# STAY IN THE FLOW OF YOUR SUCCESS – SYNCHRONISE YOUR BUSINESS WITH WIRECARD

ANNUAL REPORT 2015

wirecard

# KEY FIGURES

| WIRECARD GROUP | 2015 | 2014 | |
|---|---|---|---|
| Revenues | **771,340** | 601,032 | kEUR |
| EBITDA | **227,315** | 172,941 | kEUR |
| EBIT | **172,844** | 132,856 | kEUR |
| Earnings after taxes | **142,646** | 107,929 | kEUR |
| Earnings per share (undiluted) | **1.16** | 0.89 | EUR |
| Shareholders´equity | **1,280,513** | 1,072,886 | kEUR |
| Total assets | **2,935,501** | 1,995,159 | kEUR |
| Cash flow on ordinary transactions (adjusted) | **199,685** | 143,994 | kEUR |
| Employees (average) | **2,300** | 1,750 | |
| of which part time | **236** | 168 | |

| SEGMENTS | | 2015 | 2014 | |
|---|---|---|---|---|
| Payment Processing & Risk Management | Umsatz | **579,900** | 443,400 | kEUR |
| | EBITDA | **189,201** | 139,193 | kEUR |
| Acquiring & Issuing | Umsatz | **252,957** | 205,296 | kEUR |
| | EBITDA | **37,591** | 33,406 | kEUR |
| Call Center & Communication Services | Umsatz | **6,766** | 5,326 | kEUR |
| | EBITDA | **482** | 342 | kEUR |
| Consolidation | Umsatz | **– 68,284** | – 52,990 | kEUR |
| | EBITDA | **41** | 0 | kEUR |
| **Total** | Umsatz | **771,340** | 601,032 | kEUR |
| | EBITDA | **227,315** | 172,941 | kEUR |

*Dr Markus Braun, CEO*

«As a result of the increasing globalisation of e-commerce, internationally active companies require a partner that can offer globally secure payment processing and risk management from one source and also provide access to all relevant payment and banking networks.»

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# Letter from the CEO

## Dear Ladies and Gentlemen,

## Dear Shareholders,

I am delighted to be able to report a successful year for Wirecard AG. In the 2015 fiscal year, the transaction volume processed through the Wirecard platform grew by almost 32 percent to EUR 45.2 billion. Consolidated revenue increased by more than 28 percent compared to the previous year to reach EUR 771.3 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 31.4 percent to EUR 227.3 million.

### Development in 2015

Wirecard further expanded its position internationally as a driver of innovation for electronic payment solutions in the past fiscal year. We provide companies of all sizes with Internet-based payment solutions for all sales channels, whether online, mobile or point-of-sale (POS). As a combination of a technology company and bank, Wirecard AG is able to cover the entire value added payment chain. Alongside payment and risk management solutions, this means we can also provide solutions for payment acceptance (acquiring) and the issuing of cards (issuing).

In the 2015 fiscal year, we were able to record above-average growth in the core e-commerce business. This is due to market growth and the resulting rise in transaction volumes from our currently 22,000 existing customers, as well as the sales successes achieved with new customers and partners. This very good result was also contributed to by the expansion of the e-commerce portfolio to include, for example, solutions for B2B online shops or new product developments and the associated value added services in the area of mobile payment.

**DR. MARKUS BRAUN**
CEO, CTO

## Sales via all channels

The e-commerce market continues to offer considerable potential for growth, not least thanks to the ongoing internationalisation of suppliers. At the same time, Internet technologies are increasingly dominating all sales channels. Supplementing existing payment methods and risk management solutions provides a good example of how existing business relationships can be expanded and innovative Wirecard solutions integrated.

We offer a fully automated solution for the rapid configuration and acceptance of all common international payment methods with the Wirecard Checkout Portal, enabling small and medium-sized retailers to also participate in international e-commerce. The Wirecard Checkout Portal is now available for retailers across Europe.

## Development in the area of mobile payment

Wirecard was also able to further strengthen its international leading position in the area of mobile payment. Technologies such as NFC or HCE are already compatible with the omni-channel platform offered by Wirecard and are being increasingly used by retailers and consumers.

On the basis of HCE technology, Wirecard has developed the payment app boon for end customers. Host Card Emulation (HCE) is a purely software-based solution for which neither a special SIM card nor a security module is necessary. It is thus ideal for companies that want to reach a broad range of customers irrespective of a particular device model or mobile telephone provider. The mobile software solution boon has already been successfully launched in Germany, Austria, Spain, Belgium and the Netherlands. Also available as an individually adapted white label variant, the intuitively operated application provides companies and retailers with immediate access to mobile payment.

The mobile wallet Orange Cash is the result of our strategic partnership with the international mobile telephone provider Orange. Orange Cash was gradually introduced initially on the French market in 2014 and then nationwide across Spain in 2015. The Wirecard Group is responsible for the design, implementation and the handling of all technical and financial processes.

## Mobile solutions for bricks and mortar retailers

While Internet retailers have utilised digital customer data for years to directly address online shoppers and encourage them to make another purchase, bricks and mortar retailers have not yet exploited the potential of this data to anywhere near the same extent. The ConnectedPOS platform developed by Wirecard now also makes it possible to collect all useable data from checkout systems, transactions, customer loyalty programmes, beacon platforms or social media applications at the bricks and mortar point-of-sale and to evaluate it is a variety of ways, thus creating real added value.

This is made possible by the so-called POS Connector – a hardware box that is connected between the checkout and the receipt printer. Previously, it was e-commerce companies that could benefit in particular from analysis tools that are now available to bricks and mortar retailers via ConnectedPOS. Bricks and mortar retailers now have real time access to turnover, site, product and customer data and are thus able to draw conclusions about the performance of individual products, product groups or consumer behaviour. Furthermore, revenue-generating value added services such as mobile wallets, customer loyalty programmes – e.g. with the aid of the flexible and easy to use Card Linked Offers platform from Wirecard – or apps from third party providers can be seamlessly integrated into the system. This enables retailers to create a more personal and intense shopping experience at their locations.

### MPOS solutions for the international market

With the expansion of Alipay acceptance throughout Europe, Wirecard is setting its sights on the fast growing Chinese tourism and business traveller market. Around 100 million Chinese visitors have spent an estimated USD 229 billion in foreign countries in the last year alone.

Alipay is based on ConnectedPOS technology. This means that retailers do not need to make any changes to their existing checkout systems in order to handle Alipay payments. The Alipay solution offers Chinese consumers in Europe a proven and trusted payment method at bricks and mortar retailers, without the inconvenience and fees involved in exchanging currencies. Authorised retailers are able to use this payment solution to tap into part of the huge potential of the Chinese tourism market that is worth billions. In addition to the marketing activities of Alipay, we are also relying on distribution and sales partnerships.

### The right partner for financial technology (FinTech)

Banks and financial institutions are strictly regulated in order to protect their customer's investments but this is not the case for many FinTech companies. When it comes to secure payment processing or the observance of regulatory and legal provisions, FinTech companies often do not possess the required expertise. In this context, Wirecard Bank plays a decisive role. As a fully licensed German bank under the supervision of the Federal Financial Supervisory Authority (BaFin), Wirecard Bank is ideally positioned to enter into profitable partnerships with FinTech companies.

## Geographic expansion

Alongside our core sales market of Europe, we are now represented on all continents through our gradual expansion into the Asia Pacific region, Africa and Latin America.

We regularly enhance acquired national companies to ensure they can access the Group-wide value added chain and similarly centralise their technology and retailer services. Wirecard will thus ensure over the coming years that it can, on the one hand, expand its global customer portfolio, whereby the customers in Asia include e.g. leading banks, and on the other hand, offer local customers additional services. Overall, existing customer structures were continuously expanded to include new customers that could not have been addressed in the past by the national companies due to their lack of products. At the same time, the acquired access to local payment systems or existing contracts with local regulators offers economies of scale from the first day the company is consolidated into the Group.

As a result of the acquisition of the payment business of the Great Indian (GI) Retail Group, one of the leading groups of companies in India in the area of electronic payment and retail-supported e-commerce solutions, we have secured a strong position in one of the world's fastest growing markets for electronic payments. The existing business will be rolled out at the same time in other countries.

## Outlook

In summary, the growth of the global e-commerce market is of decisive importance for the continued above-average growth of the Wirecard Group.

Furthermore, we anticipate sustainable growth due to the geographical expansion and networking of our business and our payment innovations.

Our technological expertise is being combined with various services to form a unique complete package – from card and payment processing through card management to issuing licensing. The Wirecard Group focuses on applications in the areas of mobile payment acceptance, mobile money transfer and the technological provision of loyalty and couponing programmes that are completely integrated into mobile payment processes. These value added services are an integral component for retailers when launching and managing campaigns and customer loyalty activities.

The acquisition strategy – based principally on organic growth in combination with acquisitions – will be continued in order to establish a strong global presence with experienced local teams.

My Management Board colleagues and I are optimistic with regards to business performance and expect operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 290 million and EUR 310 million in 2016. This growth forecast is based on the market growth of online transactions in Europe, the dynamic development of our business in the Asia-Pacific region, Africa and the Middle East, our activities in the area of mobile services, as well as on our ability to tap into new business areas.

Together with my colleagues on the Management Board, I wish to thank all employees worldwide, without whom this business success would not be possible. We thank our shareholders, customers and partners for the trust they have placed in us, for the good cooperation and finally for their loyalty.

In view of our continued dynamic growth, we will propose to the Annual General Meeting the approval of a dividend of EUR 0.14 per share this year.

Yours sincerely,

Dr. Markus Braun
CEO of Wirecard AG

April 2016

**BURKHARD LEY**
CFO

JAN MARSALEK
COO

**WULF MATTHIAS**
CHAIRMAN OF THE SUPERVISORY BOARD

# Report of the Supervisory Board

Dear Shareholders,

In the following report, we want to inform you about the main focus of the Supervisory Board's activities over the last fiscal year. The Supervisory Board of Wirecard also kept itself continuously and intensively informed about the development, position and perspectives of the Wirecard Group in the 2015 fiscal year. We have performed the tasks incumbent upon us pursuant to the law and the Group's Articles of Incorporation, and consulted with and supervised the Management Board on an ongoing basis in compliance with the German Corporate Governance Code and applicable laws. The Management Board always directly involved the Supervisory Board in considering the Company's strategic orientation at an early stage and promptly submitted to them any significant corporate decisions, specific transactions, corporate acquisitions and significant cooperation ventures that require Supervisory Board approval due to legal regulations, the Articles of Incorporation or the Management Board's rules of business procedure. In the year under review, this involved in particular the strategically significant acquisition of a participating interest in an Indian financial service provider to open up this important growth region.

In order to exercise our monitoring function, we maintained intensive contact with the Management Board, which reported to us regularly, promptly and comprehensively in verbal and written form both during and outside of the Supervisory Board meetings about all relevant business transactions and preparations to implement strategic intentions. In addition, at all of its meetings the Supervisory Board dealt with the Management Board's risk management reports, as well as the risks to the Wirecard Group identified by the Management Board. Matters requiring approval, planned investments and fundamental questions about corporate policy and strategy were covered in particular detail, and the respective decisions were taken on the basis of extensive documentation and querying of the Management Board. The Management Board regularly informed the Supervisory Board about the financial key performance indicators through presenting the monthly, quarterly and six-monthly reports in good time prior to their publication. Additional control measures, such as an inspection of the Company's documentation and the appointment of special experts, were not necessary.

The Supervisory Board convened for six ordinary meetings in the year under review, whereby at least one meeting was held during each quarter. On numerous occasions between meetings, important urgent information was also conveyed in writing, or in the context of telephone conferences. All Supervisory Board resolutions concerning the approval of corporate acquisitions and about credit agreements were made after extensive verbal and written explanation by the Management Board in writing or by telephone.

All members of the Supervisory Board participated in all meetings and in all resolution votes held either by telephone or in writing. The Chairman of the Supervisory Board was also in constant contact with the Management Board between meetings and was kept informed about current business performance and important business transactions.

The Supervisory Board of Wirecard AG did not form committees.

### Focal points of consultations

Regularly at all meetings during the year under review, the Supervisory Board concerned itself intensively with the revenue and earnings performance of the Company and the Group, as well as with significant investment projects and risk management. The following key topics were also discussed at the individual meetings:

On 22 January 2015, following already completed bilateral consultations by telephone on the basis of existing draft contracts, the Supervisory Board in its entirety approved the extension of the employment contracts for all members of the Management Board during a telephone conference. The specific conditions for the contract extensions were negotiated in advance by the Chairman of the Supervisory Board on the basis of and through the implementation of the discussions and resolutions of the Supervisory Board from November and December 2014 (also see the Report of the Supervisory Board for the 2014 fiscal year).

At its meeting on 28 January 2015, the Supervisory Board consulted with the Management Board on the preliminary Wirecard Group results for the 2014 fiscal year, the business plan for the 2015 fiscal year, approval of the budget for the 2015 fiscal year and the investment strategy for the Group for the 2015 fiscal year.

Following intensive discussion relating to the performance, fees, qualification and independence of the auditor, the Supervisory Board once again approved the awarding of the audit mandate to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for the 2015 fiscal year. The Board also concerned itself with the Group's financial accounting process, risk management system and internal control system. The Supervisory Board determined that the internal control systems and risk management system were appropriate. In addition, the Supervisory Board consulted on the efficiency and productivity of its work and the cooperation with the Management Board. As a result, it determined that its own work and the cooperation with the Management Board were carried out productively and efficiently, as well as being appropriately organised.

At its balance sheet meeting on 7 April 2015, the Supervisory Board approved the separate financial statements and consolidated financial statements as of 31 December 2014. In addition, the Supervisory Board also examined and concurred with the Management Board's proposal for the appropriation of profit. The external auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft participated in the consultations about the separate and consolidated financial statements. Furthermore, the Report of the Supervisory Board and the Corporate Governance Report were also approved. Discussions also covered the business performance during the first quarter of 2015, especially in the e-commerce and mobile payment business areas, the forthcoming Annual General Meeting and developments in various legal matters.

In addition, the resolutions proposed by the Supervisory Board on the agenda items of the ordinary Annual General Meeting 2015 were approved during a telephone conference at the beginning of May 2015.

A main focus of the meeting on 9 June 2015 was the current business performance, especially in the area of M&A. Furthermore, discussions also focussed on the risk management of the Group and the expansion of cooperation with third party banks to improve the diversification of risk.

In the meeting on 25 June 2015, the current business performance, especially in the area of technology for payment systems and associated services, was discussed.

The subject of the meeting on 1 September 2015 was primarily the current business performance and that of the second quarter of 2015, especially in the area of airline travel, consumer goods and digital goods. The current M&A strategy was another notable item on the agenda.

Following intense discussions on strategy in relation to the implementation of the law for the equal participation of women and men in leadership positions in the private and public sectors, the Supervisory Board commissioned the Legal Department to prepare corresponding resolutions.

Via a written circular procedure, the Supervisory Board agreed targets for the composition of the Management Board and Supervisory Board at the end of September 2015.

The meeting on 25 November 2015 involved, in particular, intensive discussion on the efficiency and aptitude test completed by the Supervisory Board on its own activities and the activities of the Management Board, which indicated no objections and deemed the Supervisory Board to be satisfactory in every way. Moreover, the Supervisory Board discussed the business performance in the first three quarters of 2015 and the expected trends for the full 2015 fiscal year. Other themes covered at the meeting were the business model and synergies with the newly acquired Indian company.

During a telephone conference at the beginning of December 2015, the Supervisory Board passed a resolution to extend the employment contract of Mr. Burkhard Ley (CFO) in synchronisation with the other members of the Management Board.

## Corporate governance

Prior to the compliance statement being published on 30 March 2015, the Supervisory Board conducted intensive consultations about Group corporate governance after having previously discussed it in detail with the Management Board. As a result of these consultations, the Supervisory Board considers it appropriate to essentially continue to observe the deviations declared in the previous year.

At the start of the 2016 fiscal year, the Supervisory Board also concerned itself – by way of preparation for the issuing of the compliance statement pursuant to Section 161 of the German Stock Corporation Act (AktG) – with the contents of the German Corporate Governance Code, especially the amendments in the version dated 5 May 2015. Following in-depth discussions, the Management Board and the Supervisory Board passed a resolution during a telephone conference on 27 March 2016 to issue the current compliance statement pursuant to Section 161 of the AktG dated 30 March 2016, which has been made permanently available to shareholders on the Company's website.

The Corporate Governance Report and the Corporate Governance Statement contain more information about corporate governance and an in-depth report about the level and structure of Supervisory Board and Management Board remuneration.

## Separate and consolidated financial statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, audited the separate financial statements of Wirecard AG as of 31 December 2015, the consolidated financial statements as of 31 December 2015 and the management report for the Company and the Group, and issued unqualified audit opinionsthereon. The separate financial statements were prepared according to German Commercial Code (HGB) accounting standards, and the consolidated financial statements were prepared according to International Financial Reporting Standards (IFRS).

The aforementioned documents, the Management Board's proposal for the appropriation of profit and the auditor's audit reports were submitted to all members of the Supervisory Board in good time before the Supervisory Board meeting on 6 April 2016. The auditor participated at this meeting, reported on key audit results and was available to the members of the Supervisory Board to provide supplementary information. The auditor also explained his findings on the Company's control and risk management system relating to the financial accounting process. The auditor stated his independence and provided information about services that had been rendered in addition to the auditing services in the 2015 fiscal year. All members of the Supervisory Board carefully and intensively examined the separate financial statements, the management report for the Company and the Group, the consolidated financial statements and the auditor's reports for themselves.

According to the final results of its examination, the Supervisory Board concluded that no objections are to be raised. With a resolution dated 6 April 2016, the Supervisory Board has approved both the separate financial statements of Wirecard AG prepared according to German Commercial Code (HGB) accounting standards and the consolidated financial statements prepared according to IFRS for the 2015 fiscal year. The separate financial statements have consequently been adopted in the meaning of Section 172 of the AktG.

The Management Board plans to propose to the Annual General Meeting the distribution of a dividend of EUR 0.14 per share to shareholders and to carry forward Wirecard AG's remaining unappropriated retained earnings of EUR 40,940,361.46 to a new account. The Supervisory Board concurs with this proposal. Furthermore, the Supervisory Board approved the Report of the Supervisory Board and the Corporate Governance Report.

## Personnel-related details and conflicts of interest

No conflicts of interest relating to members of the Supervisory Board, which must be disclosed immediately to the Supervisory Board and included in the Report of the Supervisory Board for the Annual General Meeting, arose during the 2015 fiscal year.

## Outlook

We expect that Wirecard AG will be able to build on the positive performance of the previous year in the current fiscal year. Wirecard is benefiting from the digital revolution through its software solutions based on Internet technologies. We anticipate that the Company will continue to experience strong growth.

The Supervisory Board thanks the Management Board and employees and recognises their high level of commitment and above-average performance in the 2015 fiscal year.

Aschheim, April 2016

On behalf of the Supervisory Board

Wulf Matthias
Chairman of the Supervisory Board

# Corporate governance report

## Corporate governance statement

Pursuant to Section 3.10 of the German Corporate Governance Code in its version dated 5 May 2015, and pursuant to Section 289a (1) of the German Commercial Code (HGB), the Management Board – also on behalf of the Supervisory Board – issues the following statement concerning the corporate governance of Wirecard AG and concerning the remuneration of the Management Board and the Supervisory Board.

The standards of good and responsible corporate governance, acknowledged both internationally and in Germany, are accorded high priority throughout the Wirecard Group. Compliance with these standards forms an essential prerequisite for qualified and transparent corporate governance with the aim of achieving long-term success for the Group as a whole. In this context, we wish to affirm the confidence of our investors, the financial markets, business associates, the general public and our employees.

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

## 1. Service and website information for our shareholders

On our website ir.wirecard.com under the "Financial Calendar" menu item and in our annual and interim reports we keep our shareholders, analysts, shareholder associations, the media and interested members of the general public informed of key recurring dates, such as that of our Annual General Meeting. As part of our investor relations activities, we conduct regular meetings with both analysts and institutional investors. In addition to the annual analysts' conferences on the annual financial statements, telephone conferences for analysts and investors are held on the publication of the quarterly reports. Wirecard also participates in many capital market conferences. Information on the Annual General Meeting, together with the documentation to be made accessible to shareholders, is readily available on the Company website along with the invitation to the meeting.

The way the Annual General Meeting is organised and held has 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 exercising of shareholder voting rights, in the period leading up to the meeting the shareholders are informed about the respective fiscal year and the items on the agenda by the annual report and the invitation to the Annual General Meeting.

## 2. Working methodologies of the Management and Supervisory Boards

As a German public stock corporation (Aktiengesellschaft / "AG"), Wirecard AG operates under a dual management and control structure consisting of two bodies – the Management Board and Supervisory Board, each with its own set of competences. The Management Board and the Supervisory Board cooperate very closely and on the basis of mutual trust in the Company's interests. The critical joint objective is to sustainably boost the Company's market position and profitability.

The Management Board and Supervisory Board comprise three members each. To guarantee that the Supervisory Board can independently provide advice and monitor the Management Board, the number of members of the Supervisory Board who are former Management Board members is restricted in principle to a maximum of one. There are currently no former members of the Management Board on the Supervisory Board. The Supervisory Board has not formed any committees, as it consists of only three members. The Management Board makes regular, comprehensive and timely reports to the Supervisory Board on all relevant questions of corporate planning and further strategic development, on the course of business and the Group's position, as well as on questions relating to its risk situation and risk management. Reporting by the Management Board also extends to include compliance, in other words, the activities instituted by Wirecard AG to observe legal and regulatory parameters, as well as internal corporate guidelines. The Supervisory Board must approve significant business transactions. The Supervisory Board has created rules of procedure to govern its own activities. In addition, the Supervisory Board regularly reviews the efficiency and productivity of its cooperation. The Chairman of the Supervisory Board is in constant contact with the Management Board. The Chairman visits the Company on a regular basis in order to obtain information on-site concerning business performance and to consult with the Management Board on its decisions.

The Company has taken out D&O (directors and officers) liability insurance including a deductible in accordance with legal regulations for members of the Management Board and Supervisory Board of Wirecard AG, as well as for management members of affiliates. Further particulars on D&O insurance policies for members of the Management Board and Supervisory Board of Wirecard AG are detailed in the remuneration report below. No known conflicts of interest exist between members of the Management Board and Supervisory Board that must be disclosed immediately to the Supervisory Board. Owing to the fact that its size is restricted to three members, the Supervisory Board has dispensed with creating an audit committee or other Supervisory Board committees.

Further particulars on the members and work of the Supervisory Board in the 2015 fiscal year can be found in the report of the Supervisory Board, in the management report (I. Foundations of the Group, 1. Group structure, organisation and employees) and in the Notes to the consolidated financial statements.

## 3. Remuneration report

The remuneration report summarises the principles which apply to the definition of total remuneration for the members of Wirecard AG's Management Board and explains the structure and amount of the remuneration for the members of the Management Board. In addition, it describes the principles and amount of remuneration for members of the Supervisory Board.

The following persons were employed as members of the Management Board at Wirecard AG in the 2015 fiscal year:

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

### 3.1 Remuneration scheme for the Management Board

The remuneration scheme for the Management Board of Wirecard AG is designed to create an incentive for long-term corporate governance based on sustainability. The system and extent of the remuneration paid to the Management Board are determined and reviewed on a regular basis by the Supervisory Board. The members of the Management Board are paid on the basis of Section 87 of the German Stock Corporation Act (AktG). Remuneration comprises fixed and variable components.

In the 2015 fiscal year, the Supervisory Board extended the Management Board contracts for a fixed term until 31 December 2017. The Management Board contracts for Dr. Braun and Mr. Marsalek may only be terminated for a compelling reason. Mr. Burkhard Ley has an ordinary right of termination with a notice period of three months to the end of the month. As part of the renewal of the Management Board contracts, the level of the fixed cash remuneration, the variable remuneration components and retirement pension scheme were examined and adapted in some areas. However, the previously valid remuneration scheme for the Management Board remained largely unchanged. Remuneration comprises the following components: (1) fixed annual remuneration, (2) an annual bonus (Variable Remuneration I), which is calculated based on Wirecard AG's share price performance, (3) long-term variable remuneration (Variable Remuneration II), which is linked to the multi-year performance of Wirecard AG's share price and (4) a fixed amount as a contribution to a retirement pension scheme (Dr. Markus Braun and Mr. Jan Marsalek) or a contribution-based company retirement, invalidity and survivor's pension scheme (Mr. Burkhard Ley). In addition, it is possible for the members of the Management Board to receive the following performance-related remuneration if certain conditions are fulfilled: (5) an extraordinary bonus for sustained and particularly extraordinary performance by the Management Board and (6) a special bonus in the event of a change of control, from which both the members of the Management Board and the employees benefit. Furthermore, non-cash perquisites and other benefits in kind exist, such as private use of a company car and refund of expenses, including business-related travel and hospitality costs.

### 3.2 Remuneration for the Management Board in the 2015 fiscal year

The members of the Management Board received a total of kEUR 3,250 in the year under review as a fixed salary (2014: kEUR 2,350). The remainder of the remuneration paid to the Management Board in the 2015 fiscal year was as follows:

Variable remuneration has two components, Variable Remuneration I and Variable Remuneration II; it is calculated on the basis of Wirecard AG's share price performance. In this regard, the basis price is the average price in the month of December, weighted for revenue, for Wirecard AG shares traded on the regulated market of the Frankfurt Stock Exchange (Xetra trading, ISIN DE0007472060), as registered by the stock market information service Bloomberg. However, the basis price for 2014 has been contractually set at EUR 33.00. Furthermore, the contracts set maximum limits for the basis price in each subsequent year. If the basis price should fall during the bonus years, the respective part of the bonus lapses and no (return) claim exists against the member of the Management Board.

The annual variable remuneration is capped by a maximum amount. The maximum amount is kEUR 1,100 for Dr. Markus Braun, kEUR 1,500 for Mr. Burkhard Ley and kEUR 1,200 for Mr. Jan Marsalek.

Variable Remuneration I is then calculated as follows: The Management Board receives an annual bonus for each calendar year (bonus year I). This bonus is calculated as 49% or 49.2667% (only Mr. Burkhard Ley) of the difference between the basis price of Wirecard AG shares in bonus year I less the basis price in the previous year (basis year I), multiplied by a factor. This factor in thousands is 275 for Dr. Markus Braun and Mr. Burkhard Ley and 300 for Mr. Jan Marsalek. In addition, it has been contractually determined that the basis price for the respective previous year may not be less than EUR 33.00.

Variable Remuneration II is then calculated as follows: The Management Board receives a sustainability bonus based on a two-year period (2015/2016, 2016/2017 and 2017/2018). This bonus is calculated as 51% or 50.7333% (only Mr. Burkhard Ley) of the difference between the basis price of Wirecard AG shares in the second calendar year of the two-year period (bonus year II) less the basis price in the year prior to the two year period (basis year II), multiplied by the respective factor. The factor in thousands for variable remuneration II is also 275 for Dr. Markus Braun and Mr. Burkhard Ley and 300 for Mr. Jan Marsalek. Here too, it has been contractually determined that the basis price for the respective previous year (prior to the two-year period) may not be less than EUR 33.00.

The first sustainability bonus for 2014/2015 was due in January 2016 and amounted tokEUR 867.

Furthermore, the Management Board can also receive an extraordinary bonus in individual cases for sustainable and particularly extraordinary performance. The Company's Supervisory Board has discretionary powers to decide on the granting and the level of the extraordinary bonus. These types of sustainable and particularly extraordinary performance include, above all, extraordinary contributions in the area of customer relations, through new products, contributions from corporate acquisitions and/or further advances in technology. No extraordinary bonuses were approved or awarded in the 2015 fiscal year.

The Company also pays an annual contribution to a retirement pension scheme for the members of the Management Board Dr. Markus Braun and Jan Marsalek. This contribution totals kEUR 450 gross for Dr. Markus Braun and kEUR 300 gross for Mr. Jan Marsalek. This is paid in 12 monthly instalments. In the case of the member of the Management Board Burkhard Ley, the Company has set up a pension account and pays an annual pension contribution of kEUR 420 into it for a company retirement, invalidity and survivor's pension scheme. The payment of the pension contribution is made at the end of each year. In the event of the termination of the employment contract during the course of the year, the pension contribution is reduced correspondingly (pro rata temporis). If the balance held in the pension account for the member of the Management Board represents less than ten pension contributions when the pension becomes payable, the balance will be increased by the Company to a total of ten pension contributions. When the pension becomes payable, the balance held in the pension account will be paid out as a lump sum within one month to the member of the Management Board. In addition, the Company pays a monthly contribution of EUR 250 for a life insurance policy (direct insurance) for all members of the Management Board, which pays out as a retirement pension in the form of either a lump sum settlement or as a monthly pension. No other entitlement to a pension commitment or other retirement benefits exists.

In order to foster the long-term loyalty of management and employees, a resolution was adopted at the Annual General Meeting of Wirecard AG held on 15 July 2004 to introduce an employee participation programme based on convertible bonds (Stock Option Plan 2004). Further particulars of the Stock Option Plan 2004 can be found in the Notes to the consolidated financial statements. The Supervisory Board granted the member of the Management Board Burkhard Ley 240,000 convertible bonds from the Stock Option Plan 2004 at the start of his service. On 30 November 2015, Mr. Burkhard Ley exercised his option to convert the remaining 48,000 convertible bonds into shares and, taking into account the statutory dilution protection, received 75,000 new shares in Wirecard AG from the conditional capital 2004/I. As of 31 December 2015, Mr. Burkhard Ley thus no longer holds any convertible bonds. The related expenditure was taken into account in previous years. The fair value for all convertible bonds amounted to kEUR 1,293 on the issue date.

In the event of a change of control, in other words, if one or more shareholders acting jointly are entitled to 30% or more of the Company's voting rights, or if these are attributable to them, each member of the Management Board is entitled to payment of a special bonus depending on the Company's value. This guideline was first agreed in 2006 and has been applied since then without alteration. The amount of the special bonus for Dr. Markus Braun and Mr. Burkhard Ley is 0.4% each of the Company value and for Mr. Jan Marsalek 0.25% of the Company value. A Company value exceeding the amount of EUR 2 billion is not taken into account for the purpose of calculating the special bonus; the special bonus is not paid if the purchase price in relation to all shares of Wirecard AG falls below EUR 500 million. The members of the Management Board are not entitled to extraordinary termination in the event of a change of control. In addition to the special bonus, the members of the Management Board are entitled to the following remuneration in the event of their employment agreements being terminated, i.e. when a reason for the termination exists, with the exception of a termination carried out by the Company for a compelling reason: payment of fixed remuneration for the fixed duration of the employment agreement, payable in one lump sum but discounted to the date of disbursement at an interest rate of 4% p.a. as well as payment of the market value in cash for stock options allocated but not yet exercised at the time of termination.

Furthermore, standard rules are in place relating to company cars, refunds of out-of-pocket expenses and other business-related expenditure.

Moreover, the Company has committed itself to paying the fixed salary for a member of the Management Board for a period of six or 12 months (only for Mr. Burkhard Ley) from the commencement of an illness. In the event of the death of a member of the Management Board, any surviving dependants will receive the member's salary payments for six months or for the month in which the death occurred and for the six subsequent months (only Mr. Burkhard Ley), for a maximum period up to the end of the contractual term.

In addition to the life insurance policies, the Company has taken out the following insurance policies for the members of the Management Board: (i) accident insurance with insurance benefits of at least kEUR 250 in the event of death and kEUR 500 in the event of invalidity, (ii) D&O insurance for the activities of the members of the Company's Management Board with minimum cover of kEUR 5,000 and a deductible in accordance with legal regulations of 10% of the damage up to a maximum of one and a half times the fixed annual remuneration of the member of the Management Board. The Company has concluded this insurance for the benefit of its Management Board members with a cover of kEUR 50,000. The amount of the insurance premiums for these insurance policies totalled kEUR 157 in the 2015 fiscal year.

There were no loans, advances or other contingent liabilities entered into in favour of the members of the Management Board by the Company or the subsidiaries in the 2015 fiscal year. In the 2015 fiscal year, the total emoluments of all members of the Company's Management Board – in other words, the total remuneration during the fiscal year for the duration of the individual person's tenure on the Management Board, including amounts not yet disbursed for Variable Remuneration I, Variable Remuneration II and other payments – amounted to kEUR 9,041 (2014: kEUR 4,657).

The following remuneration was set for the individual members of the Management Board for the 2015 fiscal year (individualised):

## Benefits granted

| | Dr. Markus Braun | | | | Burkhard Ley | | | | Jan Marsalek | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in kEUR | 2015 | 2015 (Min.) | 2015 (Max.) | 2014 | 2015 | 2015 (Min.) | 2015 (Max.) | 2014 | 2015 | 2015 (Min.) | 2015 (Max.) | 2014 |
| **Non-performance-based components** | | | | | | | | | | | | |
| Fixed remuneration | 1,350 | 1,350 | 1,350 | 950 | 1,000 | 1,000 | 1,000 | 750 | 900 | 900 | 900 | 650 |
| Fringe benefits | 478 | 478 | 478 | 277 | 1,406 | 1,406 | 1,406 | 178 | 303 | 303 | 303 | 153 |
| | 1,828 | 1,828 | 1,828 | 1,227 | 2,406 | 2,406 | 2,406 | 928 | 1,203 | 1,203 | 1,203 | 803 |
| **Performance-based remuneration** | | | | | | | | | | | | |
| One-year variable compensation | | | | | | | | | | | | |
| 2014 | - | - | - | 270 | - | - | - | 368 | - | - | - | 196 |
| 2015 | 539 | 0 | 539 | 0 | 739 | 0 | 739 | 0 | 588 | 0 | 588 | 0 |
| Multi-year variable compensation | | | | | | | | | | | | |
| 2013/2014 | - | - | - | 140 | - | - | - | 191 | - | - | - | 102 |
| 2014/2015 | - | - | - | 140 | - | - | - | 191 | - | - | - | 102 |
| 2015/2016 | 508 | 0 | 561 | - | 676 | 0 | 761 | - | 554 | 0 | 612 | - |
| | 1,047 | 0 | 1,100 | 550 | 1,415 | 0 | 1,500 | 750 | 1,142 | 0 | 1,200 | 400 |
| **Total** | 2,875 | 1,828 | 2,928 | 1,777 | 3,821 | 2,406 | 3,906 | 1,678 | 2,345 | 1,203 | 2,403 | 1,203 |

## Payments made

| | Dr. Markus Braun | | Burkhard Ley | | Jan Marsalek | |
|---|---|---|---|---|---|---|
| in kEUR | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Non-performance-based components** | | | | | | |
| Fixed remuneration | 1,350 | 950 | 1,000 | 750 | 900 | 650 |
| Fringe benefits | 478 | 277 | 28 | 178 | 303 | 153 |
| | 1,828 | 1,227 | 1,028 | 928 | 1,203 | 803 |
| **Performance-based remuneration** | | | | | | |
| One-year variable compensation | | | | | | |
| 2013 | 0 | 270 | 0 | 368 | 0 | 196 |
| 2014 | 270 | 0 | 368 | 0 | 196 | 0 |
| Multi-year variable compensation | | | | | | |
| 2012/2013 | 0 | 280 | 0 | 382 | 0 | 205 |
| 2013/2014 | 280 | 0 | 382 | 0 | 205 | 0 |
| | 550 | 550 | 750 | 750 | 401 | 401 |
| **Total** | 2,378 | 1,777 | 1,778 | 1,678 | 1,604 | 1,204 |

### 3.3 Remuneration for the Supervisory Board in the 2015 fiscal year

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Incorporation. Accordingly, members of the Supervisory Board receive fixed and variable remuneration for any out-of-pocket expenses incurred in connection with exercising their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). Annual fixed remuneration totals kEUR 55. Variable remuneration depends on the Company's performance and is based on consolidated EBIT (earnings from the ordinary course of business before interest and taxes). For each full one million euros by which the Company's consolidated EBIT on 31 December 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component totals kEUR 1 net. This minimum amount of EUR 30 million increases from the start of the 2009 fiscal year by 10% per year and accordingly amounts to EUR 58.46 million in the 2015 fiscal year.

In accordance with the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board are considered separately. There are no committees within the Company's Supervisory Board. The Supervisory Board Chairman receives double and the Deputy Chairman of the Supervisory Board receives one-and-a-half times the so-called basic rate of fixed and variable remuneration. Changes to the composition of the Supervisory Board during the fiscal year lead to pro-rata remuneration being paid. In addition, the members of the Supervisory

Board receive a meeting fee of EUR 1,250.00 plus VAT for each meeting of the Supervisory Board that they attend.

The Supervisory Board also acts, with the same members, as the Supervisory Board for the subsidiary Wirecard Bank AG. No other remuneration or benefits for personally rendered services, in particular consulting and agency services, were paid in the 2015 fiscal year.

As of 31 December 2015, no loans have been granted to members of the Supervisory Board.

## Supervisory Board remuneration 2015

| in kEUR | Function | from | up to | non-perform ance based | Meeting fee | Performance-based | Long-term incentive effect | of subsidiaries | Total |
|---|---|---|---|---|---|---|---|---|---|
| Wulf Matthias | Chairman | 1 Jan 2015 | 31 Dec 2015 | 110 | 8 | 228 | 0 | 65 | 411 |
| Alfons W. Henseler | Deputy | 1 Jan 2015 | 31 Dec 2015 | 83 | 8 | 171 | 0 | 60 | 321 |
| Stefan Klestil | Member | 01 Jan 2015 | 31 Dec 2015 | 55 | 8 | 114 | 0 | 55 | 232 |
| **Total remuneration** | | | | **248** | **23** | **513** | **0** | **180** | **963** |

## Supervisory Board remuneration 2014

| in kEUR | Function | from | up to | non-perform ance-basde | Meeting fee | Performance-based | Long-term incentive effect | from subsidiaries | Total |
|---|---|---|---|---|---|---|---|---|---|
| Wulf Matthias | Chairman | 01 Jan 2014 | 31 Dec 2014 | 110 | 6 | 158 | 0 | 65 | 339 |
| Alfons W. Henseler | Deputy | 01 Jan 2014 | 31 Dec 2014 | 83 | 6 | 119 | 0 | 60 | 267 |
| Stefan Klestil | Member | 01 Jan 2014 | 31 Dec 2014 | 55 | 6 | 79 | 0 | 55 | 195 |
| **Total remuneration** | | | | **248** | **19** | **356** | **0** | **180** | **802** |

In the 2015 fiscal year, remuneration for the Supervisory Board totalled kEUR 963 (2014: kEUR 802). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries in the amount of kEUR 180 (2014: kEUR 180). The amount of kEUR 573 was deferred of the remuneration was recognized as a provision and will be paid in 2016.

### 4. Directors' dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG), the members of the Management Board and Supervisory Board of Wirecard AG are required to disclose the purchase and sale of Wirecard AG shares and related financial instruments. The transactions reported to Wirecard AG in the 2015 fiscal year can be found on the website: ir.wirecard.com/corporate-governance.

In total, the Management Board directly or indirectly held a 6.4 percent equity interest in the Company as of 31 December 2015. The Supervisory Board does not hold any shares in the Company.

### 5. Responsible risk management

Responsible risk management constitutes an important basis for good corporate governance. The Management Board must ensure there is appropriate risk management and risk controlling within the Company. The Management Board notifies the Supervisory Board on a regular basis of existing risks and trends in these risks. Details relating to risk management can be found in the risk report (see Management report).

### 6. Transparency and communication

The Management Board of Wirecard AG immediately publishes insider information on the Group, unless exempted from doing so due to special circumstances. The objective is to create the highest possible degree of transparency and equal opportunities for all, and to make, as far as possible, the same information available to all target groups at the same time. Existing and potential shareholders can obtain current information on the Internet about the Group's growth and development. All press releases and ad hoc disclosures on Wirecard AG are published on the Company's website.

### 7. Audit of the annual financial statements and financial accounting

Since the 2005 fiscal year, Wirecard AG has applied International Financial Reporting Standards (IFRS) as the basis for its financial accounting. At the Annual General Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Munich, was appointed as the auditor for Wirecard AG. 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. The Supervisory Board discusses six-monthly and quarterly financial reports with the Management Board before they are published.

The auditor of the annual financial statements is also required to report without delay on all findings and events material to the tasks of the Supervisory Board, as determined in the course of its audit. In addition, the auditors are required to inform the Supervisory Board and/or to make a note in the audit report if they encounter facts in the course of the audit that are irreconcilable with the statement of compliance issued by the Management Board and Supervisory Board in accordance with Section 161 of the AktG.

## 8. Corporate social responsibility

The Management Board believes that exercising corporate social responsibility (CSR) makes a major contribution to the Company's sustained growth. The Management Board is convinced that the Wirecard Group will not be able to achieve long-term economic success in the future unless it acts in a responsible ecological, ethical and social manner. Given this, the Management Board has set out a sustainability strategy, as well as guidelines in the areas of "Responsibility for Fundamental Social Rights and Principles", "Leadership Culture and Cooperation", "Equal Opportunities and Mutual Respect" and "Management of Resources".

## 9. Sustainability strategy and management

In its sustainability strategy, the Wirecard Group aims to define objectives for the orientation of its core business activities – for example, minimum standards for energy consumption, assessment of environmental risks, etc. Through sustainability management, the Company will stringently pursue the targets defined in the sustainability strategy.

## 10. Responsibility for fundamental social rights and principles

The Wirecard Group respects internationally recognised human rights and strives to ensure they are observed. For this reason, it bases its activities on the relevant requirements of the International Labour Organisation and rejects any deliberate use of forced or mandatory labour. Child labour is prohibited. The Wirecard Group observes minimum age requirements for employment pursuant to state legislation as a matter of course. The remuneration paid and the benefits provided for a normal working week conform at least to the minimum legal standards in each country or the minimum standards of the relevant national industry sector.

## 11. Leadership culture and cooperation

All managers assume responsibility for their employees. All managers set an example and are especially required to adhere to the code of conduct in all of their actions. Managers ensure compliant behaviour amongst employees by regularly providing them with information and explaining those duties and authorisations relevant to their working areas. Managers place trust in their employees, set clear, ambitious and realistic targets and give employees as much autonomy and freedom of action as possible. Managers are aware of and recognise the performance of their employees. Outstanding performance receives special recognition. As part of their leadership functions, managers prevent inappropriate behaviour. They are accountable within their sphere of responsibility for ensuring that no rules are violated where this could have been prevented or rendered more difficult by appropriate supervision. Trusting and positive collaboration is reflected in the mutual and transparent exchange of information and support. In this way, managers and employees always inform each other about relevant matters and operational circumstances so that they can act and make decisions. Employees and, in particular, managers ensure that information is exchanged quickly and smoothly. As far as possible within existing levels of authority, knowledge and information are passed on promptly in a full and unaltered state in order to promote mutual cooperation.

The Wirecard Group has set itself the objective of offering its employees personal and professional prospects to promote outstanding performance and results. As a consequence, the Wirecard Group invests in the qualifications and competence of its employees and also expects all employees to make exacting demands of themselves, their performance and their health, as well as to engage proactively in their own development.

### 12. Equal opportunities and mutual respect

The Wirecard Group is a modern, globally active company with a diverse personnel structure.

The Wirecard Group ensures equal opportunities and equal treatment, irrespective of ethnic origin, skin colour, gender, disability, religion, citizenship, sexual orientation, social origin, religious or philosophical viewpoints or political attitude, to the extent that this is based on democratic principles and tolerance of dissenting thought. Accordingly, the employees of the Wirecard Group are selected, recruited and promoted purely on the basis of their qualifications and abilities.

In the process, the Management Board and the Supervisory Board feel obligated to observe the recommendations for diversity formulated in Section 4.1.5 and Section 5.1.2 of the German Corporate Governance Code.

In accordance with the new regulations in the law for the equal participation of women and men in leadership positions in the private and public sectors, the Supervisory Board defined new targets and deadlines for increasing the proportion of women on the Management Board and Supervisory Board in September 2015. There are currently no women on the Management Board of Wirecard AG. However, the Supervisory Board wants to gradually increase the proportion of women on the Management Board. Therefore, female candidates with the same qualifications should be given preferential consideration when appointing new members of the Management Board. According to this law, the deadline for the achievement of the first target must not, however, extend beyond 30 June 2017. Yet such a change in the short-term situation of the Management Board of Wirecard AG is not foreseeable because no new appointments are planned until after 31 December 2017 and there are also currently no plans to expand the Management Board. In terms of the deadline of 30 June 2017 for the achievement of the first target stipulated by legislators, it was thus not possible to define any other target for the proportion of women on the Management Board than 0%. The Supervisory Board aims to increase the target for the following period.

There are also currently no women on the Supervisory Board of Wirecard AG. However, the Supervisory Board wants to increase the proportion of women on the Supervisory Board. Therefore, the Supervisory Board has set a target for the proportion of women on the Supervisory Board of at least one female member. The deadline for the achievement of this target is 30 June 2017.

In good time before the deadline of 30 June 2017, the Supervisory Board will seek advice and agree the targets for the proportion of women that will be valid from 1 July 2017. In order to achieve a long-term increase in the proportion of women on the Management Board and Supervisory Board, Wirecard AG will focus its search for new appointments to these bodies on suitably qualified female candidates.

In accordance with the new legal regulations, the Management Board also defined targets for the proportion of women in the two management levels below the Management Board in September 2015. At the first management level (directly reporting to the Management Board), the proportion of female employees currently stands at 50% already. At the second management level, the proportion of female employees stands at 55%. Based on these facts, the Management Board has set targets at Wirecard AG for the proportion of women at the first management level below the Management Board of at least 30% and for the second management level below the Management Board of at least 30%.

In any event, the Wirecard Group will continue its efforts to prevent any form of discrimination. Each of our employees undergoes training so that they will not discriminate in any way (for example, by placing others at a disadvantage, harassment or bullying), and hence allow everyone to cooperate in a respectful manner in a spirit of mutual partnership.

## 13. Management of resources

The Wirecard Group strives to actively focus on products, services and technologies that make a positive contribution to the Group's sustainability performance. In doing so, we promote environmentally friendly technologies and help to reduce the carbon footprint. Moreover, $CO_2$ emissions arising from business travel, building management, IT data centres and the consumption of materials will be continuously reduced over time.

The Wirecard Group also defines mandatory sustainability criteria for the procurement of products and services, including environmental and social aspects in particular. These criteria are taken into account when awarding contracts. In the event of any material violations of sustainability standards, the Wirecard Group reserves an extraordinary right of termination.

## 14. Corporate governance outlook

Upholding our corporate governance principles will remain one of our key management tasks in 2016. We will continue to base our activities on the requirements of the German Corporate Governance Code and implement them accordingly. The Management and Supervisory Boards will continue to cooperate closely in a spirit of mutual trust and will undertake to deal jointly with all significant business transactions. We will provide our shareholders with the usual service regarding proxies and exercising of voting rights at the Annual General Meeting scheduled for 16 June 2016. Implementing and improving our Group-wide compliance programme comprises another permanent managerial function that we are determined to pursue.

## 15. Statement of compliance with the German Corporate Governance Code by Wirecard AG pursuant to Section 161 of German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board declare that since the submission of the last statement of compliance dated 30 March 2015, the Company has complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code (Code). This statement refers to the recommendations of the Code in its version dated 5 May 2015.

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

1. Section 5.2 (2) and Sections 5.3.1 – 5.3.3 of the Code contain individual recommendations on committees of the Supervisory Board. Since the present Supervisory Board of Wirecard AG consists of only three members, it has dispensed with setting up committees. All transactions subject to approval have always been dealt with by the plenary Supervisory Board. The Supervisory Board also plans to proceed in this manner in future.

2. Sections 5.4.1 (2) Clause 1 and (3) Clauses 1 and 2 of the Code contain recommendations on the composition of the Supervisory Board. Section 5.4.1 (2) Clause 1 of the Code recommends that the Supervisory Board should specify objectives regarding its composition which, whilst having regard for the Company's situation, take into account the Company's international activities, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2 of the Code, an age limit to be specified for the members of the Supervisory Board, a maximum time limit to be specified for the period of service on the Supervisory Board and diversity. Section 5.4.1 (3) Clause 1 of the Code recommends that the proposals that the Supervisory Board makes to the relevant election bodies should take these specific objectives into account. According to Section 5.4.1 (3) Clause 2 of the Code, the objectives set by the Supervisory Board and the progress made towards their implementation should be published in the corporate governance report.

In accordance with the new legal regulations in the law for the equal participation of women and men in leadership positions in the private and public sectors, the Supervisory Board defined new targets for the proportion of women on the Management Board and Supervisory Board in September 2015.

The Supervisory Board of Wirecard AG welcomes the intention of the Code to also counteract any form of discrimination and to promote diversity to an appropriate degree. The Wirecard Group is a modern, globally active company with a diverse personnel structure. It is an absolutely fundamental principle of corporate governance at Wirecard, both at the level of the topmost corporate bodies and below this first management level, to select candidates for vacant positions in accordance with their specialist and personal qualifications, irrespective of their gender, irrespective of their religion, irrespective of their nationality, their beliefs, their skin colour, etc. and, in the case of candidates for the Supervisory Board, to propose their selection to the Annual General Meeting. In doing so, the Company's international activities are taken into account as a matter of course, as well as potential conflicts of interest. The Supervisory Board will ensure that it has the number of independent members it considers appropriate. Above and beyond the previously mentioned targets for the proportion of women, Wirecard AG believes that it has not been necessary up to now to set further concrete targets for the composition of the Supervisory Board. In particular, no age limit nor a maximum time limit for serving on the Supervisory Board has been defined because the Supervisory Board believes that such a time limit could be in conflict with the benefits of having continuity and retention of long-standing expertise on the Supervisory Board that is in the best interests of the Company. Therefore, a divergence from Section 5.4.1 (2) Clause 1 of the Code is currently declared. The Company has consequently diverged, and will diverge from, Sections 5.4.1 (3) Clauses 1 and 2 of the Code. Nevertheless, the Supervisory Board has based its election proposals to the competent election bodies on the recommendations of the Code and will also continue to do so in future.

3. Section 5.4.6 (2) Clause 2 of the Code recommends that any performance-based remuneration of Supervisory Board members should be commensurate with the Company's sustainable development and growth, to the extent any commitment to any such remuneration is made.

The currently applicable Articles of Incorporation of Wirecard AG provide for performance-based remuneration of the members of the Supervisory Board. This remuneration depends on the earnings from the ordinary course of business before interest and taxes for the past fiscal year and does not provide for any calculation based on the comparison of the earnings of several fiscal years. Consequently, Wirecard AG currently diverges from the recommendation that any performance-based remuneration should be commensurate with the Company's sustainable development and growth.

The Management and Supervisory Boards of Wirecard AG intend to adhere to the existing remuneration scheme for the Supervisory Board. They are of the opinion that the performance-based remuneration component regulated in Section 14 (1) of the Articles of Incorporation of Wirecard AG has proved to be appropriate consideration for the execution of the supervisory obligations incumbent upon the Supervisory Board and that the past remuneration scheme is also appropriate for the future.

4. Section 7.1.2 Clause 3 of the Code recommends that the consolidated financial statements 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 legal regulations currently stipulate that the consolidated financial statements be published within a period of four months after the end of a fiscal year and the six-monthly reports be published within a period of three months after the end of the period under review. According to the regulations of the Frankfurt Stock Exchange applicable to the Prime Standard, quarterly reports should be provided to the management of the stock exchange within a period of two months after the end of the period under review. The Company has to date adhered to these periods since the Management Board considers this time regime appropriate. The Company may publish the reports at an earlier date if internal procedures allow this to be done.

## Takeover law disclosures

### Subscribed capital

As of the 31 December 2015 balance sheet date, Wirecard AG's equity amounted to kEUR 1,280,513 compared with kEUR 1,072,886 as of the previous year's balance sheet date.

The Company's subscribed capital as of 31 December 2015 amounted to EUR 123,565,586 and was divided into 123,565,586 no-par value bearer shares based on a notional capital share of EUR 1.00 per share. Each share confers one vote.

### Contingent and authorised capital, purchase of treasury shares

As there was a conversion in the 2015 fiscal year, conditional capital (Conditional Capital 2004/I) fell during the period under review and now stands at kEUR 614 (31 December 2014: kEUR 689).

In addition, the Annual General Meeting on 26 June 2012 authorised the Management Board, with the consent of the Supervisory Board, to issue holders by 25 June 2017, once or on several occasions, bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to kEUR 300,000, and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights to new bearer shares of the Company with a proportionate amount in the share capital of up to kEUR 25,000, according to the details in the terms for the bonds with warrants or the convertible bonds. The share capital has been conditionally increased by up to kEUR 25,000, comprising up to 25 million bearer shares. (Conditional Capital 2012).

According to the resolution made by the Annual General Meeting on 17 June 2015, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital on one or more occasions up until 17 June 2020 by up to a total of kEUR 30,000 in consideration for contributions in cash and/or kind (including so-called mixed contributions in kind) by issuing up to 30 million new no-par value bearer shares (Authorised Capital 2015) and in so doing to stipulate a commencement of the profit participation in derogation from the statutory provisions, also retrospectively to a year that has already expired, provided that no resolution on the profit of said expired year has yet been adopted. The shareholders must as a general rule be granted a subscription right. The new shares can also be assumed by one or more banks designated by the Management Board with the obligation of offering them to the shareholders (indirect subscription right).

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in special cases. For further details please refer to the Notes.

As of the balance sheet date, there was authorised capital (Authorised Capital 2015) of kEUR 30,000 (31 December 2014: (Authorised Capital 2012/I) kEUR 18,802). The existing authorised capital was completely replaced by the new authorised capital.

The Management Board was authorised to acquire treasury shares of up to 10 percent of the value of Wirecard AG's share capital existing on the date of the resolution's adoption. This authorisation was valid until 16 June 2015. The Management Board did not make use of its authority to acquire and utilise treasury shares by 31 December 2015. For further details on capital, please refer to the Notes.

### Notification of voting rights

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

### Statutory regulations regarding changes to the Articles of Incorporation and the Management Board

The statutory rules and regulations apply to the appointment and recall from office of the members of the Management Board. Accordingly, the Supervisory Board is generally responsible for such appointments and recalls from office. The statutory rules and regulations apply to amendments to the Articles of Incorporation. Amendments to the Articles of Incorporation are approved at the Annual General Meeting pursuant to Section 179 of the German Stock Corporation Act (AktG). The resolution at the Annual General Meeting calls for a majority equivalent to at least three quarters of the share capital represented at the time of the resolution's adoption.

### Arrangement in the event of a change of control

A change of control of the Company, for purposes of employment contracts, shall apply at the point in time at which a notice pursuant to Sections 21, 22 of the German Securities Trading Act (WpHG) is received or should have been received by the Company to the effect that 30 percent or more of the Company's voting rights in the meaning of Sections 21, 22 of the WpHG are assigned by way of entitlement or attributed to a natural or legal person or a body of persons. In the event of a change of control, each member of the Management Board is entitled to receive a special bonus, which is dependent on the Company's value. The amount of the special bonus for Dr. Markus Braun and Mr. Burkhard Ley is 0.4 percent of the Company's value and for Mr. Jan Marsalek 0.25 percent of the Company's value. In the event of such a change of control, the

Management Board shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a special bonus 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 Company's value is defined as the offer for the Company in euros per share, multiplied by the total number of all shares issued at the time of publication of the offer. The special bonus shall be payable only if the Company's value determined in this manner reaches at least EUR 500 million. A Company value in excess of EUR 2 billion shall not be taken into account in calculating the special bonus. Such special bonus payments are payable in three equal instalments.

The Management and Supervisory Boards have adopted a resolution to the effect that employees of Wirecard AG and of its subsidiaries can be awarded a special bonus on similar terms and conditions as those that apply for the Management Board. To this end, a total of 0.8 percent of the Company's value has been made available. The Management Board can grant special bonus awards to employees in the event of a change of control with the consent of the Supervisory Board in each instance. A precondition for such a special bonus payment is that the employee must be employed at the time the change of control occurs. Such special bonus payments shall also be made in three instalments.

# Wirecard stock

The German stock market improved considerably in 2015 compared to the previous year. Following annual growth of 2.7 percent in 2014, the leading German DAX index experienced growth of 9.6 percent in 2015. The 2015 stock market year was characterised by high volatility on the markets, which had doubled in relation to the DAX in comparison to the previous year.

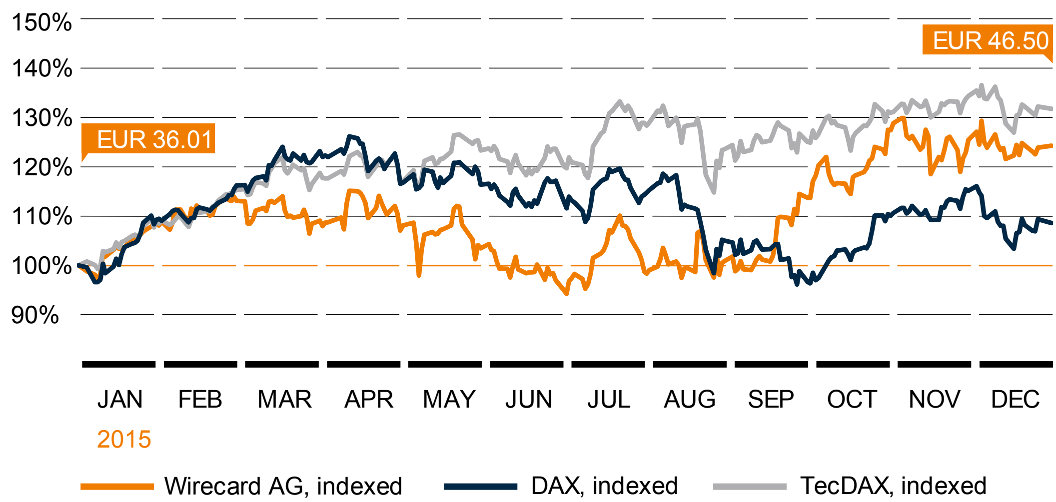
The DAX reached its all-time high of 12,391 points on 10 April 2015, yet lost almost 3,000 points during the course of the year to September and stood at a year low of 9,325 points on 29 September. The DAX was able to recover again by the end of the year and closed at 10.743 points.

Similarly to its performance in the previous year, the TecDAX was again able to outperform the DAX in 2015 and improve even further on the very good performance in the previous year with growth of 33.5 percent (2014: 17.5 percent).

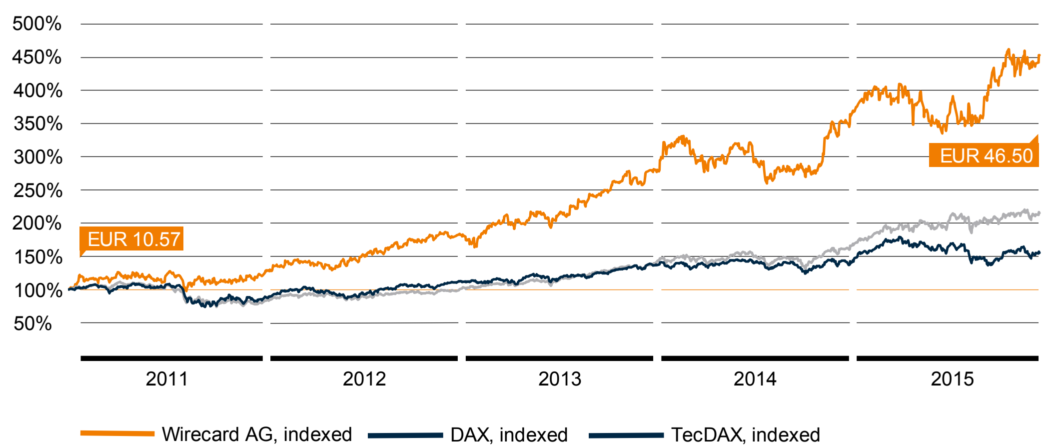
The shares of Wirecard AG were also unable to escape the volatility on the stock markets and their performance was characterised by strong fluctuations in the first nine months of 2015. Wirecard shares achieved a new all-time high of EUR 47.38 on 2 November 2015. Over the full 2015 fiscal year, the share price achieved a dividend yield of 27.6 percent with an increase of EUR 10.05 and was thus able to not only surpass its performance in the previous year (2014: 27.0 percent) but also to develop at a significantly stronger rate than the leading German DAX index. After taking into account the dividends paid out for the 2014 fiscal year of EUR 0.13 per share (2014: EUR 0.12), this resulted in a total shareholder return of 28.0 percent (2014: 27.4 percent).

Furthermore, the liquidity of the stock, measured by its trading volume, also increased in comparison to the previous year. Around 133 million (2014: 115 million) shares were traded in total on the electronic XETRA trading platform. This corresponds to an average trading volume of 527 thousand (2014: 457 thousand) shares per day.

## Annual development of the Wirecard stock




## Five-year trend of the Wirecard stock



## Dividends

The Management and Supervisory Boards will propose to this year's Annual General Meeting that a dividend of EUR 0.14 per share is paid to shareholders (2014: EUR 0.13). This corresponds to EUR 17,299,182 (2014: EUR 16,053,776.18).

## Performance in %

| | 1 year 2015 | 5 years 2011 – 2015 | 10 years 2006 – 2015 |
|---|---|---|---|
| Wirecard AG (excluding dividend) | +27.6 | +353.7 | +182.7 |
| DAX (performance-index) | +9.6 | +55.4 | +98.6 |
| TecDAX (performance-index) | +33.5 | +115.2 | +206.9 |

## Capital measures during the year under review

A Stock Option Program (SOP) based on convertible bonds from 2004, which was already concluded in 2011, was utilised for the conversion of 75,000 shares in December 2015. As of the reporting date of 31 December 2015, there were a total of 123,565,586 Wirecard shares in circulation. The Company's subscribed capital as of 31 December 2015 amounted to EUR 123,565,586.00 and was divided into 123,565,586 no-par value bearer shares based on a notional share capital of EUR 1.00 per share.

## Annual General Meeting/dividend resolution

Wirecard AG's ordinary Annual General Meeting was held on 17 June 2015 at the Haus der Bayerischen Wirtschaft in Munich. Around 230 (2014: around 160) shareholders, shareholder representatives and guests participated in the Annual General Meeting. The share capital represented was 66.12 percent, which was around the same level as the previous year (2014: 67.27 percent), and was significantly higher than the average presence for TecDAX companies.

All of the agenda items were passed with a large majority. In order to ensure that the Company can continue to respond flexibly to short-term funding requirements in connection with strategic decisions, the Annual General Meeting resolved the creation of new Authorised Capital 2015.

Further information and details about the Annual General Meeting are available on the Internet at the following address: ir.wirecard.com/agm

## KPIs for Wirecard's shares

| | | 2015 | 2014 |
|---|---|---|---|
| Number of shares (31. Dec) – all dividend-entitledt | | 123,565,586 | 123,490,586 |
| Share capital (31 Dec) | kEUR | 123,566 | 123,491 |
| Market capitalisation (31 Dec) | Bn. EUR | 5.75 | 4.50 |
| Year-end price (31 Dec) | EUR | 46.50 | 36.46 |
| Year-high | EUR | 47.38 | 36.46 |
| Year-low | EUR | 34.36 | 26.65 |
| Earnings per share (basic) | EUR | 1.16 | 0.89 |
| Cash flow from operating activities (adjusted) per share | EUR | 1.62 | 1.18 |
| Earnings per share (diluted) | EUR | 1.16 | 0.89 |
| Shareholder's equity per share (basic) | EUR | 10.36 | 8.69 |
| Dividend per share | EUR | 0.13 | 0.12 |
| Total dividend payout | kEUR | 16,054 | 14,819 |

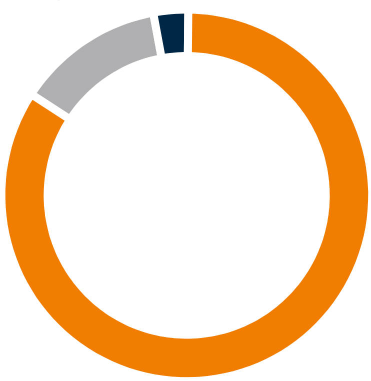
Price data: XETRA closing prices

## Investor Relations

In 2015, the main topics of communication with the capital markets included Wirecard's innovation and growth strategies. Alongside the organic growth of the Wirecard Group and the M&A activities in the past fiscal year, the focus was placed in particular on the acquisition of the payment business of the GI Retail Group in India and the sale of the membership shares in VISA Europe. The core business of the Company and also the mobile payment business area, which developed very positively with the marketing launch of Orange Cash and the release of boon, continued to be the focus of numerous discussions with analysts and investors. The Management Board and the Investor Relations department of Wirecard AG took part in numerous conferences and roadshows in both Germany and abroad during the year under review.

At the end of the period under review, a total of 22 analysts from renowned banks and independent research institutions were closely observing the Wirecard share.

### Analyst recommendations as of year-end 2015



94% Buy

6% Hold

0% Sell

Further information is available online at: ir.wirecard.com

## Shareholder structure

Most of the 93.6 percent free float as of 31 December 2015 continues to comprise institutional investors from the Anglo-American region and Europe.

## Other information

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

## Basic information on Wirecard stock

| | | |
|---|---|---|
| Year established: | 1999 | |
| Market segment: | Prime Standard | |
| Index: | TecDAX | |
| Type of equity: | No-par-value common bearer shares | |
| Stock exchange ticker: | WDI; Reuters: WDIG.DE; Bloomberg: WDI GY | |
| WKN: | 747206 | |
| ISIN: | DE0007472060 | |
| Authorised capital, in number of shares: | 123,565,586 | |
| Group accounting category: | exempting consolidated financial statements in accordance with IAS/IFRS | |
| End of fiscal year: | 31 December | |
| Total share capital as of 31 December 2015 | kEUR 123,566 | |
| Beginning of stock market listing: | 25 October 2000 | |
| Management Board: | Dr. Markus Braun | CEO, CTO |
| | Burkhard Ley | CFO |
| | Jan Marsalek | COO |
| Supervisory Board: | Wulf Matthias | Chairman |
| | Alfons W. Henseler | Deputy Chairman |
| | Stefan Klestil | Member |
| Shareholder structure* as of 31 December 2015 | | |
| Shareholders holding more than 3% of voting rights* | 6.4% MB Beteiligungsgesellschaft mbH | |
| | 94.0% free float (according to Deutsche Börse's definition) of which | |
| | 6.27% Jupiter Asset Management Ltd. (UK) | |
| | 5.02% Alken Luxembourg S.A. (LU) | |
| | 3.15% T. Rowe Price Group, Inc. (US) | |
| | 3.049% Comgest Global Investors S.A.S. (FR) | |
| | 3.03% Standard Life Investment Limited (UK) | |

*Interests (rounded) according to last notification by investors (Section 26a WpHG)

# CONTENT
# MANAGEMENT REPORT

# 22,000

**EXISTING CUSTOMERS**
IN 2015

# 45.2

**TRANSACTION VOLUMES IN BN EUROS**
IN 2015

2,300

**Ø EMPLOYEES**
IN 2015

1,281

**SHAREHOLDER'S EQUITY**
**IN MN EUROS** IN 2015

# I. Foundations of the Group

## 1. GROUP STRUCTURE, ORGANISATION AND EMPLOYEES

### 1.1 Group

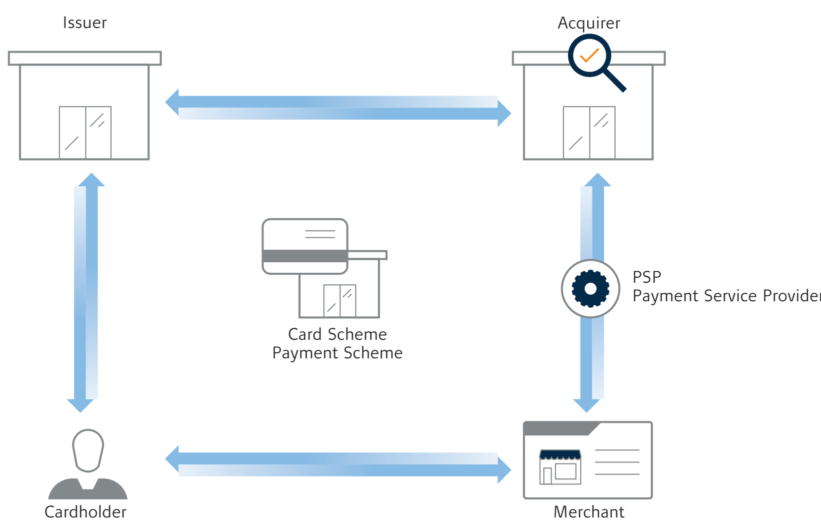
Wirecard AG is a global technology group that supports companies in accepting electronic payments from all sales channels. As a leading independent supplier, the Wirecard Group offers outsourcing and white label solutions for electronic payments. A global platform bundles international payment acceptances and methods with supplementary fraud prevention solutions. With regard to issuing own payment instruments in the form of cards or mobile payment solutions, the Wirecard Group provides companies with an end-to-end infrastructure, including the requisite licences for card and account products.

#### Payment industry

Wirecard is part of the payment industry as a service provider in the area of electronic payment processing. The business model of the industry is to enable transactions to be completed between customers and retailers with the aid of secure and simple payment processes. Transactions between consumers and retailers can be processed via every sales channel in real time with the aid of credit card networks or alternative payment processes such as direct debit, invoice and hire purchase or e-wallets. Alongside consumers, retailers and credit card networks or providers of alternative payment systems, this process involves above all payment service providers (PSP), payment processors and card issuing institutions.

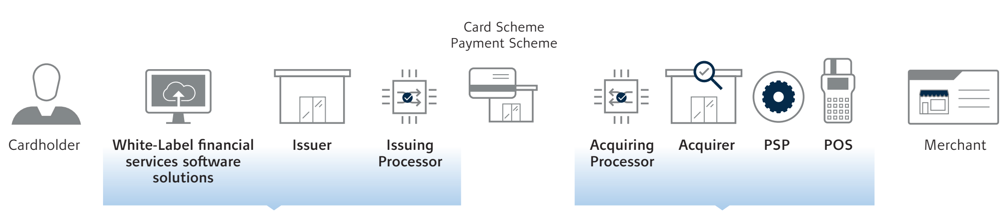
The competition and the interrelationships in the industry can be illustrated in simplified form using the four party model. Credit card companies or alternative types of payment provide secure networks or solutions for electronic transactions. Customer want to simply and securely conclude their transactions in real time and possess for this purpose a card product from a card issuing institution (issuer) or use an alternative payment method. It is important for retailers to offer their target groups their favoured type of payment and to keep the number of cancelled purchases and payment defaults as low as possible. In order to process transactions via card networks and distribute money to the retailer's account, the retailer requires an acquirer. A payment service provider is responsible for the technical processing of electronic payments and supplements these services mostly with risk management and fraud prevention solutions.

### Four-party-model




## Competitive position

Wirecard offers services across all areas of electronic payments to its customers and partners. While there are numerous local competitors around the world who cover individual subsections of the value added chain, Wirecard stands out on the market due to its provision of a full portfolio of services. International customers with complex business models can be supported in all areas of electronic payment. Wirecard enables retailers to reduce the complexity of electronic transactions to a minimum and to optimise sales processes by integrating all services from payment processing through to risk management and fraud prevention, value added services and card acceptance through to banking services such as treasury and currency management. Furthermore, Wirecard offers physical and virtual issuing products to, amongst others, financial service providers, retailers, mobile telephone providers or consumers. The range of services is rounded off with technical processing services for credit card networks and banks, as well as with software solutions for mobile banking applications and mobile and bricks and mortar card acceptance, especially in Asia.



## Group structure

The Group parent company Wirecard AG, headquartered in Aschheim near Munich, assumes strategic corporate planning and central tasks as well as the strategic management and control of subsidiaries.

Wirecard's products and services in the area of electronic payment processing, risk management and additional value added services run on a global software platform. Its development and maintenance are mainly managed by Wirecard Technologies GmbH in Aschheim (Germany).

In cooperation with Wirecard Technologies GmbH, Wirecard Processing FZ-LLC in Dubai (United Arab Emirates) and other subsidiaries such as Wirecard NZ Ltd in Auckland (New Zealand) handle the technical processing of credit card payments on behalf of financial institutions (acquiring processing). The technical processing of issuing products for banks and companies in the FinTech sector is also handled by Wirecard Processing FZ LLC, Wirecard South Africa (Pty.) Ltd. and other subsidiaries such as Wirecard India Pte. Ltd. in Chennai (India).

These technological services are closely linked to the acceptance of card payments, the issuing of card products and additional financial services. As an innovative partner for global credit card companies, Wirecard possesses the required licences from Visa Europe (in future Visa Inc.), MasterCard and others including Unionpay, Amex, DinersClub, JCB, Discover International and UATP. This enables it to issue physical and virtual card products and accept card payments for retailers and companies. Wirecard Bank AG has a full German banking licence and can also offer banking services to customers in addition to acquiring and issuing solutions. Wirecard Card Solutions Ltd., based in Newcastle (United Kingdom), holds an e-money license from the UK's Financial Conduct Authority (FCA) and acquiring and issuing licences from Visa and MasterCard. Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) is currently in the process of obtaining an e-money license from the Turkish regulatory authority BRSA (Banking Regulation and Supervision Agency). The subsidiary GI Technologies, Chennai (India) (closing was completed after the end of the reporting period on 1 March 2016) holds a licence for the issuing of prepaid payment instruments. Cooperation with local banks will be expanded in future to offer retailers acquiring services.

Wirecard is expanding its portfolio of services in emerging and developing countries based on the different stages of development in the area of e-commerce in each country. Alongside online payment processing and acquiring services, the Company's Southeast Asian subsidiaries, in particular, offer products and solutions in the area of mobile and bricks and mortar payment such as innovative card acceptance solutions in the travel and mobility sector or stationary POS card terminals based on IP technology. The range of services also includes, amongst other things, solutions for banks and retailers for mobile cash machines, mobile card acceptance and software services in the area of internet and mobile banking.

Wirecard markets its products and solutions globally via its locations in Europe, the Middle East, Africa, Asia and Oceania. The sales activities are structured around the target sectors of consumer goods, digital goods and travel and mobility. Experts in each sector are based at the Group headquarters in Aschheim and provide support to their colleagues at the globally distributed subsidiaries during the sales process. Due to the combination of sector and market expertise, the sales structure makes it possible to directly address customers in a targeted manner and thus increases the sales success. These local subsidiaries give access to important global regions and markets. Germany, the United Kingdom and Austria serve as the base locations for the European and global market. In Southeast Asia, the operating units in the region are managed primarily from Singapore and Jakarta. Other relevant markets are addressed via subsidiaries in New Zealand, the United Arab Emirates, India and South Africa.

The range of technological services offered by the Wirecard Group is completed by Wirecard Communication Services GmbH based in Leipzig, Germany. This subsidiary offers call center and communication services internally within the Group and sells these to the customers of Wirecard AG.

### Changes to the Group structure

Payment Link Pte. Ltd. (Singapore) and Korvac Payment Services (S) Pte. Ltd. (Singapore) were incorporated into Systems@Work Pte. Ltd. (Singapore) with effect from 1 January 2015. Systems@Work Pte. Ltd. was renamed with effect from 22 January 2015 as Wirecard Singapore Pte. Ltd., still headquartered in Singapore.

On 23 February 2015, the acquisition of Wirecard India Private Limited (formerly Visa Processing Service (India) Pte. Ltd., renamed on 14 August 2015) was closed.

On 12 May 2015, Amara Technology Africa Proprietary Limited was renamed as Wirecard Africa Holding (Pty) and its subsidiary Amara Tech Proprietary Ltd. was renamed as Wirecard South Africa (Pty) Ltd on 13 May 2015.

Wirecard agreed to acquire the payment business of the Great Indian (GI) Retail Group on 27 October 2015. The GI Retail Group is active in, amongst other things, the area of electronic payment processing and offers e-commerce solutions with payment processing to local retail businesses (retail-assisted e-commerce). Following the closing of the entire transaction, Wirecard has acquired 100 percent of the shares of its related companies that primarily offer payment services under the brands “iCASHCARD” and “Smartshop”. Furthermore, Wirecard acquired 60 percent of the shares in GI Technology Private Limited (GIT), a licensed Prepaid Payment Instrument (PPI) issuer in India, with effect from 1 March 2016. As a result of this overall transaction, Wirecard has taken over a team of more than 900 employees and strengthened its engagement in the growth market of India. Wirecard already obtained control over the companies Hermes I Tickets Pte Ltd, as well as its subsidiary GI Philippines Corp, and Star Global Currency Exchange Pte Ltd, Bangalore (India), on 30 December 2015.

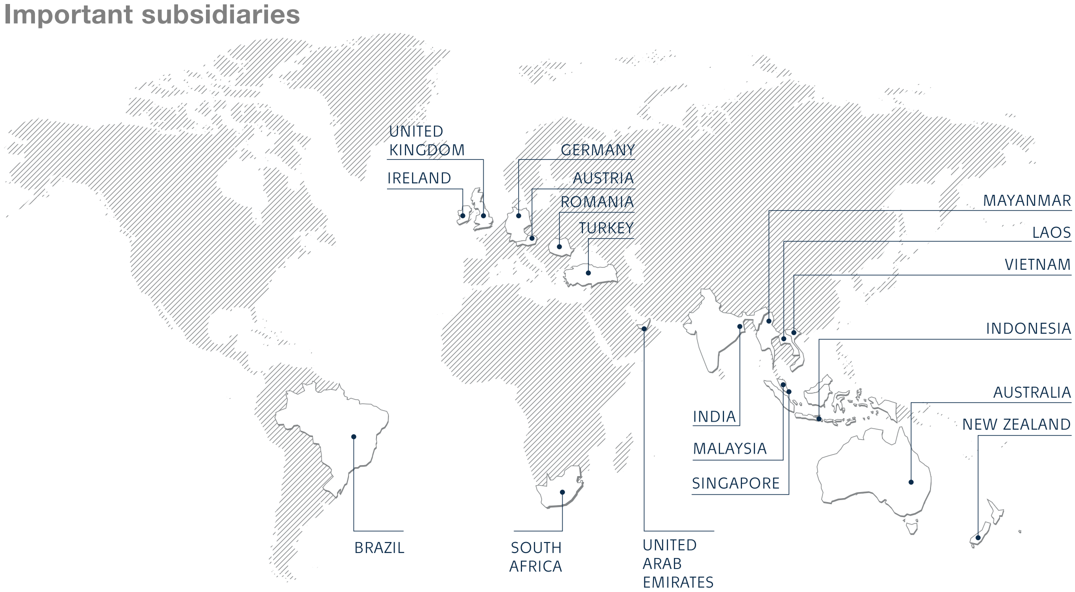
Wirecard founded companies under the name American Payment Holding Inc. in Toronto (Canada) and Payment Technology Ltd. in Wilmington, Delaware (United States of America) in preparation for a possible market entry in future.

After the end of the reporting period, the acquisition of the Brazilian payment service provider Moip Pagamentos S.A. based in Sao Paulo was announced on 22 February 2016. Other markets in Latin America will be addressed in future via this market entry into Brazil. On 29 February 2016, the Romanian payment service provider Provus Group based in Bucharest was acquired. The Provus Group is a service provider in the areas of acquiring and issuing processing, as well as technical payment processing. This acquisition strengthens the Company's expansion into Eastern Europe.

After the end of the reporting period on 29 February 2016, GFG Group Limited was renamed as Wirecard NZ Limited and its subsidiary GFG Group (Aust) Pty. Ltd. was renamed as Wirecard Australia Pty Ltd.

See futher information on changes to the Group structure after end of the reporting period in the management report chapter II. 3. Report on events after the balance sheet date as well as in the notes to the consolidated financial statements.

## Important subsidiaries




A list of the subsidiaries within the Group can be found in the section "Scope of consolidation" in the consolidated financial statements.

## 1.2 Organisation

The Group parent company Wirecard AG, headquartered in Aschheim near Munich, assumes strategic corporate planning and the central tasks of human resources, legal, treasury, controlling, accounting, M&A and financial controlling, strategic alliances and business development, risk management, corporate communications and investor relations and facility management. The holding company also manages the acquisition and management of participating interests. The Management Board of Wirecard AG is responsible for the management of the Group.

The Management Board of Wirecard AG remained unchanged as of 31 December 2015, consisting of three members:

- Dr. Markus Braun, CEO, CTO
- Burkhard Ley, CFO
- Jan Marsalek, COO

There were no changes to Wirecard AG's Supervisory Board. The Supervisory Board comprised the following members as of 31 December 2015:

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

The remuneration scheme for the Management Board and Supervisory Board consists of fixed and variable components. Further information can be found in the corporate governance report.

## 1.3 Employees

### Personal responsibility, motivation, commitment and the will to achieve mutual success characterise the global Wirecard team.

The highly qualified and international employees of Wirecard AG play a significant role in the success of the business across all areas of the Group. Their effort and commitment make it possible for Wirecard to be a driver of innovation and thus position itself as a leading specialist for payment processing and issuing.

#### Wirecard as an attractive employer

Wirecard is a young, dynamic and ambitious technology company that is a popular employer due to its spirit of a high growth start-up and its position as a global TecDax company.

Wirecard offers its employees long-term perspectives and promotion prospects in a rapidly growing, successful company. In addition, the Company provides a modern working environment at its headquarters, with extra company services such as a canteen, fitness area, incentives and employee events. The HR strategy focuses on continuously increasing employee satisfaction, while the so-called “trust flexi-time”, which was introduced several years ago, allows employees to work flexible hours in accordance with those working hours required in the relevant departments. Due to Wirecard’s culture of mobile attendance, employees are able to balance child care with their working hours in the best way possible. The option of taking a three to six-month sabbatical is also offered.

#### Human resources strategy

Key points of the HR strategy include bringing out the best in existing employees, unleashing talent, potential and expertise and fostering the loyalty of employees to the Company, as well as ensuring the availability of personnel that are required both currently and in the future. Furthermore, the Company has the goal of promoting diversity irrespective of origin and gender. Therefore, the strategy places its focus on HR marketing, the selection of personnel, personnel development, the retention of personnel and diversity.

##### Human resources marketing

To ensure the sustainable growth of Wirecard AG, the future availability of qualified employees and talent must be guaranteed, especially in the areas of research and development and IT. In order to directly target students and graduates, the Company started increasingly presenting and advertising Wirecard as an employer at relevant career and recruiting fairs in the period under review. In addition, a funded project in IT including an integrated work placement in the area of mobile payment was carried out for the first time in 2015 in a successful partnership with the renowned university TUM (Technische Universität München). The Company's presence at careers fairs and also the newly introduced university partnership with TUM will be strengthened in future.

Alongside graduates and young professionals, it is also highly important to attract experienced specialists. In order to satisfy the high demands placed on the quality of new employees and also to cover the great need for personnel, Wirecard works closely together with recruitment agencies and service agencies that focus on the placement of IT specialists.

### Selection and integration of personnel

An important factor for the quick and successful integration of new personnel is their selection based on requirements at the Company. As an employer, Wirecard wants to enable its new employees to tap into their full potential as quickly as possible. In cooperation with service providers and also in its independent selection of candidates, the focus is primarily placed, alongside the character and social skills of the applicants, on matching their profile as closely as possible to the requirements of the position to be filled. The selection process, especially in the areas of research and development and IT, thus involves not only personal interviews but also an intensive evaluation of the candidate's specialist knowledge and skills.

An individual induction process for new employees, which is adapted to the area of the Company and the field of employment, is then provided by superiors and colleagues. Central introductory events organised by the HR department and individual operating units within the Group offer new employees the opportunity and possibility to integrate quickly, establish an internal network and build up knowledge specific to the Company.

### Human resources development

The HR department supports management in helping employees develop optimally based on their skills and qualifications.

Adherence to fundamental social principles and taking action based on entrepreneurial thinking are indispensable to Wirecard AG managers. They are broad-minded from an intercultural perspective and deploy a management style that fosters an open climate in which employees become more strongly integrated into decision-making processes, as well as promoting a team approach with the objective of developing ideas and advancing innovations.

The development of our employees through measures tailored to suit each individual and in harmony with our corporate objectives is one of the essential tools in our HR development strategy. Here, the personal development of each individual is considered in the context of entrepreneurial success, in order to explore developmental perspectives tailored to the requirements of each employee.

Regular development discussions between managers and employees, together with the performance targets that are agreed at these meetings, help our employees to bring their skills, performance and personal potential to bear to our mutual advantage. This is accompanied by HR development activities to further develop our employees' strengths. As far as possible, Wirecard offers its employees interesting perspectives for further development in other areas of the business where desired.

### Diversity

Wirecard supports equal opportunities in all areas and places great importance on offering all people the same opportunities irrespective of their origin, their cultural or religious affiliations, their gender or their age. Wirecard is proud of this diverse personnel structure and considers diversity a core element of its corporate culture. Wirecard has employees from over 80 different nations throughout the world. As a young, innovative and interculturally broad-minded Company, Wirecard integrates employees into decision-making processes. As an employer, Wirecard is characterised by flat hierarchies and an open, respectful working environment based on mutual appreciation.

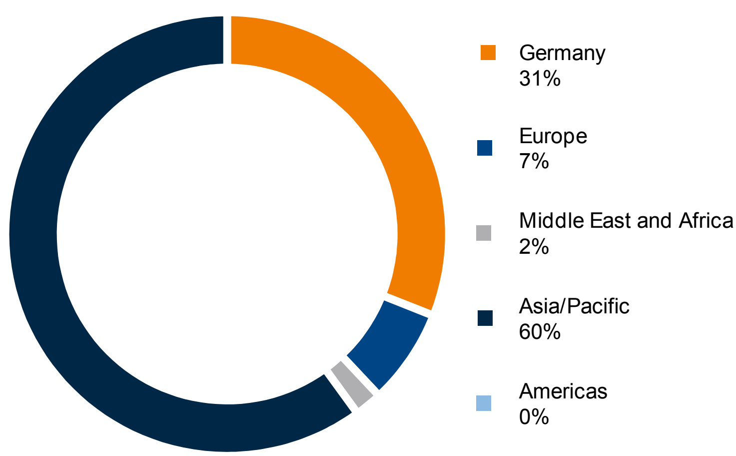
Wirecard deploys specific employer branding activities to position itself as an attractive employer, in order to recruit specialists from all areas worldwide. Due to the dynamic growth in the year under review and the expected level of demand in the future, the activities associated with resource planning and the acquisition of talent are being internationalised and diversified. Alongside globally distributed development centres whose employees make a significant contribution to the Group's overall research and development activities, there will also be increased recruitment of international experts at the Group headquarters in Aschheim.

Wirecard does not view its employees purely as workers and understands how important the wellbeing of the individual is to the success of the Group. In order to support foreign employees, in particular, to integrate into their new professional and private lives, Wirecard organises measures such as German courses, the commissioning of re-location agents and so-called newcomer circles. These serve as a contact point for all issues relating to an employee's personal or professional life in Munich and Germany.

The Wirecard Group employed an average of 2,300 employees (2014: 1,750) excluding members of the Management Board of Wirecard AG and trainees during the course of the 2015 fiscal year, of which 55 (2014: 38) were employed by a subsidiary as members of the Management Board or as managing directors. The employees of the Wirecard Group were distributed across the following regions on the balance sheet date of 31 December 2015:

- Germany: 948 (2014: 789)
- Europe excluding Germany: 220 (2014: 125)
- Middle East and Africa (MEA): 55 (2014: 45)
- Asia Pacific (APAC): 1,870 (2014: 886)
- Americas (AMER): 3 (2014: 0)

### Employees according to region (values rounded)




In Germany, the number of female staff at the Wirecard Group amounted to 441 as of 31 December 2015, comprising around 43 percent of the total employees (31 December 2014: 340 female staff, around 43 percent). At the first management level (directly reporting to the Management Board), a total of 5 women and 8 men were employed in Germany in the yearear 2015 as of the reporting date (2014: women: 5, men: 9). At the second management level, a total of 14 female and 17 male managers were employed in Germany (2014: women: 12, men: 13).

# 2. BUSINESS ACTIVITIES AND PRODUCTS

## 2.1 Business activities

### Financial technology for 22 thousand customers.

#### Overview

As one of the world's leading technology companies for electronic payment processing and payment solutions, Wirecard relies on developing its own innovations. Alongside customer-specific solutions, the Wirecard Group also offers a diverse range of software-based, payment and banking products for omni-channel commerce.

Wirecard supports companies in the implementation of their international payment strategies for all sales channels. A global multi-channel platform provides local and international payment acceptances and methods together with corresponding fraud-prevention solutions.

In the business area dealing with the issuing of its own payment instruments in the form of physical or digital payment solutions, Wirecard provides companies with an end-to-end operational infrastructure, which optionally includes the requisite issuing licences from Visa and MasterCard for card and financing services as well as account and bank products.

#### Business model

Central to the Wirecard Group's business model are transaction-based fees for the use of services in the area of electronic payment processing. End-to-end solutions along the entire value chain are offered both for payment and acquiring services and for issuing solutions. The flexible combination of our technology and services portfolio, as well as banking services, is what makes Wirecard a unique partner for customers of all sizes and from all sectors.

#### USPs

Wirecard's unique selling points include the combination of technology with financial products, the global orientation of the payment platform and innovative solutions that allow payments to be processed efficiently and securely for retailers. Wirecard can thus offer sector-specific complete solutions to customers from all industries that comprise card issuing, payment processing, risk management, card acceptance and additional banking and value added services.

The major share of consolidated revenues is generated on the basis of business relations with providers of merchandise or services on the Internet who outsource their electronic payment processes to Wirecard AG. As a result, technical services for the settlement and risk analysis of payment transactions, as performed by a payment services provider, and credit card acceptance performed by Wirecard Bank AG, are closely interlinked.

## Core sectors

The Wirecard Group's operating activities in its core business are structured according to three key target industries and are addressed by means of cross-platform, industry-specific solutions and services, as well as various integration options:

– Consumer goods: This includes retailers who sell physical products to their target group (B2C or B2B). This customer segment comprises companies of various dimensions, from e-commerce start-ups through to major international corporate groups. They include Internet pure players, multi-channel, teleshopping and purely bricks and mortar retailers. The industry segments are highly varied: from traditional industries such as clothing, shoes, sports equipment, books/DVDs, entertainment systems, computer/IT peripherals, furniture/fittings, tickets, cosmetics and so on, through to multi-platform structures and marketplaces.

– Digital goods: This sector comprises business models such as Internet portals, download sites, app software companies, career portals, dating portals, gaming providers, telecommunications providers, Internet telephony, sports betting and gambling such as poker.

– Travel and mobility: The customer portfolio in this sector primarily comprises airlines, hotel chains, travel portals, tour operators, travel agents, car rental companies, ferries and cruise lines, as well as transport and logistics companies.

# **WIRECARD** PLATFORM

## END-TO-END SERVICES FOR ALL INDUSTRY VERTICALS

- Online, POS, Mobile, MoTo

## MULTI-CHANNEL PAYMENT GATEWAY

- More than 200 international payment networks (banks, payment solutions and card networks)
- All globally relevant payment solu-tions
- Tokenisation of sensitive payment data
- Industry-specific software solutions
- Real-time reporting and business intelligence tools across all sales channels (POS, e-Com, m-Com, etc.)
- Subscription management
- Billing and settlement plan (BSP)
- Automated dispute management
- White-label user and system inter-faces
- One platform/interface for payments at POS, unattended, e-Commerce, m-Commerce/carrier billing
- Automated merchant self-sign-up solution

## PAYMENT ACCEPTANCE SOLUTIONS

- Card acquiring/processing
- Card acceptance for Visa, MasterCard, JCB, American Express, Discover/Din-ers, Union Pay
- Payment acceptance of alternative payment solutions/processing
- Processing in all globally relevant currencies
- Settlement in 25 currencies
- Terminal software for payment and value-added services
- Terminal management solutions
- Biometric and „mini ATM" solutions for emerging markets
- International white-label programme for mobile point of sale (mPOS) solutions

## ISSUING SOLUTIONS

- IIssuing-licence for Visa, MasterCard
- E-money-licence, full banking licence
- Real time card generation and provisioning
- Tokenisation of credit card data
- Processing of card transactions
- B2B/ B2C standard solutions e.g. supplier and commission payments, procurement cards, corporate pay out/expense cards, gift cards, general purpose reloadable cards, One time use cards, and many more
- Form factors: virtual, plastic, sticker, mobile
- Prepaid, decoupled debit/credit, debit, charge, credit
- Closed- und openloop cards
- PIN-management
- 3D Secure/Verified by Visa
- Credit facility management, credit on demand, microcredits
- Multi-channel self-service user-registration and -data management
- Top up methods via alternative payment processes and automatic top-up
- Peer-to-peer fund transfer function/ International money remittance
- Multiprocessor-/White-label-platform
- Application program interfaces (APIs) for flexible integration in the customer system

## SERVICES

Multilingual service team with vast expertise in providing support for financial products, available 24/7 | Payment terminal infrastructure service | Credit risk and fraud management support | BIN sponsorship | Case management | Payment guarantee | Banking services for business and private customers | Currency management

### MOBILE SOLUTIONS

- Mobile payments incl. wallets and payment apps
- Contactless payments: Based on HCE/ SIM cards/ Embedded secure element
- White-label mobile apps and responsive web UI
- In-App Payments
- SP-TSM Gateway to all major SE-TSMs
- HCE Wearable incl. integration SDK
- HCE solution for mobile cards
- Payment SDK for iOS und Android
- Mobile payment acceptance mPOS
- Full integration in all Wirecard standard issuing products
- Mobile banking solutions

### VALUE-ADDED-SERVICES

- ConnectedPOS platform for integrated value-added-services
- POS integration-technology POS Connector
- Alternative payment schemes at the POS
- Integrated data processing tools
  – Own third-party supplier value-added-services
  – Omni channel loyalty- und couponing system with integrated real time processing of issuing and acquiring transactions
- White-label merchant self-service platform for campaign management
- Tier-based loyalty, couponing und cashbacks
- Contextual and financial offers
- Digital receipts
- Mobile customer loyalty
- Tax refund
- Real time analytics / big data
- POS conversion optimization

### RISK MANAGEMENT

- 360° risk management
- Automated fraud recognition
- Address verification
- Credit rating agency gateway
- Device fingerprinting
- Real-time rule-engine
- Bespoke decision logic
- Score cards
- Hotlists (black/white/grey)
- Connection to sanction lists and other relevant databases to combat money laundering and funding of terrorism
- Online and offline customer legitimisation processes (know your customer; KYC) in accordance with national regulations

Card programme management | Merchant support | Consultancy on global payment strategies | Consolidated settlement and treasury services

Merchant and customer promotions for payment and value added services through own outbound call centre

## 2.2 Reporting segments

Wirecard AG reports on its business development in three segments.

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

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

The business activities of the companies included in the Payment Processing & Risk Management reporting segment exclusively comprise products and services that are involved with acceptance or transactions and the downstream processing of electronic payments and associated processes.

Branches and companies of the Wirecard Group at locations outside Germany serve primarily to promote regional sales and localisation of the products and services of the Group as a whole.

Wirecard offers its customers access to a large number of payment and risk management methods through a uniform technical platform that spans its various products and services.

### Acquiring & Issuing (A&I)

The **Acquiring & Issuing** (A&I) segment completes and extends the value chain of the Wirecard Group. In the Acquiring area, retailers are offered settlement services for credit card sales for online and terminal payments.

In addition, retailers can process their payment transactions in numerous currencies via accounts kept with Wirecard Bank AG.

In Issuing, prepaid cards and debit cards are issued to private and business customers. Private customers are additionally offered current accounts combined with prepaid credit cards and EC/Maestro debit cards.

Issuing and acquiring services are offered via Acquiring & Issuing GmbH and the subsidiaries Wirecard Bank AG, Wirecard Card Solutions Ltd. and Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) (previously: Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.). Through partnerships with local and regional financial service providers, Wirecard AG is able to expand its network of financial services beyond Europe and thus operate in non-European markets as a full-service provider for locally active retailers and also for companies with international activities.

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

The complete scope of the value added services offered by our call centre activities is reported in the **Call Center & Communication Services** (CC&CS) segment. In addition, Call Center & Communication Services are also included in the range of cardholder services offered for Wirecard solutions such as myCard2Go, Orange Cash, etc. and also for after sales care of our customers or for mailing activities.

## 2.3 Products and solutions

Wirecard supports companies across all areas of electronic payment processing. All of the services required for this purpose are offered within the Wirecard Group. Wirecard's IP-based platform enables all products and services to be linked according to relevant requirements. This makes it possible to offer customers and partners solutions that have been specifically tailored to their requirements. Payment processing and the issuing of payment instruments can be offered across all sales channels, whether online, mobile or bricks and mortar, and combined with risk management, supplementary solutions and services. Thanks to the flexible structure of the platform, Wirecard is the ideal partner for supporting customers when taking on the challenges posed by omni-channel sales.

### Multi-Channel Payment Gateway – global payment processing

Wirecard's Payment Gateway, which is linked to more than 200 international payment networks (banks, payment solutions, card networks), provides technical payment processing and acquiring acceptance via the Wirecard Bank and global banking partners, including integrated risk and fraud management systems.

In addition, country-specific, alternative payment and debit systems as well as industry-specific access solutions such as BSP (Billing and Settlement Plan in the airline sector), or the encryption of payment data during payment transfers (tokenisation), can also be provided. Furthermore, Wirecard offers retailers call centre services (24/7) with trained native speakers in 16 languages and thus assists retailers in taking orders and providing customer support.

Thanks to modular, service-oriented technology architecture, Wirecard can flexibly adapt its business processes to fit the market conditions at any time and hence respond quickly to new customer requirements. In particular, the omni-channel approach is being continuously implemented in the platform. Transactions will be processed via the software-based platform irrespective of the location of the payment (retail store, Internet shop, mobile application, telephone, e-mail, etc.). Retailers can thus flexibly design all of their business processes from the various sales channels and monitor and optimise them with the help of real-time reporting and business intelligence tools.

The Internet-based platform architecture means it is possible to carry out individual process steps centrally at a single location or, alternatively, to distribute them across the various subsidiaries and process them at different locations around the world.

Wirecard supports all sales channels with payment acceptance for credit cards and alternative payment solutions (multi-brand), technical transaction processing and settlement in several currencies, and offers mPOS and in-app payment software solutions, the corresponding POS terminal infrastructure based on IP technology, as well as numerous other services.

### Payment acceptance solutions – payment acceptance/credit card acquiring

The technical services utilised by retailers for payment processing and for risk management are usually employed in combination with the acquiring services offered by Wirecard Bank AG and/or financial services partners of Wirecard AG.

In addition to the Principal Membership held with Visa and MasterCard, acquiring licence agreements are also in place with JCB, American Express, Discover/Diners, UnionPay and UATP. Banking services such as foreign exchange management supplement the outsourcing of financial processes.

### Issuing solutions

Wirecard has issuing licences from Visa and MasterCard, as well as an e-money license and a full banking licence for the SEPA region. In addition, the Company possesses long-standing experience in the issuing of various card products such as credit, debit and prepaid cards. This comprehensive range of products and services also includes the management of card accounts and the processing of card transactions (issuing processing). Alongside its own card products, Wirecard also enables its customers and partners to issue credit cards in the form of physical card products (non-NFC/contact cards, contactless cards as well as NFC stickers) or virtual cards for use in e-commerce. Moreover, Wirecard offers mobile solutions for payment in bricks and mortar retailing or for in-app payments. The product portfolio is supplemented by the issuing of card-based payment solutions for so-called wearables (Internet-enabled devices such as fitness wristbands or Internet-enabled watches) for contactless payment.

## Mobile solutions

Wirecard offers its customers and partners the opportunity to play a leading role in the acceptance and issuing of mobile payment solutions. Alongside the acceptance of payments via mobile devices in the area of mPOS, the Company also offers solutions in the area of mobile banking and innovative issuing products for the use of mobile devices such as smartphones or wearables for payment in bricks and mortar retailing.

The term mPOS describes the acceptance of card-based payments via mobile devices. This is made possible, for example, through the use of a mobile card reader that is combined with a smartphone, allowing the smartphone to be used as a mobile electronic card terminal.

Wirecard enables customers to seamlessly integrate payment processing into applications for mobile devices and ensures the secure processing of the corresponding transactions. The in-app payment services offered by Wirecard make it possible for retailers to deliver a consistent sales process for goods and services directly via a mobile application.

Mobile wallets or mobile payment apps enable contactless payment via smartphones using near field communication technology (NFC). The encrypted card data is either stored on an NFC-enabled SIM card within the device itself or on the issuer's secure server environment using the so-called host card emulation process. In order to make a payment, the user holds their device against an NFC-enabled card terminal. An app on the user's device can be used, for example, to view transaction data in real time, manage the card and add additional services such as customer loyalty programmes or coupons. Wirecard supplements mobile payment applications by offering technical payment processing, management of customer accounts and other functionalities such as peer-to-peer money transfer functions or value added services.

Using software developer kits (SDK), Wirecard enables retailers, financial service providers and other companies to integrate mobile payment processes, also those based on HCE, into their own mobile applications and devices.

### Value added services/card linked offers/couponing and loyalty

The value added services area serves to provide retailers and partners with solutions for personally addressing specific customers, target-group-oriented advertising, messaging about offers and vouchers and customer loyalty programmes. Fully in line with the trend towards converging sales channels and payment systems, solutions are offered that enable customers to participate in value added services across sales channels with a payment method that only needs to be registered once. The Integrated Couponing & Loyalty System (ICLS) in the software platform supports various different types of campaign and redemption mechanisms, such as goal-driven campaigns, stamp cards, coupons and cashback. In the couponing and loyalty area, other value added services are currently being developed that will enable specific groups of customers to be targeted on the basis of their purchasing behaviour. The central Connected.POS platform for integrated payment processing enables bricks and mortar retailers to digitalise numerous areas such as payments, data collection or couponing and loyalty and access them in real time.

### Risk/fraud management solutions – risk management

Wide-ranging tools are available to implement risk management technologies in order to minimise the scope for fraud and prevent fraud (risk/fraud management). The Fraud Prevention Suite (FPS) draws on rule-based decision-making logic. Decisions about the acceptance or rejection of transactions are taken in milliseconds based on historical data in combination with dynamic real-time tests. Wirecard provides comprehensive reports, e.g. on what proportion of transactions are rejected and why, as well as corresponding tools, to assist retailers in optimising the set of rules for the decision-making logic. Age verification, KYC (Know Your Customer) identification, analysis via device fingerprinting, hotlists and much more are included in the risk management strategies. An international network of service providers specialising in creditworthiness checks can be additionally integrated into the analysis, depending on the retailer's business model. Wirecard's risk and fraud prevention technologies are utilised both during payment processing and acceptance and also during the issuing and application of issuing products. Wirecard enables its customers to securely process payments irrespective of the sales channel and thus to minimise the number of cancelled purchases and increase the proportion of successful transactions.

# 3. CORPORATE MANAGEMENT, OBJECTIVES AND STRATEGY

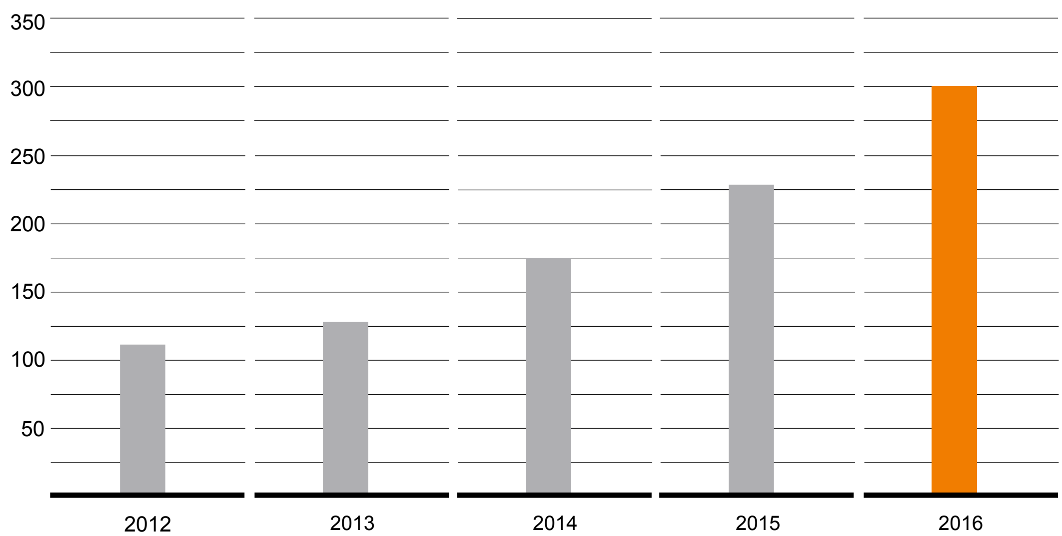
## 3.1 Financial and non-financial targets

Wirecard AG is a globally active supplier of payment solutions. Our goal is to provide retailers with global access to markets and consumers through our portfolio of products and services in the areas of payment processing, risk management and card issuing. It is extremely important here not only to recognise market trends at an early stage but also to actively shape these trends. Therefore, it is particularly important for our success that we further strengthen our position as a leader for technology and innovation.

Sustainable, income-oriented company growth stands at the heart of all of our financial and non-financial targets – growth which likewise has a positive impact on the value of the Company. The central operating financial performance indicator is earnings before interest, tax, depreciation and amortisation (EBITDA).

For the 2016 fiscal year, we originally expected an EBITDA of between EUR 280 million and EUR 300 million. On 30 March 2016 the Wirecard Management Board increased the EBITDA guidance for the fiscal year 2016 to a bandwidth of between EUR 290 million and EUR 310 million. This forecast is based on the continued dynamic growth of the e-commerce market in Europe and Asia, constant acquisition of new customers, cross-selling effects with existing customers, earnings contributions from acquisitions realised in the previous year and the continuously growing earnings contributions from the mobile payment business area. As the result of the continuously rising number of customer relationships and growing transaction volumes, we expect further economies of scale from our transaction-oriented business model and substantial synergies with our banking services.

**EBITDA development incl. midpoint of raised guidance for 2016 in EUR mn**




In addition, an important part of our financing policy is retaining a comfortable level of equity and keeping liabilities at a moderate level. Our goal is to finance the operating business and the associated organic growth from our own resources.

In the management report, III. Forecast and report on opportunities and risks, we discuss additional financial objectives.

We strive to support the global expansion of our existing customers and to integrate all relevant payment methods and technologies into the global Wirecard platform. This requires both the expansion of connections to existing international banking networks and also the convergence of all sales channels – whether online, mobile or at the POS – that are operated via Internet technologies. At the same time, our aim is to guarantee our customers products and services with an above-average level of quality, a goal which management controls through constant contact with its customers.

Furthermore, our employees form the foundations for our pronounced innovative strength and the resulting growth. The motivation of employees and developing the personal skills of individual employees are thus an integral component of our corporate strategy. Employee development is based on individually agreed targets that are not only measured against the success of the Company but also from the perspective of the person's own personal development.

The Wirecard Group continuously assesses its strategic decisions according to the aspects outlined above. The aim is to leverage Wirecard AG's fundamental strengths in order to continue to increase earnings in the next two years. At the same time, we are committed to deploying innovative solutions to support our customers in handling an increasingly complex environment so that they can increase and simultaneously secure their revenues. In doing so, we keep a close eye on market developments, so that we can react flexibly and responsibly with regard to costs, regulations and future events.

### Sustainability

Wirecard AG is a globally oriented Group pursuing a primarily organically led growth strategy. Sustainable corporate management, which alongside strategic development pays particular attention to the Group's social responsibility as well as the needs of its employees, customers, investors and suppliers, and also those groups associated with the Company, consequently forms an increasingly significant factor in upholding the stakeholder value concept, as well as the Company's corporate social responsibility (CSR).

Our business model replaces manual, paper-based processes with the online processing of electronic payments and saves resources by avoiding waste.

In future, Wirecard AG will be addressing economic, environmental and socially relevant issues to an even greater extent, in order to also make its contribution to a sustainable, responsible society in this context.

In particular, Wirecard AG checks the extent to which it can utilise the German Sustainability Code to make its commitment to sustainability transparent, comparable and thus also clear for investors and consumers.

Our values are unconditionally linked to our business model, the success of which is based on security, dependability and trust. We provide solutions that allow retailers to process their cash flows through one platform. Customer satisfaction forms a central non-financial objective for the Wirecard Group.

In order to uphold its responsibility, the Wirecard Group intends to define specific targets in its sustainability strategy based on the orientation of its core business, including, for example, minimum standards for energy consumption and the review of environmental risks.

## 3.2 Group strategy

### Strategic developments in the 2015 fiscal year

With operating earnings before interest, tax, depreciation and amortisation of EUR 227.3 million, Wirecard AG achieved its targets. The strategy based principally on organic growth, as well as targeted expansion in global growth markets, was successfully implemented. The forecast for the expected EBITDA in the 2015 fiscal year of between EUR 205 million and EUR 225 million was increased to a final target of between EUR 223 million and EUR 232 million due to the strong business performance in 2015. The Management Board and employees have exploited the scaling potential, maximised value added services and pushed forward the internationalisation of the Company. As a result, it was possible to increase the EBITDA margin in the 2015 fiscal year. The EBITDA margin shows EBITDA in relation to revenues and stood at 29.5 percent for the full 2015 fiscal year (2014: 28.8 percent).

As part of the global growth strategy, which the Management Board explained in the 2014 annual report, Wirecard is striving to establish a global network of service and technical locations. Due to the acquisition of the payment business of the GI Retail Group in India announced in the fourth quarter of 2015 the Company has entered one of the world's largest growth markets and expanded its presence in Asia. The aim is to utilise this successfully acquired business model to expand into further countries in Southeast Asia and to use the existing licences to increase the issuing of prepaid payment instruments and also to extend cooperation with third-party banks in the area of acquiring.

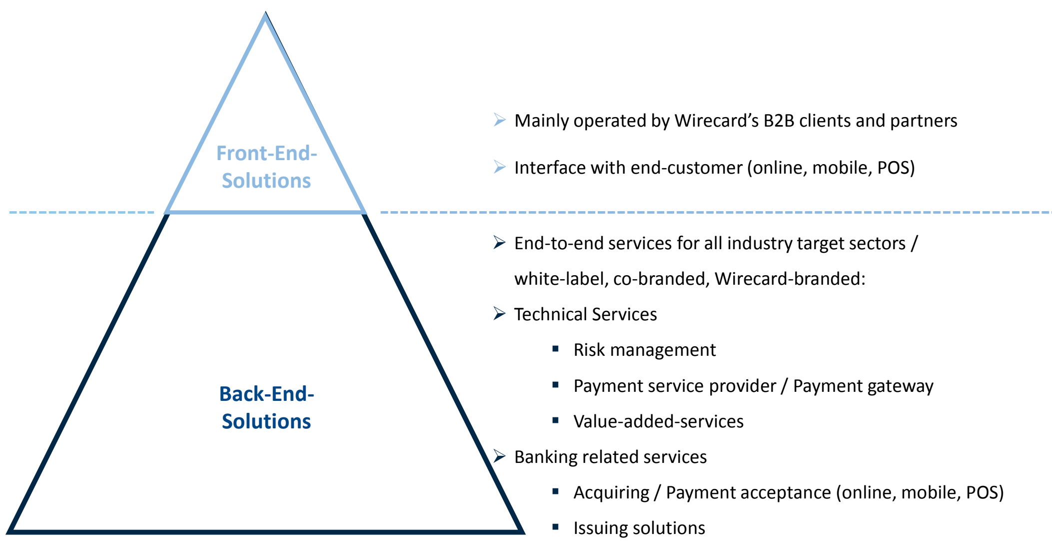
### Strategic orientation of the Group and further development of the business model:

The Management Board of Wirecard AG plans, implements and monitors the strategy. Based on the financial and non-financial targets described in the previous chapter, it focuses on the further sustainable and value-oriented growth of the Group. The orientation of the Group and the further development of the business model are based on the following strategic pillars: integration of the full value added payment chain, the convergence of sales channels and the increasing globalisation of the business model.

#### Integration of the full value added payment chain

Wirecard offers its customers the full value added chain through its products and solutions based on Internet technologies, across all areas of electronic payment processing and acceptance and through the issuing of card products. The resulting complete range of services based on Internet technologie, for all industries makes it possible to significantly reduce the complexity of electronic payment for the customers of Wirecard AG. By integrating all back-end processes in the Group and the front-end solutions offered primarily on a white label basis, the conditions are created for sutilising synergy effects and reducing costs. The extensive scope of the Group's value added activities will also make a major contribution to profitability in the coming years.

### End-to-end-services




Anticipating future developments and advancing innovations is anchored in the Wirecard strategy. The comprehensive range of products and services is based on a highly scalable software platform that is linked to banking services, risk management services and value added services. Research and development remains an important pillar for also achieving above-average growth in the future as a driver of innovation.

### Convergence of the sales channels

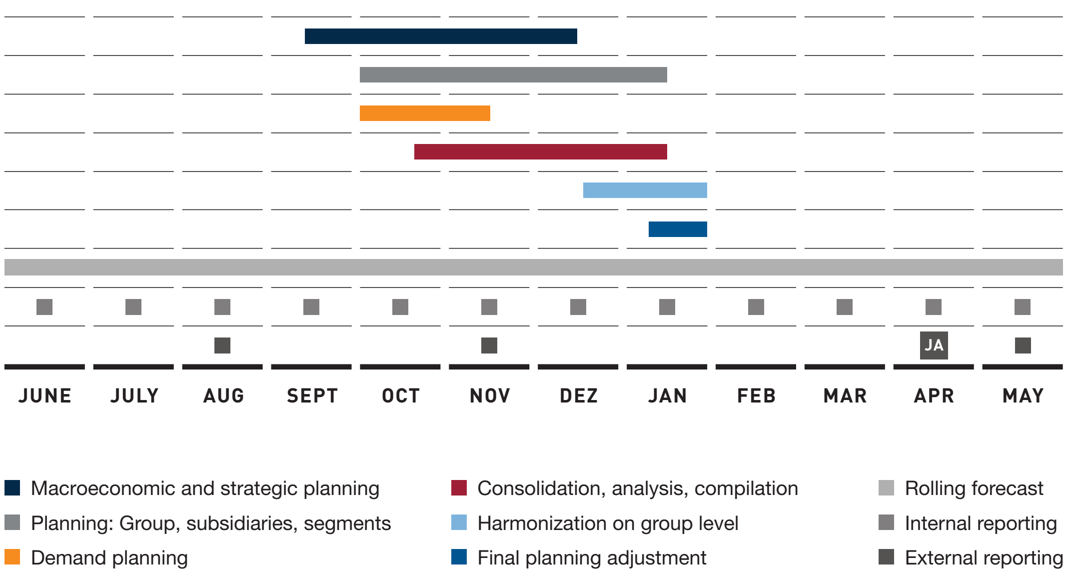
As a technology company whose products and services are fully based on Internet technology, Wirecard participates to a disproportionate level in the described development. Due to the strategic course set in previous years and followed since then, Wirecard can today offer its customers integrated solutions for omni-channel sales and enable bricks and mortar retailers to digitalise areas such as payment, marketing and customer loyalty, as well as data evaluation. Which end device is used or whether the transaction is completed in a bricks and mortar store or online will play a subordinate role in the future. This also opens up the additional potential in the growth market of e-commerce for Wirecard to handle some of the transaction volumes processed in bricks and mortar retailing via software-based mobile payment and mobile payment acceptance solutions. Additional value added services such as voucher cards, bonus points or customer loyalty programmes that are handled in real time together with the transaction offer bricks and mortar retailers the opportunity of communicating directly with their customers.

### Globalisation of the business model

The internationalisation of e-commerce and the associated level of complexity and risk in the payment area are constantly rising across all target sectors. Globally active companies require a partner who can guarantee the acceptance of globally and locally relevant payment methods including connections to local banking networks and who at the same time can minimise fraud and risk for retailers.

Wirecard enjoys an international presence with locally networked units and integrates all relevant payment methods into its global platform. The geographical growth strategy is closely linked with the objectives of supporting customers and partners globally in the best way possible through secure payment processing and acceptance and further increasing Wirecard's expertise in the area of risk management. The Wirecard Group will continue to pursue primarily organic growth in its core markets. In order to develop a global network of service and technical locations, acquisitions within the framework of the M&A strategy are possible in combination with organic growth. The strategy envisages providing customers of Wirecard AG with excellent quality and technology and service that is made readily available through the Company's presence on all continents. Acquisition opportunities will also continue to be reviewed according to a conservative M&A strategy.

## 3.3 Corporate management




In order to achieve the Company's targets (Management report, I. Foundations of the Group, Chapter 3.1), the planning and reporting system of Wirecard AG supports and secures the successful implementation of the strategy formulated by the Management Board (Management report, I. Foundations of the Group, Chapter 3.2).

Short and medium-term targets are set on the basis of the Company's long-term strategy. Targets are set based on a detailed analysis of relevant market trends, the economic environment, the development and planning of the product portfolio and the Company's strategic positioning on the market.

The annual plans at the levels of the overall Group, its subsidiaries and individual segments are prepared by analysing the financial position in the past as well as by future planning and target values. The planning system and its methodology is supplemented to reflect new accounting standards, new product development and modifications to the Group structure. Careful and precise planning is performed based on the individual specialist departments. The targets are finalised at Group level taking into account expected market growth and including all internal departmental planning results. New acquisitions are integrated seamlessly into the budgeting process and the management system. This methodology ensures demand-oriented budgeting and detailed coordination with the Management Board.

The Wirecard Group's in-house management system serves, in particular, to determine and evaluate the achievement of these targets. It is based on independent control models for each business segment. Defined key performance indicators are controlled and monitored continuously. The central indicators for corporate management are predominantly quantitative in nature, such as transaction and customer numbers or revenue and minute volumes, as well as additional indicators such as the profitability of customer relationships. Here, the focus is on profitability measured using EBITDA, as well as the relevant balance sheet ratios.

The key performance indicators are consolidated at Group level and entered into a rolling forecast of future business growth together with the financial results. The individual key performance indicators allow us to measure whether the various corporate targets have been reached, or will be reached.

Monthly reporting and continuing analysis form the central steering element within controlling. Changes to business trends are identified at an early stage through continuous monthly reconciliation of reported key indicators with business planning. This allows corresponding countermeasures to already be adopted in the early stages of a deviation from the plan. The Management Board and business area managers are constantly informed of the status of the key performance indicators as part of company-wide reporting.

The internal management system enables management to respond flexibly to changes within a dynamic market environment, thereby forming an important component of Wirecard AG's sustainable growth.

# 4. RESEARCH AND DEVELOPMENT

As a technology group, research and development (R&D) is the most important area of activity for the sustainable development of the Group. As a result of its software engineering achievements, Wirecard is able to offer innovative solutions and services on both established and new markets – new both in terms of their geographical location and area of application.

Due to the global presence of the Wirecard Group and its coverage of a number of different retail segments, Wirecard AG has a deep understanding of the market environment and its dynamics. Local presence, above all in strategic growth markets, is a decisive factor in understanding regional characteristics in different markets.

Due to a modular and scalable platform, the Wirecard Group is able to offer its customers innovative solutions along the entire payment value chain that can be adapted flexibly to meet specific requirements. The use of suitable new technologies and agile development methods ensure that resources can be efficiently and effectively deployed in a highly dynamic market environment.

## 4.1 Research and development results

In the 2015 fiscal year, R&D activities focused on expanding and implementing innovative solutions in the mobile payment area and on the fully automated integration of small and medium-sized customers. The Wirecard Checkout Portal was expanded to include specific functionalities for marketplaces to address the growing micro and small customer market.

The core area of payment acceptance is being continuously expanded. In the period under review, payment processes such as MasterPass Connect, Express Checkout and VISA Checkout were incorporated. It was also possible to realise local acquiring connections and their integration into retailer back-office automation. Solutions for financial institutions that enable banks and payment providers to quickly and efficiently launch services based on Wirecard technologies under their own brands onto the market are particularly worthy of mention in this area.

In the area of mobile payment acceptance via smartphone and tablet (mPOS), the central focus of the technological developments was the integration and certification of NFC (near field communication). At the same time, the platform was continuously expanded as part of the growing internationalisation of mPOS and enhanced to include new types of products such as intelligent value added functions.

In the area of value added services, the integrated couponing and loyalty solution was also added to the area of payment processing and acceptance. Wirecard can thus offer retailers new possibilities for addressing customers, such as offering campaigns across all sales channels, without the need to additionally issue loyalty cards. In the 2015 fiscal year, it was especially the solutions for bricks and mortar retailing that were significantly expanded. Big data analysis options mean retailers are able to conduct and evaluate campaigns in a targeted manner. It was also possible to gradually expand the use of big data technologies, guaranteeing an improvement in retailer reporting, as well as the faster and more efficient management and analysis of transactions.

Wirecard has further reinforced its portfolio of point-of-sale solutions. Based on its own terminal software, end-to-end solutions were integrated into the terminals supplied by a variety of external manufacturers in order to provide terminal management in combination with processing via the Wirecard Multi-Channel Gateway. The use of Internet technology, also in the area of payment processing at the point-of-sale, enables omni-channel solutions for all sales channels through the integration of backend processes.

The new ConnectedPOS platform for value added services ensures the efficient development, distribution and operation of value added services along the entire payment value chain. This area is currently experiencing great change, particularly in bricks and mortar retailing, giving retailers the chance to benefit from the use of digital data as has been the case for some time in the e-commerce sector. Wirecard places a special focus on flexible solutions that enable retailers to integrate the digitalisation of data and transactions into their existing POS systems without high integration costs.

The focus of our research and development activities in the area of issuing was placed on the provision of configurable mobile payment solutions, the automation of processes and providing extended self-service options for the user.

Wirecard's issuing solutions support the personalisation and provision of digital credit cards on a suitable mobile device. As a consequence, mobile end-devices have become fully fledged payment cards that can be used at all NFC-enabled acceptance points. Wirecard supports secure element based solutions both through their direct integration or via MDES (MasterCard Digital Enablement Service) and also implements them for MasterCard and Visa with the help of host card emulation (HCE). Here, sensitive payment data is stored on the secure servers operated by the card issuers.

To enable the individual design of card programmes and to serve a diverse range of markets, registration and upgrade processes can be configured for the specific amount and type of input data, which can now also be dynamically adapted to the requirements of debit cards in addition to prepaid card products – always with the focus of providing consumers with a completely continuous process without any change in media.

Expanded platform functionalities can be provided by the Payoutcard product, which focuses on business customers and is completely compatible with mobile innovations. For consumers, gift cards have also been expanded in an analogous way to include new features, making it technically possible to similarly combine them with mobile solutions. Alongside flexible fee models and the configuration of limits, the product range has been rounded off by the integration of other real-time top-up methods such as Faster Payments so that it is internationally deployable in a standardised manner.

In the 2015 fiscal year, the self-service user interface for mobile applications was initially extended for consumers. In 2016, further expansion for business customers is planned. In the first step, it will allow companies and their customer service employees to carry out important tasks via a fully flexible, role-based administrative interface, without requiring the involvement of any Wirecard employees.

In the 2015 fiscal year, the Company continued the technical consolidation of Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş., Wirecard South Africa (Pty) Ltd and Wirecard India Private Limited. In addition, Wirecard Technologies GmbH expanded its own nearshoring centre in Slovakia to ensure the Company can continue to meet the demand for highly qualified and experienced employees in the area of research and development in a tight labour market. As in the previous fiscal year, the integration and consolidation of technical platforms plays an important role in the leveraging of synergies. As a consequence, Wirecard customers worldwide have access to an extensive, constantly growing and standardised portfolio of products and solutions.

## Research and development expenditure

Expenditure on research and development was increased to EUR 41.9 million in the 2015 fiscal year (2014: EUR 38.5 million). The ratio of research and development expenses to total revenues (R&D ratio) was 5.5 percent in the period under review (2014: 6.4 percent). The share of total research and development costs accounted for by capitalised development costs (capitalisation ratio) amounted to 67.5 percent (2014: 64.8 percent). In comparison to the previous year, this item increased primarily as a result of growth activities in the core areas of payment acceptance and the continuous development of the Payment Gateway, automatic retailer account registration, risk management, issuing, loyalty and couponing and value added services, as well as due to the further development and integration of technologies such as BLE and HCE in the mobile payment area.

These expenses are included in the personnel expenses of the respective departments (Payment & Risk Services, Issuing Services, Mobile Services, etc.) as consultancy expenses and other costs. Amortisation of capitalised development costs amounted to kEUR 9,798 in the year under review (2014: kEUR 7,150).

## Employees in research and development

Employees in research and development departments comprise one of the key pillars of the Wirecard Group through their contributions to the success and profitability of its business. The Group employed an average of 947 employees during the year (2014: 768 employees). They are responsible for product and project management, architecture, development and quality assurance. Expressed as a proportion of the total number of employees, this corresponds to 45 percent (2014: 44 percent). Alongside organic growth, the increase in the number of employees in the area of research and development is also due to acquisitions.

The qualifications, experience and dedication of employees represent key factors for driving the success of our research and development activities. Our competitive advantage from a technological perspective is ensured by an open culture that allows employees the scope to unfold their creativity and innovative strengths.

## 4.2 Outlook

With respect to the current fiscal year, a large number of initiatives are again planned that will support the Company's strategy in the area of new and innovative products, as well as help expand its global footprint. The focus here is being placed on, amongst other things, the existing use of technologies such as HCE and the integration of MDES and VTS (Visa Token Service), which will greatly propagate mobile payment solutions due to their easy availability for consumers. This solution will be available for use in own products and can also be integrated into the applications used by banks and retail companies. In this fiscal year, the aim is to standardise the combination of traditional cards with mobile products. This will not only involve the streamlining of setup processes but also the expansion of the user interface so that co-branding and business partners can manage programmes themselves. In addition, prepaid and debit cards will be supplemented by credit functions, rounding off the product portfolio with the aim of addressing the entire market. Furthermore, the development of new product ideas such as family cards is planned.

In the area of payment processing, the focus in 2016 will be on expanding the supported relevant payment processes in different markets and also on delivering innovative solutions to support retailers in maximising their business and in processing payments in the most effective and efficient way possible. In order to develop POS payment processing based on Internet technologies, existing payment processes will be supplemented by the acceptance of other local payment methods.

In the area of value added services, the focus will continue to be placed on the data driven automation of campaigns and services. The platform for value added services will be gradually opened up to external services to allow the potential offered by the dynamic market in this area to be exploited even better than before. Furthermore, self-service reporting functionalities will be expanded to include business intelligence and merchant analytics.

The security of all processed customer and payment data remains the key focus and forms a central theme during all product developments and the application of all solutions.

# 5. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB), REMUNERATION REPORT AND TAKEOVER LAW DISCLOSURES

The corporate governance statement pursuant to Section 289a (1) of the German Commercial Code (HGB) forms part of the management report. The corporate governance statement can be found in the section “To our shareholders”, Corporate Governance Report.

The remuneration report comprises the principles that apply to the setting of total remuneration for the members of Wirecard AG’s Management Board, and explains the structure and amount of the remuneration for the members of the Management and Supervisory Boards. The remuneration report forms part of the management report and can be found in the section “To our shareholders”, Corporate Governance Report.

The takeover law disclosures (pursuant to Section 289 (4) and Section 315 (4) of the German Commercial Code [HGB]) form part of the management report and can be found in section “To our shareholders”, Corporate Governance Report.

771

**REVENUE IN MN EUROS**
IN 2015

2,936

**TOTAL ASSETS IN MN EUROS**
IN 2015

# 1.16

**EARNINGS PER SHARE IN EUROS** IN 2015

# 227

**EBITDA IN MN EUROS** IN 2015

# II. Economic Report
# 1. GENERAL CONDITIONS AND BUSINESS PERFORMANCE

## 1.1 Macroeconomic conditions

### Global economic conditions

The International Monetary Fund (IMF) published its growth forecast of 3.1 percent for 2015 in its World Economic Outlook in January. In the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam), the IMF forecast growth of 4.7 percent. The IMF forecast 1.3 percent growth in South Africa for 2015.

According to calculations made by the European Commission in February 2016, gross domestic product in the European Union grew in the year under review by 1.9 percent and in the eurozone by 1.6 percent.

### Sector-specific conditions

The European e-commerce market grew by around 12 percent in 2015. Wirecard calculates this figure from the percentage growth figures of the Statista market research institute and the sector association Ecommerce Europe.

## 1.2 Business performance in the period under review

In the 2015 fiscal year, Wirecard AG achieved its targets and increased the number of existing customers to roughly 22,000. New customer trends were very positive in all target sectors for the Wirecard Group. In the Company's core business, it was possible to expand cooperation with numerous existing customers. New customers were acquired from all industries and sectors. Supplementing existing payment methods and risk management solutions provides a good example of how existing business relationships can be expanded and innovative Wirecard solutions integrated.

The trend toward internationalisation continued in the core e-commerce business. Products based on NFC or HCE technologies have gained in importance and been positioned on the market.

Wirecard offers a fully automated solution for the rapid configuration and acceptance of all common international payment methods with the Wirecard Checkout Portal, enabling small and medium-sized retailers to also participate in international e-commerce. The entire set-up process is completed online without any change in media. The portal offers a plug-in tool that enables online card payments and payment options to be tailored according to standardised customer requirements. Wirecard made it possible for retailers in Eastern Europe to use payment solutions offered via the Checkout Portal in combination with Google Services. This service will be offered in co-operation with a Polish partner in future.

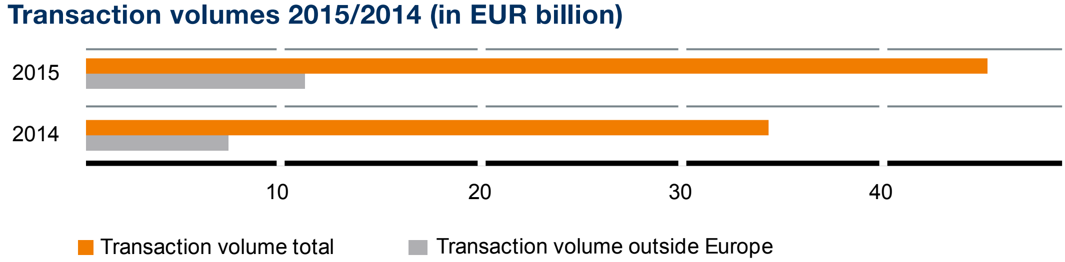
Wirecard's key unique selling points include its combination of software technology and banking products, the global orientation of the payment platform and innovative solutions that allow electronic payments to be processed efficiently and securely.

The major share of consolidated revenues is generated on the basis of business relations with providers of merchandise or services on the Internet who outsource their payment processes to Wirecard AG. This means that conventional services for the settlement and risk analysis of payment transactions performed by a payment services provider are closely linked with credit card acceptance (acquiring) performed by Wirecard Bank AG and third party banks.

Inherent to the technical platform are scaling effects due to the growing share of business customers who increase transaction volumes through acquiring-related bank services, as well as new products.

Fee income from the core business of Wirecard AG, namely the acceptance and issuing of means of payment along with associated value added services, is generally proportionate to the transaction volumes processed. Transaction volumes in the 2015 fiscal year amounted to EUR 45.2 billion (2014: EUR 34.3 billion), which corresponds to growth of 31.8 percent. The proportion of the overall transaction volumes outside Europe was 24.8 percent (2014: 21.6 percent) at EUR 11.2 billion (2014: EUR 7.4 billion) which corresponds to growth of 51.4 percent.

## Transaction volumes 2015/2014 (in EUR billion)



## Transaction volumes 2015

**45.9%** **Consumer goods**
Distance trade (mail order) and brick and mortar shops
All sales channels – in each case physical products

**20.0%** **Travel and mobility**
Airlines, hotel chains, travel portals, tour operators, cruise lines, ferries, car rental companies, transport and logistic companies

**34.1%** **Digital goods**
Internet portals, download sites, app-software companies, career portals, dating portals, gaming providers, telecommunications providers, internet telephony, sports betting, gambling (poker)

## Target sectors

With direct sales distributed across the Company's target sectors – and thanks to its technological expertise and broad spectrum of services – Wirecard AG continued its operational growth in the fiscal year 2015, while at the same time further broadening its customer base and extending its international network of cooperation and distribution partners.

The centralisation of cash-free payment transactions from a variety of distribution and procurement channels on one single platform is a unique selling point of the Wirecard Group. In addition to new business from taking over payment processing, risk management and credit card acceptance in combination with ancillary and downstream banking services, significant cross-selling opportunities exist in business with existing customers that will contribute to consistent growth as business relationships expand.

50.9 percent of consolidated revenues in the year under review was generated in the consumer goods segment (2014: 50.5 percent). Digital goods accounted for 33.5 percent of consolidated revenues (2014: 33.0 percent), while travel and mobility accounted for 15.6 percent of consolidated revenues (2014: 16.5 percent).

### Consumer goods

The acquisition of numerous new customers and the expansion of existing customer relationships demonstrate Wirecard's business success in all sales channels. In the consumer goods sector, a clear trend can be seen in which, alongside purely online retailers, an increasing number of large, traditional point-of-sale or B2B oriented companies such as Lidl or SAP now require a partner in the area of payment processing and risk management for the implementation of their global e-commerce strategies.

Sparhandy.de – an online reseller of smartphones and accessories – has been working with integrated payment solutions from Wirecard since July 2015. Other examples include the designer outlets bestsecret.com and Iris von Arnim, as well as the furniture dealer casando.

Spectrum Brands, a US consumer goods group with leading brands such as VARTA, Remington or Russell Hobbs, is utilising integrated payment services from Wirecard AG for its European e-commerce strategy. Wirecard has been supporting the Heise publishing house – which specialises in the subject of IT – as a payment service provider for its online shop and for the processing of online subscriptions since this year.

Wirecard AG has been supporting Krones AG, a leading manufacturer of filling and packaging technology, in the development of its e-commerce strategy with integrated payment solutions since the fourth quarter of 2015. Krones.shop, a B2B online shop for small and replacement parts, was launched in Germany and is currently available in a further eight countries. Following a gradual expansion throughout Europe, this global, listed company with over 80 sales and service branches is also planning to offer its range of products around the world. Krones already sells around 90 percent of its products abroad.

### Digital goods

In the digital goods sector, the customer portfolio was expanded above and beyond the traditional areas of downloads and games to include areas such as language schools, fitness centre subscriptions or media companies. Alongside the acquisition of new customers, another driver of growth is the expansion of existing business and customer relationships. Since Sky Deutschland AG became a new customer at the beginning of 2014 with its online video library Snap by Sky, it has been possible to expand cooperation between the companies. Since 2015, Sky has placed its trust in Wirecard's end-to-end solutions for the billing of pay TV subscriptions and the processing of payments for Sky Online.

Wirecard has been supporting gamigo AG, a leading company in the rapidly growing market of online games in Europe and North America, with customer support and online payment services since the end of 2015.

### Travel and mobility

The target sector of travel and mobility has also yielded numerous new customers during the course of the year such as LSG Sky Chefs, a subsidiary of Deutsche Lufthansa AG, which is a caterer for airlines, train companies, schools and other institutions across the world. Wirecard has also been able to lay the foundations for a strategic partnership through its cooperation with Lufthansa City Center.

Alongside numerous airlines (such as Thai Airways or the Belgium company VLM Airlines), Wirecard has also been able to secure other renowned companies in the sector as customers. For example, Wirecard is supporting the taxi company Premier Taxis in Singapore and its fleet of more than 2,000 vehicles with an innovative payment infrastructure.

An innovative solution for PCI DSS (Payment Card Industry Data Security Standard) compliant processing of card data was presented at the leading specialist trade fair for the international tourism industry (ITB Berlin 2015). For the complete expansion of its tokenisation service, Wirecard is able to offer secure card payment processing in a PCI compliant environment. In the form of a token, the data can now also be used dynamically at every step of the booking process. The token can be passed across system boundaries at any time during the booking process or converted back into credit card data. In the “Sprungbrett” competition run by the VIR (Verband Internet Reisevertrieb e.V.), Wirecard was able to take 2nd place in the “Established” category for this solution.

After the end of the reporting period, Wirecard announced its cooperation with ÖBB (Austrian Federal Railways).ÖBB is currently completely reorganising its sales system, while delivering the same functional design and structure across all customer contact points. The goal is to satisfy the new requirements of customers in the areas of service and mobility.ÖBB has found a strong partner in Wirecard for the development of new payment and service possibilities and adapting them to the latest technological standards.

Since the beginning of 2016 Wirecard is supporting Siemens Mobility as it takes a step towards the future of transportation. Using a combination of innovative mobility and secure payment services, the aim is develop new solutions in the area of intermodal mobility. Customers benefit from an intuitive and seamless user experience because different modes of transport together with their direct payment are combined into one solution. The solution includes route recommendations, planning and booking in the public transport sector and other options such as car sharing – all made available in one booking process with one secure payment transaction.

## Business performance in PP&RM

The PP&RM segment accounts for all products and services for electronic payment processing and risk management. The dynamic business growth in this segment is due to both an increase in European and also non-European transaction volumes. In line with this growth in transaction volumes, the proportion of Wirecard's transaction volumes processed via acquiring partners, which are also allocated under the PP&RM segment, has also increased.

In the fourth quarter, an expansion of the cooperation between Wirecard and Alipay, an Ant Financial company that is part of the Alibaba Group, was announced. The companies are cooperating in the provision of point-of-sale payment acceptance for the Alipay Wallet. The solution is intended for bricks and mortar retailers in Europe who want to be able to offer Chinese tourists the leading Chinese payment method Alipay with immediate effect. It will allow European retailers to benefit from the fast growing Chinese tourism market, worth around USD 165 billion in 2014 according to the World Tourism Organisation (UNWTO).

In addition, business with existing and new customers developed very successfully in Asia in 2015. The spectrum of services in Asia now ranges from payment transactions, network operating and technology services through multi-channel payment solutions to contactless and mobile payment transaction solutions, as well as issuing processing (technical processing of card transactions).

The positive trend in business is also characterised by technology transfers that enable our new subsidiaries in Southeast Asia to operate with an expanded portfolio of solutions in the Asian markets. The successful fiscal year 2015 in Asia was due to large POS and mPOS projects successfully introduced by Asian subsidiaries of Wirecard AG in cooperation with partner banks and/or large retail companies.

In cooperation with the bank CIMB, Wirecard has been able to secure another business partner in Singapore for its innovative payment solution, namely Premier Taxis. Wirecard is supporting the taxi company and its fleet of more than 2,000 vehicles with an innovative payment infrastructure. This includes the acceptance of numerous types of cards, as well as card terminals for real-time cashless payments.

In addition, the company M1 – a leading telecommunications company in Singapore – has launched its mPOS solution called M1 mPOS in partnership with CIMB, MasterCard and Wirecard. Small and medium-sized enterprises can utilise the M1 mPOS solution to easily and securely accept credit card, debit card and prepaid card payments via smartphones and tablets.

Via its subsidiary Wirecard NZ Limited with headquarters in New Zealand, Wirecard AG already agreed to cooperate with Cuscal Limited, a leading provider of payment services in Australia, in the first half of 2015. Cuscal utilises solutions from Wirecard in the area of acquiring and issuing.

### Business performance in acquiring, financial services and issuing

In the period under review, the acquiring volumes increased in line with the growing core business of payment processing. Wirecard Card Solutions Ltd. has now expanded its product portfolio to include card acceptance. The Wirecard Group is increasingly focusing on cooperation with third-party banks (BIN sponsorship) so that it can offer fully integrated acquiring solutions outside of its licence area of Europe.

Wirecard Bank generates most of its revenues within the Group through the sales structures of its sister companies. This comprises financial services for companies via card acceptance contracts, business accounts and foreign currency accounts. As a result of cooperations with FinTech companies, Wirecard Bank is currently opening up a new business area in which it is able to provide payment services in addition to its banking licence.

Foreign exchange management services for airlines and e-commerce providers who book incoming payments in various currencies as a result of their international business are also being increasingly utilised. These services provide a secure calculation basis, whether for settlement of merchandise and services in a foreign currency or when receiving a foreign currency from concluded transactions.

Revenues in the Issuing business area comprise B2B product lines such as the Supplier and Commission Payments solution, as well as B2C prepaid card products. The cooperation between Visa Europe and Wirecard to launch the digital wallet V.me by Visa has enabled Wirecard to offer V.me by Visa as a payment option to online retailers since autumn 2015.

During the period under review, Wirecard Card Solutions Ltd. acquired numerous new customers for the issuing of prepaid debit cards, gift and voucher cards for retailers and various payment cards for MasterCard. In addition, the Vodafone Group, Orange and E-Plus utilise Wirecard Card Solutions as an issuer as part of their mobile payment initiatives.

Products and solutions in the mobile payment business area continue to attract growing interest from the public. In the past few months, Wirecard AG was able to further expand the development and launch of products and solutions in the mobile payment, mPOS and couponing and loyalty business areas. These new products can be used to make secure payments via mobile devices and offer users a constantly growing number of value added services.

NFC is now supported as the global transmission standard by all large device manufacturers. This has created the prerequisites for trend-setting investment decisions that will be made by the trade and the financial industry in the mobile payment area.

Alongside NFC and QR code, Wirecard has integrated Bluetooth low energy (BLE) under the name "Bluetooth BLE Smart Payment", as well as HCE, as additional payment technologies to their existing mobile wallet platform. BLE facilitates data transmission over distances of up to ten metres. In combination with microsensors, so-called beacons, this innovative technology makes location-based services available. HCE makes it possible to carry out secure, NFC-based transactions for payments and services via mobile apps, regardless of whether a physical secure element is available on the mobile phone. All data generated during a transaction is thus no longer saved onto a hardware element, but rather stored on a secure centralised server.

Wirecard's digital HCE payment solution boon – which was initially launched on the German market for Android devices in November 2015 – combines innovative and secure payment functionalities, loyalty and couponing and numerous services in the area of personal finance. It will also be possible to use boon as a secure payment method for e-commerce transactions in the future. Following its launch in Germany, boon is being gradually rolled out across Europe and is already available in countries such as Belgium, Ireland, the Netherlands, Austria and Spain. The payment app boon will be offered as a Wirecard or co-branding solution in collaboration with sales and cooperation partners. In this way, Wirecard will provide, for example, telecommunications providers, banks or retailers with direct access to markets through a mobile payment solution.

The Dutch company MyOrder, a subsidiary of the Dutch Rabobank Group, uses solutions from Wirecard to issue contactless mobile payment cards based on HCE technology. MyOrder is an mCommerce platform with value added services such as a mobile ordering and loyalty system.

Wirecard is also supporting the Indian Fin-Tech product SpeedPay with its virtual prepaid credit card solution. The mobile prepaid wallet is being developed for the Indian market together with local partners and enables Indian users to carry out domestic money transfers and make cash deposits and withdrawals at authorised SpeedPay sales outlets, as well as settling invoices and topping up prepaid mobile phones.

The mobile telephone provider Orange – a strategic partner of Wirecard in the area of mobile payment – started the nationwide launch of the payment service Orange Cash in France in October 2015. This service, which was previously only available in a selection of French cities, is now being offered nationwide. More than 30,000 retailers are participating in campaigns for this product which is based on Visa cards. The Wirecard Group had previously supported the launch of the mobile payment service Orange Cash in Spain. Wirecard provides the e-money and issuing licenses, as well as the technical platform for the mobile payment application. It is also responsible for the design, implementation and handling of all technical and financial processes for the payment application.

### Business performance in Call Center & Communication Services

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

The hybrid call centre structure, in other words, the bundling of virtual and bricks and mortar call centres, also enables third-party customers to benefit from “premium expert services” in the following segments:

- Financial services
- First & second level user helpdesk (specifically in the field of console, PC and mobile games, as well as commercial software, security and navigation)
- Mail order/direct response TV (DRTV) and targeted customer service (outbound)
- Market research and opinion polling/webhosting
- Telecommunications (customer service & support, back-office services)

In the fiscal year, Wirecard Communication Services GmbH further expanded its customer relationships. As part of agreements with telecommunications service providers, the call centre is currently rendering services for E-Plus, Deutsche Telekom, Telefónica Germany, the Vodafone Group and Orange.

# 2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Wirecard AG generally publishes its figures in thousands of euros (kEUR). As a result of rounding, it is possible that the individual figures do not add up exactly to form the totals stated and that the figures and percentages do not give an exact representation of the absolute values to which they relate.

### Result of operations

In the 2015 fiscal year, Wirecard AG achieved further significant growth in both revenue and operating profit.

### Revenue trends

In the 2015 fiscal year, consolidated revenues grew by 28.3 percent from kEUR 601,032 to kEUR 771,340.

Revenue generated in the 2015 fiscal year in the core segment of Payment Processing & Risk Management, arising from risk management services and the processing of online payment transactions, increased by 30.8 percent from kEUR 443,400 to kEUR 579,900.

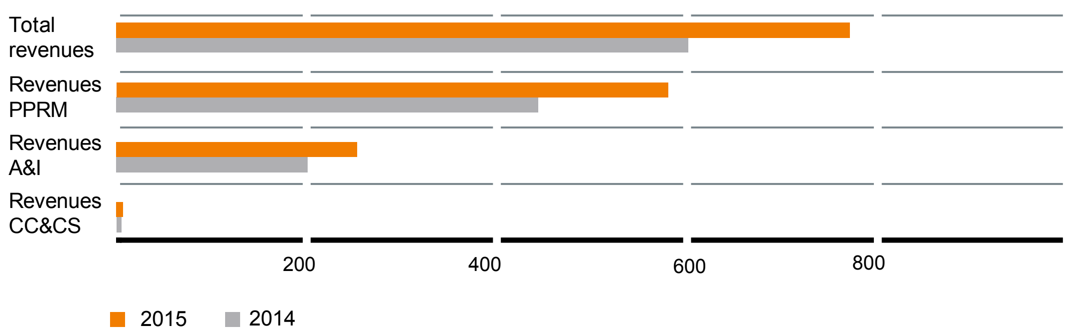
The share of the total consolidated revenue accounted for by the Acquiring & Issuing segment grew by 23.2 percent in the 2015 fiscal year to reach kEUR 252,957 (2014: kEUR 205,296), of which the share accounted for by Issuing amounted to kEUR 56,490 in the 2015 fiscal year (2014: kEUR 48,262).

Revenue from Acquiring & Issuing in the 2015 fiscal year primarily comprised commissions, interest, financial investments and revenue from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. This entails the investment of customer deposits by Wirecard Bank and Wirecard Card Solutions (31 December 2015: kEUR 582,464; 31 December 2014: kEUR 396,733) short-termed in sight deposits, overnight deposits, fixed-term deposits as well as the base liquidity in the longer-term variable-rate bearer bonds and borrower's note loans of selected issuers with a minimum (A-) investment-grade rating, partially with a minimum interest rate. In addition, the Group prepares its own risk evaluation for counterparties.

The interest income generated by the Acquiring & Issuing segment in the 2015 fiscal year totalled kEUR 4,156 (2014: kEUR 3,148) and is recognised as revenue. Accordingly, it is not included in the Group's financial result but is reported here also as revenue. It comprises interest income on the investments of own as well as customer deposits (deposits and acquiring money) with external banks.

The Call Center & Communication Services segment generated revenues of kEUR 6,766 in the period under review, compared with kEUR 5,326 in the 2014 fiscal year.

**Trends in total/segment revenue (consolidated, in EUR mn)**




## Trends in key expense items

The item other own work capitalised primarily comprises the continued development of the core system for payment processing activities as well as investments in mobile payment projects. In this regard, own work is only capitalised if it is subject to mandatory capitalisation in accordance with IFRS accounting principles. Capitalisations amounted to a total of kEUR 28,293 in the 2015 fiscal year (2014: kEUR 24,978). It is corporate policy to value assets conservatively and to capitalise them only if this is required in terms of international accounting standards.

The Group's cost of materials increased in the 2015 fiscal year to kEUR 418,935, compared to kEUR 340,599 in the previous year. The cost of materials mainly comprises charges by the credit card issuing banks (interchange), charges by credit card companies (for example, MasterCard and Visa) and transaction costs, as well as transaction-related charges to third-party providers (for example, in the areas of risk management and acquiring). Expenses for payment guarantees and purchases of receivables are also included in the area of risk management. The area of acquiring also includes commission costs for external sales.

In the Acquiring & Issuing segment, the cost of materials in the business areas of acquiring, issuing and payment transactions primarily comprises, alongside the interchange fee, processing costs for external service providers, production, personalisation and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts.

Group gross profit (revenue including other own work capitalised less cost of materials) increased by 33.4 percent to kEUR 380,698 in the 2015 fiscal year (2014: kEUR 285,412).

Group personnel expenses rose to kEUR 96,378 in the 2015 fiscal year, up by 45.1 percent year on year (2014: kEUR 66,432). The consolidated personnel expense ratio increased by 1.4 percentage points year on year to 12.5 percent. The growth in personnel expenses is due to corporate acquisitions and new appointments in connection with mobile payment projects, which also render this item difficult to compare with previous years.

Other operating expenses mainly comprise the cost of legal advice, expenses related to the preparation of financial statements, business equipment and leasing, office costs, sales and marketing expenses, and personnel-related expenses These amounted to kEUR 62,665 within the Wirecard Group in the 2015 fiscal year (2014: kEUR 53,428), which corresponds to 8.1 percent of revenue (2014: 8.9 percent). This also includes costs for the further development of the multi-channel platform and mobile payment projects.

Amortisation and depreciation is broken down into two positions and the previous year's figures have been correspondingly adjusted to the new structure. It was broken down so that the amortisation and depreciation of assets which result from business combinations and acquired customer relationships (M&A-related) could be presented separately. In the fiscal year 2015, the M&A adjusted amortisation and depreciation amounted to kEUR 29,895 (2014: kEUR 20,728). The M&A-related amortisation and depreciation of assets stood at kEUR 24,576 (2014: kEUR 19,357) in the fiscal year 2015 and was reported separately. As the Company has a high level of M&A activity, this differentiation makes it easier to compare this item. Amortisation and depreciation rose year on year in the 2015 fiscal year, mainly due to investments realised in property, plant and equipment, further development of the multi-channel-platform, mobile payment projects and as a result of the acquisitions of companies and assets.

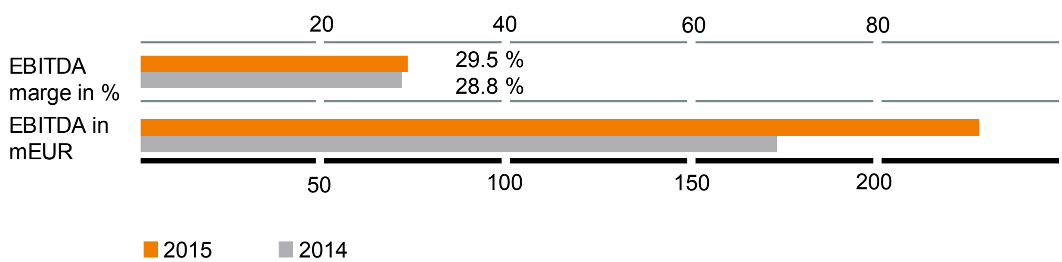
Other operating income resulted from acquisitions to the amount of kEUR 1,990 and various smaller items, including income from currency translation differences, the income from release of provisions/accruals, income from reversal of valuation allowances applied to receivables and income from offset benefits in kind and amounted to kEUR 5,659 at Group level in the 2015 fiscal year, compared with kEUR 7,390 in the previous year.

## EBITDA trends

The pleasing growth in earnings is due to the increase in transaction volumes processed by the Wirecard Group, scaling effects from the transaction-oriented business model and from the increased use of our banking services.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) grew in the 2015 fiscal year by 31.4 percent, from kEUR 172,941 in the previous year to kEUR 227,315. The EBITDA margin improved to 29.5 percent in the 2015 fiscal year (2014: 28.8 percent).

### Trends in EBITDA/margin




The EBITDA of the Payment Processing & Risk Management segment stood at kEUR 189,201 in the 2015 fiscal year and grew by 35.9 percent (2014: kEUR 139,193). The share of the EBITDA accounted for by the Acquiring & Issuing segment in the 2015 fiscal year stood at kEUR 37,591 (2014: kEUR 33,406), of which the share of the EBITDA accounted for by issuing in the 2015 fiscal year amounted to kEUR 12,715 (2014: kEUR 12,949).

## Financial result

The financial result amounted to kEUR – 7,175 in the 2015 fiscal year (2014: kEUR – 6,738). Group financial expenses stood at kEUR 9,338 in the 2015 fiscal year (2014: kEUR 8,100) and resulted primarily from the accounting-related unwinding of a discount on liabilities particularly in relation to the earnouts for corporate acquisitions and the interest expenses from loans andleasing. The Group's financial result does not include interest income generated by Wirecard Bank and Wirecard Card Solutions Ltd., which must be reported as revenue in accordance with IFRS accounting principles.

### Taxes

Owing to the international orientation of the business, the cash tax rate (excluding deferred taxes) amounted to 13.2 percent in the 2015 fiscal year (2014: 13.8 percent). Including deferred taxes, the tax rate came to 13.9 percent (2014: 14.4 percent).

### Earnings after tax

Earnings after tax in the 2015 fiscal year increased by 32.2 percent year on year, rising from kEUR 107,929 to kEUR 142,646.

### Earnings per share

The average number of issued shares on an undiluted basis amounted to 123,496,956 shares in the 2015 fiscal year (2014: 121,741,803 shares). Basic (undiluted) earnings per share stood at EUR 1.16 in the 2015 fiscal year (2014: EUR 0.89).

## Financial position and net assets

### Principles and objectives of financial management

The primary objectives of financial management are to secure a comfortable liquidity situation at all times and maintain operational control of financial flows. The Treasury department is responsible for monitoring currency risks. Following individual inspection, risks are hedged by the additional deployment of financial derivatives. As in the previous year, currency options were deployed as financial derivatives to hedge revenues in foreign currencies in the period under review. It has been stipulated throughout the Group that financial derivatives should not be deployed for speculative purposes (see Management report, III. Forecast and report on opportunities and risks, chapter 2.8 Financial risks).

## Capital and financing analysis

### Change of financial position

| in kEUR | 31 Dec 2015 | 31 Dec 2014 | Change in percent |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **I. Equity attributable to Wirecard AG shareholders** | | | |
| 1. Subscribed capital | 123,566 | 123,491 | 0% |
| 2. Capital reserve | 494,682 | 493,073 | 0% |
| 3. Retained earnings | 579,837 | 453,244 | 28% |
| 4. Revaluation reserve | 78,799 | 0 | |
| 5. Translation reserve | 3,630 | 3,078 | 18% |
| **Total equity** | **1,280,513** | **1,072,886** | **19%** |
| | | | |
| **II. Liabilities** | | | |
| 1. Non-current liabilities | | | |
| Non-current interest-bearing liabilities | 358,146 | 89,329 | 301% |
| Other non-current liabilities | 71,912 | 29,257 | 146% |
| Deferred tax liabilities | 53,266 | 28,721 | 85% |
| | **483,325** | **147,307** | **228%** |
| 2. Current liabilities | | | |
| Liabilities of acquiring business | 333,924 | 282,832 | 18% |
| Trade payables | 25,988 | 15,535 | 67% |
| Interest-bearing liabilities | 12,579 | 9,030 | 39% |
| Other provisions | 1,421 | 1,284 | 11% |
| Other liabilities | 201,201 | 60,053 | 235% |
| Customer deposits from banking operations | 582,464 | 396,733 | 47% |
| Tax provisions | 14,087 | 9,498 | 48% |
| | **1,171,663** | **774,966** | **51%** |
| **Total liabilities** | **1,654,988** | **922,273** | **79%** |
| **Total equity and liabilities** | **2,935,501** | **1,995,159** | **47%** |

Wirecard AG reports equity of kEUR 1,280,513 (31 December 2014: kEUR 1,072,886). Due to the nature of our business, the highest liabilities lie with retailers in the area of credit card acquiring and customer deposits in the banking business. These have a substantial effect on the equity ratio. The commercial banks that granted Wirecard AG loans as of the 31 December 2015 amounting to kEUR 370,725 at interest rates of between 0.85 and 3.95 percent did not take these items into account in their equity capital calculations for the credit agreements concluded due to the nature of the business model. According to Wirecard AG, this calculation reflects a true and fair view of the Company's actual position. These banks determine Wirecard AG's equity ratio by dividing the amount of liable equity capital by total assets. Liable equity capital is determined by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. Any receivables due from shareholders or planned dividend payments must also be deducted. Total assets are identified by subtracting the customer deposits of Wirecard Bank and Wirecard Card Solutions Ltd., the acquiring funds of Wirecard Bank (31 December 2015: kEUR 281,837; 31 December 2014: kEUR 240,212) and the reduction in equity from the audited total assets, while leasing liabilities are added back to these total assets. This calculation gives an equity ratio of 56.2 percent for Wirecard AG (31 December 2014: 76.5 percent).

The increase in interest-bearing liabilities of EUR 272,366 is related to acquisitions, whereby the largest proportion was attributable to the acquisition made in India.

The increase in other non-current liabilities and other liabilities was accordingly a result from the acquisition of the Great Indian Retail Group because these items contain the purchase price liabilities. Despite the transfer of control of the Indian companies GI Retail andStar Global to Wirecardby a multi-level closing process at the end of 2015, a portion of the purchase price was paid at the beginning of 2016.

## Investment analysis

Alongside the acquisition of Wirecard India Pte. Ltd, the investments in strategic transactions/M&A also included the acquisition of the payment business of the Great Indian Retail Group. In the item customer relationships, the investment is linked with the acquisition of the customer portfolio of Lufthansa AirPlus Servicekarten GmbH. The securities reported under investments relate to securities that were not held by Wirecard Bank but by other Group companies. Fixed-term deposits held by Wirecard Bank are related to customer deposits that should not be included in cash and cash equivalents reported in the cash flow statement in accordance with IAS 7.22.

This mainly affects:

### Substantial cash outflows for investments

| in kEUR | 2015 | 2014 |
|---|---|---|
| Strategic transactions/M&A | 144,545 | 85,313 |
| Customer relationships | 9,534 | 22,800 |
| Licences | 0 | 4,000 |
| Securities and medium-term financing agreements | 13,799 | 11,500 |
| Internally-generated intangible assets | 28,293 | 24,978 |
| Other intangible assets (software) | 13,037 | 15,877 |
| Property, plant and equipment | 13,147 | 7,301 |

### Liquidity analysis

Current customer deposits are reported on the equity and liabilities side of the Wirecard consolidated financial statements as other liabilities (customer deposits). These customer funds are comparable in economic terms with short-term (bank) due on demand overdraft facilities. Separate accounts have been set up for customer deposits on the assets side of the balance sheet (as of 31 December 2015 in the amount of kEUR 582,464; 31 December 2014: kEUR 396,733). These may not be used for any other business purposes. Given the total amount of the customer deposits, securities (so-called collared floaters and current interest-bearing securities and fixed-term deposits) with a nominal value of kEUR 168,373 (31 December 2014: kEUR 162,155) are held, and deposits with the central bank, and sight and short-term fixed-term deposits with banks are maintained in an amount of kEUR 419,539 (31 December 2014: kEUR 237,766). These are reported in the Wirecard Group under the balance sheet items of “cash and cash equivalents”, “non-current financial and other assets” and “current interest-bearing securities”. They are not included in the cash and cash equivalents reported in the cash flow statement. This amounted to kEUR 633,690 as of 31 December 2015 (31 December 2014: kEUR 456,127).

As far as the liquidity analysis is concerned, it should also be noted that liquidity is influenced by balance sheet date effects because of the Company's particular business model. The liquidity which Wirecard receives from its retailers' credit card revenues and which it will pay out to the same retailers in future is available to the Group for a transitional period. It should be noted in this context especially that a very sharp increase in the operational cash flow in the fourth quarter, which is mainly due to delayed payouts on account of the public holidays, is expected to be offset by a countervailing cash flow trend in the first half of the following year.

To enhance transparency and illustrate this influence on cash flow, Wirecard AG, in addition to its usual presentation of cash flows from operating activities, reports a further cash flow statement that eliminates items that are of a merely transitory nature. This supplementary information helps to identify and convey the cash-relevant portion of the Company's earnings.

The cash flow from operating activities (adjusted) amounting to kEUR 199,685 clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times.

Interest-bearing liabilities are mainly non-current and were utilised for realised M&A transactions. The Group's interest-bearing liabilities to banks increased by kEUR 272,366 to kEUR 370,725 (31 December 2014: kEUR 98,359). Wirecard AG has EUR 661 million of lending commitments (31 December 2014: EUR 382 million). Along with the loans recognised in the balance sheet, additional credit lines from commercial banks amounting to EUR 290 million are consequently available (31 December 2014: EUR 283 million). Lines for guarantee credit facilities are also available in an amount of EUR 22.5 million (31 December 2014: EUR 24.5 million), of which an unchanged amount of EUR 17 million has been utilised.

The lending commitments to Wirecard increased significantly on 23 March 2016. The commitments increased by kEUR 377,000 from this point in time. These commitments not only confirm the solid financial position of the Wirecard Group but also enable Wirecard to continue to pursue the Company's strategy of strong organic growth in combination with selected acquisitions in the future.

## Net assets

### Change of net assets

| in kEUR | 31 Dec 2015 | 31 Dec 2014 | Change in percent |
|---|---|---|---|
| **I. Non-current assets** | | | |
| 1. Intangible assets | | | |
| Goodwill | **489,301** | 218,202 | 124% |
| Customer relationships | **385,451** | 341,365 | 13% |
| Internally-generated intangible assets | **80,639** | 62,173 | 30% |
| Other intangible assets | **65,869** | 49,229 | 34% |
| | **1,021,259** | **670,969** | **52%** |
| 2. Other property, plant and equipment | **30,987** | 16,292 | 90% |
| 3. Financial and other assets / interest-bearing securities | **227,152** | 123,991 | 83% |
| 4. Tax credits | | | |
| Deferred tax assets | **862** | 894 | −4% |
| **Total non-current assets** | **1,280,261** | **812,145** | **58%** |
| | | | |
| **II. Current assets** | | | |
| 1. Inventories and work in progress | **3,599** | 3,313 | 9% |
| 2. Receivables of acquiring business | **334,055** | 283,863 | 18% |
| 3. Trade and other receivables | **113,204** | 70,739 | 60% |
| 4. Tax credits | | | |
| Tax refund entitlements | **8,286** | 7,103 | 17% |
| 5. Interest-bearing securities and fixed deposits | **133,128** | 122,919 | 8% |
| 6. Cash and cash equivalents | **1,062,968** | 695,076 | 53% |
| **Total current assets** | **1,655,240** | **1,183,013** | **40%** |
| **Total assets** | **2,935,501** | **1,995,159** | **47%** |

Assets reported in the balance sheet of Wirecard AG increased by kEUR 940,342 in the 2015 fiscal year, rising from kEUR 1,995,159 to kEUR 2,935,501. In the period under review, both non-current and current assets grew, with the latter increasing from kEUR 1,183,013 to kEUR 1,655,240. In addition to the investments and growth in the operating business, these changes are primarily due to the consolidation of the assets acquired and liabilities assumed as part of the acquisitions in the year under review. This has caused various balance sheet items to increase substantially. As a result, comparisons can only be made to a limited extent. This comprises particularly the asset items of “intangible assets”, “goodwill” and “customer relationships”, as well as the “receivables” and “cash and cash equivalents” items, and, on the equity and liabilities side of the balance sheet, the item “trade payables”.

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

### Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in the 2015 fiscal year. With after-tax earnings of kEUR 142,646, earnings per share of EUR 1.16 (diluted) and EUR 1.16 (basic) and an equity ratio of 43.6 percent, the Wirecard Group has a solid financial and accounting basis for the current fiscal year. The forecast made at the beginning of the year for operating earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2015 fiscal year of between EUR 210 million and EUR 230 million was achieved with kEUR 227,315.

In 2016, the Wirecard Group plans to continue its return-oriented growth path. With a growing number of customer relationships and rising transaction volumes, additional economies of scale are expected to arise from the transaction-oriented business model, along with substantial synergies with our banking services. As a consequence, the Company is forecasting operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 280 million and EUR 300 million for the 2016 fiscal year. On 30 March 2016 Management Board has increased the EBITDA guidance for the fiscal year 2016 to a bandwidth of between EUR 290 million to EUR 310 million.

# 3. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

## 3.1 Events of particular importance

### Corporate takeovers

After the end of the reporting period, the acquisition of the Brazilian payment service provider Moip Pagamentos S.A. based in Sao Paulo was announced on 22 February 2016. Other markets in Latin America will be addressed in future via this market entry into Brazil.

On 29 February 2016, the Romanian payment service provider Provus Group based in Bucharest was acquired. The Provus Group is a service provider in the areas of acquiring and issuing processing, as well as technical payment processing. This acquisition strengthens the Company's expansion into Eastern Europe.

The companies Hermes I Tickets Pte. Ltd., Chennai (India), GI Philippines Corp., Manila (Philippines), and Star Global Currency Exchange Pte. Ltd., Bangalore (India), were newly included in the consolidated financial statements with effect from 30 December 2015 because Wirecard had already gained controlat this point in time over these companies in the sense of IFRS 10.7 through a trust agreement. The transaction was closed on 1 March 2016. Due to the consolidation on 30 December 2015, the companies did not make any earnings contribution to the Group in 2015.

### Announcements pursuant to Section 15 of the German Securities Trading Act (WpHG)

Wirecard AG published its preliminary earnings for the 2015 fiscal year with an ad hoc announcement on 28 January 2016.

Wirecard AG published by ad hoc announcement dated 30 March 2016 the increase of the forecast for operating earnings before interest, tax, depreciation and amortisation (EBITDA) 2016 from EUR 280 million to EUR 300 million (published on 1 December 2015) to a range of EUR 290 million to EUR 310 million.

## Announcements pursuant to Section 25a (1) and Section 26 (1) of the German Securities Trading Act (WpHG)

(made by the Company after the end of the period under review)

| Date of Announcement | Announcements by the Company after the end of the period under review. Threshold disclosures: Sum of voting rights (Sections 21, 22 of the WpHG) and instruments (in accordance with Section 25 (1)Sentence 1 and Sentence2 of the WpHG) |
|---|---|
| 5 January 2016 | Fell below the 5 percent threshold on 24 December 2015:<br>The Goldman Sachs Group, Inc., USA: 4.524 percent |
| 15 January 2016 | Fell below the 3 percent threshold on 06 January 2016:<br>Standard Life Investments Ltd, United Kingdom: 2.992 percent |
| 26 January 2016 | Exceeded the 5 percent threshold on 21 January 2016:<br>Artisan Partners Limited Partnership, USA: 5.14 percent |
| 29 February 2016 | Exceeded the 3 percent threshold on 24 February 2016:<br>Deutsche Asset & Wealth Management Investment GmbH, Germany: 4.72 percent |
| 2 March 2016 | Exceeded the 5 percent threshold on 25 February 2016:<br>Deutsche Asset & Wealth Management Investment GmbH, Germany: 5.76 percent |
| 3 March 2016 | Correction to an announcement on voting rights published on 8 December 2015: Exceeded the 5 percent threshold on 1 December 2015:<br>Artisan Partners Limited Partnership, USA: 5.02 percent |
| 3 March 2016 | Correction to an announcement on voting rights published on 16 December 2015: Fell below the 5 percent threshold on 9 December 2015:<br>Artisan Partners Limited Partnership, USA: 4.99 percent |
| 3 March 2016 | Correction to an announcement on voting rights published on 26 January 2015: Exceeded the 5 percent threshold on 21 January 2016:<br>Artisan Partners Limited Partnership, USA: 5.41 percent |
| 3 March 2016 | Exceeded the 5 percent threshold on 26 February 2016:<br>Artisan Partners Funds, Inc., USA: 5.01 percent |
| 7 March 2016 | Exceeded the 3 percent threshold on 12 November 2015:<br>Artisan Partners Funds, Inc., USA: 3.06 percent |
| 15 March 2016 | Exceeded the 5 percent threshold on 9 March 2016:<br>Deutsche Asset & Wealth Management Investment GmbH, Germany: 6.33 percent |
| 18 March 2016 | Exceeded the 5 percent threshold on 14 March 2016:<br>Deutsche Bank Aktiengesellschaft, Germany: 5.81 percent |
| 18 March 2016 | Fell below the 5 percent threshold on 15 March 2016:<br>Deutsche Bank Aktiengesellschaft, Germany: 3.32 percent |
| 1 April 2016 | Exceeded the 5 percent threshold on 21 March 2016:<br>The Goldman Sachs Group, Inc. USA: 5.199 percent |
| Details on the Web site: | ir.wirecard.com |

### Announcements pursuant to Section 26a of the German Securities Trading Act (WpHG)

(made by the Company after the end of the period under review)

| Date of Announcement | Announcements by the Company after the end of the period under review |
|---|---|
| 11 January 2016 | Announcement on the total number of voting rights. Correction to an announcement on 31 December 2015:<br>New total number of voting rights: 123,565,586 |
| 13 January 2016 | Announcement on the total number of voting rights. Correction to an announcement on 11 January 2016:<br>New total number of voting rights: 123,565,586 |
| Details on the Web site: | ir.wirecard.com |

## 3.2 Impact on net assets, financial position and results of operations

Wirecard AG acquired all shares in the Brazilian company Moip Pagamentos S.A. (MOIP) on 22 February 2016.

Moip Pagamentos S.A., with more than 150 employees at its location in Sao Paulo, is a fast growing internet payment service provider on the Brazilian market that was founded eight years ago.

The considerations in connection with this transaction include cash payments to the amount of EUR 23.5 million. Further earnout payments totalling up to EUR 13.5 million are connected to the achievement of certain financial results by Moip Pagamentos S.A. in the 2016, 2017 and 2018 fiscal years.

An EBITDA of EUR 2.2 million is expected in the 2016 calendar year. In addition, non-recurring integration costs of around EUR 0.5 million will be incurred in 2016.

Wirecard AG acquired all shares in the Provus Group based in Bucharest on 29 February 2016.

Provus is Romania's leading payment processing and technology service provider with 114 employees. The payment provider supports companies in outsourcing acquiring and card processing, e-commerce payment transactions and point-of-sale (POS) operations. Its customers include major Romanian banks and large telecommunications and retail customers. In addition, the payment provider works with the Romanian government in the digitisation of health and payment cards.

The considerations in connection with this transaction include cash payments to the amount of EUR 32.0 million without further earnout components.

An EBITDA of EUR 4.0 million is expected in the 2016 calendar year. In addition, non-recurring integration costs of around EUR 0.5 million will be incurred in 2016.

The 60 percent shareholding in GI Technology Pte. Ltd. was acquired as of 1 March 2016 because this was the point in time at which the last stages of the transaction for the transfer of the shares was closed. In this context, a sum of kEUR 14,000 was paid in the form of a capital increase. Due to the contractual conditions, which are particularly associated with the Indian regulations for financial services companies, the company will be accounted for using the equity method.

Further details can be found in the Notes to the consolidated financial statements.

# 290-310

**EBITDA FORECAST** FOR 2016
**IN MN EUROS**

# 12%

**EUROPEAN E-COMMERCE**
**GROWTH FORECAST** FOR 2016

16-17%

**GLOBAL E-COMMERCE GROWTH FORECAST** FOR 2016

25%

**E-COMMERCE GROWTH FORCEAST FOR ASIA** FOR 2016

# III. Forecast and report on opportunities and risks

## 1. FORECAST

### 1.1 Underlying economic conditions in the next two fiscal years

According to the International Monetary Fund (IMF), the current economic conditions are characterised by declining growth rates in the Chinese economy, the falling prices for raw materials and the conflicting monetary policy in the USA in comparison to the monetary policy in other developed countries.

The transformation of the Chinese economy from industry and production to a consumer and service-based society has placed a strain on the prospects for growth in the country, whereby this uncertainty about future growth could also be transferred to other countries. In addition, there has been a sharp fall in the price of oil on the commodities market caused by the sustained expansion of production volumes with simultaneous overproduction relative to global demand. Furthermore, the Federal Reserve (the central bank of the USA) raised the basic interest rate in December 2015 in line with the recovery of the American economy, while the European Central Bank (ECB) and the central bank in Japan continue to adhere to an expansive monetary policy.

Overall, the IMF forecasts global growth this year of 3.4 percent and growth of 3.6 percent in 2017. This forecast is based on the recovery of developed markets and a downturn in growth in certain emerging economies. The forecast for economic growth in the eurozone for 2016 and 2017 is 1.7 percent in each year. The growth forecast for the German economy, an important market for the Wirecard Group, is also 1.7 percent for 2016 and 2017. The economic growth forecast for the United Kingdom, another important sales market for the Wirecard Group, is 2.2 percent for 2016 and 2017, which is slightly above the expected growth rate for the eurozone. In addition, the IMF forecasts growth of 4.8 percent in the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) for 2016 and 5.1 percent for 2017.

Overall, this represents a positive growth forecast for the economy as a whole in the sales markets relevant to the Wirecard Group.

## 1.2 Future sector situation

As one of the world's leading suppliers of solutions for electronic payment transactions, the growth of the e-commerce market is crucially important to the Wirecard Group. The core sales markets are Europe and Asia, as well as global markets to an increasing extent. Due to acquisitions in other parts of the world and globally active customers, such as airlines or large e-commerce suppliers, a significant increase in transaction volumes is expected in the next two years in America and Africa.

Euromonitor and Statista forecast growth in global e-commerce of around 16 to 17 percent for the current fiscal year. Both Forrester and Statista forecast growth of around 12 percent for the European e-commerce market in 2016. The growth forecast published by Statista for the Wirecard Group's home market of Germany of around 10 percent is slightly below the European average. The Asian markets in particular are a significant driver of global growth. Statista forecasts growth in the Asian market of around 25 percent in 2016.

On the basis of these forecasts and taking into account the geographical and sector-specific alignment of Wirecard AG, the management anticipates growth in relevant e-commerce markets of around 12 percent.

## 1.3 Prospects in target sectors

### Consumer goods

The area of consumer goods comprises the sale of physical goods to end consumers and other companies (B2C, B2B). Online trade in particular is expected to experience steady growth in the future, which will be driven by the convergence of markets (online/offline). A significant driver of Wirecard's growth in the area of traditional e-commerce mail order trade over the next two years will be our core European market, which is expected to grow by around 11 percent this year according to Statista.

### Digital goods

Wirecard brings together all purely digital business models under the digital goods sector such as e.g. video streaming suppliers, suppliers of online games, Internet portals, apps and online gambling. Especially in the area of software and gaming, there has been a move towards purely digital business models in recent times. Software and gaming products are no longer purchased in specialist shops but are instead increasingly downloaded online or offered as a "Software as a Service" solution. A trend in this sector is for payment to be processed directly in the app on mobile devices – so-called in-app payment.

Statista forecasts growth in sales this year in the area of digital media – comprising music, video, gaming and publishing – of around 21 percent in Europe and around 18 percent in Asia. Even though the Wirecard Group does not have so many high growth areas in its portfolio of digital goods, continued good prospects for growth are expected overall in this sector.

### Travel and mobility

The area of travel and mobility includes, in particular, airlines, hotels, train travel, rental cars and travel portals. Mobile devices have also carved out their place for online travel bookings alongside desktop PCs and laptops. Phocuswright, one of the leading market research companies for the travel industry, estimates that the market volume of the European travel market reached EUR 264 million in 2015 and forecasts that the market will grow by 3.4 percent annually to EUR 282 million in 2017. Germany is the largest sales market for the online travel industry in Europe, accounting for around 22 percent of sales.

Due to its diversified mix of customers from more than 70 airlines, primarily operators of scheduled flights, and a mix of suppliers in the business and leisure travel segment, Wirecard will be able to increase growth and scaling potential regardless of the forecasts for the online tourism market.

### E-commerce trends

Already in 2010 Wirecard expected the progressive convergence of bricks and mortar and online trade. Meanwhile, for the last two years we have already been focussing on the next stage of this development that is now picking up speed. A purely multi-channel or cross-channel approach is moving towards an omni-channel approach. Omni-channel means the merging of all sales channels (online, mobile, POS, etc.) to guarantee customers the most seamless purchasing experience. Consumers will therefore no longer have to choose between making a purchase online or in a retail outlet in future but can expect to be addressed and offered a corresponding range of products and services by retailers that is adapted to today's technology.

Within this still comparatively new multi-channel approach, a number of different sub-concepts have already become successfully established. "Click & Collect" enables consumers to collect a product ordered online from their chosen local branch. Ideally, the customer can even view the stock levels in the branch in real time. This solution offers consumers added flexibility regarding collection/delivery and also access to the additional advantages that bricks and mortar retailers can offer such as fitting or advisory services. At the same time, the retailer can benefit from more efficient merchandise logistics and a lower proportion of returned items. Another concept is known as "Ship from Store". The retailer does not dispatch items purchased online from the main warehouse but instead accesses stock in nearby sales branches.

In summary, a convergence of the markets can thus be observed, which has even led to some large e-commerce companies branching out into the bricks and mortar retail market. The consumer will no longer have to choose between online, mobile or POS in future but will simply be a customer of a retail company who expects a convenient, target-group-specific purchasing experience that stretches from the selection of goods through to their purchase and delivery. As a result, retail companies face the challenge of offering their customers a barrier-free omni-channel experience, while at the same time still being able to attract customers at every contact point. This requires payment solutions and also loyalty and couponing programmes to be integrated into the backend processes of the retailer's IT infrastructure. Wirecard addresses this requirement by offering flexible solutions that take into account both sector and business-specific parameters.

Alongside the trends on the market, there are also regulatory changes facing online trade. The "Digital Single Market" project of the European Union (EU) aims to standardise online trade within the EU and thus bring down trading barriers between the individual member states. According to the EU, the proportion of cross-border sales achieved by small and medium-sized companies within the EU stands at just 7 percent. The creation of a single market should open up additional growth potential and thus create more jobs and also a dynamic knowledge-based society. As part of this initiative, the European Commission has, for example, agreed the introduction of uniform roaming charges within the EU from 2017. Furthermore, there are plans, amongst other things, for EU-wide delivery charges and to standardise handling of VAT. Both of these projects aim to boost cross-border online trade and thus should also have a positive influence on the business conducted by Wirecard.

Overall, the prospects relating to the target sectors of Wirecard are very good. In particular, advancing digitalisation, the convergence of sales channels and the increase in cross-border e-commerce should help Wirecard to achieve above-average growth in 2016.

### Fintech trends

Fintech, an abbreviation for financial technology, uses Internet-based technology to deliver financial services more quickly, cheaply, easily and transparently than conventional banks have been able to deliver up until now. Streamlined Fintech solutions enable peer-to-peer lending, where the borrower and lender are matched via lending portals, mortgage loans, cross-border money transfers, stock exchange trading or mobile branchless banking. The solutions are often optimised for mobile devices.

In the case of young Fintech companies with their consumer-friendly front-end solutions, the next two years will see a race to win consumers. Wirecard is ready for this development with its bank and infrastructure, its licence and legal framework and also a broad spectrum of additional services. Banks and financial institutions are strictly regulated in order to protect their customers' investments. Many Fintech companies cannot fulfil these regulatory requirements and do not possess the necessary licences for operating on the financial services market. In this context, Wirecard Bank plays a decisive role. As a fully licensed German bank under the supervision of the Federal Financial Supervisory Authority (BaFin), Wirecard Bank is ideally positioned to enter into profitable partnerships with Fintech companies.

It can be assumed that there will be an increasingly large potential for the Wirecard Group to enter into Fintech partnerships over the next few years.

## 1.4 Prospects for selected product categories

### The European card market

Cashless, contactless payment is being driven forward by all market participants at a European level. Visa Europe and MasterCard, the market leaders for credit and debit card brands in Europe, have focussed on contactless payments via NFC technology with their Visa PayWave and MasterCard PayPass initiatives. In the next two years, payment terminals at the POS will be gradually fitted with contactless payment functions in numerous European countries. Mobile payment will establish itself through innovative products and the secure and convenient handling of payment transactions in highly frequented environments. The Wirecard Group is, like no other company, best prepared for the future thanks to its highly developed technical know-how and its solutions for the issuing of innovative card products that are already currently available, and can deliver highly scalable solutions based on already existing technology.

The “European Payment Cards Yearbook 2015 – 2016” from the industry experts Payments Cards and Mobile that includes data from 33 countries in Europe (E33), from Iceland through to Turkey, recorded a figure of 970.1 million credit and debit cards in circulation in 2014. This represents an increase of around 1.4 percent compared to the previous year. Debit cards account for 69.0 percent and thus the largest proportion of the card market.

On both established card markets and global growth markets, prepaid cards (MasterCard, VISA, Maestro, Electron or V Pay), which is a section of the card market with particularly strong growth, address the needs of young people and those people without a fixed bank account.

## Mobile payment

Mobile payment generally describes cashless payment via a mobile telephone. The customer can initiate the payment process at the POS using an NFC-capable smartphone. This links cards with mobile phones, whether through a mobile application connected to the card via a server, by storing credit card data in an NFC-enabled mobile telephone or via NFC/host card emulation technology. Host card emulation (HCE) is an Internet-based technology that enables secure software-based credit card payments. An NFC-capable mobile phone acts here like a credit card, although with numerous additional functions. HCE makes mobile payment quickly accessible because HCE is currently standard in Android devices as of version 4.4. This software-based technology is thus the perfect supplement to hardware-based NFC solutions on the device or SIM card. Android remains the dominant operating system for smartphones in Europe.

On the basis of HCE technology, Wirecard has developed the payment app boon for end customers. Host Card Emulation (HCE) is a purely software-based solution for which neither a special SIM card nor a security module is necessary. It is thus ideal for companies that want to reach a broad range of customers irrespective of a particular device model or mobile telephone provider. The mobile software solution boon has already been successfully launched in Germany, Austria, Spain, Belgium and the Netherlands. Also available as an individually adapted white label variant, the intuitively operated application provides companies and retailers with immediate access to mobile payment.

Wearables will also play an important role for the flexible use of mobile payments in the future. The term “wearable” stands for electronics carried on the body, such as intelligent fitness wristbands, smartwatches or smart glasses. Wirecard was one of the first companies in the world to introduce wearable technology with payment functions with its wristband of the future, presented at the beginning of 2015. For a quick and contactless payment process, the user simply holds the intelligent armband near to the NFC payment terminal. The payment transaction is displayed in real time on the screen of the Wirecard wearable device and on a smartphone app. It can also be connected to numerous mobile services, such as loyalty schemes, and can be used as an admission control wristband. This solution is thus ideal for hotels and resorts, festivals, cruise ships, ski resorts and theme parks.

Other trends in the area of mobile payment are moving towards financial services such as micro loans and insurance services associated with the purchasing process and which are linked to the payment product. They supplement personalised services such as coupons, location-based services or products linked to customer loyalty programmes, and provide persuasive added value for consumers. In this area, Wirecard will gradually supplement its boon payment product with the various services.

Overall, the mobile payment market is still at an early stage of development, whereby the important step of launching mobile payment products has already been taken by renowned companies such as Wirecard and Orange. Experts in the sector expect strong growth in the mobile payment market. The International Data Corporation has thus forecast global growth on the market of 124% up to 2017, whereby this figure also takes into account mobile commerce (i.e. e-commerce via a smartphone) which Wirecard already covers in its target sectors.

### Prospects in the call centre and communications areas

The services Wirecard Communication Services GmbH offers in this segment are mostly performed for the Wirecard Group. The expansion of backoffice services for the Group is being driven forward and enhanced to include solutions for customer services, shipping orders, etc. However, the hybrid call centre structure – which combines the bricks and mortar call centre with a virtual call centre – allows this business segment to also support third-party customers who operate their own call centres but who also outsource operations at peak times. Wirecard Communication Services is excellently positioned particularly in the area of international user support, with its 16 foreign languages and everyday, round-the-clock availability helping it to acquire additional new customers.

## 1.5 Prospects for expansion

Wirecard has continuously invested in companiesoutside of Europe over the last five years -including the acquisitions in South Africa, India and Latin America.

Similarly to the first stages of this expansion in Singapore, Vietnam and Indonesia, we are following a sustainable investment approach. The trend toward the convergence of online and offline can not only be seen in the highly developed Asian regions but also in rural areas of rapidly developing countries.

On the Indian market, the government is aiming to improve financial inclusion amongst its citizens – i.e. to provide them with a bank account. For example, the use of micro cash machines, as already being provided by Wirecard in Indonesia, is being tested by the first Indian banks.

The acquired national companies that have always been successfully active in their relevant segments will be enriched with the Group-wide value added chain by adding a number of new pieces of the mosaic. Technology and retailer services such as technical acquiring will be centralised via third-party banks. Wirecard will thus ensure over the coming years that it can, on the one hand, expand its global customer portfolio, whereby the customers in Asia include e.g. leading banks, and on the other hand, offer local customers additional services. Overall, existing customer structures were continuously expanded to include new customers that could not have been addressed in the past by the national companies due to their lack of products. For example, if the solutions offered by a purely POS terminal service provider are enhanced to include processing and acceptance solutions then this opens up new sources of growth for the Wirecard Group. At the same time, the acquired access to local payment systems or existing contracts with local regulators offers economies of scale from the first day the company is consolidated into the Group.

Wirecard anticipates additional potential for profitable growth in local markets over the next two years, while at the same time being able to expand its global payment platform. The common language of all business entities within the Wirecard Group is Internet technology, which guarantees the fast and efficient integration of new subsidiaries.

## 1.6 Future Group orientation

### Group orientation in the next two fiscal years

The future growth and positioning of the Wirecard Group is geared to a primarily organic growth strategy and will be based on the measures realised to date.

The core business area of electronic payment processing and acceptance will be continuously expanded to meet the needs of internationally active retailers – by integrating, as previously, both international and also local payment systems. As the Group has based its end-to-end solutions on Internet technology and shapes the e-commerce market with its innovative products, Wirecard is well positioned for the future.

### Planned changes to business policy

No major changes to business policy are planned for the current year or the following year. The activities of Wirecard AG focus on continuous investments to expand its portfolio of products and services, in order to extend the value chain of our core business. New opportunities for business in the area of mobile payment services fit in seamlessly with the fundamental strategic orientation of the Group.

## Future sales markets

Most of Wirecard AG's growth in 2016 and 2017 will be generated on the core European market. In addition, the Company will continue to expand its position on the global market. The strategy of achieving an international presence through locally networked entities and providing multinational card and payment acceptance agreements is the key to securing globally active retailers as customers. The Wirecard platform offers locally and globally relevant payment methods. This product range will be continuously extended.

## Future application of new methods, products and services

Wirecard combines the latest software technology with bank products or services and also continuously expands its portfolio to include innovative payment technologies.

The Group manages product development activities with its respective in-house business analysts along the product lines that are in place, such as card-based or alternative payment methods, risk management and fraud prevention, as well as issuing (card products). New growth potential derived from existing technology and innovative new developments will be exploited through the new Mobile Services business areas. The development of new products and services, some in cooperation with our partners, is being driven forward constantly. Innovative strength, a competitive range of products and services and the ability to quickly implement industry and customer-specific requirements remain the basis for organic growth.

As a technologically agnostic company, Wirecard AG operates flexibly across interfaces or transmission formats via its modular platform. The technology platform provided by Wirecard AG is also at the heart of all activities in the area of mobile payment solutions.

In order to ensure the constant expansion of our payment acceptance products – whether for card-based or alternative methods – market-relevant solutions will be constantly integrated into the platform.

## 1.7 Expected financial position and results of operations

### Financial position

The financial position of Wirecard should continue to remain solid over the next two years. This includes an equity ratio that remains at a comfortable level. The dividend payout of EUR 0.14 per share that is to be proposed to this year's Annual General Meeting has been taken into account in this statement.

The Management Board intends to continue to finance future investments and potential acquisitions in the future either from its own cash flow, equity or an appropriate deployment of debt funding. A strategic objective is to utilise bank borrowings only to a moderate extent in relation to equity and total assets, mainly in connection with M&A transactions. For this purpose, we establish long-term relationships with banks in order to guarantee the necessary flexibility for both our operating business and M&A transactions in the form of master credit agreements.

Potential acquisitions are analysed and assessed under stringent conditions in this regard. During such reviews, the focus is on profitability and what sensible additions the acquisitions may bring to the existing product range and customer portfolio. We are convinced that our strategy of integrating providers of payment transaction services and technology services, as well as network operators, in high-growth economic regions in Asia into our corporate group will prove successful in the long term.

### Result of operations

Earnings before interest, tax, depreciation and amortisation (EBITDA) is the central financial performance indicator for the operating business of Wirecard AG. This sets benchmarks across the entire Company, from financial controlling through to assessing the profitability of individual divisions. For this reason, the 2016 earnings forecast is also based on the key performance indicator of EBITDA.

We originally forecasted an EBITDA of between EUR 280 million and EUR 300 million for the 2016 fiscal year. On 30 March 2016 Wirecard Management Board has increased the EBITDA guidance for the fiscal year 2016 to a bandwidth of between EUR 290 million to EUR 310 million. This forecast is based on:

- the market growth in European e-commerce and the additional dynamic of global growth markets
- the increase in the transaction volume processed by the Wirecard Group for both existing and new customers
- earnings contributions from the new mobile payment business areas
- economies of scale from the transaction-oriented business model
- cross-selling effects with existing customers
- the expansion of issuing and banking services
- earnings contributions from the acquisitions that were realised in 2015 and 2016

The forecast does not include possible effects from further potential corporate acquisitions. We also forecast that revenue and the results of operations will continue to remain positive in 2016.

In the period under review, an initiative from the European Commission to reduce interchange fees came into force. Interchange fees are paid by retailers for the acceptance of card transactions and are settled between the issuer and the acquirer for the services offered by the card issuer. The regulation affects European credit and debit card transactions by consumers that are processed within the four party model.

In the core business of acquiring, the interchange fees that arise for the Wirecard Group have the character of transitory items. The interchange fees are accounted for as cost of materials and have no significant influence on earnings before interest, tax, depreciation and amortisation.

Revenue in the issuing business of the Wirecard Group is primarily based on fees for additional services relating to the issuing of prepaid credit card products. The pricing of these additional fees is not affected by the EU regulation on interchange fees. The additional interchange fees that arise in the issuing business of the Wirecard Group (accounted for as revenue) have historically been mostly charged at the level stipulated by the EU regulation and this will thus have no significant influence on the EBITDA forecast.

Overall, it can be assumed that the reduction in the interchange fees will have no significant impact on the EBITDA forecast of Wirecard AG.

On 2 November 2015 Visa Inc. announced the proposed acquisition of Visa Europe Limited, subject to regulatory approvals. When this transaction is completed, Wirecard Bank AG and Wirecard Card Solutions Ltd. will, as members of Visa Europe Limited, be entitled to a certain consideration. The consideration consists of an upfront consideration receivable on closing of the transaction comprising cash and preferred stock convertible into Visa Inc. class A common stock as well as of a potentially additional deferred cash consideration payable following the fourth anniversary of closing subject to an earnout mechanism. The amounts of preferred stock and deferred cash consideration are contingent upon certain factors. Based on calculations by Visa Europe Limited, Wirecard estimates the value of the consideration at approx. EUR 80.4 million without the earnout components. Further details can be found in the Notes to the consolidated financial statements.

As a result of the strong demand for international solutions, our competitive advantage due to the unique links between technology and innovative banking services and our current customer projects, as well as our ongoing expansion, we are convinced that the Wirecard Group will grow faster than the European e-commerce market in both 2016 and 2017, and that our non-European subsidiaries will also contribute to this growth.

In addition, we believe that profitable areas of business can be further exploited by launching new solutions and further developing existing products, while boosting the efficiency of operational workflows and following a disciplined cost management system will also have a positive impact on business results.

# 2. REPORT ON OPPORTUNITIES AND RISKS

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

## 2.1 Risk-oriented corporate governance

For the Wirecard Group, the deliberate assumption of calculable risks and the consistent exploitation of the opportunities associated with these risks form the basis for its business practices as part of the scope of value-based corporate management. With these strategies in mind, the Wirecard Group has implemented a risk management system that lays the foundations for risk-oriented and earnings-oriented corporate governance.

In the interests of securing the Company's success on a long-term and sustainable basis, it is thus indispensable to identify, analyse, assess and document critical trends and emerging risks at an early stage. Where it makes economic sense, the aim is to adopt corrective countermeasures. In principle, it is possible to limit, reduce, transfer or accept risks in order to optimise the Company's risk position relative to its earnings. The implementation and effectiveness of any approved countermeasures are continuously reviewed.

In order to minimise the financial impact of any potential loss, Wirecard takes out insurance policies – insofar as they are available and economically justifiable. The Wirecard Group continuously monitors the level of cover that they provide.

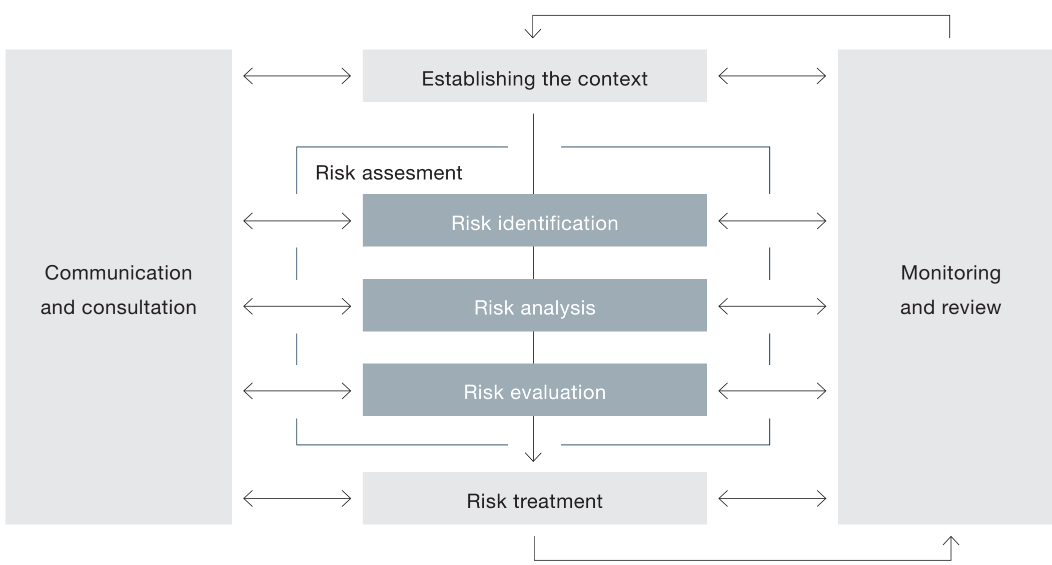
Equally, it is a Company-wide policy to identify, evaluate and exploit opportunities in order to sustain growth trends and secure the Group's earnings growth. Moreover, this analysis also reveals those risks that would result from a failure to exploit any opportunities that arise.

## 2.2 Efficiently organised risk management system

The Wirecard Group regards a risk management system as the deployment of an extensive range of instruments for handling risks – the Enterprise Risk Management (ERM) system. The risk management system's organisation is derived from the ISO 31000:2009 standard.

The ERM system is standardised Group-wide and integrated into all business processes, as well as into all operating business units and Group companies. It enables opportunities and risks to be comprehensively and rapidly identified and assessed within a combined top-down and bottom-up process. Risks and opportunities are systematically derived from a top-down perspective and examined to ascertain their relevance. In a further-reaching bottom-up inspection, the viewpoint of the operating units and Group companies is supplemented by local or business-related components during both the identification and assessment of risks and opportunities.

### Risk management system



Risks are assessed according to both probability of occurrence and level of potential loss. Appropriate risk management measures are developed and pursued. Relevant risks, along with the measures adopted, are continuously recorded centrally for the entire Wirecard Group. Appropriate early warning systems provide support in monitoring risks and identifying potential problems at an early stage, thereby facilitating the timely planning of the required measures.

The centralised recording of risks using standardised risk metrics enables the Management Board to obtain an up-to-date view of the overall risk situation of the Wirecard Group through a formal reporting system. The reporting system for relevant risks is controlled by predefined threshold values. Depending on the significance of the risks, reports are prepared regularly, although at least on a quarterly basis. The regular reporting process is augmented by ad hoc reporting.

On the basis of the hierarchical competencies in responsible areas and Group companies, risk management decisions are made decentrally within the limits of a predefined framework and are monitored by the central Risk Controlling department. Corresponding instructions and guidelines create a uniform framework for dealing with potential risks.

The Management Board is responsible for risk strategy, the appropriate organisation of risk management and the monitoring of risks associated with all business activities, as well as for risk management and controlling. The Management Board derives the risk strategy from its business strategy. The risk strategy serves as a point of reference for the management of risk in the form of corporate policy and risk strategy requirements. The Management Board provides regular reports to the Supervisory Board on any existing risks and their trends. The Chairman of the Supervisory Board remains in regular contact between Supervisory Board meetings with the Management Board, in particular with the CEO, and consults with him about current issues concerning the risk situation and risk management.

Risk management is centralised within the Wirecard Group and continually reviewed by the Internal Auditing department, as well as by process-independent bodies for its appropriateness, effectiveness and compliance with general statutory parameters. Where necessary, corrective measures are instigated with the participation of the Risk Counsel.

Within the scope of project risk management, corporate decisions are taken on the basis of detailed project outlines describing the related opportunities and risks, which are then integrated into centralised risk management once the project has been approved.

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

## 2.3 Risk evaluation

In order to evaluate the relevance of risks to Wirecard AG, risks are assessed in the dimensions of “estimated probability of occurence” and “potential impact on the net assets, financial position and results of operations, as well as reputation”. This evaluation is based on five levels that are presented below.

| Probability of occurrence | Description | from (%) | to (%) |
|---|---|---|---|
| Very unlikely | Event occurs only under extraordinary circumstances | 0.00 | 9.99 |
| Unlikely | The occurrence of the event is comparatively unlikely | 10.00 | 24.99 |
| Likely | Event can occur within the observation period | 25.00 | 44.99 |
| Very likely | Event occurs within the observation period with a high degree of probability | 45.00 | 79.99 |
| Certain | Event occurs within the observation period with a very high degree of probability | 80.00 | 100.00 |

Wirecard AG calculates the potential impact of a risk on a net basis. In other words, the residual risk is reported by taking into account the measures that have already been implemented.

| Impact | Description | from (kEUR) | to (kEUR) |
|---|---|---|---|
| Immaterial | Negligible effect on the net assets, financial position and results of operations | 0 | 9,999 |
| Low | Limited effect on the net assets, financial position and results of operations | 10,000 | 27,499 |
| Moderate | Tangible effect on the net assets, financial position and results of operations | 27,500 | 54,999 |
| Considerable | Substantial effect on the net assets, financial position and results of operations | 55,000 | 109,999 |
| Significant | Up to critical effect on the net assets, financial position and result of operations | 110,000+ | - |

Financial risks are quantified in terms of amounts. Further information about financial risks can be found in Chapter 7.2 (Notes).

| Impact | Probability of occurrence | | | | |
|---|---|---|---|---|---|
| | Very unlikely | Unlikely | Likely | Very likely | Certain |
| Significant | Medium | High | Very high | Very high | Very high |
| Considerable | Medium | Medium | High | High | Very high |
| Moderate | Low | Medium | Medium | High | High |
| Low | Very low | Low | Medium | Medium | High |
| Immaterial | Very low | Very low | Very low | Low | Medium |

Using the evaluation of risks in terms of their probability of occurrence and level of impact, Wirecard AG derives a risk value for the significance of the risks based on a five-level scale – ranging from “very low” to “very high”.

## 2.4 Internal control and risk management system relating to the Group financial accounting process

The Wirecard Group has an internal control and risk management system relating to the (Group) accounting process, in which suitable structures and processes are defined and then implemented within the organisation. This is designed to guarantee the timely, uniform and correct accounting of all business processes and transactions. It ensures compliance with statutory standards, accounting regulations and the internal Group accounting directive, which is binding for all companies included in the consolidated financial statements. Any amendments to laws, accounting standards and other pronouncements are continuously analysed for their relevance to, and impact on, the consolidated financial statements, and the internal directives and systems within the Group are adjusted to take account of the resulting changes.

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

The Group companies prepare their financial statements locally and forward them to Wirecard AG. They are responsible for compliance with the directives and processes applicable throughout the Group, as well as for the due and timely execution of their accounting-related processes and systems. The employees involved in the consolidated accounting process are trained regularly on this topic. The local companies are supported by central contacts throughout the entire accounting process. Within the scope of the accounting process, measures have been implemented to ensure the regulatory conformity of the consolidated financial statements. These include access rules that are established for Group accounting in the IT-based accounting systems (a range of read and write privileges), along with a system of simultaneous double checks (dual-control principle) and random checks by the local accounting departments, the Group Accounting department, Controlling, and the Management Board. These measures serve to identify and assess potential risks and to mitigate and review any risks identified.

The consolidated financial statements are prepared on a centralised basis, using data from the subsidiaries included in consolidation. The Accounting and Controlling department is responsible for consolidation measures, certain reconciliation work and for monitoring time and process-related parameters. Technical system controls are monitored by employees and augmented by manual audits. The principle of dual control is the minimum requirement at each level. Certain approval processes must be applied throughout the entire accounting process. In addition, a group of experts that is not involved in the preparation process is on hand for special functional questions and complex issues.

While reviewing the reliability of the accounting systems of the German and foreign companies, the following issues are taken into account:

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

Wirecard AG applies a Group-wide standardised method to monitor the effectiveness of the internal, accounting-related control system. This process is rigorously geared to the risks of possible erroneous reporting in the consolidated financial statements.

Wirecard AG's Management Board has audited the effectiveness of the accounting-related internal control system. The effectiveness of the internal control system is also monitored by the Supervisory Board of Wirecard AG, in accordance with the requirements of the German Accounting Law Modernisation Act (BilMoG), which came into force in May 2009.

The risk categories that are relevant to the Wirecard Group are presented in the following table. The sequence in which they are presented, however, does not imply any assessment of the event probability of occurrence or possible extent of any loss.

| Overall risk | Description |
|---|---|
| Business risks | Economic risks, risks arising from the general competitive situation for the Wirecard Goup and its customers |
| Operational risks | Personnel risks, risks of product innovations and risks arising from the use of third-party services |
| Information and IT risks | Risks arising from the operation and design of IT systems as well as risk in connection with the confidentiality, availability and integrity of data |
| Financial risks | Exchange rate, interest rate and liquidity risk |
| Debtor risks | Risk from receivables from retailers, private and business customers, acquiring partners and banks |
| Legal and regulatory risks | Risks arising from changes to the legal and regulatory framework as well as risks arising from litigation, license rights and liability |
| Other risks | Reputation risks and risks arising from emergencies |

It should generally be noted that risks that currently have a lower risk value can potentially have higher loss effects than those risks that currently have a higher risk value. Additional risks of which Wirecard AG is currently unaware, or which are still gauged as immaterial, could affect the net assets, financial position and results of operations, as well as the reputation, of Wirecard AG. These include natural hazard risks and other financial risks (e.g. risks arising from external tax audits).

## 2.5 Business risks

The Wirecard Group defines a business risk as the danger of a decline in earnings owing to unexpected changes in the volume of business and/or margins, as well as corresponding (purchasing) costs.

### Business strategy risks

Business strategy risk exists in the medium and long-term risk of negative effects on the attainment of Wirecard AG's strategic objectives, for example resulting from changes to the business environment conditions, and/or inadequate implementation of the Wirecard Group strategy.

Group strategy is subject to ongoing development as part of a structured strategy process that is used as the basis for Wirecard AG's annual planning process. This entails defining strategic approaches and guiding principles, as well as setting quantitative targets for the Wirecard Group, its operating units and Group companies. The results of this strategy development process are used as the basis for a long-term business strategy comprising significant business activities and target attainment measures. Similarly, a consistent risk strategy is also determined.

In addition, external influencing factors such as market and competitive conditions in core markets, capital market requirements and regulatory changes, where relevant changes may require adaptation of the business strategy, are also continuously monitored. The strategy development process comprises the following: planning, implementation, appraisal and adaptation of the strategies. To ensure that the implementation of the Group strategy is aligned correctly with the business objectives, strategy controlling is conducted by means of regular monitoring of both quantitative and qualitative targets.

If Wirecard AG were to fail to efficiently handle changes in the conditions found in the business environment or to successfully implement the Wirecard Group strategy, there is a risk of a low impact on the net assets, financial position and results of operations. Due to the measures that have been adopted and the experience gained over the past few years, the Management Board gauges the probability of occurrence as very unlikely and generally assumes that the risk is very low.

### Economic risk

Uncertainties relating to the global economy, financial markets and political circumstances could negatively impact Wirecard AG's net assets, financial position and results of operations.

The transaction-based business model of the Wirecard Group may indirectly experience adverse effects due to consumer behaviour. In the event of a major deterioration in global economic conditions and a substantial decline in consumer spending, a negative impact on the course of business and performance of the Wirecard Group may be incurred. Moreover, the purchasing power of consumers may fall, thereby affecting the volume of transactions processed by retailers through Wirecard AG.

The current growth of trade and services on the Internet compared with traditional bricks and mortar stores could weaken or be reversed and thus lead to a decline in the Wirecard Group's business.

Due to the fact that our business model is primarily transaction-oriented, the introduction and use of products and services provided by the Wirecard Group calls for only a very low level of initial investment by most customers. If customers' propensity to spend were to be negatively affected due to changes in the overall economic situation, this could impact business performance at the Wirecard Group.

Moreover, growth in those emerging markets where the Wirecard Group is active could weaken, stagnate or even decrease – resulting in a failure to meet business expectations in these countries.

The Wirecard Group constantly monitors national and international developments in the political, economic and regulatory environments, as well as economic trends, so that if these factors should change in the short term it can take immediate measures to counter these risks and reduce any negative impact as far as possible. In the process, it has become clear that the growth of the e-commerce market and the other markets on which the Wirecard Group operates are so stable that Wirecard did not record any material negative impact on its business, either as a result of the financial crisis or due to the euro crisis.

For this reason, the Management Board gauges the occurrence of this risk as unlikely for the 2016 fiscal year. Nevertheless, a considerable impact on the net assets, financial position and results of operations of Wirecard AG, as well as an increase in the other risks described in this report, cannot be completely excluded. For this reason, the Management Board gauges this risk as medium.

Equally, a significant improvement in the global economic situation, combined with a marked increase in consumer spending, as well as growth in trade and services on the Internet that outstrips present expectations, could signify an opportunity for Wirecard AG's net assets, financial position and results of operations.

### Risks arising from existing customer business

Existing Wirecard Group customers could decide to cancel their contracts, license no further products, purchase no consulting and training services, or switch to competitor products or services.

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

If a significant number of regular customers were to decide to discontinue their business relationships with the Wirecard Group, this would have a negative impact on the development of its business and also influence the value of the customer portfolio. This may result in impairments to recognised customer bases.

For this reason, the Wirecard Group continuously monitors levels of customer satisfaction relating to services and products that the Wirecard Group offers.

Given the high level of stability of the existing customer business over recent fiscal years and the range of competitive products and services, the Management Board gauges the occurrence of this risk, which would have a moderate impact on the net assets, financial position and results of operations, as being very unlikely in the 2016 fiscal year. Overall, the Management Board therefore assumes there is a low risk.

### Product development risks

Ensuring that the portfolio of products and services remains competitive in the long term calls for continuous product innovations. New product development is connected with many risks over which Wirecard AG frequently cannot exert any control.

Product development must generate customer-oriented and reliable products. In particular, corrections to product characteristics at a late stage of development, or products that fail to address customers or the market, result in considerable expenditure and lead to significant financial disadvantages. A trend reversal may also occur on the market, rendering Wirecard AG products unsuitable. Given its positioning as an Application Service Provider (ASP), in other words as an outsourcing service provider, the Wirecard Group faces a general risk of a trend reversal towards the insourcing of development activities and/or the operation of IT infrastructure.

Deviations from the planned realisation of projects can delay the market roll-out of new products, resulting in both opportunity costs and a loss of reputation, or direct claims for damages. Additional factors, such as entering new market segments and contractually acquiring responsibility for new products with respect to customers could increase these risks.

The activities of Wirecard AG in the mobile payment area are also included in this kind of innovation risk. If Wirecard AG fails to implement investment in the mobile payment area in line with the market, anticipated earnings contributions from mobile payment products and related-value added services may fall short of expectations.

The Wirecard Group's development processes, quality assurance processes and operating processes have been integrated into its Group-wide risk reporting system. Due to regular quality controls, the Wirecard Group avoids the manufacture of faulty products. Wherever possible, and whenever this makes sense, Wirecard AG works hand in hand with its customers in order to be able to respond to possible changes in requirements at an early stage. Stringent project controlling ensures the compliance of all procedures with internal Group and external regulatory parameters and ensures the highest quality standards in our development activities and operations.

Moreover, a dedicated internal approval process for product developments means that the market potential of a product is examined and a suitable profit margin based on the corporate objectives is ensured when setting prices.

If Wirecard AG were to fail to succeed in efficiently managing the development of its products, the risk exists that these developed products fall short of the expectations required of them, or that almost no related revenue is generated. This could have a low impact on the net assets, financial position and results of operations during the period under review. In light of the stringent quality benchmarks in product development, the Management Board gauges the occurrence of this risk as very unlikely. Wirecard AG consequently categorises this risk as very low.

### Risks arising from intensified competition

Given intense competition, technical innovations and sector consolidation, market shares and revenues could shrink.

The Wirecard Group operates in a market environment characterised by intense consolidation amongst its provider base. Technical developments for end devices utilised for Internet payments or mobile payments also mean that hardware manufacturers and telecommunication and Internet companies are increasingly developing their own payment solutions and offering them on the market – in some cases supported by a large advertising budget. In addition, smaller payment providers are increasingly entering the market with innovative products. These developments may have a potentially negative impact on business performance for Wirecard AG due to increased competition from new or stronger rivals.

Our role as one of the leading European providers of payment processing and risk management solutions implies that the Wirecard Group is itself a driving force behind the current movement towards consolidation in Europe and Asia, and consequently can play an active role in shaping it.

The Wirecard Group is convinced that it can retain its leadership position on the market through the further successful implementation of its innovation strategy, the further growth of the Wirecard Group and the targeted acquisition of competitors. The probability of occurrence for this risk, which may – should it materialise – have a moderate impact on the net assets, financial position and results of operations, is gauged by the Management Board as unlikely in the 2016 fiscal year. As a consequence, the Management Board assumes a medium risk in this instance.

Equally, the emergence of new market participants may also generate opportunities for Wirecard AG's net assets, financial position and results of operations – for example, through new business partners, markets and products.

## 2.6 Operational risks

The Wirecard Group considers operational risks to mean the risk of losses resulting from the inappropriateness or failure of internal processes and systems, from human error or from external events which have not already been dealt with in other risk areas.

### Personnel risk

Qualified and motivated employees are critical to sustained business success. The growth of the Wirecard Group's business depends to a decisive degree on our ability to foster the loyalty of our current employees and also on our continuing ability to recruit highly qualified employees in the face of intense competition for skilled personnel and managers.

The availability of highly qualified employees, and consequently our ability to adjust our capacities to meet demand, particularly affects the successful realisation of projects. The Wirecard Group plans to continue to expand its activities. Its future success also depends on whether the Wirecard Group proves sufficiently successful in recruiting highly qualified skilled personnel and managers for the Company.

If Wirecard AG cannot effectively manage its personnel resources at its locations, it may be unable to efficiently and successfully manage its business.

A proactive personnel risk management system in place within the Wirecard Group ensures that possible risks relating to motivation, employee attrition and shortages are identified and assessed, and – where necessary – suitable measures are adopted to mitigate the risk level. As a result of a proactive personnel policy based on the directives laid down by the Management Board, profit participation programmes, advanced vocational training opportunities and an attractive working environment, the Wirecard Group protects itself against the loss of key employees and counteracts a possible risk of a lack of motivation.

The positioning of the Wirecard Group as an attractive employer will continue to help foster the loyalty of qualified employees and attract new personnel. Over the past years, Wirecard AG has experienced only very low employee turnover amongst its managers. Due to the measures that have been adopted, the Wirecard Group gauges the occurrence of this risk as very unlikely. However, a moderate impact on the net assets, financial position and results of operations cannot be excluded. For this reason, the Management Board gauges the risk for the 2016 fiscal year as low.

## Project risks

Customer projects are generally connected with risks as delays to their realisation can result in higher costs and damage to reputation, or also to significant contractual penalties.

The successful realisation of a customer project depends on a large number of factors. Although some of these factors cannot be influenced or can only be partially influenced by the Wirecard Group, they can nevertheless negatively impact the Company's business performance or jeopardise the realisation of a customer project through, for example, higher project expenditures and/or unexpected delays during implementation.

In addition, damage to the Company's image and claims for compensation from customers may be caused by negative developments during the course of the project attributable directly to the Wirecard Group, for instance due to bottlenecks in resources.

The Wirecard Group's active project risk management and the targeted optimisation of the risk profiles of customer projects by experienced project managers at the Wirecard Group serve to mitigate project risks. Risk management of customer projects is fully integrated into the Wirecard Group's Company-wide risk reporting system.

Although customer-specific solutions are implemented for some projects, the majority of customer projects involve standardised integration methods. For this reason, the Management Board gauges the occurrence of this risk as unlikely for the 2016 fiscal year given the overall risk structure of the project portfolio. However, a low impact on the Wirecard Group's net assets, financial position and results of operations cannot be completely excluded. As a consequence, the Management Board assumes a low risk overall.

## Risks arising from the use of third-party services and technologies

Parts of the Wirecard Group's range of products and services call for the utilisation of external products and services. Qualitative deficiencies in the products supplied or services rendered, delayed or incomplete deliveries or services, or the total failure of these products or services may have a detrimental impact on the Wirecard Group's business performance.

Changes to the utilisation rights for third-party software and technologies – to the extent that they are integrated into the products of the Wirecard Group – may delay both the development and market launch of these products, as well as negatively impact their functionality, and may result in the payment of higher licence fees.

Furthermore, the risk exists that licences will no longer be available in the future for third-party technologies that are in use, or that these technologies will no longer be accessible or are not accessible at an acceptable cost. In the short term, this may also result in significantly higher development costs for the integration of alternative technologies.

The Wirecard Group relies on the services of external partners in order to make some of its range of products and services available. If a service includes the use of IT systems, there is a risk that customer and/or transaction data may be misused. If this leads, for example, to any losses sustained by customers of Wirecard Bank AG, this could damage the reputation of the Wirecard Group.

Wirecard AG utilises third parties, in particular, to sell its prepaid products. In this regard, Wirecard AG must monitor the reliability of these intermediaries and ensure that they comply with the law and directives. Any omissions could result in sanctions by the supervisory authorities and also – in the form of contractual penalties – by credit card organisations and other contractual partners.

The system of active supplier management within the Wirecard Group provides far-reaching protection against the risks resulting from the use of third-party services and technologies. This system includes the targeted selection of suppliers according to stringent quality criteria, the integration of suppliers into the Wirecard Group's quality management system, proactive service-level management and the Wirecard Group's comprehensive redundancy concepts. Wirecard AG selects its sales partners very carefully, provides them with ongoing training and monitors their activities via random checks.

Given the protective measures and safeguards described above, the Management Board gauges the occurrence of this risk as unlikely for the 2016 fiscal year. If this risk should materialise, it could have a low negative impact on the net assets, financial position and results of operations. As a consequence, the Management Board assumes a low overall risk in this instance.

### Risks arising from acquisitions

The Wirecard Group has acquired various companies or parts of companies in the past. If the Wirecard Group were to be unable to efficiently integrate existing or future acquisitions, there is a risk of a negative effect on the business activities of the Wirecard Group.

Goodwill has resulted from the consolidation of various acquisitions. Wirecard AG plans to continue to realise some of its growth from moderate acquisitions. A negative business performance by individual acquisitions could lead to a deterioration in the cash flows expected from the acquired company and consequently to a reduction in value due to goodwill impairment that would have a negative impact on Wirecard AG's earnings.

The integration of acquisitions is generally challenging, as it comprises many risks arising from the integration of customers, employees, technologies and products. For this reason, target companies are always very carefully examined (in the form of extensive due diligence) by the Wirecard Group and advice is sought from consultants in the relevant specialist areas before acquisitions are realised. As far as possible, the Wirecard Group endeavours to obtain warranties relating to the correctness of information issued by sellers about target companies as part of the acquisition process. In addition, earnout components will secure expected cash flows as far as possible at a later point in time.

Based on the experience of the successful integration of past acquisitions, the Management Board gauges the occurrence of this risk in the 2016 fiscal year as very unlikely. Nevertheless, a significant impact on the net assets, financial position and results of operations cannot be excluded. As a consequence, Wirecard AG's Management Board gauges this risk as medium.

## 2.7 Information and IT risks

The Wirecard Group defines information and IT risks as the possibility that one or several weaknesses in IT systems or software will be exploited by a specific threat, causing confidentiality and integrity to be compromised or availability to be impaired.

### Risk arising from impermissible publication and modification of data

Despite far-reaching security measures, the risk exists that both customer data and internal data are published or manipulated in an impermissible manner, thereby generating losses for Wirecard AG.

Due to the nature of its business activities, extensive transaction data is held by the Wirecard Group, which includes information on both the business activities of corporate customers and the spending patterns and credit status of consumers. The publication of confidential customer data can have a substantial adverse impact on the Group's business performance, both through a loss in reputation and direct claims for damages or contractual penalties. The falsification of customer data may have a negative impact on the Wirecard Group's performance, through both a direct cash outflow due to erroneous payments made during the course of payment transactions of Wirecard Bank AG, and lost sales revenues due to incorrect statements in other business areas.

A security concept based on the industry standard PCI-DSS (Payment Card Industry – Data Security Standards) that is compulsory across the Group, directives on handling customer data, extensive quality assurance measures in the field of product development, as well as comprehensive technological backup and protective measures such as monitoring and early warning systems, all already serve to effectively counteract the risk of publication or falsification of customer data at the early stages of an attack being prepared. Wirecard Technologies GmbH is certified according to the PCI-DSS standard. In addition, the Wirecard Group counteracts internal misuse through a closed concept, starting with the selection of employees and a stringent "need-to-know" principle, through to the monitoring of all data access events. In close cooperation with the Wirecard Group's Data Protection Officer, experts ensure that personal data is processed solely in accordance with the rules and regulations of the applicable data protection laws. Moreover, the Wirecard Group arranges for third parties, who in turn are subject to a non-disclosure agreement, to audit the Group's procedures and infrastructure on an ongoing basis in order to detect any security loopholes, amongst other things.

If Wirecard AG were to fail to sufficiently safeguard confidential internal data, for example about future products, technologies or strategies, there could be a negative impact on business performance due to the possible publication of confidential information about future strategic activities or through product defects as a result of the falsification of internal data. The Wirecard Group counters the risk of the publication of internal confidential data, for example, concerning future products, technologies or strategies, through the introduction of security standards that are binding across the Group and guidelines relating to internal and external communication, as well as through extensive protective measures and technological safeguards.

Due to the security measures that have been implemented, the Management Board gauges the occurrence of this risk in the 2016 fiscal year as unlikely. However, Wirecard AG cannot fully exclude a moderate impact on its reputation, as well as on its net assets, financial position and results of operations, and thus assumes a medium risk in this instance.

### Risks arising from the structure and operation of information systems

The risk exists that previously undiscovered security loopholes are exploited in the information systems developed and deployed by Wirecard AG.

Information technology represents a strategic factor for success in the Wirecard Group's business activities. The quality and availability of information systems and Wirecard AG's ability to respond speedily, flexibly and in a cost-efficient manner to changing market requirements are critical to its financial and business success. System outages, problems with quality or delays in developing or rolling out new products as a result of structural deficiencies in IT systems can have a significant negative impact on business performance. Attacks could result in the abuse of IT systems and a reduction in the availability of Wirecard AG's services and products. The insufficient availability of IT systems could result in possible claims for damages from customers, reduce customer satisfaction and have a negative impact on business performance.

When structuring its information systems, the Wirecard Group relies on cost-effective, modular and standardised technologies from renowned providers. Due to flexible processes and short product development cycles, the IT department at the Company is justified in its role as a pioneer of new business models and facilitates the rapid market rollout of new products. A redundant infrastructure with high availability facilitates the continuous operation of the Group's systems and largely protects them from possible downtimes, for example as a result of sabotage. An extensive quality management system ensures that the quality standards necessary for the development and operation of banking-related IT systems are met. Continuous investment in the Company's infrastructure also secures the future performance capabilities of the IT systems.

Even though successful attacks on IT systems or mistakes by employees cannot be excluded in principle, the Management Board gauges the occurrence of this risk in the 2016 fiscal year as unlikely. For this reason, Wirecard AG cannot fully exclude a moderate impact on its reputation, as well as on its net assets, financial position and results of operations. Overall, the Management Board assumes a medium risk in this instance.

## 2.8 Financial risks

### Exchange rate risk

Currency risk derives from Wirecard AG's foreign currency positions and potential changes to corresponding exchange rates.

Currency risks exist, in particular, where assets, liabilities and revenues exist or arise in a currency other than the local currency of the Company. This increasingly impacts the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments, which transact a substantial part of their revenues in foreign currencies (mainly USD and GBP).

A general risk relates to the earnings of Wirecard AG that are to be reported in euros where there is a weakening in the foreign currency exchange rates relevant to Wirecard AG. Equally, an increase in such exchange rates represents an opportunity.

In these segments, trade accounts receivable, trade accounts payable, bank borrowings and bank deposits exist in foreign currencies. In order to avoid currency risk, the Group Treasury department tries to ensure that receivables and liabilities are held in the same currencies and at the same levels whenever possible. Foreign currency positions are also monitored continuously and surpluses and shortfalls are offset where required. Risks that cannot be compensated for in this process are hedged by the deployment of financial derivatives following an individual analysis. The use of derivative financial instruments is carried out subject to stringent controls based on mechanisms and uniform directives defined centrally. No forward exchange transactions or currency options are deployed with speculative intentions. If no hedging takes place, the residual risks of exchange rate fluctuations may influence the Wirecard Group's earnings that are to be reported in euros.

For this reason, there is no guarantee that the measures that have been taken will prove successful in all instances and that an immaterial impact on the Wirecard Group's net assets, financial position and results of operations will not arise. Due to the monitoring and control measures that have been adopted, the Management Board gauges the occurrence of this risk as unlikely and overall assumes a very low risk.

### Interest rate risks

Interest rate fluctuations reflecting changes to market interest rates could negatively affect the Wirecard Group's operating activities.

The Wirecard Group has substantial liquidity at its disposal that is invested in demand and fixed-term deposits and/or overnight (call money) deposits with selected banks. The interest receivable on these investments is based on the interbank money market interest rate of the respective investment currency, less a standard banking margin. The interbank money market interest rate is subject to fluctuations that may impact realised earnings. As a result of the negative interest on deposits for banking in euros (as of 31 December 2015: -0.30 percent p.a.) introduced by the European Central Bank (ECB), minor costs for the holding of liquidity in euros in bank accounts may be incurred.

The Wirecard Group has also decided to enter into short or medium-term securities investments with maturities of up to five years in order to optimise interest income from Wirecard Bank AG's base liquidity.

These include, amongst others, collared floaters, variable rate bearer bonds and borrower's note loans from various banks with a minimum (A-) investment-grade rating, sometimes with a minimum interest rate.

As part of debt financing, the Wirecard Group has partially agreed fixed interest rates until maturity, or on the basis of 3, 6, 9 or 12-month EURIBOR, plus a margin agreed with the funding banks.

If the Wirecard Group has financing with variable interest rates based on international reference rates (EURIBOR, LIBOR), it monitors interest rate changes on an ongoing basis. When using this type of financing, a decision is made for each individual case as to whether and how the interest rate risk should be hedged using suitable instruments.

An increase in reference interest rates would incur the risk of an increase in interest expenses on debt financing. Equally, an increase in reference interest rates would result in an opportunity on the interest income side from existing bank deposits and securities.

There is no guarantee that there will not be an immaterial impact on the net assets, financial position and results of operations of the Wirecard Group. The Management Board gauges the occurrence of this risk as unlikely and overall assumes a very low risk.

### Liquidity risk

The risk exists that cash requirements triggered by potential cash flow fluctuations cannot be covered or can only be covered at higher cost.

The Wirecard Group continuously invests any substantial amounts of unrequired liquidity in demand and fixed-term deposits, overnight (call money) deposits, as well as the base volume of liquidity in variable-rate bearer debentures and borrower's note loans from selected issuers fundamentally with minimum (A-) investment-grade ratings, and partly with a minimum interest rate. In addition, the Group prepares its own risk evaluation for counterparties. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required.

The variable-rate bearer bonds and borrower's note loans are due to be repaid at maturity at 100.00 percent. If the variable rate bearer bonds and borrower's note loans are made available before maturity, a price risk exists (a deviation either above or below the 100.00 percent expected at maturity) depending on changes to the issuer's credit rating, the residual term to maturity and the current market interest rate level.

As only the base liquidity less a substantial security reserve is invested for a longer term, the Management Board gauges the occurrence of this risk as very unlikely and the potential impact as moderate on the net assets, financial position and results of operations, and overall assumes a low risk.

Further information about financial risks can be found in Chapter 7.2 (Notes).

## 2.9 Debtor risks

The Wirecard Group understands debtor risks to mean possible value losses that could be caused by a business partner being unable or unwilling to pay.

### Risks from receivables

The risk exists of a loss of value from receivables arising from a contract with a business partner (e.g. retailers, private and business customers and other institutions).

Receivables from retailers may arise, for example, from chargebacks following retailer insolvency, violations of applicable rules and regulations by retailers, or fraud on the part of retailers.

In principle, the risk involved in trade receivables depends on the retailer's business model. There is an increased risk where there is no direct temporal link between goods supplied or services rendered and the transaction, in other words, where the goods or services are to be provided at a later date (e.g. booking of airline tickets or tickets for certain events). As the periods within which chargebacks can be realised by the cardholder only commence once the deadline for performance by the retailer has elapsed, this temporal decoupling results in an accumulation of open transactions. In the event of retailer insolvency, this may result, for example, in the risk of chargebacks.

A violation of the valid rules and regulations by a retailer may lead to a credit card organisation calling for penalties to be imposed on the retailer. These payments would be charged to the retailer by the Wirecard Group on the basis of existing agreements.

Retailers can act fraudulently in various ways and, as a result, harm the Wirecard Group in its role as an acquirer or as the party engaged in the payment process in some other role. Some examples include fraud in relation to credit notes, fraudulent insolvency, submitting third-party payment records, reutilisation of card data and offering bogus services to end customers.

In order to counteract the risk of business partners of the Wirecard Group defaulting on their contractual payment obligations, customers are subjected to a comprehensive assessment of relevant data, such as their credit rating, liquidity, market positioning, management experience and other case-by-case criteria before the Group enters into a transaction with them. This also applies to the review of business relationships with commercial banks, acquiring partners and retailers. Moreover, once an account has been established, all business relationships are continually monitored for suspicious features or possible fraud patterns. Payment flows are monitored on a regular basis and outstanding receivables are continually tracked by the Company's internal debtor and liquidity management system. Depending on the risk factors, the Wirecard Group also takes retailer default risk into account through individual reserves or, alternatively, delayed payment to retailers, as well as through payment commitments from banks or insurance companies.

All measures are adjusted on a regular basis thanks to close monitoring of retailer business operations.

Credit card companies and acquiring partners that cooperate with Wirecard are similarly entitled to payments from Wirecard. Therefore, a significant proportion of the trade receivables from the acquiring businessrepresents such types of claims from credit card companies and acquiring partners that are typical in the sector. These claims exist for the length of the business relationships and have a typically revolving character.

The free liquidity invested in demand deposits and overnight (call money) deposits, fixed-term deposits and bank bearer debentures outside the Wirecard Group could also be jeopardised if these credit institutions suffer from insolvency or financial difficulties. The Wirecard Group takes account of such risk through both stringent checks on the total amount of such deposits and a full review of the counterparties. In addition to specific credit-rating and profitability data relating to the relevant counterparties, external ratings, where available, are also included in the review carried out by the Wirecard Group.

Further risks may exist due to cross-border receivables. For example, it may be impossible to realise existing receivables, or only with difficulty, as a result of different statutory regulations in other countries (regarding foreclosure, for example). Similarly, a deterioration in the general economic conditions in individual countries – for example, as a result of political and social unrest, nationalisation and expropriation, non-recognition of foreign debts by the state, foreign exchange regulations, and the devaluation or depreciation of local currencies – could have a negative impact on the Wirecard Group's receivables position and consequently in individual cases on its net assets, financial position and results of operations. In particular, political and social unrest may suddenly lead to the destabilisation of a country or economic region that was previously considered to be stable. Therefore, significant financial investments abroad made as part of the inorganic growth of Wirecard AG, for example, could be neutralised by negative developments in these countries. Even though Wirecard AG investigates the opportunities and risks in a particular foreign market using internal and external risk analyses of the country, there can be no guarantees in individual cases surrounding the political situation in this country and its social, economic and legal environment, or about any expected future developments.

The Wirecard Group takes account of such risks by stipulating the applicable law and place of jurisdiction in contracts wherever possible. Moreover, receivables are also consistently collected in the international environment using the required measures and appropriate securities are agreed with contractual partners. There is nevertheless no guarantee that the measures that have been taken will prove successful in all instances and that a moderate impact on the Wirecard Group's net assets, financial position and results of operations will not arise. Due to the monitoring and control measures that have been adopted, the Management Board gauges the occurrence of this risk as very unlikely. Overall, the Management Board of Wirecard AG assumes a low risk in this instance.

## 2.10 Legal and regulatory risks

### Regulatory risks

Current and future promulgations concerning regulatory conditions could negatively affect the business performance at Wirecard AG.

The Wirecard Group understands legal and regulatory risks to mean the possible impact on business performance of a change to the national and/or international statutory and regulatory conditions for payment systems, the development and provision of software or the use of the Internet.

The Wirecard Group provides payment processing services and payment methods for a wide variety of goods and services both nationally and internationally. In addition to the regulations and laws for capital markets and public limited companies that apply to Wirecard AG, statutory and regulatory requirements for payment systems and payment products consequently impact the Company's business performance in all countries in which Wirecard AG operates. However, the legal and regulatory conditions and risks that apply to the products and services offered by our customers – in other words, for the most part the retailers and service providers operating on the Internet – also have a direct or indirect bearing on our business performance. Contractual conditions and issues relating to tax law are of particular significance in the cross-border segment. The expertise necessary for assessing day-to-day operations is possessed by the qualified employees of the Wirecard Group. To further mitigate risks, the Wirecard Group enlists the services of external legal and tax consultants when dealing with complex issues.

The underlying legal and regulatory conditions have a material impact on product design and the organisation of sales processes and sales structures. Future measures brought in by legislators, or a stricter interpretation of existing acts or regulations by courts or authorities, could significantly restrict the sales of various products – especially prepaid products. The risk exists that it may no longer be permissible to offer specific products or to offer them in their current form.

The planned new EU legislation on interchange fees provides one example of a regulatory change. In the case of the transactions involving Visa and MasterCard payments that are settled in accordance with the four-party model, this fee for the services offered by the provider will be settled between the issuing bank ("issuer") and the acquirer. As interchange fees are reported under the cost of materials in the Acquiring area, a possible reduction in the interchange fees would not represent any risk to Wirecard AG's net assets, financial position and results of operations. The Management Board gauges the remaining (partial) risk in the Issuing area as immaterial.

In particular, political and social unrest may suddenly lead to the destabilisation of a country or economic region that was previously considered to be stable. This may lead to the permanent deterioration of the framework conditions through to a ban on certain business models.

In parallel, statutory regulations governing the use of the Internet or guidelines concerning the development or provision of software and/or services can differ profoundly both on a national and international scale. For instance, customers in the field of online pharmacies and gambling are subject to a high degree of national or international regulation. The result may be that certain transactions or the processing of payments online may only be possible to a limited extent or not at all, depending on the countries in question. The Wirecard Group counteracts the associated risks to its business activities by cooperating closely with regional or specialised law firms that provide assistance both in launching new products and with ongoing business processes and business relations.

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

In Wirecard AG's business areas, risks deriving from regulatory changes that may have a moderate impact on net assets, financial position and results of operations, as well as on the Company's reputation, cannot generally be excluded. However, Wirecard AG assumes a risk occurrence as very unlikely from today's perspective. Overall, Wirecard AG's Management Board gauges this risk as low.

### Risks from contractual violations

The risk exists that existing contractual relationships are terminated due to contractual obligations not being fulfilled, not being fulfilled on time, or not being fulfilled to their full extent, which will have a negative impact on business performance at Wirecard AG.

Wirecard Bank AG is a member or licence holder of the credit card companies MasterCard and Visa, as well as JCB International Co. Ltd., and has licences for both issuing cards to private customers and retailer acquiring. Wirecard Bank AG also holds licences for online acquiring for American Express, UnionPay and Discover/Diners Club and is a contractual partner of Universal Air Travel Plan (UATP), Inc. for issuing and acquiring. In the notional event of termination or cancellation of these license agreements, there would be a considerable impact on the business activities of Wirecard AG or Wirecard Bank AG.

Recently, the Wirecard Group has, in some cases, used borrowing to finance the acquisition of companies or parts of companies. The Management Board has concluded credit agreements for the realisation of this strategy. In these agreements, the Wirecard Group has made standard undertakings to meet certain covenants. In addition, as part of the standard contractual conditions applied by the banks, a restriction has been imposed on the Wirecard Group's ability to encumber or sell assets, acquire other companies or participating interests, or perform conversions. The Wirecard Group fully complies with these contractual terms. The Management Board does not believe that these contractual conditions will have a negative impact on the Wirecard Group's business activities.

If Wirecard AG were to be unable to fully comply with its contractual obligations, the risk exists of an impact that could reach a significant level. Due to constant communication with the contractual partners and continuous monitoring of compliance with the contractual terms, the Management Board nevertheless regards the occurrence of this risk as very unlikely and consequently assumes the existence of a medium risk overall.

### Litigation risks

As reported, a lawsuit against the Company and against a specific Group company relating to the payment of allegedly outstanding commission was submitted to Munich Regional Court I in the 2012 calendar year. The lawsuit was rejected in the first instance as expected in August 2014. The opposite party appealed against this verdict to the Higher Regional Court in Munich. In May 2015, the lawsuit was concluded by way of a settlement at the Higher Regional Court in Munich.

In February 2013, a lawsuit was brought against the Company, and against a specific Group company, relating to the payment of retained collateral, as well as relating to the payment of damages. The lawsuit was rejected in the first instance in November 2014. The opposite party appealed against this verdict to the Higher Regional Court in Munich. A final ruling in favour of Wirecard was made on 18 May 2015.

In February 2015, a lawsuit was brought against the Company, and against a specific Group company, relating to the payment of retained collateral, as well as relating to the payment of damages. After Wirecard AG has secured corresponding assets of the claimant to the amount of the calculated risk, the Management Board assumes a low potential impact on the Wirecard Group's net assets, financial position and results of operations. At this point in time, Wirecard AG believes that losing this case is unlikely.

In April 2015, a lawsuit was brought against the Company, and against a specific Group company, at the Munich Regional Court I in relation to outstanding payments for an IT project. After Wirecard AG has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a low potential impact on the Wirecard Group's net assets, financial position and results of operations. At this point in time, Wirecard AG believes that losing this case is unlikely.

In August 2015, out-of-court claims were made against the Company, and against a specific Group company, relating to the payment of retained collateral. These claims are challenged by counterclaims from Wirecard for the payment of contractual penalties. After Wirecard AG has accumulated provisions to the amount of the calculated risk, the Management Board assumes a low potential impact on the Wirecard Group's net assets, financial position and results of operations. At this point in time, Wirecard AG believes that losing this case is unlikely.

Furthermore, the Company and individual Group companies are defendants or participants in other litigation or arbitration proceedings. On the basis of information available today, these proceedings are not of considerable relevance to the Company. Even when considered together, the impact on the Wirecard Group net assets, financial position and results of operations is only considered to be immaterial.

In summary, risks having an immaterial impact on the Wirecard Group's net assets, financial position and results of operations arising from current litigation cases cannot be completely excluded. Even if Wirecard AG regards the occurrence of these risks as very likely for reasons of prudence, the Management Board of Wirecard AG gauges the risk as low.

## 2.11 Other risks

### Reputation risk

The risk exists that the trust and confidence of customers, business partners, employees and investors is adversely impacted by a publicised report on a transaction, business partner or business practice involving a customer.

In particular, this risk arises from the intentional dissemination of false information, breach of contract by customers, misguided information, as well as communications by any dissatisfied employees or customers resulting in an adverse impact on the Company's reputation. Other risks described in this report can also impact on Wirecard AG's reputation.

The Wirecard Group is aware of this risk and therefore continually reviews the statements on its products, as well as reports on the Wirecard Group in the market (print media, television, Internet, forums, etc.), in order to quickly take suitable countermeasures where necessary. Furthermore, the registration of Internet domains with similar names that could potentially be used with fraudulent intent or to impair the reputation of the Company are monitored in collaboration with a renowned external service provider, as is any misuse of the Wirecard logo.

Due to the multitude of potential loss scenarios, the quantification of reputation risk is difficult. If Wirecard AG were to fail to rapidly counter the communication of erroneous information or misguided information, for example, there is a risk of a moderate impact on Wirecard AG's net assets, financial position and results of operations, as well as a danger that other risks described in this report will be exacerbated. Given the preventative measures that have been taken, Wirecard AG's Management Board assesses the overall reputation risk as medium.

## 2.12 Summary of overall risk

In summary, the Wirecard Group recorded a positive trend in its overall risk structure in the period under review. As a result of the ongoing optimisation of the risk management system, particularly with regard to managing the development of volume and complexity of the business, which was closely modelled on acknowledged industry standards and the implementation of a multitude of risk-minimising measures, it proved possible to ensure that none of the risks identified within the scope of the Group-wide risk management system fall – in terms of their probabilities of occurrence and impact – within the category of risks likely to jeopardise the Group as a going concern, irrespective of whether they are considered individually or in their entirety.

As far as the total number of identified risks is concerned, 63 percent of all risks were classified as being "low" or "very low", while 37 percent of all risks were categorised as being "medium". No risk was gauged as being "high" or "very high".

Wirecard AG's Management Board remains confident that the Group's profitability forms a solid foundation for future business development and provides the requisite resources to allow the Group to pursue available opportunities. Given its leading position on the market, committed employees, strengths in innovative technology and structured processes for the early identification of risks, the Management Board is confident that it can counter the challenges arising from the aforementioned risks at all times.

In the area of risk management, the Wirecard Group thus considers itself well prepared to meet the challenges it will face in the 2016 fiscal year.

# 3. OVERALL STATEMENT ON THE GROUP'S EXPECTED DEVELOPMENT (OUTLOOK)

The strong organic growth of the Wirecard Group will also be based in the coming years on vigorous growth in the core area of electronic payment processing and the constant increase in the associated transaction volumes processed by the Company.

This expectation is founded on robust growth in the European e-commerce sector in the low double-digit range, as well as by above-average growth in e-commerce volumes outside Europe. The combination of profitable acquisitions and their integration into one of the leading global technology platforms for payment processing will make it possible for Wirecard to increase its profitability at a Group level.

Wirecard will continue to respond to the needs of its customers and partners in future through the further internationalisation of the Group. As a result of the increasing globalisation of e-commerce, internationally active companies require a partner that can offer globally secure payment processing and risk management from one source and also provide access to all relevant payment and banking networks. Alongside the expansion of the worldwide network of technical and service facilities, the range of acquiring services will also be expanded worldwide through global BIN sponsorship partnerships with local financial institutions.

Internet technology is the cheapest globally accessible technology for the secure transfer and processing of information. As a consequence of the comprehensive increase in its use, outdated hardware-based technologies will be increasingly replaced by software-based solutions. The availability of mobile access to the Internet will accelerate this development in the long term. New business models will be created, familiar structures must be modernised and markets will converge.

Existing sales channels will no longer exist independently of one another in the future but will merge together to form one sales channel (omni-channel) that is as flexible as possible and tailored towards the customer. Utilising Internet-based solutions for mobile payment and mobile card acceptance, Wirecard will create future prospects for growth in order to benefit from the constant increase in the volume of electronic payment transactions as traditional e-commerce and POS merge together.

Wirecard AG's Management Board is optimistic about the business performance and expects operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 290 million and EUR 310 million in 2016.

Aschheim (Munich), 6 April 2016

Wirecard AG

Dr. Markus Braun　　Burkhard Ley　　Jan Marsalek

# CONTENT CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet – assets

| in kEUR | Notes | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | **(3.1.), (2.2.)** | | |
| **I. Non-current assets** | | | |
| 1. Intangible assets | (3.1.), (2.3.) | | |
| Goodwill | | **489,301** | 218,202 |
| Customer relationships | | **385,451** | 341,365 |
| Internally-generated intangible assets | | **80,639** | 62,173 |
| Other intangible assets | | **65,869** | 49,229 |
| | | **1,021,259** | 670,969 |
| | | | |
| 2. Property, plant and equipment | (3.2.), (2.3.) | **30,987** | 16,292 |
| 3. Financial and other assets / interest-bearing securities | (3.3.), (2.2.) | **227,152** | 123,991 |
| 4. Tax credits | | | |
| Deferred tax assets | (3.4.), (2.4.) | **862** | 894 |
| **Total non-current assets** | | **1,280,261** | **812,145** |
| | | | |
| **II. Current assets** | | | |
| 1. Inventories and work in progress | (3.5.), (2.3.) | **3,599** | 3,313 |
| 2. Receivables of acquiring business | (3.6.), (2.3.) | **334,055** | 283,863 |
| 3. Trade and other receivables | (3.7.), (2.3.) | **113,204** | 70,739 |
| 4. Tax credits | (3.8.), (2.4.) | | |
| Tax refund entitlements | (3.8.) | **8,286** | 7,103 |
| 5. Interest-bearing securities and fixed-term deposits | (3.9.) | **133,128** | 122,919 |
| 6. Cash and cash equivalents | (3.10.), (6.) | **1,062,968** | 695,076 |
| **Total current assets** | | **1,655,240** | **1,183,013** |
| | | | |
| **Total assets** | | **2,935,501** | **1,995,159** |

## Consolidated balance sheet – equity and liabilities

| in kEUR | Notes | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **I. Equity attributable to Wirecard AG shareholders** | **(4.)** | | |
| 1. Subscribed capital | (4.1.) | **123,566** | 123,491 |
| 2. Capital reserve | (4.2.) | **494,682** | 493,073 |
| 3. Retained earnings | (4.3.) | **579,837** | 453,244 |
| 4. Revaluation reserve | (4.4.) | **78,799** | 0 |
| 5. Translation reserve | (4.5.) | **3,630** | 3,078 |
| **Total equity** | | **1,280,513** | **1,072,886** |
| | | | |
| **II. Liabilities** | **(4.), (2.2.)** | | |
| 1. Non-current liabilities | (4.6.), (2.3.) | | |
| Non-current interest-bearing liabilities | | **358,146** | 89,329 |
| Other non-current liabilities | | **71,912** | 29,257 |
| Deferred tax liabilities | | **53,266** | 28,721 |
| | | **483,325** | **147,307** |
| 2. Current liabilities | (4.7.), (2.3.) | | |
| Liabilities of acquiring business | | **333,924** | 282,832 |
| Trade payables | | **25,988** | 15,535 |
| Interest-bearing liabilities | | **12,579** | 9,030 |
| Other provisions | | **1,421** | 1,284 |
| Other liabilities | | **201,201** | 60,053 |
| Customer deposits from banking operations | | **582,464** | 396,733 |
| Tax provisions | (2.4.) | **14,087** | 9,498 |
| | | **1,171,663** | **774,966** |
| **Total liabilities** | | **1,654,988** | **922,273** |
| **Total equity and liabilities** | | **2,935,501** | **1,995,159** |

## Consolidated income statement

| in kEUR | Notes | 1 Jan 2015 – 31 Dec 2015 | | 1 Jan 2014 – 31 Dec 2014 | |
|---|---|---|---|---|---|
| **Revenues** | **(5.1.), (2.3.)** | | **771,340** | | **601,032** |
| Own work capitalised | (5.2.) | | 28,293 | | 24,978 |
| Cost of materials | (5.3.) | | 418,935 | | 340,599 |
| **Gross profit** | | | **380,698** | | **285,412** |
| Personnel expenses | (5.4.) | | 96,378 | | 66,432 |
| Other operating expenses | (5.5.) | | 62,665 | | 53,428 |
| Other operating income | (5.6.) | | 5,659 | | 7,390 |
| **EBITDA** | | | **227,315** | | **172,941** |
| Amortisation and depreciation (M&A adjusted)* | (5.7.) | | 29,895 | | 20,728 |
| **EBIT adjusted*** | | | **197,420** | | **152,213** |
| Amortisation and depreciation (M&A-related) | (5.7.) | | 24,576 | | 19,357 |
| **EBIT** | | | **172,844** | | **132,856** |
| **Financial result** | **(5.8.)** | | **–7,175** | | **–6,738** |
| Other financial income | | 2,163 | | 1,362 | |
| Financial expenses | | 9,338 | | 8,100 | |
| **Earnings before tax ** ** | | | **165,669** | | **126,118** |
| **Income tax expense** | **(5.9.)** | | **23,023** | | **18,190** |
| **Earnings after tax ** ** | | | **142,646** | | **107,929** |
| Earnings per share (basic) in EUR | (5.10.) | | 1.16 | | 0.89 |
| Earnings per share (diluted) in EUR | (5.10.) | | 1.16 | | 0.89 |
| Average shares in issue (basic) | (5.10.), (4.1.) | | 123,496,956 | | 121,741,803 |
| Average shares in issue (diluted) | (5.10.), (4.1.) | | 123,496,956 | | 121,840,778 |

* Adjusted by amortisation of assets which result from business combinations and acquired customer relationships (M&A-related)
** Attributable entirely to the shareholders of the parent company

## Consolidated statement of comprehensive income

| in kEUR | Notes | 1 Jan 2015 – 31 Dec 2015 | 1 Jan 2014 – 31 Dec 2014 |
|---|---|---|---|
| **Earnings after tax** | **(5.)** | **142,646** | **107,929** |
| **Items to be reclassified to profit or loss** | | | |
| Change in differences item from currency translation of foreign subsidiaries | (4.5) | 552 | 8,776 |
| Revaluation of available-for-sale financial assets with no effect on profit or loss | | 80,376 | 0 |
| Tax effects of the revaluation | (4.4) | –1,576 | 0 |
| Recycled to the income statement | | 0 | 0 |
| Change in amount reported in equity | | 79,351 | 8,776 |
| **Total comprehensive income** | | **221,997** | **116,705** |

## Consolidated statement of changes in equity

| | Subscribed capital Nominal value/number of shares issued kEUR / in '000 shares | Capital reserves kEUR | Retained earnings kEUR | Revaluation reserve kEUR | Translation reserve kEUR | Total consolidated equity kEUR |
|---|---|---|---|---|---|---|
| **Balance as of 31 December 2013** | 112,292 | 141,683 | 360,134 | 0 | –5,698 | 608,411 |
| Earnings after tax | | | 107,929 | | | 107,929 |
| Currency translation differences | | | | | 8,776 | 8,776 |
| **Total comprehensive income** | **0** | **0** | **107,929** | **0** | **8,776** | **116,705** |
| Dividends paid | | | –14,819 | | | –14,819 |
| Capital increase | 11,198 | 351,390 | | | | 362,588 |
| **Balance as of 31 December 2014** | **123,491** | **493,073** | **453,244** | **0** | **3,078** | **1,072,886** |
| Earnings after tax | | | **142,646** | | | **142,646** |
| Differences from translation reserve | | | | | **552** | **552** |
| Differences from revaluation reserve | | | | **78,799** | | **78,799** |
| **Total comprehensive income** | **0** | **0** | **142,646** | **78,799** | **552** | **221,997** |
| Capital increase | **75** | **1,609** | | | | **1,684** |
| Dividends paid | | | **–16,054** | | | **–16,054** |
| **Balance as of 31 December 2015** | **123,566** | **494,682** | **579,837** | **78,799** | **3,630** | **1,280,513** |

Notes on equity under (3.)

## Consolidated cash flow statement

| in kEUR | Notes | 1 Jan 2015 –31 Dec 2015 | 1 Jan 2014 –31 Dec 2014 |
|---|---|---|---|
| **Earnings after tax** | **(5.)** | **142,646** | **107,929** |
| Financial result | | **7,175** | 6,738 |
| Income tax expense | | **23,023** | 18,190 |
| Gain/loss from disposal of non-current assets | | **471** | 294 |
| Amortisation/depreciation | | **54,470** | 40,085 |
| Change from currency exchange-rate differences | | **–4,593** | –1,903 |
| Change in inventories | | **–286** | 1,510 |
| Change in receivables | | **–76,770** | –74,836 |
| Change in liabilities of the acquiring business and trade payables | | **56,401** | 39,835 |
| Change in other assets and liabilities | | **–2,680** | 6,434 |
| Net cash outflow arising from income tax | | **–21,892** | –15,245 |
| Interest paid excluding interest on loans | | **–260** | –416 |
| Interest received | | **580** | 502 |
| **Cash flow from operating activities** | | **178,285** | **129,115** |
| Cash outflows for investments in intangible assets | | **–50,865** | –67,655 |
| Cash outflows for investments in property, plant and equipment | | **–13,147** | –7,301 |
| Cash inflows from sale of intangible assets and property, plant and equipment | | **15** | 6 |
| Cash outflows for investments in financial assets and interest-bearing securities | | **–13,798** | –11,500 |
| Cash inflows from sale of financial assets | | **15,000** | 0 |
| Cash inflows from repayment of loans extended | | **0** | 2,000 |
| Cash outflows for acquisition of consolidated companies less acquired cash | (1.1., 6.) | **–144,545** | –82,817 |
| Cash inflows from the sale of companies and interests in consolidated companies | | **0** | –2,496 |
| **Cash flow from investing activities** | **(6.2.)** | **–207,339** | **–169,763** |
| Cash outflows for previous years' acquisitions of companies | | **–24,274** | –5,537 |
| Redemption of lease liabilities | | **–6,080** | –3,564 |
| Cash inflows from issuing of shares | | **1,684** | 366,746 |
| Cash outflows for expenses from issuing of shares | | **0** | –5,695 |
| Cash inflows from drawing down of financial liabilities | | **271,779** | 76,000 |
| Cash outflows for expenses for drawing down of financial liabilities | | **–2,294** | –1,218 |
| Cash outflows for repayment of financial liabilities | | **–8,206** | –225,762 |
| Dividends paid | | **–16,054** | –14,819 |
| Interest paid on loans and finance leases | | **–2,633** | –2,612 |
| **Cash flow from financing activities** | **(6.3.)** | **213,921** | **183,538** |
| **Net change in cash and cash equivalents** | | **184,866** | **142,890** |
| Exchange-rate-related changes to cash and cash equivalents | | **–7,304** | 2,164 |
| **Cash and cash equivalents at start of period** | | **456,127** | **311,073** |
| **Cash and cash equivalents at end of period** | **(6.4.)** | **633,690** | **456,127** |

## Consolidated cash flow from operating activities (adjusted)

| in kEUR | 1 Jan 2015 –31 Dec 2015 | 1 Jan 2014 –31 Dec 2014 |
|---|---|---|
| **Earnings after tax** | **142,646** | **107,929** |
| Financial result | 7,175 | 6,738 |
| Income tax expense | 23,023 | 18,190 |
| Gain/loss from disposal of non-current assets | 471 | 294 |
| Amortisation/depreciation | 54,470 | 40,085 |
| Change from currency exchange-rate differences | –1,644 | –377 |
| Change in inventories | –286 | 1,510 |
| Change in receivables | –37,368 | –26,398 |
| Change in liabilities of the acquiring business and trade payables | 14,124 | –575 |
| Change in other assets and liabilities | 18,647 | 6,440 |
| Net cash outflow arising from income tax | –21,892 | –9,927 |
| Interest paid excluding interest on loans | –260 | –416 |
| Interest received | 580 | 502 |
| **Cash flow from operating activities (adjusted)** | **199,685** | **143,994** |

As a consequence of the business model, receivables of the acquiring business comprise receivables due from credit card organisations, banks, merchants and acquiring partners. At the same time, these business transactions give rise to liabilities to merchants, amounting to the transaction volume (less our commissions and charges). Receivables and liabilities (less our commissions and charges) are transitory in nature and subject to substantial fluctuations from one balance sheet date to another.

In view of this situation, Wirecard AG has decided to present a further statement in addition to the usual statement of cash flows from operating activities in order to eliminate those items that are merely transitory in nature. This also eliminates the FinTech related receivables. This is intended to facilitate the identification and reporting of the cash-relevant portion of the Company's earnings.

## Change in non-current assets

| 2015<br>in kEUR | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 Jan 2015 | Currency translation adjustments | Addition due to first-time consolidation | Additions | Disposals | Reclassification | 31 Dec 2015 |
| **Non-current assets*** | | | | | | | |
| 1. Intangible assets | | | | | | | |
| Goodwill | **222,948** | **937** | **273,547** | **71** | **–3,457** | **0** | **494,046** |
| Internally-generated intangible assets | **85,727** | **–12** | **0** | **28,293** | **–18** | **0** | **113,990** |
| Other intangible assets | **77,455** | **29** | **16,311** | **13,823** | **–904** | **0** | **106,715** |
| Customer relationships | **377,544** | **–1,005** | **55,784** | **10,153** | **0** | **0** | **442,476** |
| | **763,674** | **–51** | **345,643** | **52,341** | **–4,379** | **0** | **1,157,228** |
| 2. Property, plant and equipment | **35,372** | **59** | **523** | **24,875** | **–769** | **0** | **60,060** |
| | **799,046** | **9** | **346,166** | **77,216** | **–5,148** | **0** | **1,217,288** |

| 2014<br>in kEUR | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 Jan 2014 | Currency translation adjustments | Addition due to first-time consolidation | Additions | Disposals | Reclassification | 31 Dec 2014 |
| **Non-current assets*** | | | | | | | |
| 1. Intangible assets | | | | | | | |
| Goodwill | 150,541 | 521 | 71,713 | 173 | 0 | 0 | **222,948** |
| Internally-generated intangible assets | 60,711 | 38 | 0 | 24,978 | 0 | 0 | **85,727** |
| Other intangible assets | 52,092 | 300 | 10,839 | 14,420 | 0 | –196 | **77,455** |
| Customer relationships | 240,320 | 6,177 | 104,246 | 26,800 | 0 | 0 | **377,544** |
| | **503,664** | **7,036** | **186,799** | **66,371** | **0** | **–196** | **763,674** |
| 2. Property, plant and equipment | 26,851 | 15 | 391 | 8,835 | –916 | 196 | **35,372** |
| | **530,516** | **7,050** | **187,190** | **75,207** | **–916** | **0** | **799,046** |

* Excluding deferred tax assets and other non-current assets

| Cumulative amortisation/depreciation | | | | | | Carrying amount | Carrying amount | |
|---|---|---|---|---|---|---|---|---|
| 1 Jan 2015 | Currency translation adjustments | Additions | Disposals | Reclassi-fication | 31 Dec 2015 | 31 Dec 2015 | 31 Dec 2014 | 2015 amortisation/ depreciation |
| | | | | | | | | |
| | | | | | | | | |
| 4,746 | 0 | 0 | 0 | 0 | 4,746 | 489,301 | 218,202 | 0 |
| 23,555 | -1 | 9,798 | 0 | 0 | 33,352 | 80,639 | 62,173 | 9,798 |
| 28,226 | -4 | 13,139 | –516 | 0 | 40,846 | 65,869 | 49,229 | 13,139 |
| 36,179 | -3 | 20,850 | 0 | 0 | 57,026 | 385,451 | 341,365 | 20,850 |
| 92,705 | -8 | 43,788 | –516 | 0 | 135,969 | 1,021,259 | 670,969 | 43,788 |
| 19,080 | -1 | 10,683 | –689 | 0 | 29,072 | 30,987 | 16,292 | 10,683 |
| 111,785 | –10 | 54,470 | –1,205 | 0 | 165,041 | 1,052,247 | 687,260 | 54,470 |

| Cumulative amortisation/depreciation | | | | | | Carrying amount | Carrying amount | |
|---|---|---|---|---|---|---|---|---|
| 1 Jan 2014 | Currency translation adjustments | Additions | Disposals | Reclassi-fication | 31 Dec 2014 | 31 Dec 2014 | 31 Dec 2013 | 2014 amortisation/ depreciation |
| | | | | | | | | |
| | | | | | | | | |
| 4,746 | 0 | 0 | 0 | 0 | 4,746 | 218,202 | 145,795 | 0 |
| 16,403 | 2 | 7,150 | 0 | 0 | 23,555 | 62,173 | 44,308 | 7,150 |
| 18,717 | 8 | 9,501 | 0 | 0 | 28,226 | 49,229 | 33,375 | 9,501 |
| 19,811 | 5 | 16,362 | 0 | 0 | 36,179 | 341,365 | 220,509 | 16,362 |
| 59,677 | 15 | 33,013 | 0 | 0 | 92,705 | 670,969 | 443,987 | 33,013 |
| 12,631 | 2 | 7,072 | –625 | 0 | 19,080 | 16,292 | 14,220 | 7,072 |
| 72,308 | 17 | 40,085 | –625 | 0 | 111,785 | 687,260 | 458,207 | 40,085 |

# Explanatory Notes

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

### 1.1 Business activities and legal background

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

As the parent company of the Group, Wirecard AG is required to prepare consolidated financial statements. The business activities of the Wirecard Group are split into three reporting segments: “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services”. Alongside Wirecard AG, the Wirecard Group includes a number of subsidiaries which carry out the entire operating business. They are positioned as software and IT specialists for outsourcing and white label solutions in payment processing and for the distribution of issuing products. In addition, they also provide financial services.

Wirecard's products and services in the area of electronic payment processing, risk management and additional value added services run on a global software platform. Its development and maintenance are mainly managed by Wirecard Technologies GmbH in Aschheim (Germany).

In cooperation with Wirecard Technologies GmbH, Wirecard Processing FZ-LLC in Dubai (United Arab Emirates) and other subsidiaries such as Wirecard NZ Ltd in Auckland (New Zealand) handle the technical processing of credit card payments on behalf of financial institutions (acquiring processing). The technical processing of issuing products for banks and companies, including those in the FinTech sector, is also handled by Wirecard Processing FZ LLC, Wirecard South Africa (Pty.) Ltd. and other subsidiaries such as Wirecard India Pte. Ltd. in Chennai (India).

These technology services are closely linked to the acceptance of card payments, the issuing of card products and additional financial services. As an innovative partner for global credit card companies, Wirecard possesses the required licences from Visa Europe (in future Visa Inc.), MasterCard and others including Unionpay, Amex, DinersClub, JCB, Discover International and UATP. This enables it to issue physical and virtual card products and accept card payments for merchants and companies. Wirecard Bank AG has a full German banking licence and can also offer banking services to customers in addition to acquiring and issuing solutions. Wirecard Card Solutions Ltd., based in Newcastle (United Kingdom), holds an e-money license from the UK’s Financial Conduct Authority (FCA) and issuing and acquiring licences from Visa and MasterCard.

Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey), is currently in the process of obtaining an e-money license from the Turkish regulatory authority BRSA (Banking Regulation and Supervision Agency). The Indian subsidiary GI Technologies, Chennai (India), which only joined the Group after the closing of the transaction on 1 March 2016 and hence after the end of the reporting period, holds a licence for the issuing of prepaid payment instruments. Cooperation with local banks will be expanded in future to offer merchants acquiring services.

Wirecard is expanding its portfolio of services in emerging and developing countries based on the different stages of development in the area of e-commerce in each country. Alongside online payment processing and acquiring services, the Company's Southeast Asian subsidiaries, in particular, offer products and solutions in the area of mobile and bricks and mortar payment such as innovative card acceptance solutions in the travel and mobility sector or stationary POS card terminals based on IP technology. The range of services also includes, amongst other things, solutions for banks and merchants for mobile cash machines, mobile card acceptance and software services in the area of Internet and mobile banking.

Wirecard markets its products and solutions globally via its locations in Europe, the Middle East, Africa, Asia and Oceania. The sales activities are structured around the target sectors of consumer goods, digital goods and travel and mobility. Experts in each sector are based at the Group headquarters in Aschheim and provide support to their colleagues at the globally distributed subsidiaries during the sales process. Due to the combination of sector and market expertise, the sales structure makes it possible to directly address customers in a targeted manner and thus increases the sales success. These local subsidiaries give access to important regions and markets around the world. Germany, the United Kingdom/Ireland and Austria serve as the base locations for the European and global market. In Southeast Asia, the operating units in the region are managed primarily from Singapore, Jakarta and Chennai. Other relevant markets are addressed via subsidiaries in New Zealand, the United Arab Emirates and South Africa.

The range of technological services offered by the Wirecard Group is completed by Wirecard Communication Services GmbH based in Leipzig, Germany. This subsidiary offers call center and communication services internally within the Group and sells these to the customers of Wirecard AG.

## Changes to the Group structure

Payment Link Pte. Ltd. (Singapore) and Korvac Payment Services (S) Pte. Ltd. (Singapore) were incorporated into Systems@Work Pte. Ltd. (Singapore) with effect from 1 January 2015. Systems@Work Pte. Ltd. was renamed with effect from 22 January 2015 as Wirecard Singapore Pte. Ltd., still headquartered in Singapore.

On 23 February 2015, the acquisition of Wirecard India Private Limited (formerly Visa Processing Service (India) Pte. Ltd., renamed on 14 August 2015) was closed.

On 12 May 2015, Amara Technology Africa Proprietary Limited was renamed as Wirecard Africa Holding (Pty) and its subsidiary Amara Tech Proprietary Ltd. was renamed as Wirecard South Africa (Pty) Ltd on 13 May 2015.

Wirecard agreed to acquire the payment business of the Great Indian (GI) Retail Group on 27 October 2015. The GI Retail Group is active in, amongst other things, the area of electronic payment processing and offers e-commerce solutions with payment processing to local retail businesses (retail-assisted e-commerce). Following the closing of the entire transaction, Wirecard has acquired 100 percent of the shares of its related companies that primarily offer payment services under the brands "iCASHCARD" and "Smartshop". Furthermore, Wirecard acquired 60 percent of the shares in GI Technology Private Limited (GIT), a licensed Prepaid Payment Instrument (PPI) issuer in India, with effect from 1 March 2016. As a result of this overall transaction, Wirecard has taken over a team of more than 900 employees and strengthened its engagement in the growth market of India. Wirecard already obtained control over the companies Hermes I Tickets Pte Ltd, as well as its subsidiary GI Philippines Corp, and Star Global Currency Exchange Pte Ltd, Bangalore (India), on 30 December 2015.

Wirecard founded companies under the name Payment Technology Ltd. in Wilmington (United States of America) and American Payment Holding Inc., Toronto (Canada) in preparation for a possible market entry there in future.

After the end of the reporting period, the acquisition of the Brazilian payment service provider Moip Pagamentos S.A. based in Sao Paulo was announced on 22 February 2016. Other markets in Latin America will be addressed in future via this market entry into Brazil. On 29 February 2016, the Romanian payment service provider Provus Group based in Bucharest was acquired. The Provus Group is a service provider in the areas of acquiring and issuing processing, as well as technical payment processing. This acquisition strengthens the Company's expansion into Eastern Europe.

After the end of the reporting period on 29 February 2016, GFG Group Limited was renamed as Wirecard NZ Limited and its subsidiary GFG Group (Aust) Pty. Ltd. was renamed as Wirecard Australia Pty Ltd.

## Scope of consolidation

### Shareholdings of Wirecard AG

| | |
|---|---|
| Wirecard Technologies GmbH, Aschheim (Germany) | 100% |
| Wirecard Communication Services GmbH, Leipzig (Germany) | 100% |
| Wirecard Retail Services GmbH, Aschheim (Germany) | 100% |
| cardSystems Middle East FZ-LLC, Dubai (United Arab Emirates) | 100% |
| Wirecard NZ Ltd (before: GFG Group Ltd), Auckland (New Zealand) | 100% |
| Wirecard Australia Pty Ltd (before: GFG Group (Aust) Pty Ltd), Melbourne (Australia) | 100% |
| Wirecard Africa Holding Proprietary Ltd., Cape Town (South Africa) (before: Amara Technology Africa Proprietary Ltd.) | 100% |
| Wirecard South Africa Proprietary Ltd., Cape Town (South Africa) (before: Amara Tech Proprietary Ltd.) | 100% |
| Click2Pay GmbH, Aschheim (Germany) | 100% |
| Wirecard (Gibraltar) Ltd. (Gibraltar) | 100% |
| Wirecard Sales International GmbH, Aschheim (Germany) | 100% |
| Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) | 100% |
| Wirecard UK and Ireland Ltd., Dublin (Ireland) | 100% |
| Herview Ltd., Dublin (Ireland) | 100% |
| Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria) | 100% |
| Wirecard Asia Holding Pte. Ltd., (Singapore) | 100% |
| Wirecard Singapore Pte. Ltd. (Singapore) (before: Systems@Work Pte. Ltd.) | 100% |
| Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia) | 100% |
| Wirecard Payment Solutions Malaysia SDN BHD, Kuala Lumpur (Malaysia) (before: Korvac (M) SDN BHD) | 100% |
| PT Prima Vista Solusi, Jakarta (Indonesia) | 100% |
| Trans Infotech Pte. Ltd. (Singapore) | 100% |
| Trans Infotech (Laos) Ltd. (Laos) | 100% |
| Trans Infotech (Vietnam) Ltd (Vietnam) | 100% |
| Card Techno Pte. Ltd. (Singapore) | 100% |
| PT Aprisma Indonesia (Indonesia) | 100% |
| Wirecard Myanmar Ltd., Yangon (Myanmar) | 100% |
| Wirecard India Private Ltd., Chennai (India) (before: Visa Processing Service (India) Pte. Ltd) | 100% |
| American Payment Holding Inc., Toronto (Canada) | 100% |
| Payment Technologies Ltd., Wilmington (United States) | 100% |
| Hermes I Tickets Pte Ltd, Chennai (India) | *100% |
| GI Philippines Corp, Manila (Philippines) | *100% |
| Star Global Currency Exchange Pte Ltd, Bangalore (India) | *100% |
| Wirecard Processing FZ LLC, Dubai (United Arab Emirates) | 100% |
| Wirecard Acquiring & Issuing GmbH, Aschheim (Germany) | 100% |
| Wirecard Bank AG, Aschheim (Germany) | 100% |
| Wirecard Card Solutions Ltd., Newcastle (United Kingdom) | 100% |
| Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) (before: Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.) | 100% |

For the shareholdings marked with a * please refer to the information about Great Indian Retail Group.

A total of 37 subsidiaries were fully consolidated as of 31 December 2015. As of 31 December 2014, this figure totalled 33 companies. Uniform accounting and valuation methods apply to the scope of consolidated subsidiaries. The shareholdings and percentages of voting rights of the subsidiaries are identical.

The Company has complied with the IAS/IFRS requirements concerning the mandatory inclusion of all domestic and foreign subsidiaries that are controlled by the parent company.

## Business combinations in the fiscal year

### Great Indian Retail Group

Wirecard AG entered into agreements to acquire the payments business of Great Indian (GI) Retail Group on 27 October 2015. Founded in 2006, GI Retail Group is one of India's and South East Asia's leading groups of companies in the area of electronic payment and e-commerce solutions for payments in local retail businesses.

Wirecard has acquired 100 percent of the shares of the companies Hermes I Tickets Pte. Ltd., GI Philippines Corp. and Star Global Currency Exchange Pte. Ltd. that offer payment services in India, the Philippines, Indonesia and Malaysia under the brands “iCASHCARD”, “Smartshop”, “StarGlobal”, “Commerce Payment” as well as others. Furthermore, Wirecard has also acquired 60 percent of the shares in GI Technology Private Limited (GIT), a licensed Prepaid Payment Instrument (PPI) issuer in India. As a result of this overall transaction, Wirecard has taken over more than 900 employees in offices in Delhi, Chennai, Hyderabad, Bangalore, Mumbai, Kolkata, Lucknow, Manila, Batam and Kuala Lumpur.

The total consideration for the overall transaction including a capital contribution to GI Technology will amount to EUR 230 million, payable in cash and approved lines of credit. Further payments of up to a total of EUR 110 million are linked to the achievement of certain financial results in the 2015 to 2017 calendar years.

According to the provisional financial statements for the fiscal year, revenues from the acquired payment business reached EUR 45 million in the 2015 calendar year, an increase of more than 50 percent compared to the 2014 calendar year. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) doubled in the same period (2015 in comparison to 2014) to reach EUR 7 million. Revenue for the 2016 calendar year is expected to exceed EUR 75 million and EBITDA after integration costs is expected to be between EUR 15 million and EUR 18 million in 2016.

### Acquisitions in 2015

The companies Hermes I Tickets Pte. Ltd., Chennai (India), GI Philippines Corp., Manila (Philippines), and Star Global Currency Exchange Pte. Ltd., Bangalore (India), were newly included in the consolidated financial statements with effect from 30 December 2015 because Wirecard had already gained control over beneficial at this point in time these companies in the sense of IFRS 10.7 through a trust agreement and was owner of the total amount of shares. The transaction was closed at the beginning of 2016. The purchase price to be paid as part of this transaction amounted to approximately EUR 215 million. Furthermore, three earnout components must be paid that will depend on the operating earnings of the acquired company in the years 2015 to 2017 and could amount to up to EUR 110 million, of which EUR 99.3 million has been reported as a liability. Due to the consolidation on 30 December 2015, the companies did not make any revenues and earnings contribution to the Group in 2015. For the full 2015 fiscal year, the company was able to achieve revenues of kEUR 45,653 with earnings after taxes of kEUR 4,542.

As a result of the short period before preparation of the consolidated financial statements, the amounts recognised are not final. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised under goodwill.

The assets and liabilities are currently as follows:

### Acquisition of Hermes und Star Global

| in kEUR | Fair value |
|---|---|
| Cash | 1,092 |
| Goodwill | 265,568 |
| Customer relationships | 49,783 |
| Property, plant and equipment | 443 |
| Other non-current intangible assets | 16,311 |
| Trade and other receivables | 22,150 |
| Other assets | 2,124 |
| Deferred tax assets | 4 |
| Deferred tax liabilities | 21,300 |
| Current liabilities | 20,719 |
| Non-current liabilities | 1,131 |
| Purchase price | 314,325 |

## Acquisitions in 2016

In contrast, a 60 percent shareholding in GI Technology Pte. Ltd. was acquired as of 1 March 2016 because this was the point in time at which the last stages of the transaction for the transfer of the shares was closed. In this context, a sum of kEUR 14,000 was paid in the form of a capital increase. Due to the conditions in the shareholders agreement, which are particularly associated with the Indian regulations for financial services companies, the company will be accounted for using the equity method. This is because Wirecard exercises a significant influence on the company but does not have control.

### Wirecard India Private Ltd. (formerly: Visa Processing Service (India) Private Ltd.)

Wirecard AG and Visa Inc. concluded a cooperation agreement on 17 November 2014 for the issue of prepaid cards and have thus reaffirmed their joint commitment to this global growth market, especially in Southeast Asia and Latin America. As part of their partnership, Wirecard and Visa Inc. have concluded a contract in which Wirecard has acquired certain assets in Visa Processing Service Pte. Ltd. (VPS), with headquarters in Singapore, as well as all shares in the former Visa Processing Service (India) Pte. Ltd. for a cash price of USD 16 million. The closing was carried out on 23 February 2015.

Visa Processing Service has business relationships with 14 financial institutions in seven countries and more than three million customer accounts distributed across over 70 card programmes. VPS provides card issuing banks with a comprehensive range of solutions for gift cards, general purpose reloadable (GPR) cards, single or multi-currency travel cards and international money remittance. Wirecard will support the increasing global demand for prepaid cards with a wide range of products, including innovative mobile and contactless payment solutions, card-based solutions for the distribution of government transfers and for consumers without access or with only limited access to financial institutions. As part of the relationship, Wirecard will provide outsourcing services to Visa for the provision of specific prepaid processing services in support of Visa’s clients. In addition, Wirecard has joined the Visa Issuer Processing Program that has been designed to match financial institutions with leading issuers and processors of prepaid cards to help support and promote the growth of prepaid programmes globally. In 2015, consolidated revenues of Wirecard India Pte. Ltd. came to kEUR 3,263, consolidated EBITDA was kEUR 1,139 and were consolidated earnings after taxes kEUR 171. For the full 2015 fiscal year, the company was able to achieve earnings after taxes of kEUR 242 with revenues of kEUR 3,631.

Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised under goodwill.

The assets and liabilities are currently as follows:

### Acquisition of Wirecard India Private Ltd., (before: Visa Processing Service (India) Pte. Ltd.)

| in kEUR | Fair value |
|---|---|
| Cash | 1,020 |
| Goodwill | 7,980 |
| Customer relationships | 6,001 |
| Property, plant and equipment | 80 |
| Trade and other receivables | 205 |
| Deferred tax liabilities | 1,071 |
| Current liabilities | 53 |
| Purchase price | 14,162 |

## Business combinations in the previous year

### PT Aprisma Indonesia

PT Aprisma Indonesia, which was founded in 2000 and has its headquarters in Jakarta, was sold by its founder and sole shareholder to Wirecard at the end of November 2013. The purchase price to be paid as part of this transaction amounted to approximately EUR 47 million. The total including the liabilities acquired amounted to EUR 77 million. Furthermore, two earnout components must be paid that will depend on the operating earnings of the acquired company in the years 2014 and 2015 and could amount to up to EUR 14.5 million, of which EUR 9.7 million has been reported as a liability.

In 2014, consolidated revenues came to kEUR 9,908, consolidated EBIT was kEUR 4,841 and the consolidated earnings after taxes were kEUR 3,529. For the full 2014 fiscal year, the company was able to achieve earnings after taxes of kEUR 3,808 with revenues of EUR 10.4 million. The closing of this transaction required the approval of Indonesian regulatory bodies, which was granted on 3 February 2014. The first-time consolidation also took place from this date. The EBITDA contribution for 2015 amounted to kEUR 8,951 with revenues of kEUR 13,355.

PT Aprisma Indonesia ranks as one of the leading providers of payment services in the region with solutions based on SOA infrastructure. With this transaction, Wirecard has gained access to the leading 20 banks and telecommunication companies in Indonesia, as well as other customers in Malaysia, Singapore and Thailand.

The core products running on the transaction-based software platform comprise solutions from the areas of online and mobile banking, mobile phone-based tokenisation instruments to protect mobile and online transactions, and B2B and B2C-oriented online payment solutions.

In strategic terms, Wirecard plans to offer these additional value added services across the whole Asian region and, in particular, to also adapt the mobile applications as value added services for the European region.

Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised in goodwill. The acquired assets and liabilities break down as follows:

## Acquisition of PT Aprisma Indonesia

| in kEUR | Fair value |
|---|---|
| Cash | 6,473 |
| Goodwill | 24,553 |
| Customer relationships | 59,345 |
| Property, plant and equipment | 229 |
| Other non-current intangible assets | 6,947 |
| Trade and other receivables | 2,040 |
| Other assets | 95 |
| Deferred tax liabilities | 10,073 |
| Current liabilities | 2,816 |
| Non-current liabilities | 30,224 |
| Purchase price | 56,569 |

### Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) (formerly: Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.)

On 2 September 2014, the Wirecard Group agreed the purchase of all shares in the Turkish company Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş., headquartered in Istanbul, with their partners. The closing and first-time consolidation was carried out at the beginning of November 2014. Through its rolled out brand 3pay, the company is considered to be one of the leading payment providers in Turkey. Its range of services stretch from mobile payment/direct carrier billing services through to its own prepaid card platform. The company's customers and partners include all of the Turkish mobile communications companies, as well as broad-reaching partnerships in the field of games publishing and social networks.

The considerations in connection with this transaction comprise cash payments of around EUR 14.8 million and earnout components that, depending on the operational profit of the acquired group in the years 2014 to 2017, could amount to up to around EUR 14.0 million, of which EUR 10.2 million has been recorded as a liability.

Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş, which was founded in 2008 and renamed Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş. following its acquisition, is a rapidly growing company. Turkey is considered one of the most dynamic growth markets in the MENA region (Middle East and North Africa) with regards to electronic payments, e-commerce and prepaid products.

In the 2014 fiscal year, consolidated revenues stood at kEUR 876 and the consolidated earnings after taxes at kEUR 101. For the full 2014 fiscal year, the company was able to achieve earnings after taxes of kEUR 1,055 with revenues of kEUR 11,685. The EBITDA contribution for 2015 amounted to kEUR 1,716 with revenues of kEUR 14,248.

Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised in goodwill. The following assets were acquired:

## Acquisition of Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş

| in kEUR | Fair value |
|---|---|
| Cash | 2,764 |
| Goodwill | 13,069 |
| Customer relationships | 10,763 |
| Other non-current intangible assets | 529 |
| Deferred tax assets | 466 |
| Trade and other receivables | 832 |
| Other assets | 358 |
| Deferred tax liabilities | 2,255 |
| Current liabilities | 1,414 |
| Non-current liabilities | 0 |
| Purchase price | 25,112 |

### Wirecard Africa Holding Proprietary Ltd., Cape Town (South Africa) (formerly: Amara Technology Africa Proprietary Ltd.)

The Wirecard Group acquired all shares in Amara Technology Africa Proprietary Limited, headquartered in Cape Town, including a subsidiary on 4 December 2014. The closing and first-time consolidation was also carried out on 4 December 2014. The Amara Group was founded in 2005 and was sold by a local investor and the founder, who also continues to belong to the management team. Amara and its related companies provide acquiring and issuing processing services, arrange card acceptance services and manage prepaid card programmes for numerous financial institutions in Africa. In addition, the provision of point-of-sale and e-commerce payment processing and the issue of payment cards for local merchants, airlines, resorts and governmental organisations form an important part of its business. The considerations in connection with this transaction comprise cash payments of around EUR 29.0 million and earnout components that, depending on the operational profit of the acquired group in the years 2015 and 2016, could amount to up to around EUR 7.0 million, of which EUR 4.0 million has been recorded as a liability. In the 2014 fiscal year, the company achieved consolidated revenues of kEUR 149 with earnings after taxes of kEUR 54. For the full 2014 fiscal year, the company was able to achieve earnings after taxes of kEUR 1,123 with revenues of EUR 2.1 million. The EBITDA contribution for 2015 amounted to kEUR 3,043 with revenues of kEUR 4,113.

The company was renamed as Wirecard Africa Holding Proprietary Ltd. following its acquisition. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised in goodwill. The following assets were acquired:

### Acquisition of Amara Technology Africa Proprietary Ltd.

| in kEUR | Fair value |
|---|---|
| Cash | 680 |
| Goodwill | 26,534 |
| Customer relationships | 7,444 |
| Other non-current intangible assets | 677 |
| Trade and other receivables | 161 |
| Other assets | 79 |
| Deferred tax liabilities | 0 |
| Current liabilities | 528 |
| Non-current liabilities | 2,103 |
| Purchase price | 32,944 |

### Wirecard NZ Ltd (formerly: GFG Group Ltd), Auckland (New Zealand)

On 11 December 2014, the Wirecard Group acquired all of the shares in GFG Group Limited, Auckland, New Zealand, as well as a subsidiary in Melbourne, Australia. The closing and first-time consolidation was also carried out on 11 December 2014.

The GFG Group, founded in 1990, is a leading provider of innovative electronic payment solutions and services. Solutions offered by the GFG Group are currently deployed in more than 20 countries at over 100 corporate customers, particularly in the banking and telecommunications sectors, processing more than two million transactions daily from over 25 million card and account holders.

The considerations in connection with this transaction, including the assumption of liabilities, amounted to around EUR 30.0 million, plus earnout components that, depending on the operational profit of the acquired group in the years 2015 and 2016, could amount to up to around EUR 3.8 million, of which EUR 3.3 million has been recorded as a liability.

The company was renamed Wirecard NZ Ltd following its acquisition and its subsidiary was renamed Wirecard Australia Pty Ltd. In the 2014 fiscal year, the company achieved consolidated revenues of kEUR 777 with earnings after taxes of kEUR 124. For the full 2014 fiscal year, the company was able to achieve earnings after taxes of kEUR 1,169 with revenues of EUR 11.7 million. The EBITDA contribution for 2015 amounted to kEUR 3,555 with revenues of kEUR 9,375.

Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised in goodwill. In the period under review, some values were redistributed as part of the purchase price allocation, which is why the value for goodwill has also changed. An adjustment to the previous year's figure was not made due to the minor level of impact.

The following assets were acquired:

### Acquisition of GFG Group Ltd.

| in kEUR | Fair value |
|---|---|
| Cash | 793 |
| Goodwill | 4,164 |
| Customer relationships | 26,695 |
| Other non-current intangible assets | 2,693 |
| Property, plant and equipment | 49 |
| Deferred tax assets | 102 |
| Trade and other receivables | 1,476 |
| Deferred tax liabilities | 1,109 |
| Current liabilities | 14,241 |
| Non-current liabilities | 19 |
| Purchase price | 20,603 |

## Business combinations after the balance sheet date

### Provus Group

Wirecard AG acquired all shares in the Provus Group based in Bucharest on 29 February 2016.

Provus is Romania's leading payment processing and technology service provider with 114 employees. The payment provider supports companies in outsourcing acquiring and card processing, e-commerce payment transactions and point-of-sale (POS) operations. Its customers include major Romanian banks and large telecommunications and retail customers. In addition, the payment provider works with the Romanian government in the digitisation of health and payment cards.

Romania is an EU member state with a population of 20 million and has the highest growth rate for card payments in Europe. The shift from cash to electronic payment transactions is also a growth trend in Romania. Currently, 97 percent of all payments are made in cash.

Provus operates the largest processing centre in Romania. With a scalable platform offering cutting edge technology, the company is one of the leading providers of outsourcing solutions in Eastern Europe. Above all, the company's end-to-end solutions in the area of card management, including a card personalisation office, have won over local banks and government institutions. In the business area of acquiring processing, Provus offers numerous payment processing solutions across various channels: cash machines (ATM), point-of-sale (POS) and e-commerce.

The considerations in connection with this transaction include cash payments of EUR 32.0 million without further earnout components.

An EBITDA of EUR 4.0 million is expected in the 2016 calendar year. In addition, non-recurring integration costs of around EUR 0.5 million will be incurred in 2016.

The seller is the Polish private equity company Innova Capital via its investment-company ICPCE, Luxembourg. The current management team will remain at the company. As a result of the short period before preparation of the consolidated financial statements, the amounts recognised are not final. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised under goodwill. The assets and liabilities are currently as follows:

## Acquisition of Provus Service Provider S.A.

| in kEUR | Fair value |
|---|---|
| Cash | 2,697 |
| Goodwill | 10,990 |
| Customer relationships | 19,023 |
| Property, plant and equipment | 2,463 |
| Other non-current intangible assets | 2,063 |
| Trade and other receivables | 1,562 |
| Other assets | 432 |
| Deferred tax assets | 76 |
| Deferred tax liabilities | 3,374 |
| Current liabilities | 961 |
| Non-current liabilities | 767 |
| Purchase price | 34,205 |

## Moip Pagamentos S.A.

Wirecard AG acquired all shares in the Brazilian company Moip Pagamentos S.A. (MOIP) on 22 February 2016.

Moip Pagamentos S.A., with more than 150 employees at its location in Sao Paulo, is a fast growing internet payment service provider on the Brazilian market that was founded eight years ago.

Moip has developed a leading payment platform for small and medium sized merchants over the last few years and focuses, in particular, on marketplaces and companies with direct sales for its innovative end-to-end solutions. The automated on-boarding process for all merchants, the bundling of money flows from national acquiring networks and a product portfolio featuring alternative payment processes for the Brazilian market have contributed to the dynamic growth of the company. Payment guarantees and buyer protection functionalities supplement the Moip solution. In addition, the Moip solution will expand the Wirecard payment platform to include further alternative payment processes.

In 2015, the company handled more than BRL 1.0 billion in transactions serving around 100,000 Brazilian merchants. Wirecard will use this acquisition to address other markets in Latin America in the next few years. Entry onto the Brazilian market means that Wirecard is continuing to pursue its global expansion. Wirecard can now roll out payment and issuing product lines in Latin America.

The considerations in connection with this transaction include cash payments of EUR 23.5 million. Further earnout payments totalling up to EUR 13.5 million are connected to the achievement of certain financial results by Moip Pagamentos S.A. in the 2016, 2017 and 2018 fiscal years.

An EBITDA of EUR 2.2 million is expected in the 2016 calendar year. In addition, non-recurring integration costs of around EUR 0.5 million will be incurred in 2016.

The sellers are the majority shareholder Ideiasnet S.A., a venture capital fund via its investment-company Ideiasnet Fundo du Investimento em Participacoes I (FIP), that invests in Brazilian technology companies, as well as a number of founders and managers who will remain as part of the management team in the future.

As a result of the short period before preparation of the consolidated financial statements, the amounts recognised are not final. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised under goodwill.

The assets and liabilities are currently as follows:

## Acquisition of Moip Pagamentos S.A.

| in kEUR | Fair value |
|---|---|
| Cash | 882 |
| Goodwill | 22,495 |
| Customer relationships | 9,017 |
| Property, plant and equipment | 286 |
| Other non-current intangible assets | 4,181 |
| Trade and other receivables | 21,815 |
| Other assets | 0 |
| Deferred tax liabilities | 3,947 |
| Current liabilities | 24,237 |
| Non-current liabilities | 0 |
| Purchase price | 30,492 |

## Significant acquisitions of customer relationships

A contract was agreed between the Wirecard Group and Lufthansa AirPlus Servicekarten GmbH on 2 March 2015 for the acquisition of significant customer contracts for credit card acceptance and other selected assets from Lufthansa AirPlus Servicekarten GmbH. These include credit card acceptance and agency services, as well as network operator contracts. The high-volume customers of Lufthansa AirPlus Servicekarten GmbH are mainly international airlines. The considerations in connection with this transaction comprise cash payments of around EUR 13.0 million and earnout components of up to around EUR 1.0 million in total for the years 2015 and 2016. The transaction, which was subject to the usual approval of the boards on both sides and approval by the German Federal Cartel Office, was closed on 31 July 2015. Considering further purchase price adjustments, a sum of kEUR 10,153 was capitalised as customer relationships.

## Exemption from the duty to prepare consolidated financial statements

In accordance with Section 291 (1) of the German Commercial Code (HGB), Wirecard Technologies GmbH, Aschheim, Wirecard Acquiring & Issuing GmbH, Aschheim, and Wirecard Sales International GmbH, Aschheim, are exempt from the duty to prepare consolidated financial statements through full compliance with the requirements of Section 291 (2) of the HGB.

In addition, Wirecard has decided to make use of the exemption pursuant to Section 17 of the Irish Companies Act of 1986 not to submit consolidated financial statements of the Irish group to Companies Office in Ireland.

Wirecard AG confirms that the sub-group financial statements of Wirecard Technologies GmbH, Wirecard Acquiring & Issuing GmbH, Wirecard Sales International GmbH and also Wirecard Payment Solutions Holdings Ltd. are included in these financial statements.

## Exemption pursuant to Section 264 (3) of the HGB

The following companies will make use of the exemption pursuant to Section 264 (3) of the HGB:

- Click2Pay GmbH, Aschheim (Germany)
- Wirecard Technologies GmbH, Aschheim (Germany)
- Wirecard Acquiring & Issuing GmbH, Aschheim (Germany)
- Wirecard Sales International GmbH, Aschheim (Germany)

The necessary requirements of German commercial law will be fulfilled.

## 2. Basis of preparation

Wirecard AG generally publishes its figures in thousands of euros (kEUR). The use of rounding means it is possible that some figures do not add up exactly to the totals stated and that the figures and percentages do not exactly reflect the absolute values on which they are based. The following important abbreviations were used in the financial statements:

- EBIT: Earnings before interest and taxes
- EBITDA: Earnings before interest, taxes, depreciation and amortisation
- PP&RM: Payment Processing & Risk Management
- A&I: Acquiring & Issuing
- CC&CS: Call Center & Communication Services

## 2.1 Principles and assumptions used in preparing the financial statements

### Operational environment and going concern assumption

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

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

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

All interpretations valid for the fiscal year 2015 by the International Financial Reporting Standards Interpretations Committee (IFRSIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

### Currency translation

The reporting currency is the euro. The functional currency of the foreign subsidiaries is frequently the respective national currency. The amounts relating to assets and liabilities of these companies reported in the consolidated balance sheet were translated at the exchange rate prevailing on the reporting date. Equity is translated at historical exchange rates. Revenues, expenses and income posted in the income statement are translated at average monthly exchange rates. Differences arising from foreign currency translation are reported in other comprehensive income with no effect on profit or loss and reported separately under equity in the translation reserve. They are recycled to the income statement when the gain or loss from the sale or disposal of the foreign subsidiaries is reported. Translation differences in exchange rates between the nominal value of a transaction and the rates at the time of payment or consolidation are recognised in profit or loss and included under cost of materials if the payment is in connection with customer funds; if not it is carried under other operating income/expense. The expense from the translation of foreign currency receivables and liabilities amounted to kEUR – 4,593 in the fiscal year 2015 (2014: kEUR – 1,903).

## Discretionary decisions, estimates and assumptions

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

## Classification

In the balance sheet, a distinction is made between non-current and current assets and liabilities. Assets and liabilities are regarded as being current if they are 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 nature of expense method.

## Consolidation principles

These consolidated financial statements comprise the financial statements of Wirecard AG and its subsidiaries as of 31 December 2015. Subsidiaries are fully consolidated from the acquisition date, in other words, from the date on which the Group obtains control. The Group is deemed to control a company if it has risk exposure, or rights, to variable returns from its involvement with the investee and if it can also use its power over the investee to affect these returns.

Specifically, the Group controls an investee if, and only if, it has:

- power over the investee (i.e. the Group has existing rights that give it the current ability to direct the relevant activities of the investee that significantly affect the investee's returns),
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group holds less than a majority of the voting or similar rights in an investee, the Group must consider all relevant facts and circumstances in order to assess whether it has power over an investee. These include, amongst other things, any contractual arrangement(s) with the other holders of voting rights in the investee, rights arising from other contractual arrangements and the Group’s voting rights and potential voting rights. Where necessary, the Group applies the accounting rule for non-controlling interests in accordance with IFRS 10.22, which removes the obligation to recognise the purchase price debt as a liability according to IAS 32.23. Consolidation ends as soon as the parent company loses control. The financial statements of subsidiaries are prepared as of the same balance sheet date as those of the parent company. Sales revenues, expenses and income, receivables, provisions and liabilities between the companies included were eliminated.

For new company acquisitions, capital is consolidated in line with the acquisition method according to IFRS 3 (Business Combinations). In the process, the acquisition costs of the shares acquired are offset against the proportion of equity due to the parent company at the time of the acquisition. Irrespective of the interest held, identifiable assets and liabilities are measured at fair value and any remaining difference between acquisition cost and the interest in the remeasured net assets is recognised as goodwill.

## 2.2 Accounting for financial assets and liabilities

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

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

- financial assets and liabilities at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets
- loans and receivables
- financial liabilities measured at amortised cost

### Financial assets

The Group classifies its financial assets at the time of initial recognition. Financial assets are measured at fair value when initially recognised. In the case of financial instruments not classified at fair value through profit or loss, transaction costs directly assignable to the acquisition of the assets are additionally taken into account.

Purchases or sales of financial assets that provide for delivery of assets within a certain period determined by regulations or conventions applicable to the relevant market (purchases regular-way) are recognised on the trade date, in other words, on the date on which the Group entered into the obligation to purchase or sell the asset in question.

The Group's financial assets comprise cash as well as current deposits, trade receivables, loans and other receivables as well as unlisted financial instruments and financial derivatives.

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

### Financial assets at fair value through profit or loss

The group of financial assets at fair value through profit or loss comprises financial assets designated as measured at fair value through profit or loss at initial recognition (fair value option) as well as financial derivatives concluded by the Group that do not meet the accounting criteria for hedge transactions in accordance with IAS 39. Financial assets are designated as at fair value through profit or loss if these are managed based on their changes in fair value, their performance is evaluated accordingly and internally transferred to the Group's management level. These assets are managed in accordance with the Group's documented risk management system or investment strategy. Financial assets at fair value through profit or loss are recognised in the balance sheet at fair value, with gains and losses being recognised in profit or loss.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Such financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement if the loans and receivables are derecognised or impaired, or within the scope of amortisations.

### Held-to-maturity financial investments

Non-derivative financial assets with fixed or determinable payment amounts and subject to fixed maturity dates are classified as financial assets held to maturity if the Group has the intention and is in a position to hold these until maturity. After initial recognition, financial investments held to maturity are measured at amortised cost using the effective interest method. This method uses an interest rate for calculation purposes at which the estimated future cash receipts over the expected term to maturity of the financial asset are exactly discounted to the net carrying amount of the financial asset in question. Gains and losses are recognised in the consolidated income statement if the financial investments are derecognised or impaired, or within the scope of amortisations. Such circumstances did not exist either as of the balance sheet date nor in the comparative period.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets classified as available for sale and those that cannot be classified into one of the three aforementioned categories. Following initial recognition, available-for-sale financial assets are measured at fair value. Investments whose fair value cannot be reliably determined due to a non-existent market are measured at cost. Unrealised gains or losses of the assets measured at fair value are recognised in equity under other comprehensive income. If such an asset is derecognised, the cumulative gain or loss recognised in equity is recognised in profit or loss. If the value of such an asset is impaired, the cumulative loss recognised in equity is recognised in profit or loss.

### Derecognition

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

- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has assigned its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation for immediate payment of the cash flow to a third party within the scope of an agreement which meets the requirements of IAS 39.19 (a so-called “pass-through” arrangement) and, in the process, either (a) mainly transferred all opportunities and risks assumed in connection with ownership of the financial asset or (b) while neither having mainly transferred nor retained all opportunities and risks associated with ownership of the financial asset, it has transferred control of the asset in question.

If the Group transfers its contractual rights to cash flows arising from an asset or enters into a “pass-through” arrangement and thereby does not mainly transfer or retain all opportunities or risks associated with this asset, but retains control of the asset transferred, the Group recognises an asset to the extent of its continuing involvement.

In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured in such a manner as to duly take account of the rights and obligations retained by the Group. If the continuing involvement takes the form of guaranteeing the asset transferred then the scope of the continuing involvement will correspond to the lower of either the original carrying amount of the asset or the maximum amount of the consideration received that the Group might have to repay.

## Impairment of financial assets

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

Depending on the age structure of the receivables, uniform value adjustments (impairments) are made to receivables across the Group. The majority of receivables relate to credit card organisations, banks and acquiring partners. In this area, there have been no defaults in the history of Wirecard. In the area of FinTech, receivables are secured by cash collateral above and beyond the expected level of default. In the case of trade receivables from retailers/merchants and trade receivables that are more than 180 days overdue, the Group carries out an impairment to the full amount in the absence of any other information on the recoverability of such receivables. This procedure is based on past experience where receivables overdue for more than 180 days can no longer be expected to generate inflows. In determining the recoverability of trade receivables, any change in credit standing is taken into account from the date on which deferred payment was granted up to the balance sheet date. In the case of receivables of acquiring business, trade receivables and other receivables that were not overdue and whose value had not been impaired, there were no indications that payment defaults will occur that would lead to an impairment of the assets of Wirecard. On a portfolio basis, flat-rate impairments are carried out for possible losses on individual portfolios of financial instruments.

The fair value of the receivables is identical in principal to the carrying amount. Non-interest-bearing receivables with a term of more than 12 months are discounted. Additions in the fiscal year are reported in the income statement under other operating income and reversals under other operating expenses.

## Financial liabilities

The Group classifies its financial liabilities on initial recognition. Financial liabilities are recognised initially at fair value, plus directly attributable transaction costs in the case of loans.

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

The subsequent measurement of financial liabilities depends on their classification as detailed below:

## Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss (fair value option) as well as financial derivatives concluded by the Group that do not meet the criteria for hedge accounting in accordance with IAS 39. Financial liabilities recognised at fair value through profit or loss are recognised in the balance sheet at fair value, with gains and losses being recognised in profit or loss.

## Liabilities measured at amortised cost

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement if the financial investments are derecognised, or within the scope of amortisation.

## Financial guarantee contracts

Financial guarantee contracts issued by the Group are contracts that require the issuer to make a payment to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due, according to the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the provision of the guarantee. Subsequently, the liability is measured at the higher of either the best estimate of the expenditure required to settle the present obligation at the reporting date, or the amount at which it was initially recognised less cumulative amortisation. Such circumstances did not exist either as of the balance sheet date nor in the comparative period.

## Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only if a currently legally enforceable right exists to offset the recognised amounts, and the intention exists to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Derecognition

Financial liabilities are derecognised if the obligation on which this liability is based has been fulfilled, waived or has expired. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement.

## Fair value of financial instruments

Pursuant to IFRS 13, fair value is defined as the price that would, in a normal transaction between market participants on the measurement date, be received for the sale of an asset, or be paid for the transfer of a liability.

The fair value of financial instruments that are traded on organised financial markets at each reporting date is determined by reference to a quoted market price (Level 1 of the fair value hierarchy).

For instruments for which there are no market quotations on active markets, fair value is calculated using observable market prices for comparable instruments, or using standard market valuation methods. This entails applying measurement parameters that are observable either directly or indirectly on active markets (Level 2 of the fair value hierarchy). Such techniques may include using recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

In the case of some financial instruments, fair value cannot be calculated either directly using market quotations, or indirectly through valuation models that are based on observable measurement parameters or other market quotations. These comprise instruments relating to Level 3 of the fair value hierarchy.

### Discretionary decisions, estimates and assumptions in connection with financial instruments

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

## 2.3 Significant accounting and valuation policies

### Valuation uncertainties

Discretionary decisions are required in applying the accounting and valuation methods. The most important forward-looking assumptions, as well as other substantial sources of uncertainty relating to estimates as of the balance sheet date, which create a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be needed within the following fiscal year, are explained below:

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

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

At the time when the consolidated financial statements were prepared, no substantial changes were expected with regard to the underlying assumptions on which the accounting and valuation were based. Accordingly, from the present perspective, no notable adjustments are expected to be made to the assumptions and estimates or carrying amounts of the relevant assets and liabilities in the 2015 fiscal year.

## Goodwill accounting

The goodwill arising when a subsidiary is acquired or business operations are created 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 or operations 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 cumulative impairment expenses.

For 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 annual impairment testing. In the event of any evidence of impairment to a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit in question, the impairment expense must initially be assigned to the carrying amount of any goodwill assigned to the unit and then allocated pro-rata to the other assets based on the carrying amounts of any such asset within the unit in question. Any impairment expense recognised for goodwill cannot be reversed in subsequent periods. When a subsidiary is sold, the amount of goodwill accounted for it is taken into consideration within the scope of determining the profit or loss generated by the sale in question.

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

The most important assumptions entailed in calculating value in use are the following for all cash-generating units:

- Risk-free interest rate: 1.50 percent (previous year: 1.75 percent)
- Market risk premium: 6.75 percent (previous year: 6.75 percent)
- Unlevered beta factor: 0.94 (previous year: 0.96)

### Important assumptions entailed in calculating value in use 2015

| in kEUR | PP&RM | A&I | CC&CS |
|---|---|---|---|
| Weighted average cost of capital (WACC) after taxes | 9.89 | 8.29 | 7.78 |
| Long-term growth rate | 2.00 | 2.00 | 1.00 |
| Compound Annual Growth Rate of forecasting horizon | 16.55 | 14.74 | 24.64 |

### Important assumptions entailed in calculating value in use 2014

| in kEUR | PP&RM | A&I | CC&CS |
|---|---|---|---|
| Weighted average cost of capital (WACC) after taxes | 9.59 | 8.29 | 8.14 |
| Long-term growth rate | 2.00 | 2.00 | 1.00 |
| Compound Annual Growth Rate of forecasting horizon | 19.06 | 17.88 | 43.15 |

In order to determine the basic interest rate, the yields of hypothetical zero coupon German government bonds published by Deutsche Bundesbank for the months of October until December 2015 were used. A yield curve was derived from these yields using the so-called Svensson method and converted into a base interest rate equivalent to the present value and uniform for all periods. On the basis of the data from Deutsche Bundesbank, as of 31 December 2015 the base interest rate (rounded) was 1.50 percent. The market risk premium represents the difference between the market yield and a risk-free interest rate. In line with the recommendation of the Corporate Valuation and Management Committee of the Institute of Public Auditors in Germany (FAUB / IDW), a market risk premium of 6.75 percent was applied. The beta factor is derived from peer group comparisons and external assessments, as well as being verified by our own calculations. These assumptions and the underlying methods applied may have a substantial influence on the respective values and, ultimately, on the extent of a potential goodwill impairment.

The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are based on forecasts in the form of detailed planning across one year and rough planning activities that span four years, established on the basis of finance plans approved by management. Cash flows beyond the planning or budget period are extrapolated using a growth rate.

In addition to the impairment test, three sensitivity analyses are performed for each group of cash-generating units. In the first sensitivity analysis, a one percentage point lower growth rate is imputed. In the second sensitivity analysis, the capitalisation rate is increased by 10.0 percent for each group of cash-generating units. In the third sensitivity analysis, a blanket 10.0 percent discount is applied to the EBIT assumed for the last planning period. These changes to the underlying assumptions do not result in impairments for any of the groups of cash-generating units.

Please refer to section 3.1 “Intangible assets – goodwill” for the composition, change and distribution of goodwill items.

### Accounting for intangible assets

Acquired customer relationships are recognised at cost and amortised using the straight line method over their expected useful life of mostly 10 or 20 years. In addition, these are subject to regular impairment testing, at least once per year. As regarding the procedure and essential assumptions, please refer to the explanatory notes on accounting for goodwill. Purchased software is stated at cost and amortised using the straight line method over the estimated useful life of the software, generally between three and ten years. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the fiscal year 2015, as was the case in the previous year. The software constituting the Group’s core operations, most of which was internally developed, has a longer estimated useful life and is amortised over a period of ten years. The useful life and depreciation/amortisation methods are reviewed annually.

Research costs are reported as expenses through profit or loss on the date on which they occur. The costs of development activities are capitalised if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. Initial capitalisation of costs is based on the assessment by management that technical and commercial viability has been established; as a rule this will be the case where a product development project has reached a certain milestone in an existing project management model. Moreover, Wirecard must have the intention and adequate resources to conclude such development and either to use or sell the asset in question. Development costs are capitalised in accordance with the accounting method shown and amortised accordingly over time from the moment the product is ready for use. During the development phase, an annual impairment test is carried out and assumptions of management are reviewed. The development costs capitalised in the fiscal year totalled kEUR 28,293 (2014: kEUR 24,978).

### Accounting for property, plant and equipment

The original costs of acquisition or manufacture of property, plant and equipment comprise the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the item of property, plant and equipment was deployed, such as maintenance or repair costs, are recognised as expenses in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the fiscal year 2015, as was the case in the previous year.

Office equipment is stated at cost and depreciated using the straight line method over its estimated useful life. For computer hardware this period is three to five years and, as a rule, 13 years for office equipment and furniture.

Any gains and losses from the disposal of fixed assets are reported as other operating income and expenses. Maintenance work and minor repairs are charged to profit or loss as incurred.

### Impairment and reversals of impairment of intangible assets as well as property, plant and equipment

The useful life and depreciation/amortisation methods are reviewed annually. An impairment is made if, due to changed circumstances, a permanent impairment is probable. At each balance sheet date, an analysis is made as to whether indications exist that the value of an asset may be impaired. If such indications exist, the Company estimates the recoverable value of the respective asset. The recoverable amount corresponds to the higher of either the value in use of the asset or its fair value less costs to sell. To determine the value in use, the estimated future cash flows are discounted to their present value using a discount rate before taxes reflecting current market expectations about the time value of money and the specific risks of the asset. In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset will be treated as impaired and written down to its recoverable amount. Impairment expenses are reported in a separate expense line item.

The necessity of a partial or full reversal is reviewed as soon as evidence exist that the reasons for impairments effected in previous years no longer apply. Any impairment expense previously recognised must be reversed if, since the last impairment expense was reported, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognised after taking account of amortisation or depreciation if no impairment expense had been recognised in previous years. Such a reversal of impairment losses is immediately recognised 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 over its residual useful life.

No impairments and no reversals of impairment losses arose in either the year under review or the previous year.

### Inventories and work in progress

Products and merchandise are valued at cost of acquisition. If the costs of acquisition of inventories and work in progress exceed the value determined on the assumption of sales prices capable of being realised, less any costs arising until the time of sale, the lower net realisable value is recognised.

### Cash and cash equivalents

Cash in hand and demand deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments (in particular, fixed-term deposits) that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. The actual intention of cash management is taken into account in this context and only such items are reported that are directly related to the availability of liquidity for short-term, operational payment obligations. Accounts in the acquiring area, which are in part not held directly but instead held on account of Wirecard, and through which Wirecard executes payments to merchants, are reported under cash and cash equivalents. Cash from lease guarantees which are not freely available amounted to kEUR 568 (previous year: kEUR 219) and were classified as trade and other receivables.

## Provisions

Provisions are carried if the Group has a current (legal or constructive) obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfil the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions reported separately on the one hand and to other current provisions on the other.

Expenditure incurred in forming provisions is reported under other operating expenses. Gains resulting from the reversal of provisions are recognised under other operating income.

## Leases with the Group acting as lessee

According to IAS 17 for leases, the economic ownership of the leased assets is to be assigned to the party who is subject to the principal risks and opportunities associated with the lease. If the lessor is required to account for (operating) leases, the expense is reported using the straight line method throughout the duration of the lease relationship. If economic ownership is assigned to the Group (finance leasing), capitalisation will be effected at the time the use begins, either at fair value or at the present value of the minimum lease payments, whichever is lower.

## Leases with the Group acting as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset to the lessee are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and the conclusion of an operating lease are added to the carrying amount of the leased asset and expensed over the lease term in line with the rental income. Contingent rents are recognised as revenues in the period in which they are earned.

## Contingent liabilities and assets

Contingent liabilities are not recognised. These are listed in the Notes unless the likelihood of an outflow of resources with an economic benefit is very remote. Contingent assets are not recognised in the financial statements either. They are reported in the Notes if the inflow of an economic benefit is likely to occur. Reference is also made to the risk report under Chapter 7 in the management report.

## Revenue recognition

Most of the revenues relate to transaction fees that are reported as realised if the transaction has been processed. This applies both when the transactions are processed via the Company's own platform and/or bank and also when acquiring partners and/or other platforms are used. If acquiring partners and/or other platforms are used for processing the transactions, Wirecard is subject to the main opportunities and risks associated with the transactions. As a result, Wirecard assesses itself as the principal in these transactions in the sense of IAS 18. The acquiring partner is assessed only as a service provider (agent) of Wirecard in this case. Expenses for the provision of these services by the acquiring partner are included in the cost of materials. Otherwise, revenues are recognised when there is sufficient evidence that a sales arrangement exists, the service has been rendered, the price for the service is fixed or determinable, and it is probable that payment will be received. Interest is recognised pro rata temporis, using the accrual basis of accounting. Operating expenses are recognised with an impact on profit or loss once the service is utilised or at the time the cost is incurred.

## Reporting of revenues from programming orders

A programming order is a contract relating to the customer-specific programming of individual software components, or a number of software components, which are mutually coordinated or mutually dependent in terms of their application or their design, technology and function. If the result of a programming order can be reliably estimated, Wirecard reports the revenues according to the percentage of completion method and specifically according to the ratio of the already incurred costs to the estimated total order costs. An expected loss on a programming order is reported as an expense immediately. If the result of a programming order cannot be reliably estimated, revenues are reported only to the level of the incurred order costs that can probably be covered and the order costs are reported as an expense in the period in which they are incurred. As of the end of the year and the end of the previous year, no significant orders were outstanding.

## Reporting of revenues from multi-component orders:

Sales of software products and services can contain several supply and service components. In such cases, Wirecard determines whether more than one accounting unit exists. If certain criteria are satisfied, especially if the delivered components comprise an independent benefit for the customer, the transaction is split and the relevant accounting regulation relating to the recognition of revenues is applied to account for the respective separate unit. Generally, the agreed total remuneration is allocated to the individual separate units for accounting in line with their relevant fair values. In rare cases, however, if reliable fair values are available for the outstanding components, but not for one or several of the delivered components, the value attributable to the delivered components is derived from the difference between the agreed total

remuneration and the total fair value of the outstanding components (residual method). If the criteria for splitting are not satisfied, the revenues are deferred until such criteria are satisfied, or until the period in which the last outstanding component is delivered. Customer-specific software developments as part of projects to render mobile payment solutions and services are regarded as separate units for accounting and reported in compliance with the accounting and valuation principles for revenues from programming orders.

## 2.4 Accounting and valuation of tax items

### Current income taxes

Current tax assets and liabilities for the current or earlier periods are measured to the amount in which a refund is expected from the tax authorities or a payment is expected to be made to the tax authorities. The prevailing tax rates and tax laws as of the balance sheet date are used to calculate the amount in question.

Current taxes relating to items recognised directly in equity are not recognised through profit or loss but in equity.

### Deferred tax liabilities and assets

In accordance with IAS 12 (Income Taxes), deferred tax liabilities and assets are set up accordingly for all temporary differences between the value of the assets and liabilities in the tax balance sheet and the values in the consolidated balance sheet as well as between the assets of a subsidiary recognised in the consolidated financial statements and the tax balance sheet value of the shares in the subsidiary held by the parent company. Exceptions from this include differences arising in accordance with IAS 12.15 from the initial recognition of goodwill or initial recognition of an asset or liability in the case of a transaction that is not a business combination and, at the time of the transaction, has no influence on net profit or loss for the period under commercial law (before income tax) nor on the taxable result (the tax-related loss). Deferred tax assets are recognised to the extent that it is probable that taxable income will be available with which the deductible temporary difference can be offset. 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 unutilised tax loss carryforwards are capitalised to the extent with which it can be assumed with an adequate degree of probability that the respective company will be able to generate sufficient taxable income in future.

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

The calculation of deferred taxes was based on a German corporation tax rate of 15.0 percent (2014: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2014: 5.5 percent) on corporation tax and a flat rate German trade tax rate of 11.20 percent (2014: 11.20 percent), which takes into account the municipal factor for the relevant location from 2015 and the corresponding tax rates of the foreign companies (India 34.5 percent; Ireland 12.5 percent; Austria 25 percent; Singapore 18 percent; Gibraltar 10 percent; United Kingdom 20 percent; Indonesia 25 percent, Turkey 20 percent, New Zealand 28 percent, South Africa 28 percent).

### Value added tax

Revenues, expenses and assets are recognised after deducting value added tax. An exception in this regard is value added tax incurred when purchasing assets or services that cannot be claimed from the tax authorities. Such value added tax is recognised as part of manufacturing costs of the asset or as part of expenses. Receivables and liabilities are likewise recognised including the amount of value added tax.

The amount of value added tax refunded by or paid to the tax authorities is offset in the consolidated balance sheet under receivables and liabilities. Tax assets and liabilities are offset if they are imposed by the same tax authority for the same company and if the Group intends to settle its current tax assets and tax liabilities on a net basis.

### Essential discretionary decisions, estimates and assumptions in connection with taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already reported. The Group forms provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective country of domicile of the Group company.

Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that taxable profit will be available against which the tax loss carryforwards can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

## 2.5 Changes to accounting and valuation policies in relation to the previous year

The accounting policies are unchanged compared to those applied in the previous year. An exception in this regard are changes to the presentation that have been made to improve readability and to expand the explanations on the corresponding items. This includes providing information that was previously in text form in tabular form or an additional further breakdown of items. Furthermore, the following amendments to the standards listed below were applied from 1 January 2015:

### Improvements to IFRS (2011-2013)

The improvements to IFRS 2011-2013 relate to an omnibus of standards published in December 2013 and containing amendments to various IFRS, which are mandatory for fiscal years beginning on or after 1 July 2014.

#### IFRS 3 Business Combinations

The amendment is applied prospectively. It clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

As Wirecard AG does not have any joint arrangements, this amendment is not relevant for the Group and its subsidiaries.

### IFRS 13 Fair Value Measurement

The amendment is applied prospectively. It clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

### IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between “investment property” and “owner-occupied property” (i.e., property, plant and equipment). The amendment is applied prospectively. It clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction comprises the purchase of an asset or a business combination. The Group does not own any property. Thus, this amendment did not impact the accounting policy of the Group.

## 2.6 Amendments to accounting and valuation policies that do not yet require mandatory application

The IASB and the IFRIC have published the following standards and interpretations that are already been endorsed by the EU within the scope of the comitology procedure but their application was not yet mandatory in the 2015 fiscal year. The Group has not early adopted these standards and interpretations. The IASB also newly approved or revised a number of further accounting standards and interpretations that Wirecard AG has not yet implemented in the 2015 fiscal year as their application was not yet mandatory or they were not yet approved by the European Union.

### Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 was published in November 2013 and is to be applied for the first time in the fiscal year that commences on or after 1 February 2015. This amendment regulates the accounting of contributions from employees or third parties to defined benefit plans as a reduction of the service cost, insofar as they reflect the services rendered in the reporting period. This amendment is to be applied retrospectively. Earlier application is permissible. No significant impact on the consolidated financial statements of Wirecard is expected because only the Management Board has an entitlement to retirement benefits.

### Improvements to IFRS (2010-2012)

The improvements to IFRS 2010-2012 relate to an omnibus of standards published in December 2013 and containing amendments to various IFRS, most of which are applicable for fiscal years beginning on or after 1 February 2015. The Group has not yet applied the following amendments. Wirecard has preliminarily assessed that the improvements will have no significant impact but will nevertheless re-examine this in the subsequent reporting period.

- IFRS 2: Clarification on the definition of vesting conditions with a separate definition of service and performance conditions;
- IFRS 3: Clarification on the classification and measurement of contingent consideration in business combinations. Accordingly, the classification of the obligation to pay contingent consideration as a liability or as equity is based solely on the rules in IAS 32.11. Measurement of contingent consideration must be at fair value and changes must be recognised in profit or loss;
- IFRS 8: Information on the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
- IFRS 13: Explanation of the amendment to IFRS 9 with regard to the measurement of short-term receivables and payables as a result of the publication of IFRS 13;
- IAS 16: Changes to the treatment of accumulated depreciation using the revaluation method;
- IAS 24: Clarification that a company which provides decisive planning, management and monitoring services (key management personnel services) to an entity is a related party of the recipient as defined by IAS 24 and inclusion of a simplification for disclosures on the remuneration paid for these management services by the external company to its employees;
- IAS 38: Changes to the treatment of accumulated amortisation using the revaluation method.

### Amendments to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. These amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are prospectively effective for fiscal years beginning on or after 1 January 2016. Earlier application is permissible. Wirecard does not expect any significant impact on the net assets, financial position and results of operations, but the impact on the new acquisitions is still being examined.

### IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three phases of the accounting for financial instruments project: “classification and measurement”, “impairment” and “hedge accounting”. IFRS 9 is effective for fiscal years beginning on or after 1 January 2018. Earlier application is permissible. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. During fiscal year 2015, the Group performed a high-level impact assessment of all three phases of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects to have to build a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine to what extent.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenues arising from contracts with customers. Under IFRS 15, revenues is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for fiscal years beginning on or after 1 January 2018 with early adoption permitted. In the 2015 fiscal year, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Contracts with customers, with whom software licence agreements are the only contractual obligation, are not expected to have any impact on the consolidated financial statements. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer. This is generally the case on delivery of the goods.

When acquiring partners and/or other platforms are used for processing transactions, Wirecard is subject to the significant opportunities and risks associated with the transactions so that Wirecard is considered as the principal in these transactions in the sense of IAS 18. The Group does not expect any significant impact to arise from these service contracts. The analysis of impacts of the new standard has not yet been finalized.

### Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of generation of economic benefits that arise from operating a business (of which the asset is part) rather than the consumption of an asset's future economic benefits. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used – in very limited circumstances – to amortise intangible assets. The amendments are effective prospectively for fiscal years beginning on or after 1 January 2016. Earlier application is permissible. This amendment does not require any adaptation of the basis for depreciation and amortisation and will not affect depreciation and amortisation.

### Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:

- The materiality requirements in IAS 1.
- Specific items in the income statement, statement of comprehensive income and balance sheet may be disaggregated.
- Entities are free to choose the order in which they present the notes to financial statements.

The share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item and subdivided between those items that will or will not be reclassified the income statement in subsequent reporting periods. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the balance sheet, income statement and other comprehensive income. The amendments are effective for fiscal years beginning on or after

1 January 2016. Earlier application is permissible. These amendments principally relate to clarifications of conceptual issues and are thus not expected to have any impact on the consolidated financial statements.

## Improvements to IFRS (2012-2014)

These improvements are effective for fiscal years beginning on or after 1 January 2016. These amendments principally relate to clarifications of conceptual issues and are thus not expected to have any impact on the consolidated financial statements. The improvements comprise the following:

### IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. Therefore, there is no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

### IFRS 7 Financial Instruments: Disclosures

#### (i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the fiscal year in which the entity first applies the amendments.

#### (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the requirements regarding additional disclosure on offsetting financial assets do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

### IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the bonds are denominated, rather than the country where the bond is issued. When there is no sufficiently liquid market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

### IAS 34 Interim Financial Reporting

The amendment clarifies that obligatory interim disclosures must either be made in the interim financial statements or incorporated by cross-reference to wherever they are included within the interim financial report (e.g. in the management report or report on risks). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

## IFRS 16 Leases

In January 2016, the IASB published IFRS 16 (Leases). IFRS 16 is the new standard for lease accounting. It introduces a uniform lease accounting model for lessees, requiring recognition of assets and liabilities for all leases with a term of more than 12 months unless such leases are immaterial. It will eliminate the current requirement for lessees to classify leases as either operating leases, where the respective assets or liabilities are not recognised, or as finance leases. The new standard is to be applied for fiscal years beginning on or after 1 January 2019. The standard has not yet been incorporated into European law. The impact on the presentation of net assets, financial position and results of operations is still being examined, whereby higher assets and higher amortisation and depreciation with lower other operating expenses are expected.

## Amendments to IAS 12 Recognition of Deferred Tax Assets

In January 2016, the IASB published amendments. These amendments clarify the recognition and measurement of deferred tax assets related to debt instruments measured at fair value. The amendments are to be applied for fiscal years beginning on or after 1 January 2017. The standard has not yet been incorporated into European law. The impact on the presentation of net assets, financial position and results of operations is still being examined.

## Amendments to IAS 7: Disclosure Initiative

In January 2016, the IASB published amendments to IAS 7: Disclosure Initiative. The following changes in liabilities arising from financing activities must be disclosed in the future: changes from financing cash flows; the effect of changes in foreign exchange rates; changes in fair value; other changes. The amendments are to be applied for fiscal years beginning on or after 1 January 2017. The standard has not yet been incorporated into European law. The impact on the presentation of net assets, financial position and results of operations is still being examined.

## Further standards and interpretations

The IASB and the IFRIC have published additional standards and interpretations for which application was not yet mandatory in the 2015 fiscal year. They are not used by the Group and would not have any significant impact on the consolidated financial statements of Wirecard.

- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

## 3. Notes to the consolidated balance sheet – assets

For a breakdown of non-current assets relating to intangible assets, property, plant and equipment and financial assets (historical acquisition costs, adjustments based on foreign currency translations, additions and disposals due to initial consolidation, additions, disposals, cumulative amortisation and depreciation, amortisation and depreciation in the year under review and carrying amounts), please refer to the attached schedule of developments in non-current assets from 1 January 2015 to 31 December 2015 (including the previous period). In order to improve readability, some information that was provided in text form in previous financial statements is now provided in tabular form.

### 3.1 Intangible assets

Intangible assets comprise goodwill, customer relationships, Internally-generated intangible assets and other intangible assets.

#### Goodwill and customer relationships

The balance sheet items of goodwill and customer relationships are exclusively attributable to acquired companies, parts of companies or customer relationships. New, organically acquired customer relationships at Wirecard are not capitalised. As part of corporate acquisitions, a purchase price allocation is carried out in accordance with IFRS 3, which identifies and measures the fair value of all assets irrespective of whether they are reported on the balance sheet for the acquired entity or not. In general, the acquisitions made by Wirecard focus on acquiring regional customer relationships in order to expand the Company's market position. Therefore, these customer relationships represent a significant part of the assets of the acquired entity. The assessment of whether these assets are classified as customer relationships in the sense of IAS 38.16 or reported on the balance sheet under the item goodwill is based on which future economic benefits can be derived from these relationships by Wirecard. If customer relationships are identified, these are amortised over their expected useful life of usually 10 or 20 years. Goodwill is not subject to any amortisation.

Goodwill is assessed at least once a year by the Group (most recently on 31 December 2015) or in the event of possible impairments in accordance with the Group’s accounting policies. The Company determines these values using valuation methods based on discounted cash flows. Customer relationships are analysed at least once a year or additionally if a triggering event occurs. If a triggering event occurs, an assessment based on discounted cash flows is carried out in order to determine any potential need for impairment.

In the fiscal year 2015, goodwill changed primarily as a result of the first-time consolidation of the new companies, above all Hermes I Ticket, by kEUR 273,547 and as a result of currency-related adjustments by kEUR 937 due to valuation at closing rates and stood at kEUR 489,301 (31 December 2014: kEUR 218,202) and is reported in the following cash-generating units:

## Goodwill

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Payment Processing & Risk Management | 442,242 | 170,051 |
| Acquiring & Issuing | 46,771 | 47,863 |
| Call Center & Communication Services | 288 | 288 |
| **Total** | **489,301** | **218,202** |
| Less: impairment losses | 0 | 0 |
| | **489,301** | **218,202** |

The change in the item customer relationships of kEUR 44,086 in the period under review is related, on the one hand, to exchange rate fluctuations and, on the other hand, to amortisation, which was offset by an increase of kEUR 55,784 connected with the first-time consolidation of the new companies and kEUR 10,153 due to the acquisition of the acquiring customer portfolio of Lufthansa AirPlus Servicekarten GmbH in the fiscal year. Amortisation starts together with the flow of benefits and is performed over the expected length of useful life.

Further information on business combinations and the acquisition of customer relationships can be found in Section 1.1 Business activities and legal background – business combinations and significant acquisitions of customer relationships.

The customer bases are subject to the following amortisation rules:

## Amortisation of customer relationships

| Useful life | Remaining useful life | Remaining carrying amount in kEUR |
|---|---|---|
| 20 | 20 | 9,939 |
| 20 | 19 | 63,651 |
| 20 | 18 | 104,595 |
| 20 | 17 | 92,012 |
| 20 | 16 | 46,879 |
| 20 | 9 | 1,534 |
| 10 | 10 | 49,783 |
| 10 | 8 | 2,105 |
| 10 | 7 | 3,583 |
| 10 | 6 | 8,545 |
| 10 | 5 | 1,453 |
| 10 | 4 | 979 |
| 10 | 2 | 393 |
| | | **385,451** |

For information on changes to goodwill and customer relationships, please refer to the statement of changes in non-current assets.

### Internally-generated intangible assets

In the fiscal year 2015, internally generated software was developed and capitalised of kEUR 28,293 (31 December 2014: kEUR 24,978). Compared to the previous year, this item has increased in particular as a result of the increased development activities at Wirecard Processing FZ LLC and Wirecard Technologies GmbH. This relates to software for the payment platform and mobile payment projects.

### Other intangible assets

Besides software for individual workstations, other intangible assets relate to software acquired for and used by the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments. In the period under review, this item changed mainly due to the first consolidation of the acquired companies from kEUR 49,229 to kEUR 65,869.

## 3.2 Property, plant and equipment

The main increases in this item are due to investments in the expansion of the computer centres, the expansion of the terminal business and also to the first-time consolidation of the companies acquired.

Any gains and losses from the disposal of fixed assets are reported as other operating income and expenses respectively. Maintenance and minor repairs are charged to profit or loss as incurred.

The carrying amount of technical equipment and operating and office equipment held as part of finance leases as of 31 December 2015 totalled kEUR 11,642 (31 December 2014: kEUR 5,257) and is reported under property, plant and equipment. The leased items serve as security for the respective obligations from the finance leasing agreements.

## 3.3 Financial and other assets / interest-bearing securities

Financial and other assets and interest-bearing securities as of 31 December 2015 totalled kEUR 227,152 (31 December 2014: kEUR 123,991). These break down as follows:

### Breakdown of financial and other assets / interest-bearing securities

| in kEUR | | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| Shares of not consolidated companies | | 80,405 | 27 |
| Financing agreements (amongst others sales partner) | | 40,293 | 40,116 |
| Securities/collared floater | | 48,900 | 49,078 |
| Other | | 57,554 | 34,770 |
| | | 227,152 | 123,991 |

The most important reason for the increase in this item in comparison to the previous year are the shares held by Wirecard Bank AG and Wirecard Card Solutions Ltd. in Visa Europe Ltd., which were revaluated this year by kEUR 80,376 under the item “Revaluation reserve”. This revaluation has not led to an improvement of the profit or loss in the income statement because this participating interest was classified as “Available-for-sale financial assets” and the increase in value was correspondingly accounted for in the revaluation reserve. The reason for this revaluation was the announcement by Visa Inc. on 2 November 2015 its proposed acquisition of Visa Europe Limited, subject to regulatory approvals. When this transaction is completed, Wirecard Bank AG and Wirecard Card Solutions Ltd. will, as members of Visa Europe Limited, be entitled to consideration. The consideration consists of an upfront consideration receivable on closing of the transaction comprising cash and preferred stock convertible into Visa Inc. class A common stock as well as of a potentially additional deferred cash consideration payable following the fourth anniversary of closing subject to an earnout mechanism. The amounts of preferred stock and deferred cash consideration are contingent upon certain factors. Based on calculations by Visa Europe Limited, Wirecard estimates the value of the consideration at approx. EUR 80.4 million without the earnout components. On the basis of this information, Wirecard revaluated its participating interest in Visa Europe Ltd. as of 31 December 2015. The calculation of the fair value is based on the market quotations for Visa A shares, estimations by the management and the calculations of the appraisers of Visa Europe Ltd. The cash payment was valuated at 100 percent as the rules are very clear in this context and no conditions are linked to this payment. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties, is subject to a required holding period and was only valuated with discount on Visa Inc. A shares due to uncertainties. In the case of the shares held by the English company Wirecard Card Solutions Ltd., the value of the shares was discounted slightly higher because other liability risks were agreed between Visa Europe Ltd. and Visa Inc. for the United Kingdom. The earnout components were valuated at a discount rate of 100 percent because these are dependent on numerous input factors which are partially unknown to management or cannot be influenced by them so that the uncertainty surrounding these earnouts is too high. Following the closing of the transaction, which is expected in the second quarter of 2016, the effects of the revaluation will be reflected in the income statement.

The securities partially comprise a derivative component. These embedded derivatives are generally measured at fair value with changes in their fair value being recognised as profit or loss. In case it is impossible to separately measure the embedded derivative, the entire financial instrument is to be measured at fair value through profit or loss, as long as fair value can be calculated reliably. The embedded derivative part of the hybrid financial instrument is sufficiently significant to render it impossible to reliably determine the fair value of the total financial instrument, which means the hybrid financial instrument is to be measured at cost less potential impairment.

Furthermore, this balance sheet item also contains various securities/collared floaters which are held to improve interest income and whose interest rates mainly depend on money market rates.

In part, minimum and maximum interest rates are agreed (collared floaters). In the fiscal year, floaters and other securities to the value of kEUR 19,934 were acquired.

Other assets exist, amongst other things, as a result of activities related to Wirecard Bank AG cooperating with different companies in the so-called FinTech sector. As a technology company with its own financial institution, Wirecard supports different companies through e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector. Alongside services in the areas of technology and risk management, Wirecard also sometimes provides financing, particularly in the area of hire purchase agreements and the provision of small loans. In this context, receivables arise primarily in relation to individual transactions that are reported here due to maturity their terms.

## 3.4 Tax credits

### Deferred tax assets

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

Based on tax assessments up to 31 December 2014, tax notices issued up to the assessment year 2013 and the consolidated taxable profit in the fiscal year 2015, the deferred tax assets as of 31 December 2015 amounted to kEUR 862 after impairment (31 December 2014: kEUR 894).

With regard to further details on the tax reconciliation account and the trend relating to deferred taxes, please refer to the further details under 5.8. Income tax expense and deferred taxes.

## 3.5 Inventories and work in progress

As of 31 December 2015, the reported inventories and work in progress amounted to kEUR 3,599 (31 December 2014: kEUR 3,313) and relate to merchandise such as terminals and debit cards, which are kept for, amongst other things, payments using mobile phones. Their value was measured in accordance with IAS 2.

Inventories and work in progress are measured at whichever is the lower of either their cost (of acquisition or manufacture) and their net realisable value. No value deductions were made in the year under review or in the previous period. There were also no value reversals.

## 3.6 Receivables of acquiring business

The transaction volume of the Wirecard Group is reported under receivables from credit card organisations, banks and acquiring partners on the Wirecard balance sheet. Therefore, Wirecard has decided to report the receivables in this area separately.

Wirecard's receivables from acquiring business and liabilities of acquiring business are mainly characterised by the transaction volume of merchants that utilise Wirecard's payment services. Due in particular to the legal guidelines for the licensing agreements depending on the region and sector in which the retailer and acquiring partner operate, as well as to the business relationship between the retailer and Wirecard, different business models are utilised that result in varying accounting methods being applied. In all cases, however, the transaction volume significantly influences the item trade receivables.

From a financial reporting perspective, it is particularly important to differentiate whether the transaction volume is processed via licensed acquirers belonging to the Wirecard Group or whether Wirecard is using an external acquiring partner. If the transaction volumes are processed via Wirecard, they remain under receivables until the incoming payment is received. Depending on the currency and means of payment, as well as on the respective card organisation, payment is generally received between one day and one week after the transaction.

If another bank is involved in the process, Wirecard is not permitted to receive and report the transaction volumes on the balance sheet due to the EU Payments Services Directive (PSD). In this case, the acquiring partner accounts for these items on their balance sheet. Wirecard then reports any charges and commissions, as well as the rolling security reserves for the merchants' general risk of default, as receivables of acquiring business. In this context, please also refer to Chapter 7.2.

Depending on the balance sheet date and the payment cycle, the item receivables of acquiring business and also the item liabilities of acquiring business (less commissions and charges) is subject to considerable fluctuations from one balance sheet date to another. These fluctuations occur in particular due to delayed payouts on account of the public holidays between the reporting periods.

Here, only our charges included in the revenues have an impact on profit or loss and not the entire receivable amount. The increase as of 31 December 2015 thus corresponds to the increase in the transaction volume processed via Wirecard.

## 3.7 Trade and other receivables

Trade and other receivables exist as a result of, amongst other things, activities related to Wirecard Bank AG cooperating with different companies in the so-called FinTech sector. As a technology company with its own financial institution, Wirecard supports different companies through e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector. Alongside services in the areas of technology and risk management, Wirecard also sometimes provides financing, particularly in the area of hire purchase agreements and the provision of small loans in collaboration with FinTech companies. In this context, these receivables primarily relate to individual transactions. As a result of the consolidation of newly acquired companies in 2014 and 2015, it is only possible to compare this item to the previous year to a limited extent.

### Trade receivables

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Receivables from bank business (mostly from FinTech business) | 68,470 | 37,049 |
| Other trade receivables | 23,886 | 23,388 |
| Other receivables | 20,848 | 10,302 |
| | 113,204 | 70,739 |

## 3.8 Tax credits

As of 31 December 2015, tax credits comprised tax reimbursement claims of kEUR 6,119 (31 December 2014: kEUR 6,415) and VAT reimbursement claims of kEUR 2,166 (31 December 2014: kEUR 688).

## 3.9 Interest-bearing securities and fixed-term deposits

Apart from investing in various interest-bearing securities, the Wirecard Group has also invested in fixed-term deposits in order to improve its interest income. All investments are only concluded with banks or counterparties that meet the creditworthiness requirements from the Group's own risk evaluation and – to the extent that external ratings are available – are assessed as having a minimum creditworthiness risk by renowned ratings agencies. Fixed-term deposits with a term of more than three months are reported under "Interest-bearing securities and fixed-term deposits", which reduces the cash and cash equivalents position. Fixed-term deposits of kEUR 6,114 (previous year: kEUR 6,124) have been placed as collateral for credit card business for the duration of the business relationship. Fixed-term deposits with a term of up to three months are reported under "Cash and cash equivalents".

## 3.10 Cash and cash equivalents

The cash and cash equivalents item (31 December 2015: kEUR 1,062,968; 31 December 2014: kEUR 695,076) includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight (call money) deposits). These also include resources from current customer deposits of Wirecard Bank AG and Wirecard Card Solutions Ltd. which are not placed in interest-bearing securities (31 December 2015: kEUR 419,539; 31 December 2014: kEUR 237,766) and funds derived from the acquiring business of Wirecard Bank AG. To improve its interest income, Wirecard Bank AG invested some of the customer deposits in various short, medium and long-term interest-bearing securities (so-called collared floaters and interest-bearing securities). These are reported under non-current financial and other assets and current interest-bearing securities. Excluding the purchase of these securities and the fixed-term deposits with a term of more than three months across the whole Group, cash and cash equivalents would have been kEUR 182,272 (31 December 2014: kEUR 172,155) higher.

It should also be noted that as a result of delayed payments due to public holidays at the end of the fiscal year, the level of cash was very high due to these effects at the balance sheet date.

# 4. Notes to the consolidated balance sheet – equity and liabilities

With regards to the development of Group equity for the fiscal year 2015, further particulars in addition to the following explanations are provided in the table “Consolidated statement of changes in equity”.

## 4.1 Subscribed capital

Subscribed capital increased by kEUR 75 (previous year: kEUR 0) following the final conversion of bonds from the Stock Option Plan 2004 on 1 December 2015. It amounted to kEUR 123,566 as of 31 December 2015 (31 December 2014: kEUR 123,491) and comprised 123,565,586 (31 December 2014: kEUR 123,490,586) no-par value shares with a notional interest in the common stock of EUR 1.00 per share.

### Authorised capital

According to the resolution made by the Annual General Meeting on 17 June 2015, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital on one or more occasions up until 17 June 2020 by up to a total of kEUR 30,000 in consideration for contributions in cash and/or kind (including so-called mixed contributions in kind) by issuing up to 30 million new no-par value bearer shares (Authorised Capital 2015) and in so doing to stipulate a commencement of the profit participation in derogation from the statutory provisions, also retrospectively to a fiscal year that has already expired, provided that no resolution on the profit of said expired fiscal year has yet been adopted. The shareholders must as a general rule be granted a subscription right. The new shares can also be assumed by one or more banks designated by the Management Board with the obligation of offering them to the shareholders (indirect subscription right).

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders’ statutory subscription rights in the following cases:

- in order to avoid fractional amounts;
- when the capital increase is made against cash capital contributions and the issue price, excluding subscription rights pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), of the new shares is not significantly below the Company’s stock market price and the number of new shares issued under the exclusion of subscription rights pursuant to Section 186 (3) Clause 4 of the AktG does not exceed 10% of the share capital, neither at the time the authorisation takes effect, nor when this authorisation is exercised. Shares must be included in this limit that were sold, issued or are to be issued during the term of this authorisation as a result of other authorisations in direct or corresponding application of Section 186 (3) Clause 4 of the AktG under the exclusion of subscription rights;

- in the event of a capital increase against non-cash contributions, in particular for the purpose of acquiring a company, parts of a company, a participating interest in a company or other material operating equipment;
- in order to grant the holders of options or convertible bonds or bonds with warrants subscription rights to the extent that these would be due to them in the event that a conversion right or option is exercised, or in fulfilment of a conversion obligation as a shareholder; as well as
- in the event of a capital increase to issue staff shares pursuant to Section 204 (3) of the AktG if the issue price, excluding subscription rights, of the new shares is no more than a maximum of 30% below the Company's stock market price and the new shares issued under the exclusion of subscription rights do not exceed 5% of the share capital, neither at the time the authorisation takes effect, nor at the time when this authorisation is exercised. All shares are included in the above 5 percent threshold that are issued during the term of this authorisation, which as a result of other authorisations excluding shareholders' subscription rights as staff shares to employees of the Company and members of management and employees of companies associated with the Company, are issued at a price which is lower than the stock market price. The 5 percent threshold does not apply if the price is not materially lower than the stock market price in the meaning of Section 186 (3) Clause 4 of the AktG;
- the total number of shares to be issued and that have been issued excluding subscription rights as a result of one of these authorisations may not exceed 20% on the date the authorisation is exercised; shares must be included that were sold, issued or are to be issued during the term of this authorisation as a result of other authorisations.

The Management Board is authorised, with the approval of the Supervisory Board, to decide on the further details of the capital increase and its execution, in particular the content of the share rights and the conditions of issue including the issue amount. The Supervisory Board is authorised to change the wording of the Articles of Incorporation accordingly to the extent of the respective capital increase from authorised capital.

As of the balance sheet date, there was authorised capital (Authorised Capital 2015) of kEUR 30,000 (31 December 2014: (Authorised Capital 2012/I) kEUR 18,802). The existing authorised capital was completely replaced by the new authorised capital.

## Conditional capital

As there was a conversion in the fiscal year 2015, conditional capital (Conditional Capital 2004/I) fell during the period under review and now stands at kEUR 614 (31 December 2014: kEUR 689).

Following the resolution passed by the Annual General Meeting on 15 July 2004, the Company created a Stock Option Program (SOP) based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Management Board, to advisors of the Company, its workforce as well as employees of affiliated companies. The program has been closed. Further issues are no longer possible. The statutory subscription rights of shareholders were excluded. The new shares will participate in profits from the beginning of the fiscal year in which they are issued following the exercise of conversion and subscription rights respectively. All convertible bonds expired in 2015 on account of their terms.

In addition, the Annual General Meeting on 26 June 2012 authorised the Management Board, with the consent of the Supervisory Board, to issue holders by 25 June 2017, once or on several occasions, bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to kEUR 300,000, and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights to new bearer shares of the Company with a proportionate amount in the share capital of up to kEUR 25,000, according to the details in the terms for the bonds with warrants or the convertible bonds. The share capital has been conditionally increased by up to kEUR 25,000, comprising 25 million bearer shares (Conditional Capital 2012). The conditional capital increase will only be implemented to the extent that the bearers of the convertible bonds or bonds with warrants issued by the Company or its direct or indirect majority associates as a result of the authorisation for the Management Board approved by the Annual General Meeting on 26 June 2012 exercise their conversion or option rights by 25 June 2017, or as the bearers of the convertible bonds who are obligated to convert the convertible bonds issued by the Company or its direct or indirect majority associates fulfil their conversion obligation by exercising their conversion obligation by 25 June 2017.

## Purchase of treasury shares

Through a resolution passed at the Annual General Meeting on 17 June 2010, the Management Board is authorised to acquire up to 10 percent of the capital share of Wirecard AG existing at the time of the resolution. This authorisation was valid until 16 June 2015.

Until 31 December 2015, the Management Board did not make use of its authority to acquire and utilise treasury shares in accordance with Section 71 (1) No. 8 of the AktG.

## 4.2 Capital reserve

Due to the conversion of the convertible bonds, Wirecard AG received a premium of kEUR 1,609. As a consequence, the capital reserve amounts to kEUR 494,682 as of 31 December 2015 (31 December 2014: kEUR 493,073).

## 4.3 Retained earnings

A dividend of EUR 0.13 per dividend-entitled ordinary share was approved at the Annual General Meeting 2015 on 17 June 2015, which corresponds to a total amount of kEUR 16,054. In the previous year, the dividend payment was EUR 0.12 per dividend-entitled ordinary share, which corresponded to a total amount of kEUR 14,819.

A proposal will be made at the 2016 Annual General Meeting to pay a dividend of EUR 0.14 per share to the shareholders, which corresponds to a total amount of kEUR 17,299.

## 4.4 Revaluation reserve

The revaluation reserve was created due to the revaluation of the shares held by Wirecard Bank AG and Wirecard Card Solutions Ltd. in Visa Europe Ltd., which were revaluated this year. This revaluation has not led to an improvement of the profit or loss in the income statement because these shares were classified as “Available-for-sale financial assets” and the increase in value was correspondingly accounted for in the revaluation reserve. The reason for this revaluation was the announcement by Visa Inc. on 2 November 2015 of its proposed acquisition of Visa Europe Limited. For further information, please refer to 3.3 Financial and other assets.

## 4.5 Translation reserve

The foreign currency translation reserve changed in the fiscal year 2015 due to exchange rate factors and with no impact on profit or loss from kEUR 3,078 in the previous year to kEUR 3,630. The increase is primarily attributable to the higher level of net assets denominated in foreign currencies due to further company acquisitions in the fiscal year and the fluctuation in the exchange rates for some local currencies. With regard to the foreign currency translation reserve, reference is made to details in 2.1 Principles and assumptions used in preparing the financial statements.

## 4.6 Non-current liabilities

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

### Non-current interest-bearing liabilities

The interest-bearing liabilities are related to the funding of the acquisitions, whereby the largest proportion was attributable to the acquisition made in India. This item thus increased by kEUR 268,818 from kEUR 89,329 as of 31 December 2014 to kEUR 358,146.

### Other non-current liabilities

This item is broken down as follows:

### Other non-current liabilities

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Earnout liabilities | **58,138** | 23,045 |
| Lease liabilities | **7,938** | 2,771 |
| Variable remuneration and pension benefits | **3,117** | 835 |
| Other non-current liabilities | **2,719** | 2,606 |
| | **71,912** | **29,257** |

The earnout components and current purchase price liabilities of kEUR 161,974 (31 December 2014: kEUR 29,476) that are due within a period of one year are carried under current liabilities. Despite the transfer of control of the Indian companies, the total purchase price was not paid in 2015.

### Deferred tax liabilities

Deferred tax liabilities, amounting to kEUR 53,266 (31 December 2014: kEUR 28,721), related to temporary differences between the tax accounts and the consolidated financial statements according to IFRS and are reported under non-current liabilities. This item increased due to the first-time consolidation of the new corporate entities. With regard to further details on the tax reconciliation account and the trend relating to deferred taxes, please refer to the further details under 5.9. Income tax expense and deferred taxes.

## 4.7 Current liabilities

Current liabilities are broken down into liabilities of acquiring business, interest-bearing liabilities, other provisions, other liabilities, customer deposits from banking operations of Wirecard Bank AG and Wirecard Card Solutions Ltd. and tax provisions.

### Liabilities of acquiring business

Wirecard's liabilities of acquiring business and receivables of acquiring business are mainly characterised by the transaction volume of merchants that utilise Wirecard's payment services. If the transactions are processed via licensed acquirers that belong to the Wirecard Group, the amount of the transaction volume remains under trade payables to merchants until the payment is made. Depending on the means of payment and the contractual provisions, this takes place daily, weekly or monthly, whereby a security reserve is generally held for a longer period of time. In individual cases, particularly when dealing with large customers who want to optimise their own cash management, Wirecard agrees to replace these security reserves with bank guarantees, government-backed guarantees or similar sureties, as well as to dispose with a security reserve if dealing with state-owned merchants. This reduces the item trade payables and also slows the increase in this item.

Depending on the balance sheet date and the payment cycle, the item liabilities of acquiring business and also the item receivables of acquiring business (less commissions and charges) can be subject to considerable fluctuations from one balance sheet date to another. In particular, these substantial fluctuations between reporting periods result from public holidays. Delayed payments due to public holidays at the end of the 2015 fiscal year were offset by corresponding payments in the following quarter.

Liabilities denominated in foreign currencies were revalued at kEUR – 7 (31 December 2014: kEUR – 11) at the exchange rate prevailing on the balance sheet date, with an impact on expenses.

### Trade payables

Trade payables comprise payables from the operating business that are not allocated to the acquiring business.

### Interest-bearing liabilities

Interest-bearing liabilities of kEUR 12,579 (31 December 2014: kEUR 9,030) mainly comprise loans that are due in 2016.

## Other provisions

Provisions are short-term in nature and will be utilised prospectively within the following year. Among the other current provisions totalling kEUR 1,421 (31 December 2014: kEUR 1,284), the costs of preparing and auditing the financial statements of kEUR 845 (31 December 2014: kEUR 733) comprise the largest item.

The individual provisions changed as follows during the fiscal year:

### Statement of changes in provisions

| in kEUR | 1 Jan 2015 | Addition first-time consolidation | Consumption | Reversal | Addition | 31 Dec 2015 |
|---|---|---|---|---|---|---|
| Litigation risks | 125 | 0 | –68 | 0 | 7 | **64** |
| Archiving | 65 | 0 | –65 | 0 | 65 | **65** |
| Annual General Meeting | 130 | 0 | –130 | 0 | 135 | **135** |
| Financial statement and other audit costs | 733 | 0 | –714 | -8 | 834 | **845** |
| Other provisions | 231 | 0 | –24 | –129 | 234 | **312** |
| **Other current provisions** | **1,284** | **0** | **–1,001** | **–138** | **1,276** | **1,421** |

## Other liabilities

This item is broken down as follows:

### Other liabilities

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Accruals | **19,258** | 12,674 |
| Lease liabilities | **4,730** | 3,819 |
| Purchase price liabilities | **161,974** | 29,476 |
| Other | **15,238** | 14,084 |
| | **201,201** | **60,053** |

The increase in purchase price liabilities was due to the acquisition of the Great Indian Group for a price of kEUR 139,586, of which kEUR 105,000 was paid in the first quarter of 2016.

The line item "Other" includes liabilities from payment transactions, wages and salaries, social security and similar.

## Customer deposits from banking operations

This item includes customer deposits of kEUR 582,464 (31 December 2014: kEUR 396,733) with Wirecard Bank AG and Wirecard Card Solutions Ltd.

Alongside the expansion of the prepaid card business, the increase in deposits is due to various factors including fluctuations relating to prepaid card usage and the payment of acquiring funds to customer accounts.

## Tax provisions

Tax provisions in 2015 related mainly to provisions formed for taxes payable by Wirecard Bank AG (kEUR 1,037; previous year: kEUR 1,616), Wirecard (Gibraltar) Ltd. (kEUR 3,672; previous year: kEUR 3,672), PT Aprisma Indonesia (kEUR 191; previous year: kEUR 950) and Wirecard UK & Ireland Ltd. (kEUR 1,954; previous year: kEUR 1,452). Furthermore they are related to the newly consolidated Hermes I-Tickets Pte. (kEUR 4,574; previous year: not consolidated).

## Maturities

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

### Maturity 2015

| in kEUR | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|
| Interest-bearing liabilities | 12,579 | 358,146 | 0 |
| Liabilities of the acquiring business and trade payables | 359,912 | 0 | 0 |
| Customer deposits from banking operations | 582,464 | 0 | 0 |
| Other liabilities and provisions | 216,709 | 71,912 | 0 |
| **Total** | **1,171,663** | **430,059** | **0** |

### Maturity 2014

| in kEUR | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|
| Interest-bearing liabilities | 9,030 | 89,329 | 0 |
| Liabilities of the acquiring business and trade payables | 298,367 | 0 | 0 |
| Customer deposits from banking operations | 396,733 | 0 | 0 |
| Other liabilities and provisions | 70,835 | 29,257 | 0 |
| **Total** | **774,966** | **118,586** | **0** |

# 5. Notes to the consolidated income statement

## 5.1 Revenues

The Group's principle products and services are structured as follows:

### Revenues by operating segment

| in kEUR | 2015 | 2014 |
|---|---|---|
| Payment Processing & Risk Management (PP&RM) | 579,900 | 443,400 |
| Acquiring & Issuing (A&I) | 252,957 | 205,296 |
| Call Center & Communication Services (CC&CS) | 6,766 | 5,326 |
| | **839,623** | **654,022** |
| Consolidation PP&RM | –50,719 | –45,190 |
| Consolidation A&I | –12,962 | –4,242 |
| Consolidation CC&CS | –4,603 | –3,558 |
| **Total** | **771,340** | **601,032** |

In the "Payment Processing & Risk Management" segment, the Wirecard Group generates revenues from services in the field of payment processing, particularly from services rendered via the multi-channel platform.

Regarding the multi-channel platform and also platforms from partners, a substantial share of revenues is realised from the settlement of electronic payment transactions – particularly on the Internet – by conventional 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 discount of the payment volumes processed, as well as per transaction. The extent of the transaction-related charge varies according to the product range provided as well as the risk distribution amongst merchants, banks and the Wirecard Group. Transaction-related charges and revenues from purchases of receivables and from payment guarantees are generated in the course of risk management activities. In addition to these volume-dependent revenues, monthly and annual flat fees and non-recurring connection services and rentals are generated from the utilisation of the multi-channel platform and POS terminals. In addition, the Wirecard Group generates revenues through its consultancy services.

The bulk of revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. On the balance sheet date, more than 22,000 companies were connected to the multi-channel platform.

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

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

Revenues are generated in the “Acquiring & Issuing” segment particularly through the acquiring business for merchants, corporate banking services and in the issuing area. In corporate banking, item or volume-based fees are generated. In the issuing area, interchanges are generated for which Wirecard receives a volume-dependent fee from credit card organisations. Moreover, Wirecard offers sales partners in the area of B2B co-branding programmes relating to the card issuing area for which it not only earns a fixed charge, but also generates revenues through concluded card contracts. The interest income generated in the Acquiring & Issuing segment of kEUR 4,156 (2014: kEUR 3,148) is reported as revenue in accordance with IAS 18.5(a). This includes interest income of kEUR 726 (2014: kEUR 1,305) from collared floaters.

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

## 5.2 Own work capitalised

Expenditure on research and development in the fiscal year 2015 amounted to EUR 41.9 million (2014: EUR 38.5 million). The R&D ratio, meaning the ratio of research and development expenses to total revenues, which was affected to a significant extent in the previous year by expenditure in the area of mobile payment, stood at 5.5 percent in the period under review (2014: 6.4 percent).

If costs cannot be capitalised, the individual expenditure items are included in the personnel expenses of the relevant departments (Product and Project Management, Development, Quality Assurance, etc.) under advisory costs and in other expenses. Of this amount, kEUR 28,293 (2014: kEUR 24,978) was taken into account as own work capitalised in the period under review. In comparison to the previous year, this item increased primarily as a result of developement activities in the core areas of payment acceptance, automatic retailer account registration, risk management, issuing, value added services and loyalty and couponing, as well as due to the further development and integration of technologies such as BLE and HCE in the mobile payment area.

## 5.3 Cost of materials

The cost of materials mainly comprises charges by the credit card issuing banks (interchange), fees to credit card companies (for example, MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (for example, in the area of risk management and acquiring). Expenses for payment guarantees and purchases of receivables are also included in the area of risk management, while commission costs for external sales are included in acquiring.

In the Acquiring & Issuing segment, the cost of materials relating to the areas of acquiring, issuing and payment transactions primarily comprises, besides interchanges, the processing costs of external service providers, production, personalisation and transaction costs for prepaid cards and the payment transactions realised with them, as well as account management and transaction charges for managing customer accounts.

## 5.4 Personnel expenses

Personnel expenses in the fiscal year 2015 totalled kEUR 96,378 (2014: kEUR 66,432), comprising salaries amounting to kEUR 84,128 (2014: kEUR 58,581) and social security contributions of kEUR 12,250 (2014: kEUR 7,851).

In the fiscal year 2015, the Wirecard Group employed an average of 2,300 employees (2014: 1,750) (excluding the Management Board and apprentices), of whom 236 (2014: 168) worked on a part-time basis. Of the 2,300 employees, 55 (2014: 38) were employed as management board members/general managers at subsidiaries.

Alongside the rise in pension entitlements, the increase in personnel expenses is also due to the acquisitions made in this year and the last year. This means the comparability of this item is restricted.

These employees were engaged in the following functions:

## Employees

| | 2015 | 2014 |
|---|---|---|
| Sales | 401 | 207 |
| Administration | 274 | 242 |
| Customer service | 678 | 533 |
| Research/Development and IT | 947 | 768 |
| **Total** | **2,300** | **1,750** |
| of which part-time | 236 | 168 |

In the event of a change of control in the Company, the Management and Supervisory Boards have granted approval for special bonuses to be awarded to employees of Wirecard AG and its subsidiaries on terms similar to those applicable to the Management Board. To this end, a total of 0.8 percent of the Company's value has been made available. The Management Board can grant special bonus awards to employees in the event of a change of control with the consent of the Supervisory Board in each instance. A precondition for a special bonus payment is that an employment relationship exists with the employee at the time the change of control occurs. Such special bonus payments shall be made in three instalments. The exact terms and conditions are specified in the legal notes on take-overs in the management report.

In order to continue to be able to foster loyalty to the Wirecard Group by offering managerial staff and employees a variable remuneration component with a long-term incentive effect, a resolution was adopted at the Annual General Meeting of Wirecard AG on 26 June 2012 to offer employees shares from authorised capital excluding subscription rights to members of the Company's management at a price which is not significantly lower than the stock market price. Shares can be issued to the Company's employees and members of the management and employees of affiliated companies according to Section 204 (3) of the German Stock Corporation Act (AktG). This option has not been used so far.

The key points for the issue of subscription rights are detailed in Section 4.1 Subscribed capital under “Authorised capital”.

## 5.5 Other operating expenses

The breakdown of other operating expenses is as follows:

### Other operating expenses

| in kEUR | 2015 | 2014 |
|---|---|---|
| Legal and financial statement costs | 8,336 | 6,340 |
| Consulting expenses and consulting-related expenses | 3,634 | 2,964 |
| Office expenses | 8,542 | 6,838 |
| Equipment and leasing | 8,160 | 4,547 |
| Sales and marketing | 11,387 | 8,453 |
| Personnel-related expenses | 10,805 | 12,894 |
| Insurance payments, contributions and levies | 1,659 | 1,376 |
| Other | 10,142 | 10,015 |
| **Total** | **62,665** | **53,428** |

The item Other includes, amongst other things, impairments to receivables. For further details we refer to 2.2 Accounting for financial assets and liabilities - Impairment of financial assets and 7.2 Risk reporting.

## 5.6 Other operating income

Other operating income is broken down as follows:

### Other operating income

| in kEUR | 2015 | 2014 |
|---|---|---|
| Income from release of provisions/accruals | **341** | 923 |
| Income from contractual agreements | **0** | 843 |
| Income connected with acquisitions 2013 | **1,990** | 1,568 |
| Income from currency translation differences | **785** | 1,359 |
| Income from reversal of valuation allowances applied to receivables | **210** | 410 |
| Income from offset benefits in kind | **448** | 398 |
| Other income | **1,884** | 1,889 |
| **Total** | **5,659** | **7,390** |

The income connected with acquisitions (takeovers) in the current year arose primarily due to the agreed earnout requirements not being achieved due to exchange rate fluctuations. In the previous year this item was affected by the fact that the agreed target was only achieved to 89.4 percent.

## 5.7 Amortisation and depreciation

Amortisation and depreciation is broken down into two positions and the previous year's figures have been correspondingly adjusted to the new structure. It was broken down so that the amortisation of assets which result from business combinations and acquired customer relationships (M&A-related) could be presented separately. In the fiscal year 2015, the M&A adjusted amortisation and depreciation amounted to kEUR 29,895 (2014: kEUR 20,728). The M&A-related amortisation and depreciation of assets stood at kEUR 24,576 (2014: kEUR 19,357) in the fiscal year 2015 and was reported separately. As the Company has a high level of M&A activity, this differentiation makes it easier to compare this item.

## 5.8 Financial result

### Financial result

| in kEUR | 1 Jan 2015 – 31 Dec 2015 | 1 Jan 2014 – 31 Dec 2014 |
|---|---|---|
| Unwinding the discount on liabilities | 3,925 | 3,249 |
| Interest expenses from loans and leasing | 4,893 | 4,247 |
| Impairment of financial assets | 453 | 543 |
| Currency-related expenses | 67 | 61 |
| **Financial expenses** | **9,338** | **8,100** |
| Currency-related income | 100 | 4 |
| Interest income | 1,978 | 1,045 |
| Income from securities and loans | 85 | 313 |
| **Financial income** | **2,163** | **1,362** |

In order to improve readability, information that was previously provided in text form is now provided in tabular form. Interest income in the Acquiring & Issuing segment of kEUR 4,156 (2014: kEUR 3,148) is not reported under the financial result but under revenues in accordance with IAS 18.5 (a). Please refer to 5.1. Revenues and 7.1. Segment reporting.

## 5.9 Income tax expense and deferred taxes

### Tax reconciliation account

| in kEUR | 2015 | 2014 |
|---|---|---|
| **Earnings before tax** | **165,669** | **126,118** |
| Expected expense arising from 27.025% income taxes on consolidated earnings before tax (prev. yr.: 27.200%) | –44,772 | –34,304 |
| Divergent effective tax rates abroad | 24,028 | 18,246 |
| Non-recognised deferred tax assets | –100 | –80 |
| Tax increase due to non-tax-deductible expenses | –1,918 | –1,776 |
| Prior years' tax effects | –229 | –99 |
| Other tax effects | –32 | –177 |
| **Income tax expense reported** | **–23,023** | **–18,190** |
| **thereof: income tax expense** | **–21,914** | **–17,402** |
| **thereof: deferred tax expenses** | **–1,109** | **–788** |

The basis of the tax reconciliation account was the tax rate applicable to the tax group of Wirecard AG, amounting to 27.025 percent (previous year: 27.200 percent).

The following deferred tax assets and liabilities were accounted for and were due to recognition and measurement differences in the individual balance sheet items and the tax loss carryforwards:

## Deferred taxes

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| in kEUR | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| Internally-generated intangible assets | 0 | 0 | 17,101 | 14,062 |
| Other intangible assets | 0 | 0 | 8,724 | 5,420 |
| Customer relationships | 0 | 0 | 36,026 | 17,580 |
| Financial assets | 25 | 63 | 2,093 | 254 |
| Other property, plant and equipment | 391 | 575 | 191 | 0 |
| Receivables | 471 | 2 | 1,357 | 434 |
| Other equity and liabilities | 1,490 | 211 | 165 | 3 |
| | **2,377** | **851** | **65,657** | **37,753** |
| Tax loss carryforwards | 10,876 | 9,075 | | |
| Offsetting of deferred tax assets | –12,391 | –9,032 | –12,391 | –9,032 |
| Outside basis differences | | | 0 | 0 |
| **Recognised deferred taxes** | **862** | **894** | **53,266** | **28,721** |

Deferred tax assets are offset against deferred tax liabilities when the Group has an enforceable right to offset the current tax assets against the current tax liabilities and these relate to income taxes on the same taxable entity that are levied by the same tax authority.

The offsetting of deferred tax assets against deferred tax liabilities (kEUR 12,391) is based largely on netting in the tax group of Wirecard AG (kEUR 11,079).

## Reconcilation of deferred taxes

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| **Opening balance deferred taxes net deferred tax liabilities)** | **27,827** | **12,288** |
| Deferred tax income/expense from the change in temporary differences, which is recognised in profit or loss in the reporting period | 2,909 | 4,902 |
| Deferred tax income/expense from the change in capitalised tax losses, which is recognised in profit or loss in the reporting period | –1,801 | –4,115 |
| Deferred taxes acquired through business combinations | 22,559 | 15,047 |
| Change in deferred taxes due to exchange rate change | –666 | 1,242 |
| Other deferred taxes recognized in equity | 1,576 | –1,537 |
| **Closing balance deferred taxes net deferred tax liabilities)** | **52,404** | **27,827** |

Temporary differences between the values reported in the tax balance sheet and the consolidated balance sheet were taken into account on both the assets and liabilities side. The calculation of deferred taxes as of 31 December 2015 and in the previous year was performed on the basis of the tax rates valid at that time and on the basis of the tax rates abroad. As a result of the capital increase in 2014, deferred tax assets of kEUR 1,537 relating to tax deductible capital procurement costs were formed in 2014 in the capital reserve with no effect on profit or loss.

In 2015, temporary deferred tax liabilities for a shareholding were recognised in the revaluation reserve in other comprehensive income (OCI) in the amount of kEUR 1,576 with no effect on profit or loss. The temporary differences in connection with holdings in subsidiaries amounted to kEUR 724,126 as of the balance sheet date (previous year: kEUR 425,777). The Group has decided that the profits of its subsidiaries that have not yet been distributed will not be distributed in the foreseeable future. The Group has agreed with its associated companies that the profits of the associated companies will only be distributed once the Group has given its consent. As of the balance sheet date, the parent company does not intend to issue such consent.

On 31 December 2015, the Group reported corporation tax loss carryforwards of around kEUR 46,286, which were attributable to Wirecard AG (kEUR 41,278), Wirecard (Gibraltar) Ltd. (kEUR 2,134), Wirecard Retail Services GmbH (kEUR 2,811) and Wirecard Card Solutions Ltd. (kEUR 63). The trade tax loss carryforwards as of 31 December 2015 amounted to kEUR 41,578 and were distributed between Wirecard AG (kEUR 38,784) and Wirecard Retail Services GmbH (kEUR 2,794).

The loss carryforwards can be used for an unlimited period according to current tax law and can generally be offset against future taxable income of the companies that incurred the losses.

Insofar as the Company identifies a risk that tax-related losses cannot be offset against taxable income in the foreseeable future, the Company does not recognise any deferred tax assets. With regard to the feasibility of realising these loss carryforwards, the Company has made an impairment to deferred tax assets as of 31 December 2015 from kEUR 11,860 (previous year: kEUR 10,061) by the amount of kEUR 984 to kEUR 10,876 (previous year: kEUR 9,075). The deferred tax assets formed on remaining loss carryforwards result from the company Wirecard AG. According to the tax-related earnings planning, the utilisation of the tax loss carryforwards is expected due to a substantial product pipeline and new promising projects.

With regard to deferred taxes, reference is also made to 3.4 Tax credits – deferred tax assets. In order to improve readability, tables have been newly structured or replaced by new tables.

## 5.10 Earnings per share

Earnings per share were calculated in accordance with IAS 33.10 as the quotient of consolidated profit or loss for the year and the weighted average number of shares outstanding during the fiscal year. In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into account in accordance with IAS 33.30-60. As of 31 December 2015, no (convertible) bonds existed (2014: EUR 134,296). In the previous year, the subscription price and the additional strike price for conversion into shares together accounted for a value below the market price of Wirecard stock. The number of potential bonus shares was calculated from the difference in relation to the market price. In the preceding year, there were 98,975 potential bonus shares.

The changes in convertible bonds issued are dealt with under Section 4.1 Subscribed capital. The development of the number of no-par value shares issued is presented in the "Consolidated statement of changes in equity for the fiscal year 2015".

### Earnings per share

| Description | Unit | 2015 | 2014 |
|---|---|---|---|
| Earnings after taxes | kEUR | 142,646 | 107,929 |
| Weighted average number of ordinary shares – basic | Number in thousands | 123,497 | 121,742 |
| Potential bonus shares resulting from dilutive effect of convertible bonds | Number in thousands | 0 | 99 |
| Weighted average number of ordinary shares – diluted | Number in thousands | 123,497 | 121,841 |
| **Earnings per share – basic** | **EUR** | **1.16** | **0.89** |
| **Earnings per share – diluted** | **EUR** | **1.16** | **0.89** |

# 6. Notes to the consolidated cash flow statement

The Group's cash flow statement is prepared in accordance with IAS 7 (Statement of Cash Flows). It discloses the cash flows in order to show the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in cash flows from operating, investing and financing activities. It starts with earnings after interest and tax. A new structure has also been prepared within operating cash flow accordingly. The previous year's figures have been restated to make them comparable.

## Method used to measure cash and cash equivalents

For purposes of the cash flow statement, a cash position is used that consists of cash and cash equivalents. Cash includes cash in hand and demand deposits.

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

As of 31 December 2015 and 31 December 2014, the Company held both cash and cash equivalents.

## Reconciliation to cash and cash equivalents according to IAS 7.45

The balance of cash and cash equivalents reported in the cash flow statement at the end of the period includes cash in hand and bank balances disclosed under cash and cash equivalents in the balance sheet (31 December 2015: kEUR 1,062,968; 31 December 2014: kEUR 695,076), less current (immediately due and payable) liabilities to banks (31 December 2015: kEUR – 9,740; 31 December 2014: kEUR – 1,183), disclosed under current interest-bearing liabilities. In addition, financial resources corresponding to current customer deposits from banking operations (31 December 2015: kEUR – 419,539; 31 December 2014: kEUR – 237,766) were deducted or reported as a reduction on the balance of cash and cash equivalents in the consolidated cash flow statement according to IAS 7.22.

Current customer deposits are reported on the equity and liabilities side of the Wirecard consolidated financial statements as other liabilities (customer deposits). These customer funds are comparable in economic terms with short-term (bank) or overdraft facilities due on demand. On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes. Given these circumstances, securities (so-called collared floaters and short-term and medium-term interest-bearing securities) are held to cover the total amount of the customer deposits with a nominal value of kEUR 168,373 (31 December 2014: kEUR 162,155), deposits with the central bank and demand and short-term fixed-term deposits with banks of kEUR 419,539 (31 December 2014: kEUR 237,766). These are reported in the

Wirecard Group under the balance sheet items of "cash and cash equivalents", "non-current financial and other assets" and "current interest-bearing securities".

First-time consolidations resulted in a fall in cash and cash equivalents of kEUR 5,383 (2014: increase of kEUR 10,710).

Cash flows arising from business transactions denominated in foreign currencies are reported in the functional currency of the company by translating the foreign currency amount into the functional currency at the exchange rate between the functional currency and the foreign currency prevailing on the payment dates.

Cash flows from foreign subsidiaries are translated into the functional currency with the exchange rate between the functional currency and the foreign currency prevailing on the payment date.

## Cash and cash equivalents

| in kEUR | 31 Dec 2015 | | 31 Dec 2014 | |
|---|---|---|---|---|
| Cash and cash equivalents | | 1,062,968 | | 695,076 |
| Current interest-bearing liabilities | –12,579 | | –9,030 | |
| of which current bank borrowings | | –9,740 | | –1,183 |
| | | 1,053,228 | | 693,893 |
| of which current customer deposits from banking operations | | –419,539 | | –237,766 |
| **Cash and cash equivalents at end of period** | | 633,690 | | 456,127 |

## 6.1 Cash flow from operating activities

Due to the special system used in acquiring, which is heavily characterised by balance sheet date effects inherent in the business model, Wirecard decided to present a further statement on cash flows from operating activities in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These supplements help to identify and present the cash-relevant portion of the Company earnings.

The cash flow from operating activities is determined according to the indirect method by initially adjusting Group earnings to eliminate non-cash transactions, accruals or provisions relating to past or future cash receipts or payments as well as income and expense items to be allocated to the areas of investments or finance. Taking the changes to the working capital into account results in the inflow/outflow of funds from business operations. The inflow/outflow of funds from operating activities is determined by including the interest and tax payments.

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

The unadjusted cash flow from operating activities in the fiscal year 2015 changed from kEUR 129,115 in the previous year to kEUR 178,285, mainly due to the special system used in acquiring, which is impacted by cut-off date effects of a transitory nature inherent in the business model. It should be especially noted in this context that a very sharp increase in the operational cash flow in the fourth quarter, which is mainly due to delayed payouts on account of the public holidays, is expected to be offset by a countervailing cash flow trend in the first half of 2016. The cash flow from operating activities (adjusted) stood at kEUR 199,685 (2014: kEUR 143,994). In line with the business model, the transaction volumes generated by business in acquiring were reported under trade receivables as receivables from credit card organisations and banks. At the same time, these business transactions give rise to liabilities to merchants, amounting to the transaction volume (less our commissions and charges). Receivables and liabilities (less our commissions and charges) are mostly transitory in nature and subject to substantial fluctuations from one balance sheet date to another.

### Interest received/paid in accordance with IAS 7.31

Interest received in the fiscal year 2015 amounted to kEUR 580 (2014: kEUR 502). Interest excluding loan interest paid in the fiscal year 2015 came to kEUR –260 (2014: kEUR –416) and is reported under cash flow from operating activities.

The respective cash flows from such interest received and interest paid were each classified as operating activities.

Interest paid on loans and finance leases in the fiscal year 2015 came to kEUR –2,633 (2014: kEUR –2,612) and was included in the cash flow from financing activities.

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

The cash-effective balance of income taxes (cash flow from income taxes) in the fiscal year 2015 totalled kEUR – 21,892 (2014: kEUR – 15,245) and was always classified as operating activities.

## 6.2 Cash flow from investing activities

The cash flow from investing activities is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The cash flow from investing activities totalled kEUR – 207,339 (2014: kEUR – 169,763).

Alongside the acquisition of Wirecard India Pte. Ltd, the investments in strategic transactions/M&A also included the acquisition of the paymentbusiness of the Great Indian Retail Group. In the item customer relationships, the investment is linked with the acquisition of the customer portfolio of Lufthansa AirPlus Servicekarten GmbH. The securities reported under investments relate to securities that were not held by Wirecard Bank but by other Group companies. Securities held by Wirecard Bank are related to customer deposits that should not be included in the cash and cash equivalents reported in the cash flow statement in accordance with IAS 7.22.

This mainly affects:

### Substantial cash outflows for investments

| in kEUR | 2015 | 2014 |
|---|---|---|
| Strategic transactions/M&A | 144,545 | 85,313 |
| Customer relationships | 9,534 | 22,800 |
| Licences | 0 | 4,000 |
| Securities and medium-term financing agreements | 13,799 | 11,500 |
| Internally-generated intangible assets | 28,293 | 24,978 |
| Other intangible assets (software) | 13,037 | 15,877 |
| Property, plant and equipment | 13,147 | 7,301 |

Disclosures pursuant to IAS 7.40 are as follows:

### Investments to acquire companies

| in kEUR | 2015 | 2014 |
|---|---|---|
| Purchase prices paid | 139,162 | 93,527 |
| Acquired cash and cash equivalents | –5,383 | 10,710 |
| Net investment | 144,545 | 82,817 |

## 6.3 Cash flow from financing activities

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

On 25 February 2014, Wirecard AG approved a capital increase of 11,198,345 new shares, which were successfully placed with institutional investors at a price of EUR 32.75 on 26 February 2014. The Company received kEUR 366,746 of gross issue proceeds from the capital increase.

Cash flow from financing activities in the fiscal year 2015 mainly concerns the cash paid for the dividend payment of kEUR –16,054 (2014: kEUR –14,819), cash inflow from drawing on financial liabilities of kEUR 271,779 (2014: kEUR 76,000) and the cash outflow for the redemption of financial liabilities of kEUR –8,206 (2014: kEUR –225,762). In addition, financing was carried out as part of finance leases, which resulted in a net cash flow of kEUR –6,080 (2014: kEUR –3,564). Cash flow from financing activities also reports outgoing cash flows for the acquisition of companies in previous years in an amount of kEUR –24,274 (2014: kEUR –5,537).

## 6.4 Cash and cash equivalents at end of period

After taking into account these reported cash inflows and cash outflows (2015: kEUR 184,866; 2014: kEUR 142,890), exchange rate-related changes (2015: kEUR –7,304; 2014: kEUR 2,164) and cash and cash equivalents at the start of the period (2015: kEUR 456,127; 2014: kEUR 311,073), cash and cash equivalents at the end of the period amounted to kEUR 633,690 (31 December 2014: kEUR 456,127).

Alongside cash and cash equivalents, there are other current assets and liabilities that can have a significant effect on the availability of funds. Therefore, Wirecard has added a net cash calculation. The net cash calculation is based on the current availability of cash for the further development of the business and for investments.

### Net Cash Position - Wirecard

| in kEUR | | 31 Dec 2015 | | 31 Dec 2014 |
|---|---|---|---|---|
| Cash and cash equivalents | | **1,062,968** | | 695,076 |
| Receivables of the acquiring business and trade and other receivables | | **447,259** | | 354,602 |
| Interest-bearing liabilities / other liabilities | | **–213,779** | | –69,083 |
| Customer deposits from banking operations | **–582,464** | **–400,436** | –396,733 | –224,736 |
| Non-current interest-bearing securities | **48,900** | | 49,078 | |
| Interest-bearing securities and fixed-term deposits | **133,128** | | 122,919 | |
| Liabilities of the acquiring business and trade payables | | **–359,912** | | –298,367 |
| **Net Cash Position - Wirecard** | | **536,099** | | **457,492** |

## 6.5 Free cash flow

In addition to the described cash flow statement, Wirecard also uses the free cash flow to evaluate its operating performance and to provide an overview of the cash generated by the operating business. Free cash flow is defined as cash flow from operating activities less investment in property, plant and equipment, Internally-generated intangible assets and other intangible assets (software). In particular, the free cash flow is available for strategic transactions/M&A and for dividend payments.

### Free cash flow

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Cash flow from operating activities (adjusted) | 199,685 | 143,994 |
| Operative CAPEX | 54,477 | 48,156 |
| **Free cash flow** | **145,208** | **95,838** |

After investments in new and innovative products that will only lead to appreciable cash flows in subsequent years, the cash conversion rate thus stands at 101.8 percent.

### Cash conversion

| in kEUR | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Free cash flow | 145,208 | 95,838 |
| Earnings after tax | 142,646 | 107,929 |
| **Cash conversion in percent** | **101.8** | **88.8** |

# 7. Other notes

## 7.1 Segment reporting

Reportable segments are determined in accordance with internal reporting. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) is used as an internal measurement criterion, which is why EBITDA is also reported by segment. The settlement of services between the segments is made on the basis of the arms's length principle. For internal reporting to the main decision-makers, balance-sheet items, interest and taxes are not reported at segment level.

Revenues fall into the following operating segments: “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services”. The “Acquiring & Issuing” segment comprises all of the business areas of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH, Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş and Wirecard Card Solutions Ltd.

**Payment Processing & Risk Management** (PP&RM) is the largest segment for the Wirecard Group. It accounts for all products and services for electronic payment processing and risk management. Insofar as items cannot be allocated to another segment, Wirecard AG as the holding company for the Group is also assigned to the PP&RM segment because the main focus of its services and activities and thus also its costs are related to the PP&RM segment.

The **Acquiring & Issuing** (A&I) segment completes and extends the value chain of the Wirecard Group with the financial services provided via Wirecard Acquiring & Issuing GmbH and its subsidiaries Wirecard Bank AG, Wirecard Card Solutions Ltd. and Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) (formerly: Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.). In acquiring, merchants are offered settlement services for credit card sales for online and terminal payments.

In addition, merchants can process their payment transactions in numerous currencies via accounts kept with Wirecard Bank AG.

In the issuing area, prepaid cards are issued to private and business customers. Private customers are additionally offered current accounts combined with prepaid cards and EC/Maestro cards.

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

In addition, information is provided on geographical regions according to production locations. These are split into three regions. The “Europe” segment contains Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) and its subsidiaries, Wirecard Card Solutions Ltd., Newcastle (United Kingdom), Wirecard (Gibraltar) Ltd., Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria) and Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey) (formerly: Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.). The segment “Other countries” includes the companies cardSystems Middle East FZ-LLC, Dubai (United Arab Emirates), Wirecard Processing FZ LLC, Dubai (United Arab Emirates), Wirecard Asia Holding Pte. Ltd. (Singapore), Wirecard Payment Solutions Malaysia SDN BHD, Kuala Lumpur (Malaysia) (formerly: Korvac (M) SDN BHD), Wirecard Singapore Pte. Ltd (Singapore) and its respective subsidiaries, PT Prima Vista Solusi (Indonesia), Trans Infotech Pte. Ltd. (Singapore) with its subsidiaries, PT Aprisma Indonesia (Indonesia), GFG Group Limited (New Zealand), Wirecard Africa Holding Proprietary Ltd., Cape Town (South Africa) (formerly: Amara Technology Africa Proprietary Limited), Wirecard India Private Ltd., Chennai (India) (formerly: Visa Processing Service (India) Pte. Ltd.), Hermes I Tickets Pte Ltd, Chennai (India), GI Philippines Corp, Manila (Philippines) and Star Global Currency Exchange Pte. Ltd., Bangalore (India). The segment “Germany” includes all other companies within the Wirecard Group.

## Revenues by operating segment

| in kEUR | 2015 | 2014 |
|---|---|---|
| Payment Processing & Risk Management (PP&RM) | 579,900 | 443,400 |
| Acquiring & Issuing (A&I) | 252,957 | 205,296 |
| Call Center & Communication Services (CC&CS) | 6,766 | 5,326 |
| | 839,623 | 654,022 |
| Consolidation PP&RM | –50,719 | –45,190 |
| Consolidation A&I | –12,962 | –4,242 |
| Consolidation CC&CS | –4,603 | –3,558 |
| **Total** | 771,340 | 601,032 |

## EBITDA by operating segment

| in kEUR | 2015 | 2014 |
|---|---|---|
| Payment Processing & Risk Management | **189,201** | 139,193 |
| Acquiring & Issuing | **37,591** | 33,406 |
| Call Center & Communication Services | **482** | 342 |
| | **227,274** | **172,941** |
| Consolidations | **41** | 0 |
| **Total** | **227,315** | **172,941** |

## Regional revenue breakdown

| in kEUR | 2015 | 2014 |
|---|---|---|
| Germany | **343,320** | 276,605 |
| Europe | **216,613** | 174,491 |
| Other countries | **238,017** | 170,055 |
| | **797,950** | **621,150** |
| Consolidation Germany | **–7,677** | –5,030 |
| Consolidation Europe | **–16,117** | –12,275 |
| Consolidation Other countries | **–2,816** | –2,813 |
| **Total** | **771,340** | **601,032** |

## EBITDA by region

| in kEUR | 2015 | 2014 |
|---|---|---|
| Germany | **67,917** | 53,688 |
| Europe | **80,065** | 66,301 |
| Other countries | **79,277** | 52,938 |
| | **227,260** | **172,927** |
| Consolidations | **55** | 14 |
| **Total** | **227,315** | **172,941** |

### Segment assets by region

| in kEUR | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Germany | 951,716 | 608,445 |
| Europe | 123,640 | 128,237 |
| Other countries | 646,005 | 297,537 |
| | 1,721,361 | 1,034,220 |
| Consolidations | –669,114 | –346,959 |
| **Intangible assets and property, plant and equipment** | **1,052,247** | **687,260** |

## 7.2 Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the diagram. All risks may lead to intangible assets being impaired, resulting in a negative trend in earnings. These risks are dealt with in detail in the management report under 7. Risk report, please refer to this for more information. Since debtor and financial risks have a direct impact on specific items in the balance sheet and income statement, they are explicitly dealt with below. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that set limits appropriate to the underlying transactions, define approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risk 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, while observing the principle of separation of functions. All investment and derivative transactions are only concluded with banks that meet the high creditworthiness requirements from the Group's own risk assessment and – to the extent that external ratings are available – have been categorised as having a minimum creditworthiness risk by renowned ratings agencies.

## Overview of risks

| Risk categories | Examples |
|---|---|
| Business risks | Economic risks, risks arising from the general competitive situation for the Wirecard Group and its customers |
| Operational risks | Personnel risks, risks of product innovations and risks arising from the use of third-party services |
| Information and IT risks | Risks arising from the operation and design of IT systems as well as risk in connection with the confidentiality, availability and integrity of data |
| Financial risks | Exchange rate, interest rate and liquidity risks |
| Debtors risks | Risks from receivables from merchants, private and business customers, acquiring partners and banks |
| Legal and regulatory risks | Risks arising from changes to the legal and regulatory framework as well as risks arising from litigation, license rights and liability |
| Other risks | Reputation risks and risks arising from emergencies |

## Interest-rate risks

The Group has substantial liquidity at its disposal as demand deposits, fixed-term deposits and/or overnight (call money) deposits with renowned banks. The interest receivable on these investments is based on the interbank money market interest rate of the respective investment currency, less a standard banking margin. The interbank money market interest rates may be subject to fluctuations which may impact the return realised by the Group. As a result of the negative interest on deposits with banks in euro introduced by the European Central Bank, minor costs for the holding of liquidity in euro in bank accounts may be incurred.

Should the interbank money market rates of relevance for the Wirecard Group be reduced by half a percentage point and based on a total investment amount of around EUR 1,063 million in the portfolio as of 31 December 2015, this would correspond to unrealised earnings with an overall negative effect of EUR 5.32 million. Accordingly, an increase by half a percentage point would produce additional income of EUR 5.32 million.

As of 31 December 2015, the Group's interest-bearing liabilities to banks were reported at kEUR 370,725 (previous year: kEUR 98,359). This related to redemption loans taken out in connection with acquisitions made, for which variable interest rates have been agreed calculated based on Euribor plus a margin. As a result, a general interest rate risk exists, even if it is possible to react quickly to changes as a result of redemption options. In addition, the Wirecard Group has a corresponding volume of investment funds as a result of the high level of cash from its operating business, so should interest rates increase, interest expenses would also increase, but the income from the increase in interest would compensate for this additional expense.

No derivative hedge instruments (for example, interest-rate swaps, forward rate agreements etc.) were deployed in the year under review or the previous year.

## Currency risks

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents and forecast transactions exist or will arise in a currency other than the local currency of the Company. This increasingly impacts the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments, which transact a substantial part of their revenues in foreign currencies. Around 60 percent of these revenues are generated in foreign currencies, of which the US Dollar is the most significant foreign currency. A reduction in the exchange rates of relevance to the Wirecard Group by one percentage point, based on gross income in foreign currency of around EUR 216 million (2014: EUR 156 million), would result in unrealised income of kEUR 2,161 (2014: kEUR 1,560). Accordingly, an increase by one percentage point would produce additional income of kEUR 2,161 (2014: kEUR 1,560). In these segments, both receivables from and liabilities to merchants and banks exist in foreign currencies. In negotiating contracts with merchants and banks, the Group Treasury department ensures that receivables and liabilities are incurred in the same currencies and to the same amounts as far as possible in order to ensure that risks relating to exchange rate fluctuations cannot arise. Risks that cannot be compensated for through this process are hedged after specific analysis by additionally deploying financial derivatives. In the 2015 fiscal year, ten foreign exchange market options were transacted with a nominal volume equivalent to around EUR 12.7 million (USD 14.0 million). Expenses for premiums totalled around kEUR 44 (2014: kEUR 53).

The use of derivative financial instruments is subject to strict internal controls effected within the scope of centralised mechanisms and uniform directives. These instruments are used solely for risk control/risk minimisation purposes and not to generate any income from anticipated currency trends. As in the previous year, the Wirecard Group did not have any currency options in its portfolio as of 31 December 2015 for the 2016 fiscal year.

## Liquidity risks

The primary objectives of financial management are to secure a comfortable liquidity situation at all times and maintain operational control of financial flows. Management controls liquidity risks by keeping appropriate levels of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flow forecast and reconciling these with actual cash flows. The Wirecard Group continually invests substantial amounts of non-required liquidity in demand deposits, fixed-term deposits and overnight (call money) deposits on a short-term basis, as well as the base volume of liquidity on a longer-term basis in interest-bearing securities. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required. Bonds are repaid at 100 percent on maturity. If bonds are redeemed prior to maturity there is a price risk depending on a possible change in the credit status of the issuer, the remaining term to maturity and the current level of interest rates prevailing on the market. In view of the fact that only the base volume of liquidity less a substantial security reserve is invested on a long-term basis, the Management Board assumes that the risk is low.

### Undiscounted cash flows according to contractually agreed payment dates as of 31 December 2015

| in kEUR | up to 1 year | 1 to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| Interest-bearing loans and credit facilities | –17,096 | –364,186 | 0 | –381,282 |
| Other liabilities | –202,087 | –83,476 | 0 | –284,729 |
| Trade payables | –25,988 | 0 | 0 | –25,988 |
| Liabilities of the acquiring business | –333,924 | 0 | 0 | –333,924 |
| Customer deposits from banking operations | –582,464 | 0 | 0 | –582,464 |
| **Total** | –1,161,559 | –447,662 | 0 | –1,609,221 |

### Undiscounted cash flows according to contractually agreed payment dates as of 31 December 2014

| in kEUR | up to 1 year | 1 to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| Interest-bearing loans and credit facilities | –10,711 | –94,615 | 0 | –105,327 |
| Other liabilities | –60,053 | –29,257 | 0 | –89,310 |
| Trade payables | –15,535 | 0 | 0 | –15,535 |
| Liabilities of the acquiring business | –282,832 | 0 | 0 | –282,832 |
| Customer deposits from banking operations | –396,733 | 0 | 0 | –396,733 |
| **Total** | **–765,865** | **–123,872** | **0** | **–889,737** |

## Debtors risks

In order to counteract the risk that business partners of the Wirecard Group may default on their contractual payment obligations, they are before the Group enters into a transaction with them subject to a comprehensive evaluation according to relevant criteria, such as credit rating, liquidity, market positioning, the management's professional experience and other case-by-case criteria. This also applies to the review of business relations with commercial banks, acquiring partners and merchants.

Payment flows of merchants processed through Wirecard Bank AG or other acquiring partners are monitored on a regular basis and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risk of default arising from the acquiring business, consisting of potential chargebacks following insolvency or the inability of a retailer to deliver, are very low since open receivables from customers are covered by ongoing volumes, individual security reserves or, alternatively, delayed payouts to merchants, which are adjusted regularly on the basis of close monitoring of the retailer's business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group might not be enforceable against the customer, especially due to the reversal of credit card transactions. As a rule, this form of security reserve is adequate.

The predominant share of receivables results from the acquiring business and the related underlying payment cycles and is processed via either Wirecard Bank or acquiring partners. In both cases, Wirecard is subject to the main opportunities and risks associated with the transactions. The receivables of acquiring business act here, as is customary in the sector, as a hedge against those financial risks resulting from the processing of the transactions. A risk of default on these receivables of the acquiring business exists if chargebacks following insolvency or the inability of a retailer to deliver are not covered by individual security reserves or, alternatively, delayed payouts to the retailer. The receivables of acquiring business used to hedge these risks exist for the length of the business relationships and have a typically revolving character.

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

The maximum risk of default of financial instruments is their carrying amount. If there are indications that receivables are impaired, they are subjected to individual value adjustments or derecognised without delay and the risks are recognised as profit or loss.

The value adjustments (loss allowances) for receivables of the acquiring business, trade and other receivables changed as follows:

### Allowances

| in kEUR | 2015 | 2014 |
|---|---|---|
| **Cumulative allowances as at 1 January** | **–12,133** | **–9,081** |
| Allowances in the period under review | **–7,100** | –5,970 |
| Reversal of allowances / utilisation | **1,322** | 2,918 |
| **Cumulative allowances as at 31 December** | **–17,911** | **–12,133** |

Individual value adjustments were formed for the following receivables:

### Receivables

| in kEUR | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Trade receivables (before individual value adjustments) | **15,790** | 9,796 |
| Value adjustments excl. currency valuation | **–13,424** | –8,343 |
| **Carrying amount of receivables** | **2,366** | **1,454** |

Portfolio valuation allowances of kEUR 4,487 (previous year: kEUR 3,790) were set up.

## 7.3 Capital risk management

The Group manages its capital with the objective of maximising the shareholders' return by optimising capital requirements. In doing so, it ensures that all Group companies can operate as a going concern. In particular, close attention is paid to ensuring that banking specific regulatory requirements, such as compliance with equity capital limits, are observed throughout the entire course of business. The Group's capital structure consists of debts as well as the equity to which the providers of equity capital of the parent company are entitled. Equity comprises shares issued, the capital reserve, revenue reserves, the retained earnings and the currency translation reserve. The objectives of capital management are to secure operations as a going concern along with an adequate return on equity. For implementation purposes, debt or equity is compared with total capital.

Following successful organic growth last year and the transactions performed in 2015, the Company aims to maintain a comfortable equity ratio for fiscal years 2016 and 2017. In keeping with the current financial structure, future investments and potential acquisitions will be financed either by recourse to the Company's own cash flow, through moderate deployment of borrowed funding, equity or alternative forms of financing. Potential acquisitions will also continue to be analysed and assessed under strict conditions in future; in the process, the focus will be especially placed on profitability and a sensible supplementation of our existing portfolio of products and customers.

Capital is monitored based on economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Borrowed capital is generally defined as non-current and current financial liabilities, provisions and other liabilities.

The capital structure is as follows:

## Capital structure

| in kEUR (where not in %) | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Equity | **1,280,513** | 1,072,886 |
| Equity as % of total capital | **44%** | 54% |
| Borrowed capital | **1,654,988** | 922,273 |
| Borrowed capital as % of total capital | **56%** | 46% |
| **Total capital (equity and borrowed capital)** | **2,935,501** | **1,995,159** |

The Group reviews its capital structure on a regular basis.

For interest-bearing debt, Wirecard has assured the banks in its credit agreements that it will comply with an equity ratio. These banks calculate the Wirecard Group's equity ratio by dividing the amount of liable equity capital by total assets. Liable equity is identified by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. Any receivables due from shareholders or planned dividend payments must also be deducted. Total assets are identified by subtracting customer deposits, the acquiring funds of Wirecard Bank and the reduction in equity from the audited total assets, to which the leasing liabilities are added. This calculation gives an equity ratio of 56.2 percent (2014: 76.5 percent). Furthermore, in relation to lending banks, Wirecard is obligated to generate a minimum EBITDA and to maintain the proportion of financial liabilities to EBITDA. These targets were achieved during the fiscal year.

## 7.4 Breakdown of balance sheet carrying amounts according to valuation categories

### 2015 carrying amounts as per IFRS 7.8

| in kEUR | Financial and other assets/interest-bearing securities | Receivables | Interest-bearing securities and fixed-term deposits | Cash and cash equivalents | Liabilities of acquiring business and trade payables | Other liabilities |
|---|---|---|---|---|---|---|
| Financial assets and liabilities at fair value through profit or loss | 79,400 | 0 | 121,115 | 0 | 0 | 0 |
| of which fair value option | 79,400 | 0 | 121,115 | 0 | 0 | 0 |
| Available-for-sale financial assets | 80,403 | 0 | 0 | 0 | 0 | 0 |
| Held-to-maturity investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 67,290 | 441,588 | 12,013 | 1,062,968 | 0 | 0 |
| Financial liabilities at amortised cost | 0 | 0 | 0 | 0 | 359,912 | 1,215,042 |
| **Total financial instruments** | 227,092 | 441,588 | 133,128 | 1,062,968 | 359,912 | 1,215,042 |
| Items not within the scope of IAS 39 | 60 | 5,670 | 0 | 0 | 0 | 80,034 |
| **Total** | 227,152 | 447,259 | 133,128 | 1,062,968 | 359,912 | 1,295,076 |

## 2014 carrying amounts as per IFRS 7.8

| in kEUR | Financial and other assets/interest-bearing securities | Receivables | Interest-bearing securities and fixed-term deposits | Cash and cash equivalents | Liabilities of acquiring business and trade payables | Other liabilities |
|---|---|---|---|---|---|---|
| Financial assets and liabilities at fair value through profit or loss | 79,578 | 0 | 89,394 | 0 | 0 | 0 |
| of which fair value option | 79,578 | 0 | 89,394 | 0 | 0 | 0 |
| Available-for-sale financial assets | 27 | 0 | 0 | 0 | 0 | 0 |
| Held-to-maturity investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables | 44,318 | 350,420 | 33,525 | 695,076 | 0 | 0 |
| Financial liabilities at amortised cost | 0 | 0 | 0 | 0 | 298,367 | 576,938 |
| **Total financial instruments** | **123,923** | **350,420** | **122,919** | **695,076** | **298,367** | **576,938** |
| Items not within the scope of IAS 39 | 68 | 4,181 | 0 | 0 | 0 | 46,968 |
| **Total** | **123,991** | **354,602** | **122,919** | **695,076** | **298,367** | **623,906** |

The classification according to the valuation categories of IAS 39 was carried out in the form of the tables above. Categorisation according to IFRS 7.6 is based on the balance sheet items, which in some cases are summarised or broken down into additional sub-categories. Receivables include receivables of the acquiring business, trade and other receivables. As a result of the new presentation of the balance sheet, corresponding changes have also been made in these tables.

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

## Fair value

| in kEUR | Carrying amounts | | Fair value | |
|---|---|---|---|---|
| | **31 Dec 2015** | **31 Dec 2014** | **31 Dec 2015** | **31 Dec 2014** |
| Financial assets at fair value through profit or loss | **200,514** | 168,972 | **200,514** | 168,972 |
| Financial liabilities at fair value through profit or loss | **0** | 0 | **0** | 0 |
| Available-for-sale financial assets | **80,403** | 27 | **80,403** | 27 |
| Held-to-maturity investments | **0** | 0 | **0** | 0 |
| Loans and receivables | **1,583,860** | 1,123,340 | **1,583,860** | 1,123,340 |
| Financial liabilities at amortised cost | **–1,574,954** | –875,305 | **–1,574,954** | –875,305 |
| **Total** | **289,822** | **417,034** | **289,822** | **417,034** |

* kEUR 27 investments measured at cost

Hierarchy of fair values

As of 31 December 2015 the Group held the following financial instruments measured at fair value and uses the following hierarchy to determine and report fair values of financial instruments for each measurement process:

- Level 1: Listed (unadjusted) prices on active markets for similar assets or liabilities
- Level 2: Processes in which all input parameters with a material influence on the fair value recognised can be directly or indirectly observed
- Level 3: Processes using input parameters with a material influence on the fair value recognised which are not based on observable market data

### Assets measured at fair value

| in kEUR | 31 Dec 2015 | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Collared floaters / bonds | **200,514** | | **200,514** | |
| Shares of Visa Europe Ltd. | **80,376** | | | **80,376** |

### Assets measured at fair value

| in kEUR | 31 Dec 2014 | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Collared floaters / bonds | 168,972 | | 168,972 | |

The fair value of financial assets at fair value through profit or loss and financial liabilities at amortised cost is calculated on the basis of the discounted cash flow method taking into account appropriate valuation parameters that are directly or indirectly observable on the market. The base yield curve and credit and liquidity risks specific to issuers, for example, are utilised as key valuation parameters. In the case of cash and cash equivalents (reported under loans and receivables) and in the case of certain interest-bearing securities, current receivables, trade payables, other current financial liabilities and revolving credit facilities and other financial liabilities, the carrying amount mainly represents an appropriate approximation of fair value due to their short term to maturity. These instruments were allocated to Level 2 of the measurement hierarchy. Moreover, the fair value of equity instruments cannot be measured reliably (reported under available-for-sale financial assets). Their carrying amount, which corresponds to their cost, was allocated to Level 3. The shares held by Wirecard Bank AG and Wirecard Card Solutions Ltd. in Visa Europe Ltd., which were revaluated this year by kEUR 80,376 under the item "Revaluation reserve" were allocated to Level 3. This revaluation has not led to an improvement of the profit or loss in the income statement because this participating interest was classified as "Available-for-sale financial assets" and the increase in value was correspondingly accounted for in the revaluation reserve. For further details please refer to 3.3 Financial and other assets / interest-bearing securities.

The fair value of cash and cash equivalents (reported in loans and receivables), interest-bearing securities, current receivables, trade payables, other current financial liabilities and revolving credit facilities and other financial liabilities roughly corresponds to the carrying amount. The reason for this, in particular, is the short term to maturity of such instruments. The measurement gains and losses for collared floaters and bonds recognised under the fair value option totalled kEUR 1,584 (2014: kEUR 1,244). The collared floaters and bonds are measured on the basis of current currency and interest-rate trends, as well as the current rating of the issuer. The theoretical maximum default risk is equivalent to the carrying amount.

## 7.5 Financial relationships with related companies

In the fiscal year 2015, financing agreements were in place among various companies in the Wirecard Group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, please refer to Section 8.3. Related party transactions.

## 7.6 Other obligations and contingent liabilities

### Other obligations

The companies of the Wirecard Group entered into rental agreements for office space and other leasing agreements. The annual payment obligations for these agreements over the next five years are as follows:

### Other obligations

| in kEUR | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Annual commitments | 9,750 | 9,299 | 7,563 | 4,826 | 4,389 |

After the period indicated, there are no payment obligations for the Wirecard Group. No obligations to non-consolidated subsidiaries existed.

In addition to the obligations from operating leases included under other obligations in the total amount of kEUR 1,635, the Group has concluded finance lease agreements for terminals and IT components. These agreements include purchase options for the assets.

The future minimum lease payments from finance lease agreements can be reconciled to their present values as follows:

## Obligations from finance leases and hire-purchase agreements

| in kEUR | 2015 | | 2014 | |
|---|---|---|---|---|
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| up to 1 year | 5,042 | 4,729 | 4,210 | 3,820 |
| 1 to 5 years | 8,184 | 7,939 | 2,877 | 2,772 |
| more than 5 years | 0 | 0 | 0 | 0 |
| **Total** | **13,226** | **12,668** | **7,086** | **6,591** |
| Less interest portion | 558 | | 495 | |
| **Present value of minimum lease payments** | **12,668** | **12,668** | **6,591** | **6,591** |

Other claims based on leases in which the Group acts as a lessor are shown as follows:

## Claims arising from leasing

| in kEUR | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Annual claims | 6,318 | 6,997 | 8,420 | 8,203 | 7,625 |

After the period indicated, there are no payment claims for the Wirecard Group.

### Contingent liabilities

The contingent liabilities from the previous year remain unused as expected because an appeal was also decided in favour of Wirecard. Lawsuits were again brought against the Company – against a specific Group company – this year. The Management Board assumes a minor potential impact on the Wirecard Group's net assets, financial position and results of operations. The maximum theoretical risk lies in the single digit million range.

## 8. Additional mandatory disclosures

### 8.1 Management Board

The Management Board of Wirecard AG was made up of the following members.

**Dr. Markus Braun,** Commercial Computer Scientist, Member of the Management Board since 1 October 2004
CEO, CTO

**Burkhard Ley,** Banker, Member of the Management Board since 1 January 2006
CFO
Other Supervisory Board mandates: Backbone Technology AG, Hamburg (Germany)

**Jan Marsalek,** Computer Scientist, Member of the Management Board since 1 February 2010
COO

#### Remuneration paid to the Management Board

In the 2015 fiscal year, the total emoluments of all members of the Company's Management Board, meaning the total remuneration during the fiscal year for the duration of the individual's tenure on the Management Board, including other payments and amounts not yet disbursed for share price-based Variable Remuneration I and Variable Remuneration II amounting to kEUR 1,700, totalled kEUR 9,041 (2014: kEUR 4,657).

Variable remuneration has two components, Variable Remuneration I and Variable Remuneration II; it is calculated based on Wirecard AG's share price performance. The valuation is performed using a Monte Carlo simulation. In the Monte Carlo simulation, the valuation of a financial instrument is carried out as follows: The future performance of the underlying asset is simulated based on market parameters and random numbers. The valuation is then carried out based on the payout profile of the net present value of the simulation.

The Company pays an annual contribution to a retirement pension scheme for the members of the Management Board Dr. Markus Braun and Jan Marsalek. This contribution totals kEUR 450 gross for Dr. Markus Braun and kEUR 300 gross for Mr. Jan Marsalek. This is paid in 12 monthly instalments and is taken into account as expenditure. In the case of the member of the Management Board Burkhard Ley, the Company has set up a pension account and pays an annual pension contribution of kEUR 420 into it for a company retirement, invalidity and survivor's pension scheme. The payment of the pension contribution is made at the end of each year. In the event of the termination of the employment contract during the course of the year, the pension contribution is reduced correspondingly (pro rata temporis). If the balance held in the pension account for the member of the Management Board represents less than ten pension contributions when the pension becomes payable, the balance will be increased by the Company to a total of ten pension contributions. Due to the contractual provisions, the pension obligations are calculated in such a way that the ten contributions to be paid are divided over the length of the employment contract. As of the balance sheet date, a pension contribution of kEUR 1,378 (2014: kEUR 0) was recognised as a liability. The interest rate used for discounting was 0.5 percent.

No loans were made to board members during the fiscal year.

Further particulars in this regard can be found in the corporate governance report.

## 8.2 Supervisory Board

The Supervisory Board of Wirecard AG was made up of the following members:

**Wulf Matthias (Chairman), Senior Advisor to M.M. Warburg & Co, Hamburg**
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- Deufol S.E., Hofheim (Germany)

**Alfons W. Henseler (Deputy Chairman), Self-Employed Management Consultant**
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- Diamos AG, Sulzbach (Germany)

**Stefan Klestil, Management Consultant at Belview Partners GmbH**
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- iyzi Teknoloji ve Ödeme Sistemleri A.S., Istanbul (Turkey)
- Holvi Payment Services Oy, Helsinki (Finland)
- Curve 1 Ltd., London (United Kingdom)

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Incorporation. Accordingly, members of the Supervisory Board receive fixed and variable remuneration in addition to any out-of-pocket expenses incurred in connection with exercising their office (as well as any value added tax paid on their remuneration and out-of-pocket expenses). Annual fixed remuneration totals kEUR 55. Variable remuneration depends on the Company's performance and is based on consolidated EBIT (earnings from the ordinary course of business before interest and taxes). For each full one million euro by which the Company's consolidated EBIT on 31 December 2008 exceeds a minimum amount of EUR 30 million, the variable remuneration component totals kEUR 1 net. This minimum amount of EUR 30 million increases from the start of 2009 fiscal year by 10 percent per year and, therefore, amounts to EUR 58.46 million in the 2015 fiscal year.

In accordance with the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board are considered separately. There are no committees within the Company's Supervisory Board. The Chairman of the Supervisory Board receives double the amount and the Deputy Chairman of the Supervisory Board receives one-and-a-half times the so-called basic rate of fixed and variable remuneration respectively. Changes to the composition of the Supervisory Board during the fiscal year lead to pro-rata remuneration being paid. In addition, the members of the Supervisory Board receive a session fee of EUR 1,250.00 plus value added tax for each meeting of the Supervisory Board that they attend.

### Supervisory Board remuneration 2015

| in kEUR | Function | from | up to | Fixed | Meeting fee | Performance-based | Long-term incentive effect | from subsidiaries | Total |
|---|---|---|---|---|---|---|---|---|---|
| Wulf Matthias | Chairman | 1 Dec 2015 | 31 Dec 2015 | 110 | 8 | 228 | 0 | 65 | 411 |
| Alfons W. Henseler | Deputy | 1 Dec 2015 | 31 Dec 2015 | 83 | 8 | 171 | 0 | 60 | 321 |
| Stefan Klestil | Member | 1 Dec 2015 | 31 Dec 2015 | 55 | 8 | 114 | 0 | 55 | 232 |
| **Total remuneration** | | | | 248 | 23 | 513 | 0 | 180 | 963 |

### Supervisory Board remuneration 2014

| in kEUR | Function | from | up to | Fixed | Meeting fee | Performance-based | Long-term incentive effect | from subsidiaries | Total |
|---|---|---|---|---|---|---|---|---|---|
| Wulf Matthias | Chairman | 1 Dec 2014 | 31 Dec 2014 | 110 | 6 | 158 | 0 | 65 | 339 |
| Alfons W. Henseler | Deputy | 1 Dec 2014 | 31 Dec 2014 | 83 | 6 | 119 | 0 | 60 | 267 |
| Stefan Klestil | Member | 1 Dec 2014 | 31 Dec 2014 | 55 | 6 | 79 | 0 | 55 | 195 |
| **Total remuneration** | | | | **248** | **19** | **356** | **0** | **180** | **802** |

In the fiscal year 2015, remuneration for the Supervisory Board totalled kEUR 963 (2014: kEUR 802). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries of kEUR 180 (2014: kEUR 180). An amount of kEUR 573 was recognized as a provision for the remuneration and will be paid in 2016.

## 8.3 Related party transactions

### Related parties

In accordance with IAS 24 (Related Party Disclosures), persons related to Wirecard AG comprise the members of the Management Board and the Supervisory Board along with their family members. The details are presented below.

In the fiscal year 2015, the following legal transactions were entered into by Wirecard AG with a related company or at the insistence or in the request of one of these companies:

### Legal transactions with impact on P&L

| Related party / related entity | Type of legal relationship | Expense in kEUR | Provisions as of 31 Dec 2015 in kEUR | Notes |
|---|---|---|---|---|
| Wulf Matthias | Supervisory Board mandate | 65 | 0 | Supervisory Board of Wirecard Bank AG |
| Stefan Klestil | Supervisory Board mandate | 55 | 0 | Supervisory Board of Wirecard Bank AG |
| Alfons W. Henseler | Supervisory Board mandate | 60 | 60 | Supervisory Board of Wirecard Bank AG |

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

## 8.4 Declaration of compliance

The declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) for the periods from April 2015 to March 2016 and April 2016 to March 2017 was signed in March 2015 and March 2016 respectively and made available to the shareholders for download from the website of Wirecard AG in March 2015 and March 2016.

## 8.5 Auditors' fees

Neither the deductible value added tax for the Wirecard Group nor the non-deductible value added tax amounting to kEUR 2 (2014: kEUR 3) are included in the disclosures on auditors' fees. Expenses and administration fees for the audit from this year onwards are allocated under the item audit.

In the fiscal year, the following auditors’ fees were reported (Section 314 (1) No. 9 of the German Commercial Code [HGB]):

## Auditors' fees

| in kEUR | 1 Jan 2015 – 31 Dec 2015 total | 1 Jan 2015 – 31 Dec 2015 of which subsidiaries | 1 Jan 2014 – 31 Dec 2014 total | 1 Jan 2014 – 31 Dec 2014 of which subsidiaries |
|---|---|---|---|---|
| **Ernst & Young GmbH** | | | | |
| Audit of the financial statements | **710** | **196** | 513 | 197 |
| Tax advisory services | **0** | **0** | 0 | 0 |
| Other certification services | **74** | **74** | 0 | 0 |
| Other services | **258** | **0** | 36 | 18 |
| **Total** | **1,042** | **270** | **549** | **215** |

The audit opinion issued by the independent auditor of the consolidated financial statements for the 2015 fiscal year was signed by Mr. Broschulat and Mr. Loetscher. Mr. Broschulat signed the audit opinion for the first time on 31 December 2009 and his position as the responsible independent auditor will end with this audit. Mr. Loetscher has been appointed as the responsible independent auditor as of this year's audit. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been the sole auditor of Wirecard AG since 2011 and was previously the joint auditor together with RP Richter GmbH Wirtschaftsprüfungsgesellschaft since 2009.

## 8.6 Events after the balance sheet date

Events after the balance sheet date that provide additional information on the Company’s situation as of the balance sheet date (adjusting events) have been included in the consolidated financial statements. Non-adjusting events after the balance sheet date are reported in the Notes if material in nature. These are as follows:

- Acquisition of the Brazilian payment service provider Moip Pagamentos S.A, Sao Paulo (Brazil) on 22 February 2016
- Acquisition of the Romanian payment service provider Provus Group, Bucharest (Romania) on 29 February 2016
- Acquisition of 60 percent of the Indian company GI Technology Pte. Ltd. as of 1 March 2016 when the last stages of the transaction were closed (accounted for using the equity method)

For these transactions, please refer to Section 1.1 Business activities and legal background – Business combinations after the balance sheet date.

## 8.7 Clearance for publication in accordance with IAS 10.17

The consolidated financial statements as of 31 December 2015 were signed on 6 April 2016 and approved for submission to the Supervisory Board.

Aschheim, 6 April 2016

**Wirecard AG**

| | | |
|---|---|---|
| Dr. Markus Braun | Burkhard Ley | Jan Marsalek |

# Audit opinion

**Translation of the German audit opinion concerning the audit of the consolidated financial statements as of 31 December 2015 and group management report for the fiscal year 2015 prepared in German by Wirecard AG, Aschheim in accordance with IAS/IFRS.**

We have audited the consolidated financial statements prepared by Wirecard AG, Aschheim, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2015 to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Munich, 6 April 2016

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Broschulat | Loetscher |
| Wirtschaftsprüfer<br>[German Public Auditor] | Wirtschaftsprüfer<br>[German Public Auditor] |

# Responsibility statement and disclosures pursuant to Section 37Y No. 1 of the German Securities Trading Act (WpHG) in combination with Sections 297 (2) Clause 4 and 315 (1) Clause 6 of the German Commercial Code (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 results of operations 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.

Aschheim, 6 April 2016

**Wirecard AG**

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

| | |
|---|---|
| **3-D Secure™** | Security standard developed by Visa and MasterCard for the authentication of online card payments |
| **Acquirer/acquiring bank** | A financial institution that concludes an agreement with merchants for the acceptance of credit cards as a means of payment for goods and services and which settles card payments for merchants. |
| **Alternative payment methods** | These mostly comprise non-card based payment methods such as payment services, wallets, vouchers and bank-account based or prepaid methods. |
| **Billing and Settlement Plan (BSP)** | The most widespread system in the world for simple processing of airline ticket sales. |
| **Bluetooth low energy (BLE)** | This technology facilitates data transmission over distances of up to ten metres. Using microtransmitters (beacons) for the connection, this technology offers innovative location-related services. |
| **Checkout Page** | A web-based, PCI-compliant payment page for simple and secure acceptance of credit cards and other national and international means of payment. End customers input their data into a website hosted by Wirecard to make online payments. |
| **Checkout Seamless** | This integrated payment page makes it possible to directly integrate all relevant input fields for payments seamlessly into online shop interface. |
| **CNP, Card Not Present** | Card transaction in which the card is not physically presented to the merchant, e.g. for an orders in long-distance trading (online or MOTO). |
| **Co-branded card** | A co-branded card is a card issued by a licensed card issuer which bears the design of a third party company. |
| **Fraud Prevention Suite (FPS)** | Wirecard's risk management system which identifies suspicious data and/or behaviour patterns in real time and effectively prevents fraud. |
| **Host Card Emulation (HCE)** | Makes it possible to carry out secure, NFC-based transactions for payments and services via mobile apps, regardless of whether a physical secure element (SE) is available on the mobile phone. All data generated during a transaction is stored in a secure centralised server. |

| | |
|---|---|
| **In-app payment** | In-app payment refers to payment for goods or services via a mobile terminal in connection with a mobile application. Customers can store their desired payment type, such as credit cards or alternative payment methods, in their user account and can make one-click payments the next time they log in. |
| **Issuer/issuing bank** | Financial institution which issues payment cards (credit, debit and prepaid cards) as a member bank of the card organisations and receives transactions from its cardholders from other member banks or merchants. |
| **Loyalty and couponing** | Serve to control specific marketing campaigns, based on card transactions. |
| **Mobile card reader** | The card reader is a mobile add-on device which is attached to smartphones or tablets, turning the device into a payment terminal. |
| **Mobile payment** | Includes, for example, the payment of digital or physical merchandise or a service on the mobile phone (payment on mobile/in-app payment) using the mobile phone (mobile at the point of sale) or the mobile phone as the payment terminal (mobile as the point of sale). |
| **Mobile wallet** | A mobile wallet managed via the mobile phone. Various digital cards can be stored in a mobile wallet. |
| **MOTO, Mail Order/Telephone Order** | The purchase of goods or services, with the purchase order issued by phone or in writing by fax or using an order card. |
| **mPoS, mobile point of sale** | Payment with a mobile device and a mobile card reader. |
| **Near field communication (NFC) technology** | NFC technology is the wireless transfer of data over a short distance (near field). |
| **NFC sticker** | Bridge technology to equip smartphones with contactless technology. NFC stickers can be attached to the rear of the mobile terminal and used to initiate payments in connection with a mobile wallet. |
| **OTA, Over-the-Air** | Wireless transmission of data |
| **Payment service provider (PSP)** | A company which receives electronic payment transactions for merchants etc., authenticates these, processes them and in this regard also provides the merchant with the corresponding software, if required. |

| | |
|---|---|
| **PCI DSS** | PCI DSS (Payment Card Industry Data Security Standard) is a security standard initiated by VISA and MasterCard for merchants and payment service providers who process credit card payments using their systems, or which store or transfer card data. |
| **Personal identification number (PIN)** | Secret number that is only allocated to one single card, which enables the card holder to confirm a POS payment or to access their account using a cashpoint. |
| **Prepaid card** | Has all of the features of a standard credit card and mostly licensed by VISA or MasterCard on a prepaid basis. |
| **Provisioning** | Storing card data in NFC-enabled smartphones in order to be able to make payments using the mobile phone. The card data is stored on the SIM card or in a secure area of the smartphone. |
| **PSP, Payment Service Provider** | See Payment Service Provider. |
| **Risk management** | Recording and analysing transaction data to minimise the risk of fraud and to protect the merchant against payment default. |
| **QR code, quick response code** | A two-dimensional code which can be scanned by mobile phones using the camera and relevant software (QR code reader). Information is embedded in the code, such as links to websites, for example. |
| **SaaS, Software as a Service** | Demand-orientated provision of software applications (download) |
| **SCP, supplier and commission payments** | An automated solution for global payments to companies receiving payments via their credit card acceptance agreement. |
| **Secure element (SE)** | Hardware module in a mobile phone where data can be stored securely. |
| **SEPA, single euro payment area** | Refers to the euro payment area, which currently comprises 34 countries including the 28 EU member states as well as Ireland, Lichtenstein, Monaco, Norway, San Marino and Switzerland. |
| **Settlement** | Processing transactions and depositing the processed transaction with the merchant's contractual bank (acquirer). |
| **Settlement currency** | The currency in which settlement is performed in a bank account. |

| | |
|---|---|
| **SP-TSM, Service Provider Trusted Service Manager** | SP-TSMs ensure secure, smooth connections between the card issuer and an NFC smartphone. Services include adding virtual card data to NFC-enabled SIM cards, and also managing cards in the smartphone. |
| **SWIFT code** | An 8 or 11-digit international bank sorting code issued by SWIFT (Society for Worldwide Interbank Financial Telecommunication) to identify a bank in international payment transactions. |
| **Tokenisation** | Sensitive data, such as credit card numbers, is replaced by reference values or "tokens". This can be used without restriction by systems and applications, whereas the original data is saved in a secure, PCI-conform data-safe. |
| **Trust Evaluation Suite** | Part of risk management. Through a comprehensive 360-degree assessment, it provides retailers with all relevant information on the consumer in real time and in an automated way. |
| **Virtual card** | A payment card that only comprises a card number, a validity period and a security code, and which can only be used in distance transactions (online, MOTO payments) due to the missing physical features (such as a magnetic strip, EMV chip). |
| **Virtual account number** | A 10-digit, purpose-linked account number with Wirecard Bank AG, comprising a 3-digit constant part and a 7-digit variable part, which can be freely selected by the company and which clearly identifies the designated purpose and the sender. |
| **Virtual terminal, Wirecard Checkout Terminal** | Internet-assisted user interface for payment acceptance (including via MOTO), which is used in call centres, for example. Allows direct payment acceptance without signature by the paying party. Risk management checks are performed as for online payments. |
| **WEP, Wirecard Enterprise Portal** | Wirecard AG's web-based management and reporting application which provides merchants with all the functions needed to manage payment transactions, adding risk strategies, managing card portfolios and creating reports and statistics. |
| **White label solution** | Wirecard solutions which companies create with their own corporate design and offer under their own name. |

# WIRECARD PAYMENT SCHEMES

THE WIRECARD GROUP OFFERS MERCHANTS VARIOUS NATIONAL AND INTERNATIONAL PAYMENT SCHEMES


## PAYMENT METHOD TYPES

- **ELECTRONIC FUNDS TRANSFER:**
  Direct Debit
- **ONLINE BANKING PAYMENTS:**
  Real-time bank transfer
- **ALTERNATIVE PAYMENT SCHEMES:**
  Wallet, Cash/Voucher, Online/Offline, Carrier Billing
- **MOBILE SERVICES:**
  Mobile payments
- **CARD PAYMENTS:**
  Credit Cards, Debit Cards

## INTERNATIONAL

- MasterCard, Visa, American Express, JCB, Diners International/Discover, UnionPay
- Swift
- PayPal, Skrill Digital Wallet, MasterPass, Wire Transfer, Webmoney, Voucher by ValueMaster

## ASIA, ASIA PACIFIC

**Australien**

- POLi

**China**

- Alipay, Tenpay
- UPOP

**India**
- iCashcard

**Indonesia**
- Boku

**Malaysia**
- Maybank2u, CIMB Clicks

**New Zealand**
- POLi

**Philippines**
- Maybank2u, CIMB Clicks

**Singapore**
- Maybank2u, CIMB Clicks

**Thailand**
- Boku

## AFRICA

**South Africa**
- Boku

## NORTH AMERICA

**USA**
- Apple Pay

**Canada**
- Boku

## LATIN AMERICA

**Brazil**
- Boleto Bancario

**Mexico**
- Boku

## EUROPE, EASTERN EUROPE, RUSSIA

- Alipay (Barcode Payment)
- SEPA Direct Debit, SEPA Credit Transfer
- paysafecard, Boku
- Maestro, VPay

**Austria**
- eps, SofortBanking
- Klarna, Payolution
- paybox

**Belgium**
- SofortBanking, Bancontact/ Mister Cash

**Bulgaria**
- ePay.bg, Trustpay

**Czech Republic**
- Trustpay

**Denmark**
- Klarna, Trustpay

**Estonia**
- Trustly
- Trustpay

**Finland**
- Trustly
- Klarna, Trustpay

**France**
- SofortBanking

**Germany**
- giropay, SofortBanking
- Guaranteed Installments, Guaranteed Payment on Invoice, Klarna
- YAPITAL

**Italy**
- SofortBanking

**Netherlands**
- iDEAL, SofortBanking
- Klarna

**Norway**
- Klarna, Trustpay

**Poland**
- Trustly, Przelewy24, SofortBanking

**Russia**
- Moneta.ru, YandexMoney

**Sweden**
- Trustly
- Klarna

**Switzerland**
- SofortBanking

**Spain**
- SofortBanking

**Turkey**
- Boku
- Trustpay

**Ukraine**
- Moneta.ru, YandexMoney

**United Kingdom**
- SofortBanking

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## PUBLISHING INFORMATION


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This Annual Report is drawn up in the German language; translation into other languages are made only for informational purposes. In the event the texts diverge, the German text is authoritative.


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