.15	2,503,667.14
4. TAX ASSETS			
Deferred tax assets	(3.4.), (2.7.)	6,946,737.83	7,499,825.65
TOTAL NON-CURRENT ASSETS		165,193,252.28	161,384,932.18
II. CURRENT ASSETS			
1. INVENTORIES	(3.5.), (2.8.)	62,939.52	1,502,094.18
2. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	(3.6.), (2.6.)	56,684,402.10	75,149,758.21
3. TAX ASSETS	(3.7.)		
Tax refunds		3,070,040.43	2,435,906.51
4. CASH AND CASH EQUIVALENTS	(3.8.)	195,938,594.25	157,194,108.22
TOTAL CURRENT ASSETS		255,755,976.30	236,281,867.12
Total Assets		420,949,228.58	397,666,799.30

■ **BALANCE SHEET EQUITY**

In EUR	Notes	12/31/2008	12/31/2007
EQUITY AND LIABILITIES			
I. SHAREHOLDERS' EQUITY			
	(3.9.)		
1. Subscribed capital		101,803,139.00	81,429,915.00
2. Capital reserve		10,722,517.49	30,313,960.02
3. Consolidated accumulated profits	(4.)	94,453,905.44	52,148,484.88
4. Currency translation adjustment		(24,443.14)	(4,232.77)
TOTAL SHAREHOLDERS' EQUITY		206,955,118.79	163,888,127.13
II. LIABILITIES			
1. NON-CURRENT PAYABLES			
	(3.10.), (2.6.)		
Non-current interest bearing bank loans	(3.10.), (2.6.)	5,500,000.00	8,000,000.00
Other non-current payables	(3.10.), (2.6.)	0.00	120,000.00
Deferred tax liabilities	(3.10.), (2.7.)	4,642,133.26	3,687,626.35
		10,142,133.26	11,807,626.35
2. OTHER LIABILITIES			
	(3.11.), (2.6.)		
Trade payables	(3.11.), (2.6.)	113,820,765.57	131,000,225.02
Current interest bearing bank loans and overdrafts	(3.11.), (2.6.)	3,500,000.00	3,529,280.18
Other current provisions	(3.11.), (2.10.)	1,526,723.74	3,354,782.37
Other current payables	(3.11.), (2.6.)	4,534,330.17	39,179,125.14
Customer deposits from banking operations	(3.11.), (5.)	78,738,777.72	41,857,947.84
Tax provisions	(3.11.), (2.10.)	1,731,379.33	3,049,685.27
		203,851,976.53	221,971,045.82
TOTAL LIABILITIES		213,994,109.79	233,778,672.17
Total shareholders' equity and liabilities		420,949,228.58	397,666,799.30

■ **CONSOLIDATED INCOME STATEMENT**

in EUR	Notes	01/01/2008 - 12/31/2008	01/01/2007 - 12/31/2007
I. Sales	(4.1.), (2.12.)	196,789,873.12	134,167,864.33
II. Increase or decrease in inventories of finished goods, work-in-process, other own work capitalized		4,107,656.00	4,328,186.67
1. Other own work capitalized		4,107,656.00	4,328,186.67
III. Operating expenses		137,476,679.39	93,292,282.90
1. Cost of materials	(4.2.)	110,386,501.34	72,968,959.03
2. Personnel expenses	(4.3.)	23,709,215.52	18,275,707.60
3. Amortization and depreciation	(2.3.)-(2.5.)	3,380,962.53	2,047,616.27
IV. Other operating income and expenses		(14,403,096.19)	(12,114,596.14)
1. Other operating income	(4.4.)	4,264,451.45	2,176,028.97
2. Other operating expenses	(4.5.)	18,667,547.64	14,290,625.11
Net operating income		49,017,753.54	33,089,171.96
V. Financial result	(4.6.), (2.7.)	(624,373.11)	(3,232,612.37)
1. Other interest and similar income		871,201.36	738,738.78
2. Financial cost		1,495,574.47	3,971,351.15
VI. Profit before taxes		48,393,380.43	29,856,559.59
VII. Income tax	(4.7.), (2.7.)	6,087,959.87	(615,003.29)
VIII. Profit after taxes		42,305,420.56	30,471,562.88
IX. Profit carry forward		52,148,484.88	21,676,922.00
X. Profit capital decrease		0.00	0.00
XI. Consolidated accumulated profits		94,453,905.44	52,148,484.88
Earnings per share (basic)	(4.8.)	0.42	*0.30
Earnings per share (diluted)	(4.8.)	0.41	*0.30
Weight average shares outstanding (basic)	(4.8.), (3.9.)	101,792,876	*99,917,581
Weight average shares outstanding (diluted)	(4.8.), (3.9.)	101,984,635	*100,213,933

* Taking into account the capital increase from Company funds

■ CONSOLIDATED CASH FLOW STATEMENT

in EUR	Notes	01/01/2008 - 12/31/2008	01/01/2007 - 12/31/2007
Earnings before interest and taxes	(4.)	49,017,753.54	33,089,171.96
Gains/Losses from disposal of consolidated companies		0.00	0.00
Gains/Losses on plant and equipment		6,726.16	0.00
Amortization/depreciation of non-current assets		3,380,962.53	2,047,616.27
Changes due to currency translation		(1,809,511.39)	2,638.08
Changes in inventories		1,439,154.66	(1,419,518.01)
Changes in trade receivables		19,050,789.87	(18,441,311.65)
Changes in other current assets		365,866.08	(2,022,883.64)
Changes in provisions		(3,146,364.57)	4,441,294.63
Changes in trade payables		(16,369,204.71)	74,667,342.36
Changes in other current liabilities		(34,764,794.97)	37,107,184.20
Other non-cash income/expenses		2,461,572.52	2,872,687.94
Income taxes paid		(6,187,896.68)	(2,644,927.69)
Interest paid (excl. Interest for loans)		(375,987.37)	(254,801.19)
Interest received		415,041.37	551,919.12
Elimination of purchase price liabilities and adjustments Net working capital from initial consolidation		27,894,539.25	(33,069,090.73)
Cash flow from operating activities	(5.1.)	41,378,646.29	96,927,321.65
Cash paid for investments in intangible assets and property, plant and equipment		(12,930,226.28)	(19,359,391.89)
Cash received from sale of intangible assets and property, plant and equipment		0.00	58,720.23
Cash paid for investments in financial assets		(159,173.21)	(290,378.57)
Cash received from sale of financial assets		0.00	956,493.77
Cash paid for the acquisition of consolidated entities less cash acquired		(23,434,789.69)	142,866.00
Cash received for the sale of entities and shares of consolidated entities		0.00	0.00
Cash flow from investing activities	(5.2.)	(36,524,189.18)	(18,491,690.46)
Proceeds from issue of shares		135,781.47	23,626,209.51
Payments for costs incurred in issuing shares		0.00	0.00
Cash received from finance liabilities		0.00	5,000,000.00
Payments for costs incurred in financial liabilities		0.00	0.00
Cash paid for financial liabilities		(2,500,000.00)	(3,583,225.80)
Dividends paid		0.00	0.00
Interest paid		(577,091.88)	(508,245.41)
Cash flow from financing activities	(5.3.)	(2,941,310.41)	24,534,738.30
Net change in cash and cash equivalents		1,913,146.70	102,970,369.49
Adjustments due to currency translation		(20,210.37)	(31,579.53)
Adjustments due to consolidation items		0.00	(19,689,335.91)
Cash and cash equivalents as of beginning of period		115,306,880.20	32,057,426.15
Cash and cash equivalents as of end of period	(5.4.)	117,199,816.53	115,306,880.20
Non-cash related increase in equity hereof		625,789.63	1,368,420.47
Changes in currency translation		(20,210.37)	(31,579.53)
Changes in capital reserve due to personnel expenses SOP		646,000.00	1,400,000.00

Due to the special system involved in Acquiring, which is essentially characterized by business model inherent effects attributable to the reference dates in question, Wirecard decided to present a further statement in addition to the usual cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda will make it easier to identify and depict the cash-relevant portion of the Company's business figures.

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

Only our charges and commissions which are reported under the line item of Sales revenues have an impact on our Income statement, not the total amount receivable. Against this backdrop, Wirecard has decided to present a further statement in addition to the usual cash flows from operating activities in order to eliminate those items that are merely transitory in nature. This is intended to facilitate a simpler identification and reporting of the cash-relevant portion of the Company's results.

■ **CASH FLOW FROM OPERATING ACTIVITIES**
(ADJUSTED FOR TRANSACTION VOLUME OF A TRANSITORY NATURE)

in EUR	Notes	01/01/2008 - 12/31/2008	01/01/2007 - 12/31/2007
Earning before interest and taxes	(4.)	49,017,753.54	33,089,171.96
Gains/Losses from disposal of consolidated companies		0.00	0.00
Gains/Losses on plant and equipment		6,726.16	0.00
Amortization/depreciation of non-current assets		3,380,962.53	2,047,616.27
Changes due to currency translation		(1,809,511.39)	2,638.08
Changes in inventories		1,439,154.66	(1,419,518.01)
Changes in trade receivables (adjusted for transaction volume of a transitory nature)		3,490,169.39	(8,162,714.80)
Changes in other current assets		365,866.08	(2,022,883.64)
Changes in provisions		(3,146,364.57)	4,441,294.63
Changes in trade payables (adjusted for transaction volume of a transitory nature)		(754,728.22)	(5,134,968.57)
Changes in other current liabilities		(34,764,794.97)	37,107,184.20
Other non-cash income/expenses		2,461,572.52	2,872,687.94
Income taxes paid		(6,187,896.68)	(2,644,927.69)
Interest paid (excl. Interest for loans)		(375,987.37)	(254,801.19)
Interest received		415,041.37	551,919.12
Elimination of purchase price liabilities and adjustments			
Net working capital from initial consolidation		27,894,539.25	(33,069,090.73)
Cash flow from operating activities	(5.1.)	41,432,502.30	27,403,607.57

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

Common stock

	Number of shares issued	Nominal value
		EUR
Balance as of December 31, 2006	79,290,882	79,290,882.00
Profit after taxes		
Capital increase by cash and assets	2,000,000	2,000,000.00
Contingent capital increase (convertibles)	139,033	139,033.00
Changes due to currency translation		
Balance as of December 31, 2007	81,429,915	81,429,915.00
Profit after taxes		
Capital increase from company funds	20,357,967	20,357,967.00
Contingent capital increase (convertibles)	15,257	15,257.00
Changes due to currency translation		
Balance as of December 31, 2008	101,803,139	103,803,139.00

Capital reserve	Consolidated accumulated profit and losses	Currency translation adjustment	Total Shareholders' Equity
EUR	EUR	EUR	EUR
7,426,783.51	21,676,922.00	27,346.76	108,421,934.27
	30,471,562.88		30,471,562.88
20,909,000.00			22,909,000.00
1,978,176.51			2,117,209.51
		(31,579.53)	(31,579.53)
30,313,960.02	52,148,484.88	(4,232.77)	163,888,127.13
	42,305,420.56		42,305,420.56
(20,357,967.00)			0.00
766,524.47			781,781.47
		(20,210.37)	(20,210.37)
10,722,517.49	94,453,905.44	(24,443.14)	206,955,118.79

NOTES

Consolidated Financial Statements for the Year ended
December 31, 2008

1. Disclosures relating to the Company and its valuation principles

1.1. Company operations and legal situation

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

Being the ultimate parent company, Wirecard AG is required to prepare consolidated financial statements. The business activities of Wirecard group are structured into the three reporting segments of “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services”.

The parent company, Wirecard AG, is headquartered in Grasbrunn/Munich, Germany. This simultaneously serves as the head office of Wirecard Bank AG, Wire Card Beteiligungs GmbH, Wirecard Technologies AG, Wirecard Retail Services GmbH, Click2Pay GmbH and Pro Card Kartensysteme GmbH. Wirecard Communication Services GmbH is headquartered in Leipzig. Wirecard Technologies AG and Wirecard (Gibraltar) Ltd. based in Gibraltar develop and operate the software platform that represents the central element of our portfolio of products and services and of our internal business processes. Click2Pay GmbH, using the alternative Internet payment system of the same name (CLICK2PAY), generates sales revenues particularly in the market for online portals and games as well as digital media.

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

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

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

The company cardSystems FZ-LLC, Dubai focuses on sales of affiliate products along with associated value added services. Wirecard Asia Pacific Inc., newly established at the end of 2007 with its registered office in Manila (Philippines) focuses on sales of Payment Processing & Risk Management services in the East Asian region.

CONSOLIDATION PERIMETER

As at December 31, 2008, 16 companies were fully consolidated. As at December 31, 2007, in the previous year, there were 17 such companies.

■ SUBSIDIARIES OF WIRECARD AG	Shares
Click2Pay GmbH, Grasbrunn (Germany)	100%
InfoGenie Ltd., Windsor, Berkshire (United Kingdom)	100%
Wirecard (Gibraltar) Ltd., (Gibraltar)	100%
Trustpay International AG, Grasbrunn (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard Payment Solutions Ltd., Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Qenta paymentsolutions Beratungs und Informations GmbH, Klagenfurt (Austria)	100%
webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria)	100%
Wirecard Technologies AG, Grasbrunn (Germany)	100%
Wirecard Communication Services GmbH, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Grasbrunn (Germany)	100%
cardSystems FZ-LLC, Dubai (United Arabian Emirates)	100%
Pro Card Kartensysteme GmbH, Grasbrunn (Germany)	100%
Wire Card Beteiligungs GmbH, Grasbrunn (Germany)	100%
Wirecard Bank AG, Grasbrunn (Germany)	100%

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

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

COMPANY SALES

Following the successful transfer of customer relationships to Wirecard (Gibraltar) Ltd., Marielle Invest Business Corp., Tortola (British Virgin Islands) was deconsolidated as at July, 2008 as planned. This was effected at book values (carrying amounts) and therefore had no impact on profit and loss and balance-sheet.

Detailed data of the sale of the company is shown in the notes to the consolidated cash-flow-statement.

EXEMPTION FROM THE DUTY TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Wirecard confirms that the consolidated financial statements of Wirecard Technologies AG, Trustpay International AG and of Wirecard Payment Solutions Holdings Ltd. are included in these annual financial statements.

EXEMPTION IN ACCORDANCE WITH § 264 (3) OR (4) OF THE GERMAN COMMERCIAL CODE (HGB)

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

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

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

ACTION FOR RESCISSION

The investor protection association *Schutzgemeinschaft der Kapitalanleger e.V. (SdK)* has raised an action to challenge the resolutions adopted at the Annual General Meeting concerning a discharge of the Management and Supervisory Board as well as a petition for a court order to have the annual financial statements of the Company for fiscal 2007 declared null and void. The reasons given to justify these actions are mainly alleged deficiencies in the annual financial statements of Wirecard Group. The Supervisory Board of the Company arranged for the alleged accounting deficiencies to be comprehensively analyzed by the auditors Ernst & Young and upon considering the outcome perceives no need for corrections.

A further claim by an individual shareholder to challenge and set aside a resolution as null and void was already settled by compromise, without this giving rise to an advantage to the plaintiff. The settlement was published in the electronic German Government Gazette on February 23, 2009.

1.2. Summary of essential accounting and valuation policies

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

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

The consolidated annual financial statements are in conformity with the IFRS. All interpretations valid for fiscal 2008 by the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

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

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

NEW ACCOUNTING REQUIREMENTS

In October and November 2008, the IASB released changes to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures), enabling companies in exceptional circumstances to reclassify certain financial assets from the category of "held for trading" to some other category. In addition, it is permissible for financial debt instruments and receivables available for sale to be reclassified as debt instruments and receivables held if these meet the requirements for recognition in this regard. No such reclassification was made by Wirecard AG.

In November 2006 the IFRIC published Interpretation IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions). These were adopted by the European Union as part of European law in June 2007. This interpretation deals with the issue of how IFRS 2 (Share-based remuneration) is to be applied to share-based remuneration where equity instruments of the company or equity instruments of some other company within the same group are granted.

In November 2006 the IFRIC published Interpretation IFRIC 12 (Service Concession Arrangements). Service concession arrangements are agreements entered into by a government or some other public-sector institution with private enterprises in order to make public services available, such as roads, energy supply, transportation services. This interpretation is intended to provide guidelines to enable a private enterprise to resolve certain recognition and valuation issues that might arise in connection with service concession arrangements with the public sector.

In July 2007 the IFRIC published Interpretation IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). This interpretation provides guidance on how the limitation according to IAS 19 (Employee Benefits) is to be fixed for a surplus which can be recognized as an asset. Moreover, guidance is given on the consequences on the valuation of assets and provisions under defined benefit plans that may result from a statutory or contractual commitment to contribute minimum amounts. This is to ensure that companies consistently account for plan asset surpluses as assets.

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

NEWLY ISSUED ACCOUNTING DIRECTIVES NOT APPLIED PREMATURELY

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following standards, interpretations and amendments, the application of which is not mandatory as yet for fiscal 2008. Early application of these new rules is not planned.

In March 2007 the IASB released the changed Standard IAS 23 (Borrowing Costs), which prescribes the capitalization of interest on borrowed funds in connection with the acquisition, construction or manufacture of a qualified asset. This amendment is to be applied to fiscal years beginning on or after January 1, 2009. It will not have any substantial impacts on the presentation of Wirecard's asset, financial and earnings position.

In September 2007, the IASB published changes to IAS 1 (Presentation of Financial Statements). These comprise proposals on renaming individual components of the financial statements, the duty to disclose an opening balance sheet for the preceding year in certain circumstances and a separate presentation of equity capital transactions with shareholders and non-shareholders, as well as the duty to report income tax effects per component separately in the "List of income and expenses recorded". This amendment is to be applied for the first time to fiscal years beginning on or after January 1, 2009. It will not have any substantial impacts on the presentation of Wirecard's asset, financial and earnings position.

In January 2008, the IASB published changes to IFRS 2 (Share-based Payments), containing clarifications of the definition of the conditions of exercise as well as rules on premature termi-

nation of share-based payments. The amended standard is to be applied for the first time to fiscal years beginning on or after January 1, 2009. This amendment will not have any substantial impacts on the presentation of Wirecard's asset, financial and earnings position.

In January 2008 the IASB published the revised Standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). Key changes to IFRS 3 (revised 2008) include the following, in particular:

- When accounting for the share of other shareholders, in future there will be an option whether to recognize such share at its fair value (i.e. including goodwill) or at the prorated identifiable net asset value.
- In the case of gradual corporate acquisitions, the corporate shares previously held are to be re-measured at fair value at the time of acquiring control of the company in question, with an impact on profit and loss. The difference between the (restated) participation carrying amount of the subsidiary and the prorated and restated net assets of the subsidiary is to be reported under goodwill.
- Liabilities for future purchase price adjustments recorded at the time of acquisition on account of future events can no longer be adjusted in relation to goodwill in subsequent periods with no impact on profit and loss.
- Ancillary acquisition costs are to be recognized under expenses.

Essential changes arising from IAS 27 (revised 2008):

- Reporting of changes in holdings with no impact on profit and loss, provided control remains in place.
- In the event of a reduction in the participation quota and a simultaneous loss of control over the subsidiary, the assets and liabilities of the subsidiary are relinquished entirely. Any residual parts of corporate holdings are to be accounted for at fair value. The difference between the residual carrying amounts and fair values is to be recognized with an impact on profit and loss.

IFRS 3 (revised 2008) and IAS 27 (revised 2008) are to be prospectively applied to fiscal years beginning on or before July 1, 2009. Early application is permissible provided both revised standards are applied at the same time. Wirecard AG does not expect this to result in any essential changes to the reporting of its asset, financial and earnings position.

In January 2009, Interpretation IFRIC 18 (Transfers of Assets from Customers) was adopted. This interpretation governs the accounting requirements for agreements in which an entity receives from a customer an item of property, plant and equipment or cash that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation establishes in what circumstances, at what point in time and at what value the receiving entity is required to carry an asset on its balance sheet. In addition, IFRIC 18 clarifies how the commitment of the entity to render a service or several separately identifiable services in exchange for the transferred asset is to be determined and whether and when the entity is required to recognize revenues. IFRIC 18 is to be applied prospectively to transfers of property, plant and equipment received from customers on or after July 1, 2009. Early application is permissible in certain circumstances. This interpretation has not yet been incorporated in European law by the European Union. Wirecard AG does not expect this to result in any essential changes to the reporting of its assets, financial and earnings position.

In September 2006 the IFRIC published Interpretation IFRIC 13 (Customer Loyalty Programmes). Customer loyalty programmes are bonus points credited (loyalty points or bonus miles) granted by companies to customers when buying other goods or services. In particular, guidance is given on how these companies are required to account for their liabilities to provide goods and services free of charge or at reduced prices (“bonuses”) to customers redeeming their vouchers. This standard is to be applied to fiscal years from July 1, 2008; earlier application is permissible. At present, the Group assumes that the application of the interpretation will not have a material influence on the presentation of the consolidated annual financial statements.

In November 2008 the European Parliament enacted the adoption of IFRS 8 (Operating Segments). IFRS 8 supersedes IAS 14 (Segment Reporting). This standard calls on companies to disclose financial and descriptive information on their segments subject to mandatory reporting. Segments subject to mandatory reporting are segments or summaries of operating segments that meet certain criteria. Operating segments are those components of a company for which separate financial information are available, which the company’s chief operating decision-maker inspects on a regular basis to determine the company’s commercial success and to decide how resources are to be allocated or distributed. In general, financial information needs to be disclosed on the basis of internal control activities. This allows management to assess the commercial success of the operating segments and to decide how resources are to be assigned to the operating segments. IFRS 8 is to be applied to fiscal years beginning on or after January 1, 2009. At present, the Group assumes that the applica-

tion of IFRS 8 will not have a material influence on the presentation of the consolidated annual financial statements.

CONSOLIDATION PRINCIPLES

For new company acquisitions, the capital consolidation is performed in line with the acquisition method according to IFRS 3 (Business Combinations). In the process, the acquisition costs of the shares acquired are netted against the proportion of equity accounted for by the parent company at the time of acquisition. A difference between the costs of acquisition and pro-rata equity is allocated to the assets and liabilities of the subsidiary up to the extent of the present values, irrespective of the relevant participation quota.

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

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

OPERATIONAL ENVIRONMENT AND 'GOING CONCERN' ASSUMPTION

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

2. Notes to the balance sheet

2.1. Currency translation

The Company's financial statements are prepared in euros. The functional currency of the foreign subsidiary, InfoGenie Ltd., Windsor, Berkshire, UK (hereafter referred to as "InfoGenie Ltd.") is British pound sterling. The amounts relating to assets and liabilities of InfoGenie Ltd. reported in the consolidated balance sheet were translated at the exchange rate prevailing on the date of the financial statements. Shareholders' equity is translated at historical exchange rates. Revenues, expenses and income posted in the profit & loss statement are translated at average exchange rates. Differences arising from foreign currency translation are recorded without this affecting the operating result and reported separately as part of shareholders' equity in the foreign currency translation reserve.

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

In fiscal 2008 the currency translation reserve changed, due to exchange rate factors and without affecting the operating result, from TEUR (4) in the previous year to TEUR (24). Due to exchange rate factors, the value of property, plant & equipment declined by TEUR 6. The currency translations of property, plant and equipment are indicated separately in the long-term assets movement schedule. In line with the materiality principle, we have dispensed with the need to provide further particulars on the foreign currency translation reserve.

Differences arising from foreign currency translation between the nominal value of a transaction when consummated and the date on which it is either settled or translated for inclusion in a consolidated balance sheet are accounted for as impacting on loss and profit and included in cost of material if the payment is related to customer money. In other cases it is accounted for in other operating expenses/income.

Expenses impacting on profit and loss associated with foreign currency translation amounted to TEUR 1,396 in fiscal 2008 (previous year: TEUR 478).

2.2. Reporting of goodwill

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

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

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments. The determination of the achievable amount of a business area to which goodwill was assigned is based on estimates by management. The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are in turn based on periodical forecasts based on financial budgets

approved by management. The cash flow forecasts take account of past experience and are based on the best estimates by management of future trends.

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

- Risk-free interest: 4.0%
- Market risk premium: 4.5%
- Beta factor: 1.03
- Capitalization interest rate: 8.64%

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

With respect to the composition, development and distribution of the individual goodwill reference is made to No. 3.1 Intangible assets/goodwill.

2.3. Reporting of intangible assets

Acquired customer relationships are stated at cost and significant parts are subject to impairment tests regularly, at least once per year. Smaller parts are depreciated using the straight-line method over the estimated useful life of ten years. Purchased software is stated at cost and depreciated using the straight-line method over the estimated useful life of the software, generally five years. The software constituting the Group's core operations, which has mostly been developed in house, has a significantly longer estimated useful life and is amortized over a period of ten years.

The periods of use and depreciation/amortization methods are reviewed on an annual basis. In addition, as in previous years the useful life of a material share of customer relationships 2008 is classified as indefinite (infinite) since it was not possible to identify a "best practice" for the industry segment and past experience does not reflect a limitation of the inflow of benefits. Moreover, the agreements between the Wirecard Group and merchants do not show any contractual restrictions. In the event of a change in the expected useful life or the anticipated depreciation of the intangible asset, some other depreciation period or method is used. Such changes are treated as modified estimates.

Research costs are recognized as expenses with an impact on profit and loss at the time incurred. The costs of development activities are capitalized if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. Moreover, Wirecard must have the intention and adequate resources to include such development and either use or sell the asset in question. The development costs capitalized in the year under review amounted to TEUR 4,108.

2.4. Accounting for property, plant and equipment

The original cost of acquisition or manufacture of property, plant and equipment comprises the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the object of property, plant and equipment was deployed, such as maintenance and repair costs, are reported with an impact on profit and loss in the period in which the costs arose. Financing costs are not recognized.

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

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

2.5. Impairment of intangible assets as well as property, plant and equipment

Useful life and method of amortization are subject to yearly review. An impairment charge is made if, due to changed circumstances, a permanent impairment is probable. At each balance-sheet date an analysis is made as to whether there are indications that the value of an asset may be impaired. If there are such signs, then the Company will make an estimate of the achievable amount of the asset in question.

The recoverable amount corresponds to the higher of the value in use of the asset and its fair value less costs of sale. To determine the value in use, estimated future cash flows are discounted on the basis of a discount rate before taxes that reflects current market expectations with regard to the interest effect and the specific risks of the asset at its cash value.

In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, then the asset will be treated as value-impaired and written off at its recoverable amount. Impairment expenses, if any, are recorded in a separate expense line item.

The necessity of partial or full reversal is verified as soon as there is evidence to show that the reasons for impairment charges affected in previous years no longer apply. An impair-

ment charge recognized previously must be reversed if, since the last impairment charge was reported, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, then the carrying amount of the asset is to be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognized after taking account of write-offs if no impairment charges had been recognized in previous years. Such a value reversal is immediately recognized in the profit or loss of the fiscal year.

Once a value reversal has been made, the impairment expense is adjusted in future reporting periods in order to distribute the adjusted carrying amount of the asset, less any residual carrying amounts, systematically across its residual useful life. No impairments were registered in the year under review.

2.6. Reporting of Financial Assets

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

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

- Financial assets at fair value with an profit and loss impact
- Held-to-maturity-investments
- Financial assets available for sale
- Loans and receivables.

The initial recognition of a financial asset or a financial liability is measured at fair value; in the case of a financial asset or financial liability that is not measured at fair value, this will additionally be valued including transaction costs.

For purposes of subsequent valuations, financial instruments are classified in the following categories in accordance with IAS 39:

FINANCIAL ASSETS AT FAIR VALUE WITH AN PROFIT AND LOSS-IMPACT

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

HELD-TO-MATURITY-INVESTMENTS

Held-to-maturity-investments are recognized at amortized cost.

FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are recognized at market value less any costs of sale. Shares of non-consolidated entities and other holdings are recognized at amortized cost.

LOANS AND RECEIVABLES

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

IMPAIRMENTS RELATING TO FINANCIAL INSTRUMENTS

If, in the case of financial assets in the categories of loans and receivables, financial investments to be held until final maturity and financial assets available for sale, there are objective, substantial indicators of an impairment, an inspection is made to establish whether the carrying amount exceeds the cash value of expected future payment inflows discounted with the current market yield of a comparable financial asset. If this should be the case, a valuation adjustment is effected to the extent of such difference. Indicators of impairment include operating losses of a company for several years, a reduction of its market value, a substantial deterioration of its credit standing, material breach of contract, a strong probability of insolvency or some other form of financial restructuring of the debtor or the disappearance of an active market.

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

LEASES

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

DERECOGNITION

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

2.7. Deferred taxes

Provisions for deferred tax assets and liabilities are set up in accordance with IAS 12 ("Income Taxes") for all temporary differences between the values of assets and liabilities according to the tax accounts and the values of the Group's balance sheet. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available with which the deductible temporary difference can be netted. The assessment and valuation of deferred tax assets is reviewed at each balance sheet date, taking account of current estimates in accordance with IAS 12.37 and IAS 12.56.

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

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

Deferred taxes are determined on the basis of German corporation tax rate of 15.0% (previous year: 15%) plus a solidarity surcharge of 5.5% on corporation tax (previous year: 5.5%) and a flat trade tax rate of 10.15% (previous year: 10.15%) and for the foreign companies the respectively applicable tax rate (Ireland 12.5%, Austria 25%).

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

2.8. Inventories

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

2.9. Cash- and Cash equivalents

Cash in hand and sight deposits are classified as cash, whereas cash equivalents comprise current, highly liquid financial investments that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. Accounts of the Acquiring division which are partly not held directly but for the account of Wirecard and via which Wirecard makes payments to merchants are also reported cash and cash equivalents. Not freely available cash and cash equivalents from lease guarantees amounted to TEUR 36 (previous year: TEUR 26) and were classified as "Trade and other receivables".

2.10. Provisions

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

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

2.11. Contingent liabilities and receivables

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

2.12. Realization of income

Revenues are recognized when there is sufficient evidence that a contract has been concluded, service has been performed, the price is fixed or determinable, and it is probable that payment will be received. Interest is recognized *pro rata temporis*, taking account of the delineation of periods. Operating expenses are recognized with an impact on profit and loss once the service is utilized or at the time the cost is incurred.

2.13. Uncertainties regarding valuation

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

- The measurement of fair values of assets and liabilities as well as the periods in use of assets is based on assessments made by management. This also applies to the measurement of impairments of assets comprising property, plant and equipment, of intangible assets as well as of financial assets. Valuation adjustments are made to doubtful receivables in order to take account of estimated losses arising from insolvency or unwillingness of customers to pay.
- In addition, assumptions are made when calculating actual and deferred taxes. In particular, when determining whether deferred tax assets can be utilized, the possibility of generating corresponding taxable income plays an important role.
- In accounting for and valuing provisions, expected obligations represent the key sources for estimates.

In the event of uncertainties relating to valuations, the best possible findings are used relating to the circumstances prevailing as at the balance sheet date. However, actual amounts may differ from the estimates made. The carrying amounts reported in the financial statements which have been impacted by these uncertainties are listed in the balance sheet and in the relevant notes.

At the time when the consolidated financial statements were prepared, no substantial changes were expected with regard to the underlying assumptions on which the accounting and valuation were based. Accordingly, from the present perspective no adjustments are expected to be made to the assumptions and estimates or carrying amounts of the relevant assets and liabilities in fiscal 2009.

3. Notes to the balance sheet

3.1. Intangible assets

For a breakdown of non-current assets relating to intangible assets, property, plant & equipment and financial assets (historic acquisition costs, adjustments based on foreign currency translations, additions due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying amounts), reference is made to the attached non-current asset movement schedule from January 1, 2008 through December 31, 2008 (including previous period).

Intangible assets comprise goodwill, customer relationships, self-provided software and other intangible assets. To facilitate an improved overview, customer relationships will be reported separately as at the half year report 2008 and as at September 30, 2008, and no longer as a component of other intangible assets.

GOODWILL

On account of the new reporting structures and segment reporting, the Company's goodwill was already redistributed in accordance with the future utilization of benefits at the time of the half-year financial statements in 2008. Due to the objective implemented in recent months of increasingly migrating customer/merchant relationships to Wirecard Bank AG, it is necessary to report the "Acquiring & Issuing" segment on a separate basis.

This redistribution of goodwill related to the cash-generating unit "Electronic Payment & Risk Management" (EPRM), which was divided up into the new cash-generating units "Acquiring & Issuing" and "Payment Processing & Risk Management". The previous year's figures were adjusted accordingly.

In the year under review, the final purchase price installments for Qenta paymentsolutions Beratungs und Informations GmbH, webcommunication EDV Dienstleistungs und Entwicklungen GmbH (TEUR 1,832) and for Wirecard Payment Solutions Holdings Ltd. (TEUR 21,603) were paid. As a result, the level of goodwill was adjusted to take account of the final amount paid. In this regard, reference is also made to 3.11 current liabilities/other liabilities and to 5. notes to the consolidated cash flow statement. Whenever necessary, or once a year an impairment test is made (the last time as at December 31, 2008).

Goodwill, amounting to TEUR 90,289 (December 31, 2007: TEUR 90,093) relates to the following cash-generating units:

■ **GOODWILL**

in TEUR	12/31/2008	12/31/2007
Payment Processing & Risk Management	65,984	67,981
Acquiring & Issuing	24,017	24,787
Call Center & Communication Services	288	288
	90,289	93,056
Less: Impairment charges	0	0
Less: Goodwill changes as of Deferred taxes	0	2,963
	90,289	90,093

Please refer to the table "Development of non-current assets" for further details on trends relating to goodwill.

CUSTOMER RELATIONSHIPS

Customer relationships refer to the customer portfolio acquired in 2006/2007 (TEUR 35,020) as well as the customer portfolio acquired in 2007 following the purchase of Trustpay International AG (TEUR 5,295) and the customer base that arose in the wake of the initial consolidation of Wirecard Technologies AG (TEUR 4,360). Subject to an indefinite useful life are Customer relationships in the amount of TEUR 42,775. Accordingly, these are subjected to regular impairment testing (the last occasion being December 31, 2008). The remaining customer relationships (December 31, 2008: TEUR 1,900) are written off using the straight-line method over the course of 10 years.

SELF-PROVIDED INTANGIBLE ASSETS

In fiscal 2008, software worth TEUR 4,108 was developed and capitalized. The software in question was created for the "Payment Processing & Risk Management"-segment. It will be written off using the straight-line method over the course of its useful economic life. The period in question is 10 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. This will be written off using the straight-line method over the course of its useful economic life. The relevant period ranges from three to ten years. As at December 31, 2008 there were also advance payments in the amount of TEUR 2,510 for software.

3.2. Property, plant and equipment

Property plant and equipment comprises office and business equipment. Office equipment is stated at cost and depreciated using the straight-line method over its estimated useful life. For computer hardware this period is three to five years, and ten years for office equipment and furniture. Depreciation of property, plant and equipment (TEUR 708) was reported under depreciation as part of special operating expenses.

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

3.3. Financial assets

Of financial assets 2008, amounting to TEUR 1,785 (previous year: TEUR 2,504), the sum of TEUR 1,397 (previous year: TEUR 2,275) relates to loans, the amount of TEUR 157 securities of Visa Inc., in the amount of TEUR 53 (previous year: TEUR 51) holdings and in the amount of TEUR 178 (previous year: TEUR 178) to shares in affiliated companies which were not consolidated. The major loan relates to a non-interest bearing customer loan to a sales partner (TEUR 1,397, after discounting). In the year under review, EUR 1.0 million was repaid as per agreement. The holdings refer to shares in three companies amounting to less than 50 percent.

3.4. Tax assets / deferred taxes

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

On account of tax assessments up to December 31, 2007, tax notices issued up to the assessment year of 2008 and consolidated taxable earnings in 2008, deferred tax assets as at December 31, 2008 amount to TEUR 6,947 following a valuation allowance (previous year: TEUR 7,500). To an extent of TEUR 6,942, these relate to realizable loss carry-forwards (thereof: Wirecard Bank AG TEUR 6,197), with the remaining TEUR 5 relating to differences limited in time between the tax balance sheet and consolidated earnings according to IFRS.

Valuation allowances for deferred tax claims amounted to TEUR 808 as at December 31, 2008 (previous year: TEUR 1,375).

In particular, the tax loss carry-forwards of Wirecard Bank AG increased on the basis of a tax audit carried out. The basis of this are the tax notices concerning the separate determination of the remaining loss carry-forward relating to corporation tax and to trade tax as at December 31, 2007 dated December 9, 2008. Additions amounting to TEUR 827 were taken into account.

With reference to the tax reconciliation account and the trend relating to deferred taxes, reference is made to the details under 4.7 Income tax expenses and deferred taxes.

3.5. Inventories

In fiscal 2008, the inventories reported (TEUR 63) referred to goods, particularly such as terminals and debit cards; in the previous year (TEUR 1,502), these were temporary merchandise inventories arising from debit and credit card operations. The valuation was made in accordance with IAS 2.

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

3.6. Trade receivables

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

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

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

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

Breakdown of trade receivables and other current financial assets:

■ STRUCTURE OF TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

in TEUR	12/31/2008	12/31/2007
Trade receivables	58,632	78,542
Value adjustments	(1,948)	(3,392)
Book value trade receivables	56,684	75,150

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

In determining the value of trade receivables, each and every change in credit standing is taken into account from the date on which deferred payment was granted up to the balance-sheet date. There is no noteworthy concentration of the credit risk since the customer portfolio is wide and no correlations exist. Accordingly, the Management is convinced that no risk provisions are necessary beyond the impairment charges already recognized.

The fair value of trade receivables corresponds to their carrying amount. Additions in the fiscal year are reported in the income statement under other operating expenses and reversals under other operating income.

In addition, owing to exchange rate factors, receivables denominated in foreign currency were depreciated by TEUR 585 at the exchange rate prevailing on the balance sheet date, with an impact on profit and loss.

RECEIVABLES FROM AFFILIATED COMPANIES AND HOLDINGS

Receivables from affiliated companies, amounting to TEUR 639, are reported under "Trade receivables and other receivables". As at December 31, 2008 they exclusively relate to receivables from non-consolidated Wire Card ESP S.L., Palma de Mallorca and Wirecard Asia Pacific Inc., Manila.

3.7. Tax assets

Tax assets include claims for income tax refunds amounting to TEUR 2,169 (previous year: TEUR 2,020) and TEUR 901 (previous year: TEUR 416) in claims for refunds of value added tax.

3.8. Cash and cash equivalents

The item Cash and cash equivalents (December 31, 2008: TEUR 195,939; December 31, 2007: TEUR 157,194) lists cash in hand and credit balances with banks (sight and time deposits and overnight [call] money). These also include resources from current customer deposits at Wirecard Bank AG (December 31, 2008: TEUR 78,739; December 31, 2007: TEUR 41,858) and funds derived from the Bank's Acquiring business (December 31, 2008: TEUR 35,662; December 31, 2007: TEUR 47,677).

3.9. Shareholders' equity

With regard to the consolidated equity movements for fiscal 2008, reference is made to the table "Development of non-current assets".

SUBSCRIBED CAPITAL

The level of subscribed capital amounted to TEUR 101,803,139.00 as at December 31, 2008 and is divided up into 101,803,139 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. On August 1, 2008, the capital measures adopted at the Annual General Meeting of June 24, 2008 were entered in the Munich commercial register, including a capital measure to raise the Company's common stock by EUR 20,357,967.00, to EUR 101,789,835.00.

Other changes (TEUR 15) resulted from the subscription to shares from contingent capital owing to a partial exercise of the conversion right of convertible bonds partly prior and partly after the capital increase.

AUTHORIZED CAPITAL

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

The Board of Management is entitled to exclude the shareholders' subscription rights in the following cases:

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

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the respective capital increase as well as execution thereof. The resolution was entered in the commercial register on March 14, 2005. As at January 1, 2008, the authorized capital amounted to EUR 13,601,917.00. This was unchanged by end of period under review. Accordingly, the level of authorized capital as at the balance sheet date came to EUR 13,601,917.00.

CONTINGENT CAPITAL

The company's common stock was contingently increased by up to EUR 1,050,000.00 through the issue on one or several occasions of up to 1,050,000 new no-par value shares with dividend entitlement as of the beginning of the financial year in which they are issued ("contingent capital 2004"). Following the resolution passed by the Annual General Meeting of July 15, 2004, the company created a staff option program ("SOP") based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Board of Management, to consultants of the Company, its workforce as well as employees of affiliated companies. The contingent capital increase will only be effected to the extent that the holders of convertible bonds issued by the company on the basis of the resolution of the annual general meeting of July 15, 2004 actually exercise their conversion and subscription rights. The statutory subscription rights of shareholders are excluded. The new shares will participate in profits from the beginning of the fiscal year in which they arise through the exercise of conversion and subscription rights, respectively. The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and the execution thereof. As at December 31, 2008, the parties entitled subscribed to a total of 983.250 convertible bonds. The convertible bonds have a term to maturity of ten years and are interest-free. Due to the partial conversion of 983.250 convertible bonds by exercise of the right of conversion, in 2008, 15,257 new shares were subscribed to from the company's contingent capital within the relevant exercise periods. The new shares were issued by the company.

Contingent capital has therefore reduced from EUR 810,937.50 by exercise of the right of conversion to EUR 808,985.00.

On account of a capital measure entered in the Munich commercial register on August 1, 2008, raising the existing contingent capital from EUR 808,985.00 to EUR 1,011,231.25 and reducing the conversion of further convertible bonds to decrease the contingent capital by EUR 13,304.00, as at December 31, 2008 the contingent capital 2004/I amounted to EUR 997,927.25.

In order to be able to foster offering managerial staff and employees of Wirecard AG and its related companies a variable remuneration component with a long-term incentive effect to foster their future loyalty to the Wirecard Group, in the Annual General Meeting held on June 24, 2008 a resolution was adopted to create the possibility of issuing subscription rights to the Company's shares to employees and members of the Company's Management Board as well as to employees and members of the management of its related companies. Therefore a new contingent capital (contingent capital 2008/I) was registered at a level of EUR 3,053,700.00.

The basic regulations for the issue of subscription rights for the contingent capital 2008/I are:

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

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

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

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

- Members of the Company's Management Board shall receive a maximum total of up to 916,110 subscription rights;
- Members of the management of related enterprises of the Company shall receive a maximum total of up to 305,370 subscription rights;
- Employees of both the Company and its related enterprises shall receive a maximum total of up to 1,832,220 subscription rights.

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

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

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

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

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

- c. Exercise price (Issue Amount), performance target and other terms and conditions of exercise

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

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

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

If the performance target is attained only for one fiscal year within the waiting period in accordance with lit. d), then only half of the respective subscription rights issued from time to time will be capable of being exercised once the waiting period has expired; in all other cases, the subscription rights shall lapse without replacement or compensation being made. If the performance target is not achieved in both years within the waiting period in accordance with No.1 lit. d), then all subscription rights already issued shall lapse without replacement or compensation being made. This shall not affect the above-mentioned possibility of compensation in the subsequent year.

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

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

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

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

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

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

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

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

In the event of a capital increase being adopted from Company funds by issuing new shares, the contingent capital in accordance with § 218 AktG will be increased in the same ratio as the capital stock. The right of the entitled parties to acquire new shares by exercising the subscription right will increase in the same ratio; the exercise price per share will be reduced

in the same ratio, provided this is permissible by law. If the capital increase from Company funds is effected without issuing new shares, then the subscription right and the exercise price shall remain unchanged.

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

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

f. Non-transferability and lapse of subscription rights

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

g. Rules relating to further details

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

CAPITAL RESERVE

The change in the capital reserve, from TEUR 30,314 (2007) to TEUR 10,723 (2008), down by TEUR 19,591 was essentially the result of the capital increase from company funds (TEUR (20,358)) and of the conversion of convertible bonds and the premium on the related issue of 15,257 new shares in 2008 as well as due to the new convertible bonds issued in the previous year (TEUR 646), which also increased the level of capital reserves in 2008. In line with this issue of new convertible bonds, personnel expenditure also increased by TEUR 646 in the period under review.

NET PROFIT

With regard to net profit for the year, reference is made to the "Consolidated statement in shareholders' equity" and to the "Consolidated income statement".

CURRENCY TRANSLATION RESERVE

With regard to the currency translation reserve, reference is made to the statements "on currency translation" under section 2.1. currency translation and to the development of non-current assets.

PURCHASE OF TREASURY STOCKS

By a resolution adopted at the Annual General Meeting on June 24, 2008, the Board of Management is authorized to acquire up to 10 percent of the capital stock of Wirecard AG existing at the time of the resolution. This authorization is valid until December 23, 2009.

The Board of Management did not exercise its authority to acquire and use treasury stocks in accordance with § 71 (1) No. 8 AktG by December 31, 2008.

3.10. Non-current liabilities

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

NON-CURRENT INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities amounting to TEUR 5,500 (December 31, 2007: TEUR 8.000) serve to finance the customer portfolio acquired in the years 2006 and 2007. According to agreements entered into, repayment is scheduled to be made in annual installments by the year 2012. Repayments due in the short term are reported under current interest-bearing liabilities.

OTHER NON-CURRENT PAYABLES

Other non-current liabilities amounted to TEUR 0 in 2008; in the previous year, they related to 120,000 (convertible) bonds amounting to EUR 1 each. These were classified as current in fiscal 2008 since a conversion is assumed to take place within 12 months.

DEFERRED INCOME TAXES

Deferred tax liabilities, amounting to TEUR 4,642 (December 31, 2007: TEUR 3,688), relate to temporary differences between tax balance sheet figures and the consolidated financial statements according to IFRS and are reported under non-current liabilities.

3.11. Current liabilities

Current liabilities are classified into trade payables, interest-bearing liabilities, other provisions, customer deposits within the scope of banking operations of Wirecard Bank AG, other liabilities, and tax reserves. The classification was therefore extended to include the item Customer deposits in the field of banking operations. Even though this information was already disclosed in the notes in the past, the inclusion thereof in the balance sheet is intended to further enhance the degree of transparency and to underscore the current importance of the deposit-taking business.

TRADE PAYABLES

Trade payables are owed mainly to merchants/online traders. On account of exchange rate factors, liabilities denominated in foreign currency were valued at the exchange rate on the balance sheet date, with an impact on expenditure. Payables relating to the acquiring segment Wirecard Bank AG accounts for TEUR 35,662 of such trade payables.

CURRENT INTEREST BEARING BANK LOANS AND OVERDRAFTS

Interest-bearing loans and overdrafts, amounting to TEUR 3,500 (previous year: TEUR 3,529) represent the current portion of the financing relating to the customer portfolios acquired in 2006 and 2007.

In accordance with agreements entered into, repayment is to be made by 2012 in annual installments. Non-current repayments are recorded under long-term interest liabilities.

OTHER PROVISIONS

The field of other reserves was reclassified in the annual financial statements for fiscal 2008. The objective of this reclassification was to enable the breakdown into maturities of all debts to be identifiable in total from the balance sheet. In addition, the debts deferred and accrued in accordance with IAS were recorded under other liabilities. Comparability is ensured by means of an adjustment to the previous year's figures. Specific provisions developed as follows during the fiscal year:

■ **DEVELOPMENT OF PROVISIONS**

in TEUR	01/01/2008	Addition first consolidation	Consumption	Reversal	Addition	31/12/2008
Risks of litigation	96	0	(20)	0	314	390
Archiving	51	0	(6)	0	2	47
Annual General Meeting	50	0	(47)	(3)	48	48
Charges for semi-finished services	175	0	0	(175)	0	0
Auditing and other inspection costs	486	0	(425)	(61)	926	926
Other	2,497	0	(2,423)	(74)	116	116
Other current provisions	3,355	0	(2,921)	(313)	1,406	1,527
Bonuses & commissions from L&G	0	0	0	0	872	872
Emoluments of the Supervisory Board	90	0	(87)	(3)	131	131
Leave	365	0	(365)	0	413	413
Royalties	44	0	(44)	0	48	48
Berufsgenossenschaft (industrial compensation society)	39	0	(30)	(9)	65	65
Outstanding invoices	438	0	(428)	(10)	217	217
Liabilities to suppliers	1,331	0	(1,331)	0	0	0
Non-current interest / invoices outstanding	0	0	0	0	15	15
Deferred / accrued liabilities	2,307	0	(2,285)	(22)	1,761	1,761
Tax reserves	3,050	0	(2,149)	(196)	1,026	1,731
Total	8,712	0	(7,355)	(531)	4,193	5,019

All provisions are short-term in nature and will presumably be eliminated in the first half of 2009. Provisions relate firstly to tax reserves (TEUR 1,731; previous year: TEUR 3,050) and secondly to other current provisions (TEUR 1,527; previous year: TEUR 3,355). In addition, the schedule of provisions includes debts deferred/accrued (TEUR 1,761; previous year: TEUR 2,307) that are reported under other liabilities.

OTHER LIABILITIES

Other liabilities, amounting to TEUR 4,534 (previous year: TEUR 39,179) comprised deferred/accrued debts of TEUR 1,761 (previous year: TEUR 2,307) and purchase obligations of TEUR 1,017 (previous year: 28,911) arising from variable remuneration for customer relationships and, in the previous year, additional liabilities due to corporate acquisitions. This item included TEUR 572 (previous year: TEUR 462) in (convertible) bonds as well as liabilities arising in the fields of payment transactions, wages and salaries, social security and the like. Liabilities to associated companies were also included under other liabilities. These were reported at TEUR 111 as at December 31, 2008 (previous year: TEUR 24). They relate to the non-consolidated Wirecard Asia Pacific Inc. and, in the previous year, to Wire Card International Processing GmbH.

CUSTOMER DEPOSITS WITHIN THE SCOPE OF BANKING

This line item included customer deposits amounting to TEUR 78,739 (December 31, 2007: TEUR 41,858) with Wirecard Bank AG.

TAX RESERVES

Tax reserves essentially relate to provisions set up for income taxes of Wirecard Bank AG (TEUR 621) and Wirecard AG (TEUR 1,110). Due to the provisional tax payments for the period under review, no reserves had to be set up for taxes of the foreign companies.

MATURITY STRUCTURE

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

in TEUR	up to 1 year	1-to 5 years	over 5 years
Interest-bearing bank loans and overdrafts	3,500	5,500	0
Trade payables	113,821	0	0
Customer deposits	78,739	0	0
Other financial liabilities	7,792	0	0
	203,852	5,500	0

4. Notes to the income statement

4.1. Sales revenues

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

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

in TEUR	2008	2007
Payment Processing & Risk Management	185,089	123,134
Acquiring & Issuing	41,717	20,815
Call Center & Communication Services	4,332	6,571
	231,138	150,520
Consolidations	*(34,348)	** (16,352)
	196,790	134,168

* thereof PP&RM TEUR 1.054; A&I TEUR 31.562 CC&CS TEUR 1.732

** thereof PP&RM TEUR 562 A&I TEUR 13.527; CC&CS TEUR 2.263;

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

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

The majority of sales revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. As at the balance-sheet date, more than 10,000 enterprises were connected to the FSCM software platform.

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

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

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

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

In addition, in the “Acquiring & Issuing” division TEUR 3,406 in interest income of Wirecard Bank AG is reported as revenue in accordance with IAS 18.5(a).

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

4.2. Cost of materials

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

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

4.3. Personnel expenses

Personnel expenditure in fiscal 2008 amounted to TEUR 23,709 (previous year: TEUR 18,276), comprising salaries amounting to TEUR 21,069 and social security contributions of TEUR 2,640.

Under salaries, TEUR 646 in expenses were taken into account by issuing new convertible bonds in the previous year. Personnel expenses are included under special operating costs under that heading (personnel expenses). The increase in personnel expenditure is chiefly due to the consolidation of Trustpay International AG including its subsidiaries, included under expenses for 12 months in 2008 but only consolidated in the last quarter of 2007. Comparability therefore is limited.

As at December 31, 2008 (excluding the Board of Management and trainees) the Group's workforce comprised 438 employees (previous year: 453), of whom 114 (previous year: 137) were employed on a part-time basis. As at December 31, 2008 the Group employed one trainee, whereas on December 31, 2007 there were three trainees. Of the 438 employees, 12 (previous year: 12) were employed as management board members / general managers of a subsidiary. On average, the Wirecard Group had 422 employees (excluding the Board of Management and trainees).

These employees were engaged in the following functions:

■ **EMPLOYEES**

	12/31/2008	12/31/2007
Board of Management	3	3
Distribution	89	89
Administration	88	82
Customer Service	147	180
Research and Development and IT	115	105
Total	* 442	* 459

*thereof 114 part-time employees (previous year: 137)

In the event of a change of control of the Company (change of control clause), the Board of Management and the Supervisory Board have decided that royalties can be awarded to employees of Wirecard AG and its subsidiaries on similar terms applicable to the Board of Management. To this end, a total of 0.8 percent of the Company's enterprise value has been made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must have been in the Company's services for at least one year and still be employed at the time the change of control occurs.

Such royalty payments shall also be made in three installments. The exact terms and conditions are specified in Chapter 7.1 Board of Management.

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

The key points relating to the issue of subscription rights are explained in 3.9 Equity capital - contingent capital.

4.4. Other operating income

Breakdown of other operating income:

■ OTHER OPERATING INCOME

in TEUR	2008	2007
Reversal of Provisions	335	24
Reversal of special reserve	7	26
Income from contractual relations	791	-
Exchange rate differences	192	603
Income from the IPO of Visa Inc.	454	-
Reversal of bad dept provisions	586	300
VAT refunds	-	342
Income from compensation payments	450	-
Charged out benefits in kind	256	44
Other	1,193	837
	4,264	2,176

4.5. Other operating expenses

Breakdown of other operating expenses:

■ OTHER OPERATING EXPENSES

in TEUR	2008	2007
Legal and Audit expenses	3,517	1,915
Consulting expenses	2,588	2,974
Office expenses	2,732	1,998
Equipment and Leasing	2,346	2,075
Sales and Marketing	3,837	3,377
Other	3,648	1,952
	18,668	14,291

Other operating expenses include more than approximately EUR 1 million in non-recurring and extraordinary expenditure on litigation and consultancy costs as well as for the special expert opinion.

4.6. Financial results

The financial result amounts to TEUR (624); previous year: TEUR (3,233). Expenses, amounting to TEUR 1,495, included interest of TEUR 745 and currency-related expenses of TEUR 750. Income includes currency-related income amounting to TEUR 330 and TEUR 541 in interest income was generated, totalling TEUR 871. In accordance with IAS 18.5 (a), interest income of Wirecard Bank AG, amounting to TEUR 3,406, is not reported under net financial income but under sales revenues. Reference is made to Chapter 4.1 Sales revenues and to 6.1 Segment reporting.

Net financial income of previous year period included the reduction in goodwill of the Wirecard Bank, amounting to TEUR 2,963, exclusively resulting from full recognition of the loss carry-forwards of Wirecard Bank AG and the loss carry-forwards of Wirecard Bank AG not capitalized as yet. The counter-item was booked to an extent of TEUR 4,993 as income under tax expenditure. Without this effect, financial expenditure would have amounted to only TEUR 1,008 in fiscal 2007.

4.7. Taxes on income and deferred taxes

■ TAXES ON INCOME AND DEFERRED TAXES

in TEUR	2008	2008	2007	2007
Earnings before interest and taxes	48,393		29,857	
Expected income tax expense on corporate income before such taxes		(12,570)		(11,768)
Non-tax-deductible goodwill amortization of acquisitions		0		(1,168)
Utilization of tax loss carry-forwards		4,370		1,167
Different effective tax rates applicable abroad		2,965		8,505
Self-provided intangible assets not capable of being capitalized for tax purposes		1,067		1,706
Ancillary acquisition costs of corporate takeovers not capable of being capitalized		(276)		(201)
Expenses on acquisitions not capable of being capitalized for tax purposes		0		77
Non-tax -deductible amortization in intangible assets of acquisitions		(120)		(50)
Non-tax-deductible personnel expenses from issuing convertibles		(168)		(552)
Issuing costs not capable of being offset against the capital reserve		0		122
Tax increases due to non-deductible depreciation of holdings		115		0
Adjustment/reversal value adjustments on deferred tax assets (tax loss carry-forward)		(56)		(471)
Tax reductions on account of non-deductible expenses		(105)		(156)
Other tax effects		198		76
		(4,580)		(2,713)
Addition of deferred tax assets (loss carry-fowards)	706		4,993	
Reversal of deferred tax assets (loss carry-fowards)	(1,159)		(1,587)	
Reversal of deferred tax assets (temporary differences)	(105)		(65)	
Addition of deferred tax assets (temporary differences)	5		0	
Addition of deferred tax liabilities (temporary differences)	(955)	(1,508)	(13)	3,328
Taxes on income and profit		(6,088)		615
of which:				
actual income tax expenses		(4,580)		(2,713)
Deferred tax expenses		(1,508)		3,328

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

Other tax effects essentially resulted from the following:

- different approaches used for measurement of options between local tax law and IAS/IFRS (TEUR 81),
- differences in treatment of assets and liabilities denominated in foreign currency between local tax law and IAS/IFRS (TEUR 69),
- differences between local tax law and IAS/IFRS in setting up provisions TEUR (13) as well as
- expenses not allowed by IAS/IFRS for purposes of starting up business operations TEUR (4).

Differences in terms of recognition and valuation applied to the following deferred tax assets and liabilities accounted for:

in TEUR	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Expenses on starting up and extending business operations	5			
Self-produced intangible assets			2,458	1,064
Other intangible assets		105	49	97
Customer relationships			1,858	2,527
Financial assets			114	
Trade receivables and other receivables			110	
Trade payables			40	
Other provisions			13	
Loss carry-forwards	6,942	7,395		
Deferred taxes recognized	6,947	7,500	4,642	3,688

Breakdown of deferred taxes:

■ DEFERRED TAX ASSETS

in TEUR	2008	2008	2007	2007
Tax loss carry-fowards				
Deferred tax assets (previous year)	8,770		18,347	
Adjustments for year under review affecting previous year	827		(12,601)	
Additions/adjustments due to audits by fiscal authorities	0		4,993	
Additions initial consolidation abroad	0		89	
Additions due to loss carry-fowards being taken into account for the first time	706		-	
Loss utilization (taxable entity)by valuation adjustments	(56)		(471)	
Loss utilization Wirecard Bank AG	(2,462)		(1,573)	
Loss utilization abroad	(35)		(14)	
Tax loss carry-fowards before valuation adjustments	7,750		8,770	
(Cumulative) valuation allowances	(808)		(1,375)	
Tax loss carry-fowards	6,942	6,942	7,395	7,395
Temporary differences				
Deferred tax assets (previous year)	105		169	
Additions/reversals	(100)	5	(64)	105
Deferred tax assets	6,947	6,947	7,500	7,500

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

Breakdown of deferred tax liabilities:

■ DEFERRED TAX LIABILITIES

in TEUR	2008	2007
Temporary differences		
Deferred tax liabilities (previous year)	3,688	1,064
Additions initial consolidations	0	2,611
Additions/reversals	954	13
Deferred tax liabilities	4,642	3,688

Temporary differences between the values reported in the tax balance sheet and in the consolidated financial statements were taken into account both on the assets and on the liabilities side.

The calculation of deferred taxes as at December 31, 2008 was performed on the basis of the new tax rates applicable as of January 1, 2008 on account of the corporation tax reform and on the basis of the relevant tax rates applicable abroad as of January 1, 2008.

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

On the liabilities side, these relate to assets to be recognized under IAS/IFRS at a higher value than in the tax balance sheet (e.g. capitalized software produced inhouse) which are offset again in the course of time (December 31, 2008: TEUR 4,642, December 31, 2007: TEUR 3,688).

The basis of the tax reconciliation account and the presentation and measurement of deferred tax assets and liabilities was the tax rate applicable to the taxable entities, amounting to 25.975 percent (previous year: 39.415 percent) or the respective tax rates of the foreign entities.

As at December 31, 2008 the Group reported corporation tax loss carry-forwards amounting to approx. TEUR 29,989 accounted for by Wirecard Retail Services GmbH (TEUR 963), Wirecard Communication Services GmbH (TEUR 1.521), Pro Card Kartensysteme GmbH (TEUR 351), Trustpay International AG (TEUR 1.905), Qenta paymentsolutions Beratungs und Informations GmbH (TEUR 9), webcommunication EDV Dienstleistungen und Entwicklungs GmbH (TEUR 150), Wire Card Beteiligungs GmbH (TEUR 1.230) and Wirecard Bank AG (TEUR 23.860).

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

However, the Company perceives risks within the tax related recognition of loss carry-forwards and therefore has implemented valuation allowances for part of deferred taxes in respect of the current loss carry-forwards for which the realization of the tax benefit is less probable than its expiry. With regard to the realizability of these loss carry-forwards, the company made a valuation adjustment as at December 31, 2008 to its deferred tax assets of TEUR 7,750 (previous year: TEUR 8,770), amounting to TEUR 808 to TEUR 6,942 (previous year: TEUR 7,395). In the results for 2008, TEUR 453 (previous year: TEUR 3,406) of deferred tax assets were reversed with an impact on profit and loss and recognized as income under income taxes.

As regards deferred taxes, reference is also made to Note 2.7. Deferred taxes.

4.8. Earnings per share

Basic earnings per share were determined in accordance with IAS 33.10, through division of the periodic earnings due to the ordinary shareholders of the parent company (numerator) by the weighted average number of ordinary shares in circulation during the period under review (denominator).

The number of shares issued rose from 81,429,915 by 20,373,224 in fiscal 2008, to reach 101,803,139.

By resolution at the annual general meeting of June 24, 2008 and entry in the commercial register on August 1, 2008, the capital stock (subscribed capital) was increased by EUR 20,357,967 using company funds. In accordance with IAS 33.34, therefore, a retrospective adjustment of the number of shares to the beginning not only to the beginning of the fiscal year 2008 but also the preceding fiscal year was required to be effected. In the previous year the basic and diluted earnings per share amounted to EUR 0.30 per share.

For 2008 the average of shares issued (undiluted) amounted to 101,792,876 (previous year: 99,917,581). In the fiscal year the basic earnings per share therefore amounted to EUR 0.42.

As regards the development of the number of no-par-value shares issued, reference is made to the consolidated statement of equity movements for fiscal 2008.

In determining diluted earnings per share, in addition such instruments as options (IAS 33.45) and convertible instruments (IAS 33.49), which may potentially have a dilutive effect on stock prices, are included in the weighted average for the time in question.

Of instruments that may potentially dilute basic earnings per share in the future and were therefore included in calculating diluted earnings, the convertible bonds issued as at December 31, 2008 had to be taken into account in accordance with IAS 33.30-63. As at December 31, 2008, EUR 571,922.00 in (convertible) bonds had been subscribed to (IAS 33.60). The subscription price for each convertible bond amounted to EUR 1.00. The (additional) strike price for conversion of convertible bonds into shares of Wirecard AG in principle amounts to 50 percent of the average closing price of Wirecard stock on the last ten bank workdays prior to the date of exercise, with 8.0 of (legacy) bonds subscribed to by June 19, 2006 qualifying entitled holders to a subscription to 12.5 shares and bonds subscribed to after June 19, 2006 until August 1, 2008 entitling the bondholders to shares in a ratio of 8.0 to 10.0. (New) shares subscribed to after August 1, 2008 entitle the holders thereof to subscribe to shares in a ratio of 1 to 1. For 2008, after taking account of the dilutive effect of the convertible bonds issued as at December 31, 2008 in accordance with IAS 33.36 read in conjunction with 33.49, the average number of issued (diluted) shares came to 101,984,635 (previous year: 100,167,740) or a portion of 191,759 (previous year, adjusted: 250,159) of deferred bonus shares from the convertible bonds (IAS 33.46 b).

With regard to other instruments that managed to dilute basic earnings per share in the previous year (December 31, 2007) and were therefore taken into account in calculating the diluted earnings of the previous year (2007), it had to be taken into account in accordance with IAS 33.30-63 as at December 31, 2007 that the residual purchase price still payable in shares in 2008 (or alternatively in cash) (TEUR 534) existed in connection with the corporate acquisition of Qenta paymentsolutions Beratungs und Informations GmbH/Webcommunication EDV Dienstleistungen und Entwicklungs GmbH. The dilutive effect at the time amounted to 46,193 shares. For the previous year, taking account of this additional dilutive effect along with the dilutive effect indicated above, the average number of (diluted) shares issued amounted to 100,213,933. In fiscal 2007, diluted earnings per share came to EUR 0.30 and did not differ to a marked degree from basic earnings per share.

As regards instruments that may potentially dilute basic earnings per share in the future, but which were not included in the calculation of diluted earnings because they counteracted a dilution for 2008 in accordance with IAS 33.70 c, the following points were applicable as at December 31, 2008:

The authorization of the Board of Management in accordance with the resolution adopted at the Annual General Meeting of December 14, 2004 in order to be able to raise the company's capital stock, taking account of the partially exploited increases by December 31, 2008 (2007: TEUR 2,000) by a (residual) amount of up to TEUR 13,602 (authorized capital 2004/II).

The Board of Management did not make use of the remaining authorized capital as at December 31, 2008.

Business transactions that can arise after the balance sheet date and would have changed the number of shares in circulation at the end of 2008 substantially, should such business transactions have taken place prior to the end of 2008, existed in accordance with IAS 33.70 d and 33.71 as at December 31, 2008:

The common stock was conditionally increased by virtue of a resolution of the annual general meeting of July 15, 2004 by up to TEUR 1,050 (contingent capital 2004/I).

By a resolution adopted at the Annual General Meeting of May 30, 2006 and entry thereof in the commercial register on June 19, 2006, this contingent capital was raised to EUR 1,045,672.50 following the capital increase sourced from company funds, taking account of the previous conversions into subscription shares. By a resolution adopted at the Annual General Meeting of June 24, 2008 and entry thereof in the commercial register on 01.08.2008, this contingent capital was raised to EUR 1,011,231.25 following the capital increase sourced from company funds, taking account of the previous conversions into subscription shares. Taking account of the conversions into subscription shares after August 1, 2008, contingent capital 2004/I amounted to EUR 997,927.25 as at December 31, 2008.

By December 31, 2008, as many as 458,274 convertible bonds had already been converted into subscription shares.

The remaining 571,922 convertible bonds as at December 31, 2008 were taken into account in diluted earnings subject to the respective exchange ratios specified above.

The Board of Management did not make use of the remaining contingent capital by December 31, 2008. In addition, the remaining convertible bonds approved were not offered for subscription by December 31, 2008.

In addition, the common stock was conditionally increased by a resolution adopted at the Annual General Meeting of June 24, 2008 by (up to) TEUR 3,054 (contingent capital 2008/I).

Until December 31, 2008, the Board of Management did not make use of contingent capital 2008/I.

By resolution of the Annual General Meeting of June 24, 2008, the Board of Management is authorized to acquire treasury shares of the Company equivalent to up to 10 percent of the capital stock of Wirecard AG existing at the time of the resolution. The authorization will remain in force until December 23, 2009.

Until December 31, 2008, the Board of Management did not make use of its authority to acquire and utilize treasury shares in accordance with § 71 (1) No. 8 of the German Stock Corporation Act (Aktiengesetz - AktG).

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

5. Notes to the consolidated cash flow statement

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

METHOD USED TO DETERMINE CASH AND CASH EQUIVALENTS

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

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

As at December 31, 2008 and December 31, 2007 (previous year), respectively, only cash and no cash equivalents were held.

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

The balance of financial resources at the end of the period includes cash in hand and bank balances included in the line item cash and cash equivalents (December 31, 2008: TEUR 195,939; previous year: TEUR 157,194), less current (immediately due and payable) liabilities to banks (December 31, 2008: TEUR 0; December 31, 2007: TEUR 29) included in the line item current, interest-bearing liabilities.

In addition, current customer deposits from banking operations (December 31, 2008: TEUR 78,739; December 31, 2007: TEUR 41,858) were deducted or taken into account in the balance of financial resources (IAS 7.22).

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

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

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

■ FINANCIAL RESOURCES

in TEUR	12/31/2008	12/31/2008	12/31/2007	12/31/2007
Cash and cash equivalents		195,939		157,194
of which, cash (cash in hand and bank balances)		195,939		157,194
of which, cash equivalents		0		0
Current, interest-bearing liabilities		(3,500)		(3,529)
of which, current liabilities to bank		0		(29)
Reconciliation with the balance of financial resources		195,939		157,165
Cash and cash equivalents				
of which, current customer deposits from banking operations		(78,739)		(41,858)
Acquiring deposits in Wirecard Bank AG		(35,662)		(47,677)
Balance of financial resources at end of period		117,200		115,307

MANDATORY DISCLOSURES RELATING TO THE CASH FLOW STATEMENT IN ACCORDANCE WITH IAS 7.40

In fiscal 2008, the proceeds of corporate acquisitions and asset deals of previous years were applied in repayment for Qenta paymentsolutions Beratungs und Informations GmbH and webcommunication EDV Dienstleistungs und Entwicklungs GmbH (TEUR 1,832), for Wirecard Payment Solutions Holdings Ltd. (TEUR 21,603), for customer relationships in Gibraltar (TEUR 2,600 and TEUR 2,056). Residual purchase prices as at December 31, 2008 only existed in the form of the Gibraltar customer base amounting to TEUR 1,017. In addition, purchase price receivables amounting to TEUR 8 arose in connection with the sale of Marielle Invest Business Corp.

The corporate sale of Marielle Invest Business Corp. in July 2008 was presented as follows in tabular form:

■ **MARIELLE INVEST BUSINESS CORP.**

in TEUR	2008
Purchase price	8
of which cash and cash equivalent paid	0
outstanding in 2008	8
Assets and liabilities sold (fair values)	
current assets	8
	8

Mandatory disclosures on the corporate acquisition of Trustpay International AG were as follows:

■ **TRUSTPAY INTERNATIONAL AG**

in TEUR	
Purchase price	
Total purchase price 12/31/2007	43,182
of which, expenses of acquisition	397
of which, purchase price adaption	196
Total purchase price 12/31/2008	43,378
Purchase price without expenses of acquisition	42,981
paid in cash 2007	19,546
paid in cash 2008	23,435
Residual purchase price debt as at December 31, 2008	0
Acquired assets and liabilities (fair values)	
Intangible assets	13,436
of which, goodwill	see below
of which, software	480
of which, customer relationships	5,546
of which, other intangible assets	7,410
Property, plant and equipment	1,033
Current assets and liquid resources	33,222
of which, cash and cash equivalents and current liabilities to banks immediately due and payable	19,690
Current liabilities	(44,772)
Deferred taxes	(761)
Expenses of acquisition 2007	(397)
IFRS Capitalisation	(367)
Goodwill	41,984
of which, already existing Goodwill	13,449
Total fair values acquired	43,378
Purchase price	43,378

The carrying amounts prior to consolidation differed from the fair values of the items Customer relationships (TEUR 5,546), software (TEUR 480), deferred tax liabilities (TEUR 761) and goodwill (TEUR 28,535).

5.1. Cashflow on ordinary trading activity

Due to the special system involved in Acquiring, essentially characterized by business model inherent effects attributable to the reference dates in question, Wirecard already decided at the time of the half-year financial statements for 2008 to present a further cash flow statement in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda help to make it easier to identify and depict the cash-relevant portion of the Company's business figures.

In addition, the cash flow account as at December 31, 2008 was presented in further detail. The capital flow account begins with earnings before taxes and interest and contains differentiated individual items, some of which are new, a measure intended to provide a more detailed view of the cash flow arising from current activities. One aspect is that with effect from the present report, interest paid and received will be reported separately and within the cash flow statement. In the process, interest immediately related to financing is assigned to the cash flow from financing activities. In contrast, all other interest is assigned to the cash flow from operating activities.

To ensure comparability, adjustments for 2007 were made with retrospective effect. As a result of the separation of interest, the cash flow from current operations increased by TEUR 508 and the cash flow from financing activities was reduced to the same extent. In addition, due to the new structure and new items, the payout balance of income tax, interest paid excluding interest on loans and interest received had to be adjusted to correspond to non-cash-effective expenses and income. In parallel with this increased stage of detail, an item was (likewise retrospectively) reclassified from the retirement of intangible assets (TEUR 839) to the cash flow from operating activities, which increased accordingly.

As a result of these adjustments, the total cash flow from current business activities for 2007 increased by TEUR 1,347. The cash flow from investment activities in 2007 saw a corresponding decline by TEUR 839 and the cash flow from financing activities in 2007 decreased by TEUR 508.

By virtue of this additional information, Wirecard has achieved additional transparency, particularly in the fields of interest and tax effects and as regards the ability to make accurate forecasts of the cash flow statement.

The item "Elimination of purchase price liabilities and adjustments net working capital from initial consolidation" reflects necessary adjustments in accordance with IAS 7.43 e.g. due to investments in customer relationships and in Trustpay International AG including subsidiaries. Among other things, this item also reflects the deduction of the relevant residual purchase price liabilities that do not relate to the cash flow from current business activities.

For 2007, in the item “Elimination of purchase price liabilities and adjustments net working capital from initial consolidation” and additionally in the item “Consolidation- related changes to the fund of financial resources, the elimination of net working capital” was shown separately in order to increase the ability to provide an accurate forecast of the cash flow statement. Moreover, there were less significant adjustments to the previous year figures due to changed reporting of provisions. In this regard, reference is made to 3.11 Provisions for current liabilities.

The cash flow from current business operations is determined according to the indirect method by initially adjusting Group earnings to take account of transactions with no impact on payments, accruals, deferrals or provisions relating to past or future deposits or disbursements as well as income and expenditure items to be allocated to the field of investments or finance. After taking the changes to net current assets into account, this results in an inflow/outflow of funds from current business operations. The inflow/outflow of funds from current business operations is determined by augmenting the company's interest and tax payments.

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

The cash flow from current business activities decreased by TEUR 55,548 in fiscal 2008, from TEUR 96,927 to TEUR 41,379, essentially attributable to the special system used in the Acquiring division, which is impacted by reference date effects inherent in the Company's business model. These led to a particularly high cash flow in 2007.

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

The cash flow from operating activities (adjusted for transaction volumes of a transitory nature) improved essentially due to an increase in the operating result.

INTEREST RECEIVED /PAID IN ACCORDANCE WITH IAS 7.31

Interest received in 2008 came to EUR 415 (previous year: TEUR 552). Interest paid in 2008, excluding interest on loans, amounted to TEUR 376 (previous year: TEUR 255). Both were recognized in the cash flow in current business activities.

Respective cash flows from interests received and interests paid are classified as operating activity.

Interests paid for loans in 2008 amounted to TEUR 577 (previous year: TEUR 508) and are reported under cash flow from investment activities.

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

The cash-effective balance of income taxes in 2008 (cash flow from income taxes) amounted to TEUR 6,188 (previous year: TEUR 2,645) and was constantly classified as operating activities.

5.2. Cash flow from investment activities

The cash flow from investment activity is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The outflow of funds arising from investment activities amounted in the year under review to TEUR 36,524 (previous year: TEUR 18,492). In this regard, the disbursements of residual purchase prices for the acquisition of companies and shares in consolidated entities were also taken into consideration.

The following are essentially affected by this:

■ SUBSTANTIAL CASH OUTFLOW FROM INVESTMENT ACTIVITIES

TEUR	2008
Purchase of a customer portfolio	(4,656)
Self-provided intangible assets	(4,108)
Other intangible assets (software)	(3,771)
Corporate acquisitions (residual purchase price liabilities)	(23,435)

From the retirement of assets, the Group generated TEUR 0 in revenues (previous year: TEUR 1,158). The cash flow (outflow) from investment activities increased by TEUR 18,032 in fiscal 2008, from TEUR 18,492 to TEUR 36,524.

5.3. Cash flow from financing activities

In the present report, interest paid and received is reported separately, unlike the situation in the annual report for 2007. In the process, interest immediately related to financing is assigned to the cash flow from financing activities, and all other to cash flow is from operations.

These modifications also resulted in retrospective changes for 2007. As a result of the separation of interest between the cash flow from financing activities and the cash flow from current operations, the cash flow from financing activities turned out lower by TEUR 508, with the cash flow from operating activities correspondingly higher.

The cash flow from financing activities in 2008 essentially relates to the disbursement in connection with the repayment of financial liabilities amounting to TEUR 2,500.

In the year under review, the cash flow from financing activities reduced from TEUR 24,535 (inflow) by EUR 27,476, to TEUR 2,941 (outflow).

5.4. Financial resource fund at end of period

Taking account of these inflows and outflows – (2008: TEUR 1,913; 2007: TEUR 102,970), of the changes to the financial resource fund due to exchange rate (2008: TEUR (20); 2007: TEUR (31)), consolidation perimeter and valuation related factors (2008: TEUR 0; 2007: TEUR (19,689)) and of the financial resource fund at the beginning of the period (2008: TEUR 115,307; 2007: TEUR 32,057) – the financial resource fund at the end of the period amounted to TEUR 117,200 (previous year: TEUR 115,307).

6. Other notes

6.1. Segment reporting

On account of the new reporting structures, the segmentation was reclassified from the half-year financial statements for fiscal 2008. Due to the objective implemented in recent months of increasingly migrating customer/merchant relationships to Wirecard Bank AG, it is necessary to report the “Acquiring & Issuing” segment on a separate basis. This reflects the current increased importance of the division for the Wirecard Group.

Due to this classification of segments, the Electronic Payment and Risk Management (EPRM) segment was apportioned to the new “Acquiring & Issuing” and “Payment Processing & Risk Management” segments. The previous year's figures were adjusted accordingly.

Sales revenues are primarily 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 activities of Wirecard Bank AG. “Payment Processing & Risk Management” is the largest segment for the Wirecard Group. All products and services from the comprehensive portfolio of financial services are listed in this division.

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

The “Acquiring & Issuing” segment completes and extends the value added chain of the Wirecard Group with the financial services provided via Wirecard Bank AG. Due to the objective implemented in the first half 2008 of increasingly migrating customer/merchant relationships to Wirecard Bank AG, it is necessary to report the “Acquiring & Issuing” segment on a separate basis. In the Acquiring business segment, merchants are offered statements of credit card sales revenues for online and terminal payments.

In addition, traders can process their transaction-oriented payment transactions in numerous currencies via accounts kept with Wirecard Bank AG. In the field of Issuing, prepaid credit cards are issued to private clients and to business clients, with private clients also being offered current (giro) accounts combined with prepaid credit cards and EC-/MAESTRO cards.

As in the past, sales revenues are segmented as a secondary segment in geographic regions by production sites. The “Europe” segment includes Wirecard (Gibraltar) Ltd., InfoGenie Ltd. (UK), the Marielle Invest Business Corp (until final consolidation) and the new companies: Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) together with its subsidiaries, Qenta paymentsolutions Beratungs- und Informations GmbH, Klagenfurt (Austria), webcommunication EDV Dienstleistungs und Entwicklungs GmbH, Graz (Austria). The “Other countries” segment includes CardSystems FZ-LLC. All other group companies are accounted for under “Germany”.

The settlement of services between the segments is made on the basis of third-party comparisons. Moreover, additional information was disclosed in the company’s segment reporting, partly in response to a proposal from Ernst & Young. For instance, disclosures on short-term segment assets were added, with debts now being reported without deferred tax liabilities being included.

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

in TEUR	2008	2007
Payment Processing & Risk Management	185,089	123,134
Acquiring & Issuing	41,717	20,815
Call Center & Communication Services	4,332	6,571
	231,138	150,520
Consolidations	*(34,348)	** (16,352)
	196,790	134,168

* thereof PP&RM TEUR 1,054; A&I TEUR 31,562 CC&CS TEUR 1,732

** thereof PP&RM TEUR 562 A&I TEUR 13,527; CC&CS TEUR 2,263;

■ **OPERATING RESULT II BY OPERATING DIVISIONS (EBIT)**

in TEUR	2008	2007
Payment Processing & Risk Management	*34,254	*26,343
Acquiring & Issuing	15,090	6,097
Call Center & Communication Services	(434)	570
	48,910	33,010
Consolidations	**108	79
	49,018	33,089

* thereof without impact on cash TEUR 646 (previous year: TEUR 1,400);

** thereof A&I: TEUR 108

■ **DEPRECIATION OF INTANGIBLE ASSETS BY OPERATING DIVISIONS**

in TEUR	2008	2007
Payment Processing & Risk Management	2,626	1,606
Acquiring & Issuing	33	8
Call Center & Communication Services	14	14
	2,673	1,628
Consolidations	0	0
	2,673	1,628

■ DEPRECIATION OF TANGIBLE ASSETS BY OPERATING DIVISIONS

in TEUR	2008	2007
Payment Processing & Risk Management	614	333
Acquiring & Issuing	14	10
Call Center & Communication Services	80	77
	708	420
Consolidations	0	0
	708	420

■ DEPRECIATION OF FINANCIAL ASSETS BY OPERATING DIVISIONS

in TEUR	2008	2007
Payment Processing & Risk Management	0	0
Acquiring & Issuing	0	0
Call Center & Communication Services	0	0
	0	0
Depreciation arising from consolidation	0	0
	0	0

■ SEGMENT ASSETS BY OPERATING DIVISIONS

in TEUR	12/31/2008	12/31/2007
Payment Processing & Risk Management	275,536	325,186
Acquiring & Issuing	189,625	128,978
Call Center & Communication Services	1,109	2,327
	466,270	456,491
Consolidations	(54,436)	(68,317)
	411,834	388,174

■ INVESTMENTS BY OPERATING DIVISIONS

in TEUR	12/31/2008	12/31/2007
Investments in intangible assets		
Payment Processing & Risk Management	7,883	22,251
Acquiring & Issuing	193	9
Call Center & Communication Services	0	10
	8,076	22,270
Consolidations	0	0
	8,076	22,270
Investments in tangible assets		
Payment Processing & Risk Management	372	504
Acquiring & Issuing	20	27
Call Center & Communication Services	3	175
	395	706
Consolidations	0	0
	395	706
Investments in financial assets		
Payment Processing & Risk Management	1,768	290
Acquiring & Issuing	159	0
Call Center & Communication Services	0	0
	1,927	290
Consolidations	(1,643)	0
	284	290
Total Investments	8,755	23,266

■ SEGMENT LIABILITIES BY OPERATING DIVISIONS

in TEUR	12/31/2008	12/31/2007
Payment Processing & Risk Management		
1. Non-current liabilities	5,500	8,120
2. Current liabilities	102,664	176,005
	108,164	184,125
Acquiring & Issuing		
1. Non-current liabilities	0	0
2. Current liabilities	138,541	92,259
	138,541	92,259
Call Center & Communication Services		
1. Non-current liabilities	0	0
2. Current liabilities	573	1,960
	573	1,960
	247,278	278,344
Consolidations	(39,657)	(51,303)
Total segment liabilities by operating divisions	207,621	227,041

■ REGIONAL REVENUE BREAKDOWN

in TEUR	2008	2007
Germany	121,182	91,929
Europe	90,817	45,869
Other countries	6	69
	212,005	137,867
Consolidations	*(15,215)	**(3,699)
	196,790	134,168

* thereof Germany TEUR 15.207; Europe TEUR 8

** thereof Germany TEUR 2.421, Europe TEUR 1.277

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

in TEUR	2008	2007
Germany	*17,178	*8,268
Europe	31,811	25,147
Other countries	(79)	(405)
	48,910	33,010
Consolidations	**108	79
	49,018	33,089

* thereof not cash-relevant TEUR 646 (previous year: TEUR 1,400); ** thereof Germany TEUR 108

■ **DEPRECIATION OF INTANGIBLE ASSETS BY REGIONS**

in TEUR	2008	2007
Germany	1,765	1,126
Europe	908	106
Other countries	0	385
	2,673	1,617
Consolidations	0	11
	2,673	1,628

■ **DEPRECIATION OF TANGIBLE ASSETS BY REGIONS**

in TEUR	2008	2007
Germany	303	296
Europe	405	124
Other countries	0	0
	708	420
Consolidations	0	0
	708	420

■ **DEPRECIATION OF FINANCIAL ASSETS BY REGIONS**

in TEUR	2008	2007
Germany	0	0
Europe	0	0
Other countries	0	0
	0	0
Depreciation arising from consolidation	0	0
	0	0

■ SEGMENT ASSETS BY REGIONS

in TEUR	12/31/2008	12/31/2007
Germany	343,853	375,728
Europe	155,847	102,127
Other countries	1,552	1,991
	501,252	479,846
Consolidations	(89,418)	(91,672)
	411,834	388,174

■ INVESTMENTS BY REGIONS

in TEUR	12/31/2008	12/31/2007
Investments in intangible assets		
Germany	7,870	5,242
Europe	10	17,028
Other countries	0	0
	7,880	22,270
Consolidations	196	0
	8,076	22,270
Investments in tangible assets		
Germany	161	581
Europe	234	125
Other countries	0	0
	395	706
Consolidations	0	0
	395	706
Investments in financial assets		
Germany	480	43,338
Europe	0	0
Other countries	0	0
	480	43,338
Consolidations	(196)	(43,048)
	284	290
Total Investments	8,755	23,266

■ REGIONAL SEGMENT LIABILITIES

in TEUR	12/31/2008	12/31/2007
Germany		
1. Non-current liabilities	5,500	8,120
2. Current liabilities	175,598	148,871
	181,098	156,991
Europe		
1. Non-Current liabilities	0	0
2. Current liabilities	62,790	101,930
	62,790	101,930
Other countries		
1. Non-Current liabilities	0	0
2. Current liabilities	2,138	4,069
	2,138	4,069
	246,026	262,990
Consolidations	(38,405)	(35,949)
Total segment liabilities by operating divisions	207,621	227,041

6.2. Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. These risks include exchange-rate risks, risks of default, liquidity risks and interest-bearing payment flow risks. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that define limits based on underlying transactions, approval procedures, exclude derivatives for speculative purposes, mitigate credit risks and govern internal reporting and the separation of functions. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, subject to a separation of functions. All derivatives are only transacted with banks that have the highest of credit ratings.

INTEREST RISKS

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

A reduction of the interbank money market rates of relevance for the Group by one percentage point, based on a total investment amount of approx. EUR 196 million in line with the portfolio as at December 31, 2008, would result in unrealized income amounting to EUR 1.96 million. Accordingly, an increase by one percentage point would produce additional earnings of EUR 1.96 million.

The Group's interest-bearing liabilities to banks are reported to amount to TEUR 9,000 as at December 31, 2008. This relates to redemption loans taken out in connection with acquisitions made, which provide for fixed interest payable in full until such time as the loan has been fully repaid. Accordingly, there is no risk of interest rate fluctuations.

No derivative hedge instruments (e.g. interest swaps, forward rate agreements, etc.) were deployed in the year under review.

HEDGING CURRENCY RISKS

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents as well as planned transactions exist or will arise in a currency other than the local currency of the company. This increasingly concerns the “Payment Processing & Risk Management” and “Acquiring & Issuing”-segments, which generate a substantial share of their sales revenues in foreign currencies. In these segments, both receivables from and liabilities to traders and banks exist in foreign currencies. In negotiating contracts with traders and banks, the Group’s Treasury department ensures that receivables and liabilities reflect matching currencies and amounts as far as possible in order to ensure that risks relating to exchange rate fluctuations cannot arise in the first place. Risks that cannot be compensated for in the process are hedged after specific analyses by additionally deploying financial derivatives. In fiscal 2008, forward exchange and options transactions were used as financial derivatives to hedge sales revenues in foreign currencies. In 2008, 4 forward exchange transactions were entered into with a total volume of EUR 1.2 million. Moreover, 9 currency option transactions were entered into with a total volume of EUR 5.8 million.

The deployment of financial derivatives is subject to strict internal controls affected within the scope of mechanisms and uniform directives fixed on a centralized basis. These instruments are used solely for risk control/risk minimization purposes and not in order to generate any income from anticipated currency trends.

As at December 31, 2008, the Wirecard Group had currency options in its portfolio amounting to a nominal volume equivalent to approx. EUR 8.9 million for fiscal 2009. These have a fair value of TEUR 609.

HEDGING LIQUIDITY RISKS

The Group controls liquidity risks by keeping appropriate inventories of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flows forecast and reconciling these with the actual cash flows.

HEDGING CREDIT RISKS

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

6.3. Capital risk management

The Group controls its capital with the objective of maximizing income from corporate holdings by optimizing the ratio of equity capital to borrowed funding. In doing so, it is ensured that all Group member companies can operate under the premise of a going concern. The Group's capital structure consists of debts, cash and cash equivalents as well as the equity to which the provider of equity capital of the parent company is entitled. This comprises shares issued, capital reserve, balance sheet profit and currency translation reserve. The objectives of capital management are to secure operations as a going concern along with adequate interest earned on equity. For implementation purposes, this equity is compared with the total capital.

Following the successful organic growth as a whole and the acquisition of the customer portfolio in October 2007, the Company aims to maintain a comfortable equity capital ratio for fiscal 2009 and 2010. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by sourcing the Company's own cash flow, by moderate deployment of borrowed funding or alternative forms of financing. Potential acquisitions will also continue to be analyzed and assessed according to strict criteria in future; in the process, the focus will be especially on profitability and a sensible supplementation of our existing portfolio of products and services.

The capital is being monitored on the basis of economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Borrowed funding is generally defined as non-current and current financial obligations, provisions and other liabilities.

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

TEUR (if not %)	12/31/2008	12/31/2007
Equity	206,955	163,888
Equity in % of equity and liabilities	49%	41%
Liabilities	213,994	233,779
Liabilities in % of equity and liabilities	51%	59%
Equity and liabilities	420,949	397,667

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

6.4. Breakdown of balance sheet carrying amounts to the evaluation categories

The required breakdown, according to IFRS 7.8, of carrying amounts in the balance sheet according to the evaluation categories of IAS 39 is shown as follows

■ BALANCE SHEET CARRYING AMOUNTS 2008

in TEUR	Financial assets	Trade receivables	Other financial assets	Cash and cash-equivalents	Liabilities
Financial assets/liabilities at Fair Value with P+L impact	157	-	609	-	205,186
Available-for-sale financial assets	231	-	-	-	-
Held-to-maturity investments	-	-	-	-	-
Loans and receivables	1,397	35,153	19,693	-	572
Cash and cash equivalents	-	-	-	195,939	-
Total financial instruments	1,785	35,153	20,302	195,939	205,758
Items not governed by IAS 39	-	-	1,229	-	8,236
Total	1,785	35,153	21,531	195,939	213,994

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

■ MARKET VALUE

in TEUR	Book value		Current market value	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Financial assets at Fair Value with P+L impact	766	75,328	766	75,328
Financial liabilities at Fair Value with P+L impact	(205,186)	(221,379)	(205,186)	(221,379)
Available-for-sale financial assets	231	51	231	51
Held-to-maturity investments	-	-	-	-
Loans and receivables (assets)	56,243	2,275	56,243	2,275
Loans	(572)	-	(572)	-
Cash and cash equivalent	195,939	157,194	195,939	157,194
Total	47,421	13,469	47,421	13,469

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

6.5. Related party transactions

In fiscal 2008, various agreements for financing were in place among various companies of the group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, reference is made to the report relating to dependencies and the report under 7.3. Transactions with related parties.

6.6. Other obligations

The Wirecard Group member companies entered into leases for office space and other leasing agreements. The annual payments from these agreements over the next five years are as follows:

in TEUR	2009	2010	2011	2012	2013
Annual commitments	4,051	2,952	2,175	45	18

There were no liabilities for non-consolidated subsidiaries.

7. Additional mandatory disclosures

7.1. Board of management

Members of the board of management:

- **DR. MARKUS BRAUN**, commercial computer scientist, board member since October 1, 2004, CEO Wirecard AG
- **RÜDIGER TRAUTMANN**, economist, board member since November 1, 2005, COO Wirecard AG
- **BURKHARD LEY**, qualified bank officer, board member since January 1, 2006, CFO Wirecard AG

In the period under review a fixed salary in the amount of EUR 1,046,896.00 (previous year: EUR 801,183.00) was paid out to the members of the Management Board. In addition the Management Board received a performance-based remuneration in the amount of EUR 300,000.00. The total remuneration amounted to EUR 1,346,896.00.

In 2007, the Board of Management received convertible bonds for which an amount of TEUR 646 was recognized as scheduled expenses in 2008, and for 2009 an expense of TEUR 539 is still to be recognized in 2009. The fair value as at December 31, 2008 amounted to TEUR 511. On December 31, 2007, the value came to EUR 2,294 million. The Board of Management received no further remuneration for activities on behalf of subsidiaries. The waiver regarding disclosure of individual remuneration paid in accordance with § 314 No. 6a of the German Commercial Code (HGB) was approved by a three-quarter majority vote at the Annual General Meeting of May 30, 2005.

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

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

The key elements for the issue of subscription rights are listed under 3.9 Equity capital - authorized capital.

7.2. Supervisory Board

Members of the Supervisory Board:

KLAUS REHNIG (CHAIRMAN); MEMBER UNTIL JUNE 24, 2008, BUSINESSMAN,

Other supervisory board mandates:

- Wirecard Technologies AG, Grasbrunn (Germany) – until June 24, 2008
- Wirecard Bank AG, Grasbrunn (Germany) – until June 24, 2008
- RLPR2000 AG, Bad Camberg (Germany)
- Proteosys AG, Mainz (Germany)
- ONDAS S. A., Madrid (Spain)
- King Kamehameha AG, Frankfurt (Germany)
- Mconnect AG, Frankfurt (Germany) – until August 2008

WULF MATTHIAS (CHAIRMAN); MEMBER AS OF JUNE 24, 2008, MANAGEMENT BOARD MEMBER, CREDIT SUISSE DEUTSCHLAND AG

Other supervisory board mandates:

- Wirecard Technologies AG, Grasbrunn (Germany); as of June 24, 2008
- Wirecard Bank AG, Grasbrunn (Germany); as of June 24, 2008
- Trustpay International AG, Grasbrunn (Germany)
- Leica Camera AG, Solms (Germany)

ALFONS W. HENSELER (DEPUTY CHAIRMAN); BUSINESS CONSULTANT

Other supervisory board mandates:

- Wirecard Bank AG, Grasbrunn (Germany)
- Wirecard Technologies AG, Grasbrunn (Germany)
- Trustpay International AG, Grasbrunn (Germany)
- Diamos AG, Sulzbach (Germany)

PAUL BAUER-SCHLICHTEGROLL, BUSINESSMAN

Other supervisory board mandates:

- Patrio Plus AG, Hamburg (Germany)
- Trustpay International AG, Grasbrunn (Germany)

According to § 14 of the Company by-laws the Supervisory Board receives an annual remuneration as follows:

“The members of the Supervisory Board shall, for each full fiscal year of their membership of the Supervisory Board, receive remuneration of EUR 55,000.00 net, payable at the end of the fiscal year. In addition, they shall receive a long-term, performance-oriented annual remuneration, the extent of which shall depend on consolidated EBIT (earnings in the ordinary course of business before interest and income taxes) of the Company, namely for each full million euros by which the Company’s consolidated EBIT as at December 31, 2008 exceeds a minimum amount of EUR 30,000,000.00, a variable remuneration component of EUR 1,000.00 net; this minimum amount of EUR 30,000,000.00 shall increase by 10% per annum from the beginning of fiscal 2009. The Chairman of the Supervisory Board shall receive double and the Deputy Chairman of the Supervisory Board shall receive one-and-a-half times the remuneration in accordance with sentences 1 and 2. If the term of office of a member of the Supervisory Board did not extend uninterrupted across the entire fiscal year, then the remuneration of the Supervisory Board shall be paid pro rate temporis. In addition, the members of the Supervisory Board shall receive a session fee of EUR 1,250.00 exclusive of value added tax for each meeting of the Supervisory Board that they attend.”

■ ANNUAL REMUNERATION

in EUR	Function	from	to	non per- formance- related	session fee	Per- formance- related	long-term remu- neration	other group- companies	Total
Klaus Rehnig	Chairman	01/01/2008	06/24/2008	55,000	3,750	19,000	-	30,000	107,750
Wulf Matthias	Chairman	06/24/2008	31/12/2008	55,000	5,000	19,000	-	43,000	122,000
Alfons W. Henseler	Deputy	01/01/2008	31/12/2008	82,500	7,500	28,500	-	22,875	141,375
Paul Bauer-Schlichtegroll	Member	01/01/2008	31/12/2008	55,000	7,500	19,000	-	250	81,750
Total remuneration				247,500	23,750	85,500	-	96,125	452,875

Remuneration paid to the Supervisory Board in fiscal 2008 totaled TEUR 453 (previous year: TEUR 291). This remuneration includes the emoluments received for acting as Supervisory Board members for subsidiaries, amounting to TEUR 96. TEUR 131 of this remuneration was deferred with an impact on expenses, with disbursement scheduled for 2009.

7.3. Transactions with related parties

WIRECARD AG - GROUP OF COMPANIES

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

CONTROLLED ENTERPRISES (AFFILIATES)

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

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

RELATED PARTIES

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

In 2008 the following legal transactions were entered into by Wirecard AG with a related party indicated above or at the instance or in the interests of such parties:

■ **LEGAL
TRANSACTIONS**

Related party	Type of legal relationship	Amount outstanding in TEUR	Explanatory note
Klaus Rehnig	Supervisory Board mandate	6	Mr. Klaus Rehnig was also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 5 in remuneration.
Klaus Rehnig	Supervisory Board mandate	30	Mr. Klaus Rehnig was also engaged a member of the Supervisory Board of Wirecard Technologies AG and receives TEUR 25 in remuneration.
Wulf Matthias	Supervisory Board mandate	0	Mr. Wulf Matthias is also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 5 in remuneration.
Wulf Matthias	Supervisory Board mandate	0	Mr. Wulf Matthias is also engaged as a member of the Supervisory Board of Wirecard Bank AG and receives TEUR 38 in remuneration.
Wulf Matthias	Supervisory Board mandate	0.5	Mr. Wulf Matthias is also engaged as a member of the Supervisory Board of Trustpay International AG and receives TEUR 0.5 in remuneration.
Alfons W. Henseler	Supervisory Board mandate	0.4	Mr. Alfons W. Henseler is also engaged as a member of the Supervisory Board of Trustpay International AG and receives TEUR 0.4 in remuneration.
Alfons W. Henseler	Supervisory Board mandate	14	Mr. Alfons W. Henseler is also engaged as a member of the Supervisory Board of Wirecard Bank AG and receives TEUR 13 in remuneration.
Alfons W. Henseler	Supervisory Board mandate	12	Mr. Alfons W. Henseler is also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 10 in remuneration.
Alfons W. Henseler	Consultant	13	Mr. Alfons W. Henseler is also engaged as Consultant at Wirecard Technologies AG and received remuneration amounting to TEUR 62 on the basis of daily rates.
Paul Bauer-Schlichtegroll	Supervisory Board mandate	0.3	Mr. Paul Bauer is also engaged as a member of the Supervisory Board of Trustpay International AG and receives TEUR 0.3 in remuneration.
Paul Bauer-Schlichtegroll	Loan	434	Wirecard Bank AG provided a loan with interest rates of 6 percent.
Dr. Markus Braun	Loan	406	Wirecard Bank AG provided a overdraft loan for a company assigned to him with interest rates of 6 percent.
Wire Card ESP S.L.	Payments assumed	625	In 2007, the Wirecard Group assumed payments (TEUR 34) for its non-consolidated subsidiary for various expenditure items.
Wire Card ESP S.L.	Services	0	Wire Card ESP S.L. is also engaged as Service company for Wirecard Technologies AG and received remuneration amounting to TEUR 25 on the basis of daily rates.

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

7.4. Declaration of compliance

The declaration of compliance required pursuant to § 161 of the German Companies Act (AktG) for the period from April 2008 through March 2009 and April 2009 through March 2010 was signed in March 2009 and also made available to the shareholders for download from the website of Wirecard AG in March 2009.

7.5. Final statement from Wirecard AG

Wirecard AG, in the circumstances known to the Board of Management at the relevant point in time at which the legal transactions were effected, in each case received prices in conformity with those prevailing on the market. The execution of the legal transactions or measures detailed in section 7.3. had no detrimental impact on Wirecard AG. Wirecard AG did not suffer a detrimental impact on account of measures being omitted in the interests of affiliates either.

7.6. Auditors fees

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

in TEUR	2008		2007	
	Total	of which subsidiaries	Total	of which subsidiaries
Audit of the annual financial statements	351	175	380	170
Tax consultancy service	30	0	30	0
Other confirmation or valuation services	60	0	0	0
Other service	391	0	5	0
	832	175	415	170

7.7. Events after the balance sheet date

Events after the balance-sheet date, providing additional information on the Company's position as at the balance-sheet date (events required to be taken into account) have been included in the consolidated financial statements for balance-sheet purposes. Events not taken into account after the balance-sheet date are reported in the Notes if they are material. These are as follows:

A claim by an individual shareholder to challenge and set aside a resolution as null and void has meanwhile been settled by compromise, without this giving rise to an advantage to the plaintiff. The out-of-court settlement was published in the electronic German Government Gazette on February 23, 2009.

7.8. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2008 were prepared by the end of March 2009 and given clearance for publication by the Board of Management as at April 8, 2009.

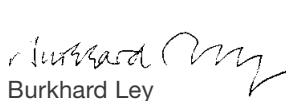
7.9. Warranty by the statutory representatives and disclosures in accordance with §37y No.1 of the German Securities Trading Act (WpHG) read in conjunction with §§297 2 (4) and 315 1 (6) HGB

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

Grasbrunn, March 2009

WIRECARD AG


Dr. Markus Braun


Burkhard Ley


Rüdiger Trautmann

■ DEVELOPMENT OF NON-CURRENT ASSETS

Cost							
2008 in EUR	01/01/2008	Adjustments from currency changes	Addition initial consolidation	Additions	Disposals	Reclassifi- cation	12/31/2008
NON-CURRENT ASSETS*							
1. INTANGIBLE ASSETS							
Goodwill	94,838,339.01	0.00	0.00	196,242.48	0.00	0.00	95,034,581.49
Self-provided intangible assets	7,385,270.57	0.00	0.00	4,107,656.00	0.00	0.00	11,492,926.57
Other intangible assets	9,703,929.35	0.00	0.00	1,222,130.53	0.00	39,362.18	10,965,422.06
Cient-relationships	44,925,999.94	0.00	0.00	0.00	0.00	0.00	44,925,999.94
Advance payment made	0.00	0.00	0.00	2,549,362.18	0.00	(39,362.18)	2,510,000.00
	156,853,538.87	0.00	0.00	8,075,391.19	0.00	0.00	164,928,930.06
2. TANGIBLE ASSETS							
Other tangible assets	3,074,306.48	0.00	0.00	395,085.53	(4,164.59)	0.00	3,465,227.42
3. FINANCIAL ASSETS							
	2,503,667.14	0.00	0.00	284,140.17	(1,002,741.16)	0.00	1,785,066.15
	162,431,512.49	0.00	0.00	8,754,616.89	(1,006,905.75)	0.00	170,179,223.63

Cost							
2007 in EUR	01/01/2007	Adjustments from currency changes	Addition initial consolidation	Additions	Disposals	Reclassifi- cation	12/31/2007
NON-CURRENT ASSETS*							
1. INTANGIBLE ASSETS							
Goodwill	53,880,153.64	0.00	41,787,414.34	9,321.00	(838,549.97)	0.00	94,838,339.01
Self-provided intangible assets	2,950,567.90	0.00	0.00	4,328,186.67	0.00	106,516.00	7,385,270.57
Other intangible assets	5,768,011.01	0.00	632,325.68	912,925.66	(2,817.00)	2,393,484.00	9,703,929.35
Cient-relationships	22,360,000.00	0.00	5,546,000.00	17,019,999.94	0.00	0.00	44,925,999.94
Advance payment made	2,500,000.00	0.00	0.00	0.00	0.00	(2,500,000.00)	0.00
	87,458,732.55	0.00	47,965,740.02	22,270,433.27	(841,366.97)	0.00	156,853,538.87
2. TANGIBLE ASSETS							
Other tangible assets	1,409,176.28	(17,745.81)	1,032,996.28	705,782.96	(55,903.23)	0.00	3,074,306.48
3. FINANCIAL ASSETS							
	3,169,782.34	0.00	0.00	290,378.57	(956,493.77)	0.00	2,503,667.14
	92,037,691.17	(17,745.81)	48,998,736.30	23,266,594.80	(1,853,763.97)	0.00	162,431,512.49

* excluding deferred tax assets

Accumulated Depreciation						Net book value	Net book value	
01/01/2008	Adjustments from currency changes	Additions	Disposals	Reclassification	12/31/2008	12/31/2008	12/31/2007	Depreciation 2008
4,745,556.10	0.00	0.00	0.00	0.00	4,745,556.10	90,289,025.39	90,092,782.91	0.00
834,932.57	0.00	1,077,994.00	0.00	0.00	1,912,926.57	9,580,000.00	6,550,338.00	1,077,994.00
1,820,608.55	0.00	1,379,720.32	0.00	0.00	3,200,328.87	7,765,093.19	7,883,320.80	1,379,720.32
35,850.00	0.00	215,100.00	0.00	0.00	250,950.00	44,675,049.94	44,890,149.94	215,100.00
0.00	0.00	0.00	0.00	0.00	0.00	2,510,000.00	0.00	0.00
7,436,947.22	0.00	2,672,814.32	0.00	0.00	10,109,761.54	154,819,168.52	149,416,591.65	2,672,814.32
1,109,458.74	5,520.28	708,148.21	(179.59)	0.00	1,822,947.64	1,642,279.78	1,964,847.74	708,148.21
0.00	0.00	0.00	0.00	0.00	0.00	1,785,066.15	2,503,667.14	0.00
8,546,405.96	5,520.28	3,380,962.53	(179.59)	0.00	11,932,709.18	158,246,514.45	153,885,106.53	3,380,962.53

Accumulated Depreciation						Net book value	Net book value	
01/01/2007	Adjustments from currency changes	Additions	Disposals	Reclassification	12/31/2007	12/31/2007	12/31/2007	Depreciation 2007
1,782,712.24	0.00	2,962,843.86	0.00	0.00	4,745,556.10	90,092,782.91	52,097,441.40	2,962,843.86
306,089.30	0.00	519,967.27	0.00	8,876.00	834,932.57	6,550,338.00	2,644,478.60	519,967.27
757,006.01	0.00	1,072,478.54	0.00	(8,876.00)	1,820,608.55	7,883,320.80	5,011,005.00	1,072,478.54
0.00	0.00	35,850.00	0.00	0.00	35,850.00	44,890,149.94	22,360,000.00	35,850.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500,000.00	0.00
2,845,807.55	0.00	4,591,139.67	0.00	0.00	7,436,947.22	149,416,591.65	84,612,925.00	4,591,139.67
705,246.01	(15,107.73)	419,320.46	0.00	0.00	1,109,458.74	1,964,847.74	703,930.27	419,320.46
0.00	0.00	0.00	0.00	0.00	0.00	2,503,667.14	3,169,782.34	0.00
3,551,053.56	(15,107.73)	5,010,460.13	0.00	0.00	8,546,405.96	153,885,106.53	88,486,637.61	5,010,460.13

AUDITORS' REPORT

WIRECARD AG AUDIT REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS ENDING AS AT DECEMBER 31, 2008 AND THE GROUP MANAGEMENT REPORT OF THE FISCAL YEAR 2008 IN ACCORDANCE WITH IAS/IFRS

We have audited the consolidated financial statements prepared by the Wirecard AG, Grasbrunn, comprising the balance sheet, the income statement, statements of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Without limitation to this assessment we refer to the explanatory notes of the company in the Group management report. It is reported therein that an action has been raised to challenge the resolutions adopted at the Annual General Meeting as well as a petition to the court to have the annual financial statements to be declared null and void. This action is still pending in the first instance without a final judgement yet.

Munich, April 6, 2009

RP RICHTER GMBH

Wirtschaftsprüfungsgesellschaft



ROLAND WEIGL

Wirtschaftsprüfer



ULRICH BURKHARDT

Wirtschaftsprüfer

GLOSSARY

3-D Secure™	A standardized security protocol developed by Visa and MasterCard for the authentication of online credit card payments.
Account Management System (ACM)	A central web-based application allowing merchants to view and manage their payment transactions and risk checks as well as generate reports and statistics.
Acquirer/Acquiring Bank	A bank or financial institution licensed by a credit card organization to accept credit cards as means of payment for goods and services and process card transaction on behalf of the merchant.
Address Verification Service (AVS)	A fraud prevention method defined by Visa, MasterCard and American Express for e-commerce and MOTO card transactions. It matches the numeric address data provided by the cardholder at the time of the purchase with the card billing address held by the card organization.
Bank Identification Number (BIN)	The first 6 digits of a credit card or debit card number.
Bank Identifier Code (BIC)	Also known as SWIFT code (see below) this format consists of eight or eleven characters used to identify a bank for cross-border payments.
Blacklist	A list of negative data which is automatically recognized and rejected in a transaction process. For example, merchants who in the past encountered problems with a certain card number or cardholder can enter both number and name in a list to bar further use of this card.
Chargeback	A procedure allowing a card issuer to claim back a transaction amount (in part or in full). A chargeback occurs when a cardholder disputes a card transaction with the card issuer. The card issuer then contacts the acquirer and initiates a chargeback against the merchant account.
CLICK2PAY	An Internet payment method with an online account for secure, easy and swift payment of goods and services (streamings, downloads and subscriptions etc.) worldwide.
CNP	Card Not Present. A type of online card transaction where the card used to make the payment is not physically presented to the merchant (like in e-commerce or MOTO payments).
Co-branded Card	Wirecard corporate customers can issue payment cards displaying their own corporate logo in a number of designs. Co-branded cards can be ordered at short lead times and low quantities.
CVC1, CWV1	Security feature (Card Verification Code 1, Card Verification Value 1) encoded on the magnetic stripe of a credit card. It is used when the card is physically presented at a POS.
CVC2, CVD, CWV2	A 3-digit or 4-digit security code printed on the back or the front of credit cards. It is used in Card Not Present (CNP) transactions. Card Verification Code 2 = MasterCard, Card Verification Data = American Express, Card Verification Value 2 = Visa.
Direct Debit	An electronic payment method (EFT) directly deducting funds from a checking account on explicit instruction (mandate) of the account holder.

Electronic Funds Transfer (EFT)	A paperless transmission of electronically recorded payment data, representing a monetary value in a certain currency. It replaces paper instruments like checks and is accepted as proof of payment by a customer, merchant or bank in lieu of cash (see also Direct Debit).
esp	A payment method supported by Austrian banks. It offers direct online banking access similar to giropay, providing secure payment processing and on-demand payment guarantee.
giropay	A convenient payment solution for German bank account holders with direct access to their home banking website. Introduced in 2006 with the highest security standards it offers merchants a payment guarantee of up to 5000 euro per transaction.
IBAN	International Bank Account Number. Standardized international account identifier (made up account number, bank routing code and a prefix) for cross-border payments.
iDEAL	An Internet payment solution available to bank account holders in The Netherlands offering direct online-banking access to participating banks. Similar to giropay, iDEAL comes with a payment guarantee for merchants allowing them to ship their goods at no risk immediately on receiving the payment confirmation.
Internet Payment Service Wirecard	A payment solution for the Internet based on the global MasterCard network. Users can pay with <i>Wirecard</i> wherever MasterCard payments are accepted without actually owning a MasterCard credit card.
IP/BIN Check	A fraud prevention method for online credit card transactions. It locates the IP address of the shopper's geographical position or Internet access point and screens the Bank Identification Number (BIN) to identify the issuing bank and the country where the card was issued. Using both screening methods in combination merchants can set filter rules to determine from which countries to accept or reject online purchase requests.
Issuer/Issuing Bank	A financial institution which issues payment cards (credit, debit prepaid card) and accepts transactions of its cardholders from associated banks and merchants. Wirecard Bank issues prepaid cards for their B2B products SCP and Payout Cards and their B2C payment solutions <i>Wirecard</i> and <i>Prepaid Triple</i> .
LUHN Check	An algorithm used to check the authenticity of bank card or credit card numbers.
Maestro Card	A debit card issued by MasterCard International providing worldwide PIN-based payment with direct deduction from the associated bank account.
Merchant Account	A bank account established by a merchant to receive the proceeds of credit card payments.
Merchant Bank	A bank licensed by Visa or MasterCard to provide merchants with an account, thereby allowing them to accept credit cards payments.
Merchant Identification Number (MID)	A number assigned by the credit card industry to a merchant account to identify a merchant and account for transaction tracking purposes. It is provided by the acquirer and is sometimes also called simply merchant number.

MOTO	Mail Order/Telephone Order. Purchase of goods or services ordered over the phone or through mail or fax. If ordered with debit card or credit card, this is a CNP transaction.
Payment Page	An Internet page which merchants can incorporate in their webshop to offer a broad range of secure payment methods. Consumers simply enter their payment data in a Wirecard-hosted Internet page launched from the merchant's webshop. It provides a fast, secure and PCI-compliant acceptance of credit cards and other payment methods such as direct debit (for Germany and Austria), giropay, iDEAL, eps, paybox, paysafe-card, CLICK2PAY and other.
Payment Service Provider (PSP)	A company which handles electronic payments on behalf of a merchant, authenticating customers, processing transactions and providing the merchant with the necessary software tools.
Payout Card	The Wirecard payout card is a low-cost, swift and secure way to pay staff and business associates anywhere in the world within seconds. It is a highly convenient alternative to cash and check payouts for companies residing in a SEPA country and is available as personalized card or company card.
PAYShield	Jointly developed by Wirecard and CEG Creditreform Consumer GmbH this intelligent risk management product offers online retailers a payment guarantee to minimize the risks of non-payment from purchases by direct debit or with invoice.
PCI	Short for Payment Card Industry Data Security Standard (PCI DSS). A security standard by VISA and MasterCard for merchants and Payment Service Providers (PSPs) which process, store and transmit payment card data. All PSPs are scanned quarterly and audited annually on site.
Personal Identification Number (PIN)	A secret numeric password assigned to a payment card. It authenticates the cardholder and allows him to authorize a POS transaction or access his online banking account.
POS	Point of Sale. A terminal (card reader) used for accepting card payments in retail business. The card is read electronically and the cardholder authorizes the transaction by entering his PIN.
Prepaid Card	A payment card licensed by Visa and MasterCard which carries a prepaid balance. It has the same worldwide acceptance as any conventional credit card. Funds spent on a purchase are immediately deducted from the available card balance.
Risk Management	A methodology for recording and analyzing transaction data to prevent online fraud and protect merchants against the risk of non-payment.
Scoring	An approach to forecast the behavior of consumers. Based on the financial behavior of a specific individual, it groups other individual with the same features thereby determining the payment morale and risks of that particular group.
SCP	Supplier and Commission Payments. An automated Wirecard solution based on the concept of a virtual prepaid card allowing companies to receive payments through their credit card acceptance channels. The virtual payment card solution supports 27 currencies. It can be incorporated in the ERP system of the customer and offers companies from a range of industries cost-efficient and flexible financial management.

SEPA	The Single Euro Payment Area, short SEPA, defines the geographical zone in which all payments are treated as domestic transactions. SEPA makes no distinction between national and cross-border payments and enables users to make cashless payments in euro. SEPA includes all 27 member states of the European Union as well as Iceland, Norway, Lichtenstein and Switzerland.
Settlement	The act by which transactions are sent to the processor for payment to the merchant. This procedure routes all captured transactions to the merchant's acquiring bank for deposit.
Settlement Currency	The currency in which processed payments are credited to an account.
SWIFT Code	A standard format of a bank identification code (BIC) assigned by the Society for World-wide Interbank Financial Telecommunication. It is made up of 8 or 11 alphanumeric characters and is used for international bank transfers to identify the receiving bank. Wirecard Bank uses the BIC-(SWIFT)-Code WIREDEMM for payments to foreign currency accounts.
Transaction Number (TAN)	Also known as Transaction Authentication Number, this is a one-time password used by online banking services as a second security feature to authorize transactions.
Transaction Currency	This is the currency in which a transaction is received and processed.
Velocity Check	A method allowing merchants to screen payment transactions within a defined time window for repetitive patterns. The check can be performed on various transaction parameters to see if variables used in several transactions over a certain time period show a pattern indicative of fraud. The check can be configured to determine how many times a transaction showing a certain pattern is accepted before similar attempts are rejected for risk of fraud.
Virtual Account Number	A 10-digit Wirecard Bank account number suitable for corporate payments. It is made up of a dedicated 3-digit part and a flexible 7-digit part which can be freely assigned by the company with the purpose to identify the sender of the payment unambiguously.
Virtual Terminal	A web-based user interface used predominantly in call centers for accepting MOTO payments. Entered payment data is posted to the processing system without requiring the signature of the payee. The same risk checks apply as for online payments.
Virtual Card	A non-physical payment card. Instead of a piece of plastic, the cardholder receives only a card number and security code. Virtual cards are typically one-time payment instruments which due to the lack of magnetic stripe can be used only for online or MOTO transactions.
WEP	Wirecard Enterprise Portal. Wirecard's new web-based payment management and reporting tool. It supports all features required by the merchant for the administration of payment processes, the selection of risk checks and strategies, the management of payment cards and the creation of reports and statistics.

▶▶ FINANCIAL DIARY

April 8, 2009	2008 Press Conference and Analyst Meeting
May 20, 2009	Publication of Q1 report
June 18, 2009	General Meeting in Munich
August 19, 2009	Interim report on Q1 and Q2, 2009
November 19, 2009	Interim report on Q3, 2009

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Wednesday, April 8, 2009

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Jörn Leogrande / Wirecard AG

Editorial staff

Wirecard AG

Illustrations

Tina Berning

This Annual Report is drawn up in the German language; translations into other languages are made only for informational purposes. In the event the texts diverge, the German text is authoritative.



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