Transition To Tomorrow

Annual Report 2018

wirecard

Key figures

Wirecard Group	2018	2017	
Revenues	2,016.2	1,488.6	in EUR million
EBITDA	560.5	410.3	in EUR million
EBIT	438.5	311.5	in EUR million
Earnings per share (basic)	2.81	2.07	EUR
Equity	1,922.7	1,640.0	in EUR million
Total assets / total equity and liabilities	5,854.9	4,532.8	in EUR million
Cash flow from operating activities (adjusted)	500.1	375.7	in EUR million
Employees (average)	5,154	4,449	
of which part-time	317	329	

Segments		2018	2017		
Payment Processing & Risk Management	Revenues	1,479.9	1,064.8	in EUR million	38.99%
	EBITDA	481.3	322.7	in EUR million	49.13%
Acquiring & Issuing	Revenues	609.3	488.5	in EUR million	24.73%
	EBITDA	79.9	86.6	in EUR million	–7.69%
Call Center & Communication Services	Revenues	9.1	9.9	in EUR million	–7.65%
	EBITDA	–0.5	1.0	in EUR million	–154.08%
Consolidation	Revenues	–82.2	–74.6	in EUR million	10.27%
	EBITDA	–0.1	0.0	in EUR million	370.70%
Total	Revenues	2,016.2	1,488.6	in EUR million	35.44%
	EBITDA	560.5	410.3	in EUR million	36.61%

Content

Management Board of Wirecard AG

Dr. Markus Braun – CEO

Susanne Steidl – CPO

Alexander von Knoop – CFO

Jan Marsalek – COO

Matthias Wulf – Chairman of the Supervisory Board of Wirecard AG

Letter from the CEO

Dear Shareholders,
Dear Ladies and Gentlemen,

We can look back on an extremely successful 2018 fiscal year both from a technological and fundamental perspective.

As a result, we were able to acquire around 52,000 new customers during the reporting period and now support 279,000 customers from a diverse range of sectors around the world.

The transaction volume processed in the reporting period increased by 37.3 per cent in comparison to the previous year to EUR 124.9 billion. The transaction volume in Europe increased by around 21 per cent in comparison to the previous year to EUR 62.5 billion, while a further EUR 62.4 billion was processed outside of Europe, representing growth of around 59 per cent.

Consolidated revenues increased by 35.4 per cent to EUR 2.0 billion. Consolidated operating earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 36.6 per cent to EUR 560.5 million. We will propose to this year's Annual General Meeting that a dividend of EUR 0.20 per share is paid to shareholders.

One main focus of the product development activities in the reporting period was the development of innovative value-added services in the area of data analytics. By allowing retailers to analyse consumer and purchasing behaviour in real time, we help them to, amongst other things, generate additional revenue and avoid customer migration using targeted and customer-specific offers.

In addition, other innovative value-added services, such as issuing digital loans, are integrated into our global platform solution. We are convinced that the act of making payment will fade into the background in future and will become a fully digital process. By creating a convenient, secure and individual purchasing experience for consumers across all sales channels, retailers can benefit from the disruptive force of digitalisation and not only offer numerous innovative payment methods but also accompanying value-added services such as digital financial services.

Another focus of the research and development activities was the further roll out of our innovative mobile payment solution boon. in more countries, as well as boon. payments via Google Pay, Apple Pay and the three largest wearables platforms Fitbit, Garmin and Swatch were enabled.

Other important technological activities were the preparation of the migration of the acquired customer portfolios in the USA and the Asia-Pacific region into the Wirecard platform and the development and implementation of a global computer centre strategy.

With regards to the accusations made by a whistleblower at the site in Singapore, I would like to point out that both our internal investigations and also the independent external audit into the incidents commissioned by us did not uncover any indication of so-called “round-tripping” or corruption within the conducted audit activities. There were also no material impacts on the net assets, financial position and results of operations. As well as ensuring transparent external reporting, the Management Board is committed to making ongoing investment in the continuous improvement of global internal compliance, auditing and control processes and to providing the necessary resources.

I am optimistic that Wirecard has a fantastic future ahead of it. We confirm our forecast for operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 740 million and EUR 800 million for the 2019 fiscal year.

I would like to take this opportunity to express special thanks to our employees, who work tirelessly on a daily basis to provide our customers and partners with the best possible support, and thus guarantee the sustainable growth of the company.

On behalf of the entire Management Board, I would also like to thank our shareholders, customers and partners for their trust and their loyalty and look forward to further good and successful cooperation in the future.

Yours sincerely,

Dr. Markus Braun

CEO Wirecard AG

April 2019

Report of the Supervisory Board

Dear Shareholders,

The 2018 fiscal year was characterised by a consistently very good business performance, which in turn culminated in the company's inclusion in the DAX30 group of companies in September 2018.

We were able to continue our strategy of global growth and acquire customers and business partners in strategically important growth markets such as China. This was not least the result of both strategically important investment in new technologies as part of the company's own research and development activities and also the acquisition of promising companies and customer portfolios. In the 2018 fiscal year, we also experienced strong, predominantly organic growth, which was reflected in the pleasing development of all important key performance indicators. A major contribution was made by the acquisition and integration of the comprehensive customer portfolio of the Citigroup in the APAC region. The growth targets for this globally active provider of financial technology were thus realised operationally and achieved in an outstanding manner.

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 the company kept itself continuously and intensively informed about the development, position and perspectives of the Wirecard Group in the 2018 fiscal year. The Supervisory Board performed the tasks incumbent upon it pursuant to the law, the Articles of Association and the rules of business procedure, 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, potential corporate acquisitions and significant cooperation ventures that require Supervisory Board approval due to legal regulations, the Articles of Association or the Management Board's rules of business procedure.

In order to exercise our monitoring function, we maintained intensive contact with the Management Board. The Management Board reported to us regularly, promptly and comprehensively in verbal and written form both during and outside of the Supervisory Board meetings about all relevant themes related to the management of the business of the company. This included, in particular, written monthly reports on the most important business figures, reports and explanations on the corporate strategy and planning, the business performance and current status of the Group and the accounting process and effectiveness of the company's internal control and risk management system and the risks to the Wirecard Group identified by the Management Board, as well as all relevant business transactions and preparations to implement strategic intentions. Matters requiring approval, planned investments and fundamental questions about corporate policy and corporate strategy were covered in particular detail, and the respective decisions were taken on the basis of extensive documentation and intensive and detailed discussions with the Management Board. Additional control measures, such as an inspection of the company's documentation and the appointment of special experts, were not necessary in the 2018 fiscal year.

The Supervisory Board convened for eight meetings in the year under review. On numerous occasions between meetings, important or urgent information was also conveyed in writing, or in the context of telephone conferences, and resolutions were issued in writing or by telephone. In my capacity as the Chairman of the Supervisory Board, I was also in close contact with the Management Board between meetings and kept myself informed about the current business performance and important business transactions.

Participation in the meetings by the members was also at a high level in 2018. All members of the Supervisory Board participated in significantly more than half of the meetings of the Supervisory Board in the 2018 fiscal year.

The Supervisory Board of Wirecard AG had not formed any committees up to the end of the 2018 fiscal year. As a result of increasing demands due to the growth and internationalisation of the company, three committees were formed after the reporting period in the 1st quarter of 2019: the Audit Committee, the Remuneration, Personnel and Nomination Committee and the Risk and Compliance Committee.

Both the Supervisory Board and the Risk and Compliance Committee have intensively discussed the accusations made most prominently in the Financial Times, inter alia in connection with an internal investigation in Singapore against the company and the procedures in this context after the end the year under review. The Supervisory Board and the Committee have closely communicated with the Management Board and the auditor as well as with further experts involved, in each case in and outside of meetings. The Supervisory Board and the Committee required submission of reports and documentation related to various aspects of the topic and discussed the topic intensively (involving also external experts). In this context, the Supervisory Board has discussed with the Management Board already possible measures to be taken for improving internal structures and procedures.

Focal points of consultations

Regularly during the year under review, the Supervisory Board intensively examined the revenues and earnings performance of the company and the Group, significant investment projects, compliance themes and risk management. The following key topics were also discussed at the individual meetings:

The focus of the first meeting of the Supervisory Board on 24 January 2018 were discussions on the business performance in the 2017 fiscal year and the business and budget plan for the 2018 fiscal year. The Management Board also provided a comprehensive overview of the strategic goals for 2018 and the developments in the area of issuing. Finally, the distribution of responsibilities within the newly formed committees was discussed.

At the meeting on 11 April 2018 and a preparatory meeting held previously and at a telephone conference on 25 April 2018, we dealt with the financial statements and management reports of the company and Group as of 31 December 2017, the Report of the Supervisory Board, the Corporate Governance Report, the Group non-financial declaration and the proposal for the appropriation of profit. The financial statements and reports were intensively discussed and examined with the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audited consolidated financial statements and management report for the Group that had been issued with an unqualified audit opinion and the audited financial statements and management report for the company that had been issued with an unqualified audit opinion were approved in this meeting.

The main subjects of the meeting on 8 May 2018 were, in particular, the ongoing business performance and discussions about the development of specific Wirecard products. In addition, the key performance indicators from the area of human resources and the acquisition strategy of the Group were discussed intensively.

At the meeting on 15 June 2018, the Supervisory Board discussed organisational and legal issues with respect to the expansion of the Supervisory Board, as well as the preparations for the Annual General Meeting of the company.

The first meeting of the extended Supervisory Board was held on 22 August 2018. This meeting focussed on the internal organisation of the Supervisory Board and the current issues facing the Group. The company's auditor participated at this meeting and presented the main themes of the audit of the consolidated financial statements for 2018. An external legal advisor provided the Supervisory Board with an overview of the obligations of the Supervisory Board and issues relating to corporate governance.

At the meeting on 26 September 2018, we dealt with the ongoing business performance of the Group, especially with respect to value added services, the development of strategic collaborations and the global marketing strategy of the Group. Other subjects discussed at the meeting were the effect of the inclusion of the company in the DAX, as well as the planned invitation to tender for the position of Group auditor in 2019. Finally, the integration of the customer portfolio in various countries that was acquired from Citibank in the 2017 fiscal year was discussed.

The focus of the Supervisory Board meeting on 7 November 2018 was the report by the Management Board on the Group's current situation with respect to IT security, operational risks, ongoing business performance, the status of the preparations for the audit process for 2018 and the integration of the acquired customer bases in Asia and the USA.

At the last meeting of the reporting period on 12 December 2018, the Management Board reported on the business performance in the first nine months. Other main subjects discussed were the company’s equity ratio and the prefinancing of customers. The Management Board then reported on the ongoing business in China and the Group's strategic collaborations in Asia and the FinTech sector. Finally, the Supervisory Board discussed and resolved the invitation to tender for the audit, the tender documentation and the tender process.

Corporate governance

In the 2018 fiscal year, the Supervisory Board once again intensively discussed the issues related to corporate governance in the Group and dealt in depth with the recommendations contained in the German Corporate Governance Code.

On 26 March 2018, the statement of compliance with the German Corporate Governance Code in the version from 7 February 2017 was submitted. At the start of the 2019 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 German Corporate Governance Code. Following in-depth discussions, the Management Board and the Supervisory Board passed a resolved to issue the current statement of compliance pursuant to Section 161 of the AktG on 29 March 2019. The current statement of compliance, as well as all previous statements of compliance since 2005, can be found on the company's website.

The Supervisory Board regularly examines the efficiency of its activities. After intensively discussing the results of the efficiency review, which was based on a questionnaire answered by the members of the Supervisory Board and evaluated on an anonymous basis, at the meeting of the Supervisory Board on 7 December 2017, we implemented some selective improvements in the reporting year. As part of an in-depth analysis of the implemented improvements, the work of the Supervisory Board and the cooperation with the Management Board were given a positive assessment overall by the members of the Supervisory Board. Further improvements in efficiency must be achieved with respect to the organisation of the meetings of the Supervisory Board.

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 2018 fiscal year.

The Corporate Governance Report that is combined with the Corporate Governance Statement contains further in-depth information on corporate governance at the company.

Financial statements of the company and the consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the financial statements of the company as of 31 December 2018, the consolidated financial statements as of 31 December 2018 and the management report for the company and the Group, and issued unqualified audit opinions thereon. The financial statements and the management report of the company were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements and the Group management report of the company were prepared in accordance with the International Financial Reporting Standards

(IFRS) as well as the additional requirements of German law pursuant to Section 315e (1) of the HGB.

In addition, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich branch, was commissioned to complete an audit with limited assurance of the Group non-financial declaration in accordance with ISAE 3000 and produced a corresponding report. The Group non-financial declaration has been published on the company's website at ir.wirecard.com.

At the meeting on 24 April 2019, the Supervisory Board intensively discussed and examined the consolidated financial statements and the Group management report, the Group non-financial declaration prepared in accordance with Section 315b of the HGB, the financial statements and management report for the company, the auditor's report and the Management Board's planned proposal for the appropriation of profit. The required documents were submitted to the members of the Supervisory Board in good time before the meeting so that they had sufficient opportunity to examine them. The auditor participated at this meeting of the Supervisory Board, reported on key audit results and was available to the members of the Supervisory Board to provide supplementary information. The auditor addressed in particular key audit matters which included allegations by a whistle-blower in Singapore. The auditor also explained his findings on the company's control and risk management system relating to the financial accounting process. The Supervisory Board will participate in the further strengthening of these systems in the course of the continuing growth of the company (cf. 2.5 of the Risk Report). The auditor stated his independence and provided information about services that had been rendered in addition to the auditing services in the 2018 fiscal year.

The Supervisory Board approved the results of the audit carried out by the auditor and concluded that no objections needed to be raised based on the final results of its examination. The Supervisory Board in particular concurs with the conclusion of the auditor that - taking into account the corrections made by Wirecard - there are no objections against the accounting treatment of the facts that were the subject of various allegations made by a purported whistle-blower in Singapore (cf. the statements under 2.5 of the Risk Report regarding current investigations of the authorities in Singapore and possible criminal liability of individual employees). In this context, the Supervisory Board took into consideration in particular the quality of the alleged behaviour and the materiality threshold for the group audit. With a resolution dated 243 April 2019, the Supervisory Board approved both the consolidated financial statements of the company prepared according to IFRS for the 2018 fiscal year and the financial statements of the company prepared according to the HGB for the 2018 fiscal year. The financial statements have consequently been adopted in the sense of Section 172 of the AktG.

At the meeting on 24 April 2019, the Supervisory Board approved this Report of the Supervisory Board, as well as the Corporate Governance Report that is combined with the Corporate Governance Statement.

The Management Board plans to propose to the Annual General Meeting to carry forward an amount of kEUR 143.120 to a new account and distribute an amount kEUR 24.713 as a dividend from the profit of Wirecard AG (single entity) for the 2018 fiscal year of kEUR 167.833. This means that a dividend of EUR 0.20 per share will be paid on the basis of the 123,565,586 dividend-entitled ordinary shares. The Supervisory Board concurs with this proposal.

Personnel-related details

After the appointment of and the Management Board contract for the long-standing member of the Management Board and Chief Financial Officer (CFO) Burkhard Ley expired as of 31 December 2017, Alexander von Knoop was appointed as his successor as an ordinary member of the Management Board and as Chief Financial Officer with effect from 1 January 2018 and up until 31 December 2020. Furthermore, Susanne Steidl was appointed as an addi-tional member of the Management Board and as Chief Product Officer (CPO) with effect from 1 January 2018 and up until 2020. In this position, she is responsible for the operation and technological development of core products at Wirecard.

The Management Board mandates of the Chief Executive Officer (CEO), Dr. Markus Braun, and the Chief Opera-tion-al Officer (COO), Jan Marsalek, were also extended in each case by a further three years up until 31 December 2020 with effect from 1 January 2018. These personnel decisions took into account their outstanding achievements and aim to maintain continuity on the Management Board.

In his twelve years as the CFO of Wirecard AG, Burkhard Ley made a significant contribution to the expansion of Wirecard into a worldwide leading Internet Group in the area of payment processing and remains connected to the company since 1 January 2018 through a consulting contract.

In the 2018 fiscal year, there were major changes to the composition of the Supervisory Board. According to the resolution made by the Annual General Meeting on 21 June 2018, the total number of members of the Supervisory Board was increased to six (previously five) members. After Tina Kleingarn resigned her post as a member of the Supervisory Board as of 31 December 2017, two new members were elected to the Supervisory Board on 21 June 2018. In accordance with the proposal made by the Supervisory Board, Dr. Anastassia Lauterbach and Susana Quintana-Plaza were appointed as members until the Annual General Meeting which resolves on the discharge of the members of Supervisory Board for the fourth fiscal year 2020 following the start of the term of office. As of 31 December 2018, the Supervisory Board of Wirecard AG consists of six members in accordance with the Articles of Association, whereby there is now an identical number of male and female members. The target for the number of women on the Supervisory Board defined in the 2017 fiscal year of at least two women members was thus exceeded.

Outlook

Wirecard fulfils all the conditions to continue growing on a global level in the next few years and to exploit the immense potential for synergies. We will continue to pursue this path to success together, whereby our success already came to public attention in the 2018 fiscal year when we were included in the DAX 30 group of companies. The Supervisory Board is going to work closely with the Management Board to keep the company prepared even better for new challenges in connection with these developments.

The Supervisory Board thanks the Management Board for its fantastic business development work. We warmly thank all employees and recognise their extraordinary commitment in the 2018 fiscal year.

Aschheim, 24 April 2019

On behalf of the Supervisory Board

Wulf Matthias

Chairman of the Supervisory Board

Corporate Governance Report and Corporate Governance Statement

Pursuant to Section 3.10 of the German Corporate Governance Code in its version dated 7 February 2017, which was published in the German Federal Gazette (Bundesanzeiger) on 24 April 2017, the Management Board – also on behalf of the Supervisory Board – issues the following statement concerning the corporate governance and, pursuant to Sections 289f, 315d of the German Commercial Code (HGB), the corporate management of Wirecard AG (also described below as the company) and the Group. Accordingly, the following statements apply to the company and the Group, unless otherwise stated.

1. Statement of compliance with the German Corporate Governance Code pursuant to Section 161 of German Stock Corporation Act (AktG) as of 29 March 2019

The last statement of compliance was issued on 28 March 2018.

The Management and Supervisory Boards of Wirecard AG declare that the company has complied and is complying with the recommendations of the Government Commission German Corporate Governance Code ("Code") in the version from 7 February 2017 with the following exceptions:

1) Committees of the Supervisory Board (Sections 5.3.1 – 5.3.3 of the Code)

Sections 5.3.1 - 5.3.3 of the Code contain recommendations on committees of the Supervisory Board. The Supervisory Board consisted of five members until the end of June 2018; due to its relatively small size, the Supervisory Board did not find it appropriate to form any committees. According to a resolution at the Annual General Meeting 2018, the Supervisory Board was enlarged to include six members. After an induction phase, the Supervisory Board formed the following three committees in the 1st quarter of 2019: the Audit Committee, the Remuneration, Personnel and Nomination Committee and the Risk and Compliance Committee. This will allow the Supervisory Board to take account of the increasing demands placed on it due to the growth and internationalisation of the company. The deviation from the recommendation to form Supervisory Board committees (especially an audit committee and a nomination committee) that was declared in the statement of compliance last year thus no longer applies.

Alongside the forming of committees, Section 5.3.2 (3) Clause 3 of the Code recommends that the Chairman of the Supervisory Board should not also be the Chairman of the Audit Committee. Due to the special expertise and experience possessed by the Chairman of the Supervisory Board, however, he will also hold the position of Chairman of the Audit Committee. Therefore, a divergence from Section 5.3.2 (3) Clause 3 of the Code is declared.

2) Publication deadlines for consolidated financial statements and interim financial information (Section 7.1.2 Clause 3 of the Code)

Section 7.1.2 Clause 3 of the Code recommends that the consolidated financial statements and Group management report be made accessible to the public within 90 days and interim financial information within 45 days of the end of the respective reporting periods. In contrast, the legal regulations currently stipulate that the consolidated financial statements and group management report 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 legal 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.

This statement of compliance as well as the archived, historical versions of the statements of compliance from previous years are available on the website of Wirecard AG at ir.wirecard.com/corporate-governance.

2. Shareholders and Annual General Meeting

Transparent information for shareholders and the public

We keep our shareholders, analysts, shareholder associations, the media and interested members of the general public informed of important dates for the company on our website ir.wirecard.com under the "Financial Calendar" menu item and in our annual report, six-monthly report and the quarterly statements. 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 six-monthly reports and quarterly statements. Wirecard also participates in many capital market conferences. Important presentations are freely available on our website.

The annual reports, six-monthly reports and quarterly statements, as well as all press releases and ad-hoc statements of Wirecard AG, are available on our website in both German and English.

Annual General 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. Information on the Annual General Meeting, together with the documentation to be made accessible to those present at the Annual General Meeting, is readily accessible on the website along with the invitation to the meeting. In order to make it easier for shareholders to personally exercise their rights or to use a proxy, Wirecard AG appoints, amongst others, proxies to exercise voting rights in accordance with the instructions issued by shareholders.

3. Composition and 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.

Management Board

The Management Board of Wirecard AG consists of one or more members in accordance with the Articles of Association. The precise figure is defined by the Supervisory Board. The Management Board consisted of four members as of 31 December 2018.

In accordance with the "Law for the equal participation of women and men in leadership positions", the Supervisory Board has defined a target for the proportion of women on the Management Board and a deadline for achieving it. Further information can be found in the dedicated section about this subject (Section 6 of the Corporate Governance Report). In addition, the Supervisory Board has developed a diversity concept with regards to the composition of the Management Board. The details are also summarised in a dedicated section (Section 7 of the Corporate Governance Report).

Information on the areas of responsibility and the CVs for the members of the Management Board can be found on the website of Wirecard AG at wirecard.com/company/management.

The Management Board manages Wirecard AG and the Group and in doing so is bound to uphold the interests of the company. The Management Board develops the company's strategic orientation, agrees it with the Supervisory Board and ensures its implementation. The members of the Management Board hold joint responsibility for the overall management of the company. The Supervisory Board has issued rules of procedure for the work of the Management Board, which govern, amongst other things, the division of duties between the members of the Management Board. The members of the Management Board generally have individual responsibility for their specific areas. Insofar as a measure will affect multiple areas of responsibility, agreement with the other members of the Management Board should be sought, with the Supervisory Board taking any necessary decisions in the event of a difference of opinion. Certain matters of fundamental or significant importance, which are specified in more detail in the rules of procedure, require a resolution by the Management Board in its entirety. The Supervisory Board must also approve significant business transactions. 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 or in the Wirecard Group to observe legal and regulatory parameters, as well as internal corporate guidelines.

Supervisory Board

As of Annual General Meeting 2018, the Supervisory Board of Wirecard AG consists of six members in accordance with the Articles of Association (previous: five), who are elected by the Annual General Meeting without being bound by any election proposals. The CVs of the members of the Supervisory Board, as well as information on their main activities in addition to their Supervisory Board mandate at Wirecard AG are available on the website of Wirecard AG at wirecard.com/company/management.

In accordance with the “Law for the equal participation of women and men in leadership positions”, the Supervisory Board has defined a target for the proportion of women on the Supervisory Board and a deadline for achieving it. Further information can be found in the dedicated section about this subject (Section 6 of the Corporate Governance Report). In addition, the Supervisory Board has developed specific targets for its own composition and a competency profile for the Supervisory Board in its entirety which also acts as the diversity concept for the Supervisory Board. The details and the latest progress made towards their implementation are also summarised in a dedicated section (Section 7 of the Corporate Governance Report).

The Supervisory Board advises the Management Board on its management of the company and monitors its management activities. The Supervisory Board receives regular, comprehensive and timely reports on all important issues for the company from the Management Board and agrees the corporate strategy and its implementation with it. The Chairman of the Supervisory Board is also in constant contact with the Management Board outside of the meetings of the Supervisory 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 Supervisory Board examines and approves the financial statements of Wirecard AG and the consolidated financial statements of the Group. The Supervisory Board has created rules of procedure to govern its own activities. In the event that a vote by the Supervisory Board is tied, the Chairman of the Supervisory Board has the casting vote. In addition, the Supervisory Board regularly examines the efficiency of its activities – at least once after half of the regular period of office of its members. Due to its small size, the Supervisory Board has dispensed with creating an audit committee or other Supervisory Board committees in the fiscal year 2018. Due to increasing demands in the course of the growth and internationalisation of the company, three committees were formed after the reporting period in the 1st quarter of 2019: the Audit Committee, the Remuneration, Personnel and Nomination Committee and the Risk and Compliance Committee.

4. Important corporate governance practices

Corporate governance – good and responsible management of the company

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.

Compliance as a managerial function

We view compliance with the law, regulations and internal company guidelines within the Group as a permanent and ongoing managerial function. For this purpose, we continuously and rigorously work to improve our Group-wide compliance programme. Information on our compliance management system can be found on our website at ir.wirecard.com/corporate-governance. Further details on anti-corruption policy, data protection and the policy on prevention of money laundering and terrorism financing are stipulated in the Group Non-Financial Report of the company.

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 (part of the management report).

Financial accounting and audit of the financial statements

The consolidated financial statements of the company and the six-monthly reports for the Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as the additional regulations of German commercial law. The financial statements of the company are produced in accordance with the accounting regulations of the German Commercial Code (HGB).

In addition, the company publishes quarterly statements in accordance with Section 53 of the regulations of the Frankfurt Stock Exchange. The consolidated financial statements and Group management report are made accessible to the public within four months of the end of the fiscal year, while six-monthly reports and quarterly statements are made accessible to the public within two months of the end of the reporting period.

At the Annual General Meeting 2018, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich branch, was appointed as the auditor for the financial statements of the company and the consolidated financial statements. The responsible auditor for the 2018 fiscal year is Mr. Martin Dahmen. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been the sole auditor of the company and the Group since 2011 and was previously the joint auditor together with RP Richter GmbH Wirtschaftsprüfungsgesellschaft since 2009. In December 2018 the company published the invitation to tender for the group audit 2019. After the completion of the tender procedure the new auditor will be elected by the Annual General Meeting 2019.

It was agreed with the auditor of the financial statements that he/she would report to the Supervisory Board without delay all findings and events material to the duties 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 AktG.

Corporate social responsibility

The Group believes that exercising corporate social responsibility (CSR) makes a major contribution to the company's sustained growth. We are convinced that Wirecard will not be able to achieve long-term economic success in the future unless it acts in a responsible ecological, ethical and social manner.

In its sustainability strategy, the Group aims to define objectives that are oriented towards its core business activities – for example, minimum standards for energy consumption, assessment of environmental risks, etc. – which are stringently pursued as part of sustainability management.

The Group respects internationally recognised human rights and supports compliance with them. We base our activities on the relevant requirements of the International Labour Organisation, conform at least to the minimum legal standards in each country or the minimum standards of the relevant industry sector in each country and guarantees 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 persuasion.

Further information on diversity and equal opportunities, as well as employer attractiveness and training programs at the Wirecard Group is published in the Group Non-Financial Report in accordance with Section 315b of the HGB, which is available on the company's website.

Leadership culture and cooperation

We have set ourselves the objective of offering our employees personal and professional prospects to promote outstanding performance and results. As a consequence, the Wirecard Group invests in the qualification 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.

5. Managers' transactions

Persons who perform management duties (at Wirecard AG this means the members of the Management Board and Supervisory Board), as well as persons closely related to them, are obligated in accordance with Article 19 of the Market Abuse Directive to report to the Federal Financial Supervisory Authority and the company their own dealings in the shares of the company or the debt instruments of the company or any associated derivatives or other associated financial instruments within three business days. However, this reporting obligation only applies if the total volume of the business dealings carried out by the affected person exceeds EUR 5,000 within one calendar year.

The transactions reported to the company in the 2018 fiscal year can be found on the website: ir.wirecard.com/corporate-governance.

In total, the members of the Management Board directly or indirectly held a 7,05 percent equity interest in the company as of 31 December 2018. Members of the Supervisory Board held no shares in the company as of 31 December 2018.

6. Regulations for promoting the participation of women in management positions in accordance with Sections 76 (4) and 111 (5) AktG

According to the “Law for the equal participation of women and men in leadership positions in the private and public sectors”, the Supervisory Board of the company must define targets for the proportion of women on the Management Board and Supervisory Board, while the Management Board of the company must define targets for the proportion of women in the two management levels below the Management Board. If the proportion of women at the time that each target is defined is less than 30%, the target value in each case for the proportion of women must not be lower than the level already achieved. At the same time, deadlines for the achievement of the targets must be defined, which must not be longer than five years.

In the 2017 financial year, the Supervisory Board and the Management Board of the company defined targets for the proportion of women on the Supervisory Board, Management Board and the first two management levels below the Management Board with a deadline of 30 June 2022. The level of achievement of these targets is reported below.

Targets for the proportion of women in management positions

	Target for 30 June 2022	Level achieved by 31 December 2018
Supervisory Board	2 women	3 women
Management Board	1 woman	1 woman
1st Management Level	30%	33%
2nd Management Level	30%	44%

Susanne Steidl was appointed as a member of the Management Board with effect from 1 January 2018. The current target of one female member of the Management Board has thus now been achieved. After member of the Supervisory Board Tina Kleingarn resigned her position on the Supervisory Board due to personal reasons with effect from the end of the 2017 fiscal year, two new members of the Supervisory Board were appointed (Dr. Anastassia Lauterbach and Susana Quintana-Plaza) so that the defined target of two women members was exceeded by the election of three women members. The Supervisory Board now has an equal number of male and female members.

7. Requirement profile and diversity concept for the composition of the Management Board and Supervisory Board

Management Board

a) Requirement profile and diversity aspects

The Supervisory Board of the company works together with the Management Board to ensure there is a long-term plan for succession on the Management Board. When examining candidates, the most important eligibility criteria in the opinion of the Supervisory Board are their professional qualifications for the position to be filled, convincing leadership qualities, previous performance and knowledge of the company and its business activities.

As part of this assessment to decide which personality will best complement the Management Board as a corporate body, the Supervisory Board also focuses on diversity. The decision-making criteria of diversity is understood by the Supervisory Board to mean, in particular, different and mutually complementary profiles, professional and personal experience – also in the international arena – and appropriate representation of women. The Supervisory Board also strives to maintain an appropriate mix of ages on the Management Board as it believes that this is another aspect of diversity that will complement the Management Board as a corporate body.

The requirement profile for the Management Board includes, in particular, the following aspects which are taken into account by the Supervisory Board when making an appointment to a specific position on the Management Board:

- The members of the Management Board should possess long-standing leadership experience, also at an international level where possible.
- The Management Board in its entirety should possess long-standing experience in the areas of electronic payment systems, sales, finance and human resources.
- At least two members of the Management Board should have technological training and qualifications in the area of IT.
- At least one member of the Management Board should have proven expertise and experience in the area of finance.
- To comply with the regulations in the “Law for the equal participation of women and men in leadership positions”, the Supervisory Board defined a target in the 2018 fiscal year for the proportion of women on the Management Board as one women and the deadline for achieving this target as 30 June 2022.
- In accordance with the recommendations of the German Corporate Governance Code, the general age limit for members of the Management Board has been defined as 62. An exception can be made in justified individual cases, e.g. to provide support for orderly succession planning.

When deciding which personality to appoint to a specific position on the Management Board, the Supervisory Board acts in the company's interest and takes appropriate account of all factors relevant to the circumstances in each individual case.

b) Aims of the requirement profile

The aim of the requirement profile for the Management Board of the company is to guarantee the most diverse and mutually complementary composition possible for a Management Board offering strong leadership. The Management Board in its entirety should possess the sound industry expertise and leadership experience that is required for the management of a globally active technology and financial services company so that it can optimally fulfil its duties and obligations according to the law, Articles of Association and rules of procedure.

Alongside complementary educational and career backgrounds and specialist qualifications, the Supervisory Board believes that the diversity accomplished through a range of different personal qualities and experiences – which are also influenced by gender and age – and the different perspectives these will bring is a decisive factor for the sustainable success and continuous development of the company.

c) Implementation method

In accordance with the legal regulations, the Supervisory Board is responsible for making appointments to the Management Board and for personnel and succession planning. The requirement profile described above and the diversity concept that it follows were agreed by the Supervisory Board in the 2017 fiscal year and act as the basis for the Supervisory Board to take decisions on appointments to specific Management Board positions and for long-term succession planning. In this context, the Supervisory Board is in continuous contact with the Management Board and actively monitors management personnel and their development with a view to their suitability as potential candidates for filling Management Board positions. In addition, the Supervisory Board monitors national and international markets with a view to identifying possible candidates outside of the company. When making specific appointments to Management Board positions, the Supervisory Board also holds, in particular, interviews with potential candidates to gain a personal impression of their professional and personal suitability. The aspects of diversity play an important role in the decision-making process. However, the most important consideration when making an appointment to a specific Management Board position is always the company's interest while taking account of all factors relevant to the circumstances in each individual case.

d) Results achieved in the 2018 fiscal year

In July 2017, the Supervisory Board appointed Susanne Steidl (born in 1971) as a member of the Management Board and as Chief Product Officer (CPO) with effect from 1 January 2018. As a business management graduate and long-standing manager and Executive Vice President who was responsible over the last few years for, amongst other things, the successful expansion of the company on the American market, Susanne Steidl possesses the best qualifications and international experience for the position. Alexander von Knoop was also appointed as a member of the Management Board and as Chief Financial Officer (CFO) with effect from 1 January 2018 as the successor to Burkhard Ley who left the Management Board at the end of the 2017 fiscal year. The Supervisory Board believes that Alexander von Knoop (born in 1972) is an ideal addition to the Management Board due to his business degree in the USA, his long-standing expertise in the area of accounting and his contribution to the expansion of the digital value added services of Wirecard Bank AG. The appointments of Susanne Steidl and Alexander von Knoop not only contribute greater gender diversity but also add fresh impetus and lower the average age of the members of the Management Board. The average age is currently 46 years old. By extending the appointments to the Management Board of the long-standing CEO Dr. Markus Braun and the long-standing Chief Operational Officer (COO) Jan Marsalek, it has also been ensured that the Group can continue to benefit from their performance and experience at the same time. In the opinion of the Supervisory Board, the current composition of the Management Board conforms to the requirement profile developed by the Supervisory Board for the composition of the Management Board.

Supervisory Board

a) Requirement profile and diversity aspects

The Supervisory Board of the company must be comprised in such a way that it can guarantee the provision of competent and qualified supervision of and advice to the Management Board.

For this purpose, the Supervisory Board has defined the following specific goals for its composition while taking into account the recommendations in the German Corporate Governance Code. These goals also include a competency profile developed by the Supervisory Board for the Supervisory Board in its entirety. In addition, they describe a concept that can be followed in order to achieve a diverse overall composition of the Supervisory Board.

(I) Requirements for the composition of the Supervisory Board in its entirety

(1) Competency profile for the Supervisory Board in its entirety

- The members of the Supervisory Board in their entirety must be familiar with the sector in which the Group operates in the sense of Section 100 (5) AktG.
- The Supervisory Board in its entirety must possess the knowledge, skills and specialist experience to properly perform the duties required of a Supervisory Board for a listed and globally active technology and financial services company.

In particular, this includes in-depth experience and knowledge in the following areas:

- Electronic payment systems
- IT and digitalisation
- Financial services
- Controlling/risk management
- Experience with mergers & acquisitions
- Board experience, ideally at a listed company
- Corporate and operational experience

It is not necessary that every individual member of the Supervisory Board possess all of the required specialist knowledge and experience. However, at least one of the members of the Supervisory Board should possess specialist knowledge and experience in every area.

At least one member of the Supervisory Board must have specific expertise in the area of accounting or auditing in the sense of Section 100 (5) AktG.

(2) Independence and potential conflicts of interest

- The Supervisory Board should have an appropriate number of independent members. Taking into account the current ownership structure, a least half of the members should be independent in the sense of Section 5.4.2 of the German Corporate Governance Code, i.e. they especially do not have any business or personal relationship with the company or its corporate bodies, with a controlling shareholder or one of its associated companies that could constitute a material and not just temporary conflict of interest.
- In addition, the Supervisory Board must not have as members more than two former members of the Management Board of the company.

(3) International experience

In light of the international business activities of the Group, an appropriate number of members of the Supervisory Board, although at least two members, must have long-standing international experience.

(4) Appropriate proportion of women

To comply with the regulations in the “Law for the equal participation of women and men in leadership positions”, the Supervisory Board defined a target in the 2017 fiscal year for the proportion of women on the Supervisory Board as two women and the deadline for achieving this target as 30 June 2022.

(5) Diversity

In the search for qualified personalities for the Supervisory Board, focus should also be placed on diversity so that the Supervisory Board is able to call on the broadest possible range of personalities, experience and specialist knowledge. When preparing election proposals for the Annual General Meeting, the extent to which different, mutually complementary specialist knowledge, educational backgrounds, professional and personal experiences and an appropriate mix of ages will benefit the work of the Supervisory Board should be taken into account in each individual case.

II. Requirements for the individual members of the Supervisory Board

(1) General requirement profile

- Every member of the Supervisory Board should possess general knowledge of the technology and financial services business or related sectors.
- Every member of the Supervisory Board must possess the required personality and integrity to perform their duties properly and be prepared to engage with the content to an appropriate extent.

(2) Availability

- Every member of the Supervisory Board must ensure that they can dedicate the required amount of time to properly perform their duties according to their Supervisory Board mandate. In particular, it is important to take into account that at least four, although generally at least six, ordinary meetings of the Supervisory Board are held each year. These require appropriate preparatory work in each case. Sufficient time must also be made available for examining the financial statements of the company and the consolidated financial statements. If required, additional extraordinary meetings may be necessary to handle special topics and pass resolutions outside of the ordinary meetings. The members are also required to be present in person at the Annual General Meeting.
- Members of the Supervisory Board who are also members of a management board at a listed company should generally not hold more than three supervisory board mandates in listed companies that are not in the group of companies in which they hold a management board function.

(3) Avoidance of potential conflicts of interest

Members of the Supervisory Board are not permitted to hold any board functions at or provide advisory services to any main competitor of the Wirecard Group.

(4) Length of service

In general, a member of the Supervisory Board should not hold their position without interruption for longer than 15 years. An exception to this general limitation can be made if it is in the company's interest, e.g. to follow one of the appointment objectives such as the appropriate representation of women, diversity within the specialist profiles or professional or personal experience.

(5) Age limit

Candidates for the Supervisory Board should generally not yet have reached 75 years of age at the time of their election. An exception can be made in justified cases, e.g. to provide support for orderly succession planning and if the candidate holds key functions or qualifications.

The Supervisory Board has defined a deadline of 30 June 2022 for the achievement of the diversity targets.

b) Aims of the requirement profile

The Supervisory Board in its entirety must by law be familiar with the sector in which the company is active.

The aim of the requirement profile for the Supervisory Board of the company is also to guarantee the most diverse, mutually complementary and balanced composition possible for the Supervisory Board. The Supervisory Board in its entirety should understand the business model of the Group and possess the required knowledge, skills and experience, especially in the previously mentioned specialist areas, to properly provide qualified supervision of and advice to the Management Board. Overall, the specialist knowledge and professional experience of the members of the Supervisory Board should complement each other so that the Supervisory Board can call on the broadest possible pool of experience and different specialist expertise. As a result, the Supervisory Board should be capable of critically questioning and assessing the strategy of the Management Board and its decisions. By stipulating that at least half of the members of the Supervisory Board should be independent, the independent performance of the advisory and supervisory duties will be promoted, unencumbered by any special interests and in compliance with international, and also domestic, expectations of good governance. The same objective is also served by the objective that no more than two former members of the Management Board should serve on the Supervisory Board and that members of the Supervisory Board should not hold any board functions or provide advisory services to any main competitor of the Wirecard

Group. As is also the case for the composition of the Management Board, the Supervisory Board believes that a diverse range of different personal qualities and experiences and the different perspectives associated with them are a decisive factor for the competent and sound performance of the duties of the Supervisory Board. Against this background, the Supervisory Board of the company has set an ambitious target of at least two women members, which corresponds to a ratio of 33% percent in a Supervisory Board consisting of six members.

By setting a limit for the length of service on the Supervisory Board and also an age limit, the aim is to ensure that the regular replacement of members will enrich the Supervisory Board with new impetus, perspectives and experience and thus make a contribution to the continuous growth of the company.

c) Implementation method

In accordance with the legal regulations, the Supervisory Board must present its election proposals for the election of members of the Supervisory Board to the Annual General Meeting. The Supervisory Board takes into account the requirement profile described above and the diversity concept that it follows when making each of its election proposals. However, the most important consideration when proposing a particular candidate for election to the Supervisory Board is always the company's interest while taking account of all factors relevant to the circumstances in each individual case. In accordance with the recommendation in Section 5.4.1 Clause 8 of the DCGK, the progress made in the implementation is published annually in the Corporate Governance Report for all interested stakeholders.

d) Results achieved in the 2018 fiscal year

The Supervisory Board believes that its composition as of 31 December 2018 fulfils the requirement profile described above for the Supervisory Board in its entirety and the individual members, especially in relation to the in-depth experience and knowledge of the specialist areas. All members of the Supervisory Board are independent in the sense of the definition found in the German Corporate Governance Code. As of 31 December 2018, the Supervisory Board did not have any former members of the Management Board as members nor any members that hold any board functions or provide advisory services to any main competitor of the Group. None of the current members of the Supervisory Board is older than 75 years old. No member of the Supervisory Board has held their position for longer than 15 years. As of 31 December 2018, three women were members of the Supervisory Board (Vuyiswa M'Cwabeni, Dr. Anastassia Lauterbach and Susana Quintana-Plaza) so that the defined target of two women members of the Supervisory Board was exceeded and there are now an equal number of male and female members.

Wirecard stock

The leading German DAX index fell by 18.3 percent in the reporting year (2017: +12.5 percent). The TecDAX fell by 3.1 percent (2017: +39.6 percent).

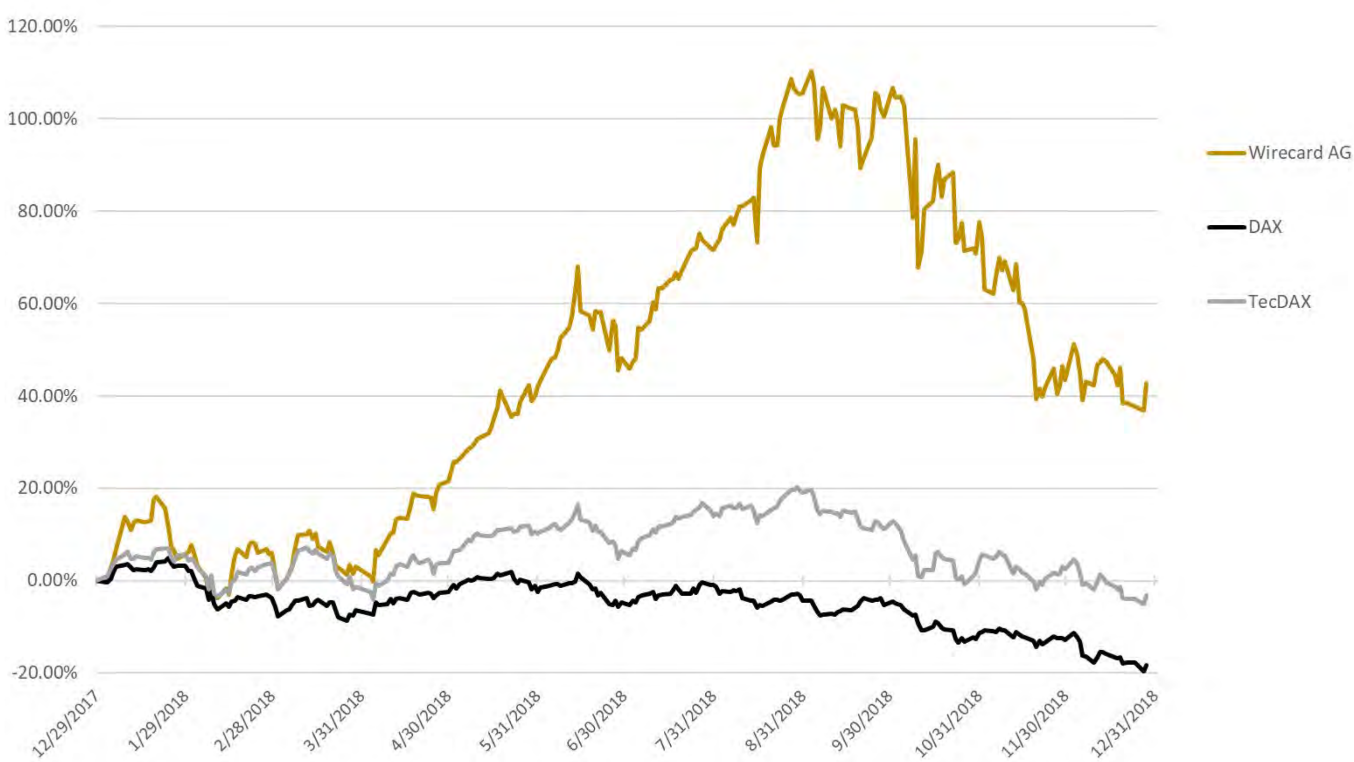
In contrast, the Wirecard share rose by 42.7 percent in the 2018 reporting year (2017: 127.6 percent) and reached a new all-time high of EUR 195.75 on 3 September 2018.

Wirecard AG joined the DAX 30 index on 24 September 2018. This was announced by Deutsche Börse on 5 September 2018.

After taking into account the dividends paid out in June 2018 for the 2017 fiscal year of EUR 0.18 per share (2016 fiscal year: EUR 0.16), there was a total shareholder return of 42.9 percent (2016: 128.2 percent).

Around 186 million (2017: 132 million) Wirecard shares were traded in total on the electronic XETRA trading platform. This corresponds to an average trading volume of 740 thousand (2017: 521 thousand) shares per day.

Development of the Wirecard stock during the year



Performance in percent

	1 year 2018	5 years 2014 – 2018	10 years 2009 – 2018
Wirecard AG (excluding dividend)	+42,7	+362,5	+3.115,5
DAX (performance-index)	-18,3	+10,5	+119,5
TecDAX (performance-index)	-3,1	+110,0	+382,0

Dividends

The Management and Supervisory Boards will propose to this year's Annual General Meeting that a dividend of EUR 0.20 per share is paid to shareholders (2017: EUR 0.18). This corresponds to EUR 24.71 m (2017: EUR 22,24).

Annual General Meeting

Wirecard AG’s ordinary Annual General Meeting was held on 21 June 2018 in the Conference Centre of the Hanns Seidel Foundation in Munich. All of the agenda items were passed with a large majority.

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

KPIs for Wirecard's shares

		2018	2017
Number of shares (31.12.) - all dividend-entitled		123,565,586	123,565,586
Share capital (31.12.)	EUR million	123.57	123.57
Market capitalisation (31.12.)	EUR billion	16.41	11.50
Year-end price (31.12.)	EUR	132.80	93.07
Year-high	EUR	195.75	94.60
Year-low	EUR	89.48	40.65
Earnings per share (basic and diluted)	EUR	2.81	2.07
Shareholder's equity per share (basic and diluted)	EUR	15.56	13.31
Dividend per share	EUR	0.18	0.16
Total dividend payout	EUR million	24.71	19.77

Price data: XETRA closing prices

*For the preceding fiscal year

Investor Relations

In 2018, the main topics of communication with the capital markets included Wirecard’s innovation and growth strategies. The Capital Markets Day / Innovation Day was held in London on 9 October 2018. Wirecard presented its future strategy and vision for the company.

Alongside the core business of the company, new innovations such as the Wirecard Omnichannel ePOS Suite continued to be the focus of numerous discussions with analysts and investors. The Management Board and Investor Relations 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 29 analysts from renowned banks and independent research institutions were closely observing the Wirecard share. The overwhelming majority (24 analysts) issued a recommendation to buy, 4 a recommendation to hold and only 1 a recommendation to sell.

Further information is available on the Internet at ir.wirecard.com.

Shareholder structure

Most of the 92.95 percent free float as of the reporting date of 31/12/2018 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, as is also expressed in our Corporate Governance Statement. Other 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:	DAX, TecDAX	
Aktienart:	No-par-value common bearer shares	
Stock exchange ticker:	WDI; Reuters: WDIG.DE; Bloomberg: WDI@GR	
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 2018:	kEUR 123,566	
Beginning of stock market listing:	25 October 2000	
Management Board as of 31 Dec 2018:	Dr. Markus Braun	CEO, CTO
	Alexander von Knoop	CFO
	Jan Marsalek	COO
	Susanne Steidl	CPO
Supervisory Board as of 31 Dec 2018:	Wulf Matthias	Chairman
	Alfons W. Henseler	Deputy Chairman
	Stefan Klestil	Member
	Dr. Anastassia Lauterbach	Member
	Vuyiswa V. M'Cwabeni	Member
	Susana Quintana-Plaza	Member
Shareholder structure* as of 31 Dec 2018:	7,05% MB Beteiligungsgesellschaft mbH	
	92,95% Freefloat (gemäß Definition der Deutschen Börse), davon	
	6.7% BlackRock Inc (US)	
	5,1% Jupiter Asset Management Ltd. (UK)	
	4.93% Citigroup Inc (US)	
	3.0% Artisan Partners Asset Management Inc. (US)	

*Shareholders holding more than 3% of voting rights

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I. Foundations of the Group

1. Group and employees

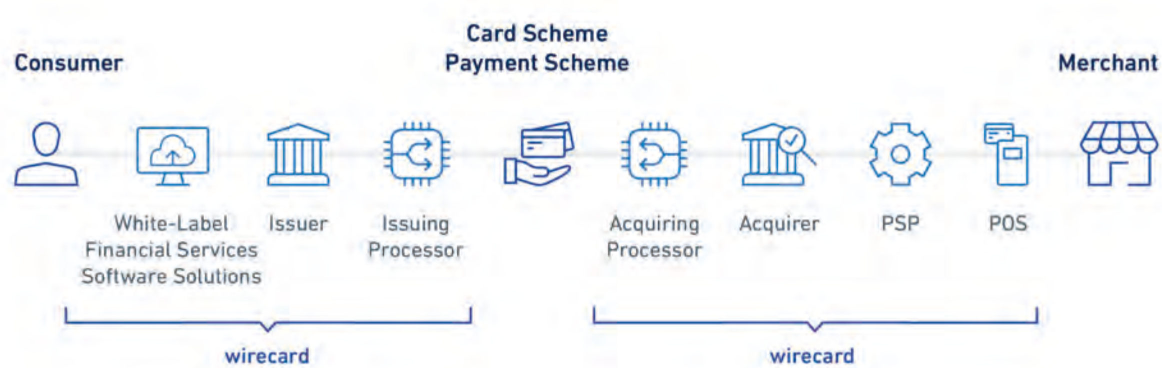
1.1 Group structure and group environment

The Wirecard (hereafter also referred to as the Group) is a global technology group that supports its customers and partners in accepting electronic payments from all sales channels and also in the issuing of payment instruments. As a leading international independent supplier, Wirecard offers outsourcing and white label solutions for electronic payments. International payment acceptances and methods with supplementary fraud prevention solutions, as well as card issuing, can be provided via a global platform.

The acquiring and issuing services are linked with one another via the integrated platform and are made accessible via Internet technology (APIs). With regard to issuing own payment instruments in the form of cards or mobile payment solutions, Wirecard provides companies with an end-to-end infrastructure, including the requisite licences for card and account products. The uniform platform approach and seamlessly integrated value added services such as data analytics, customer loyalty programmes and digital banking services support customers and partners of Wirecard to successfully master the challenges of digitalisation.

Group environment and competitive position

Wirecard plays a part in 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 by means of secure payment processes. Transactions between consumers and retailers can be processed via all sales channels in real time using credit card networks or alternative payment processes such as direct debit, invoices and hire-purchase agreements, e-wallets, Alipay or WeChat Pay. Alongside consumers, retailers and card networks or suppliers of alternative payment systems, this process involves above all payment service providers (PSP), financial services institutions for the acceptance of card payments and card issuing institutions:



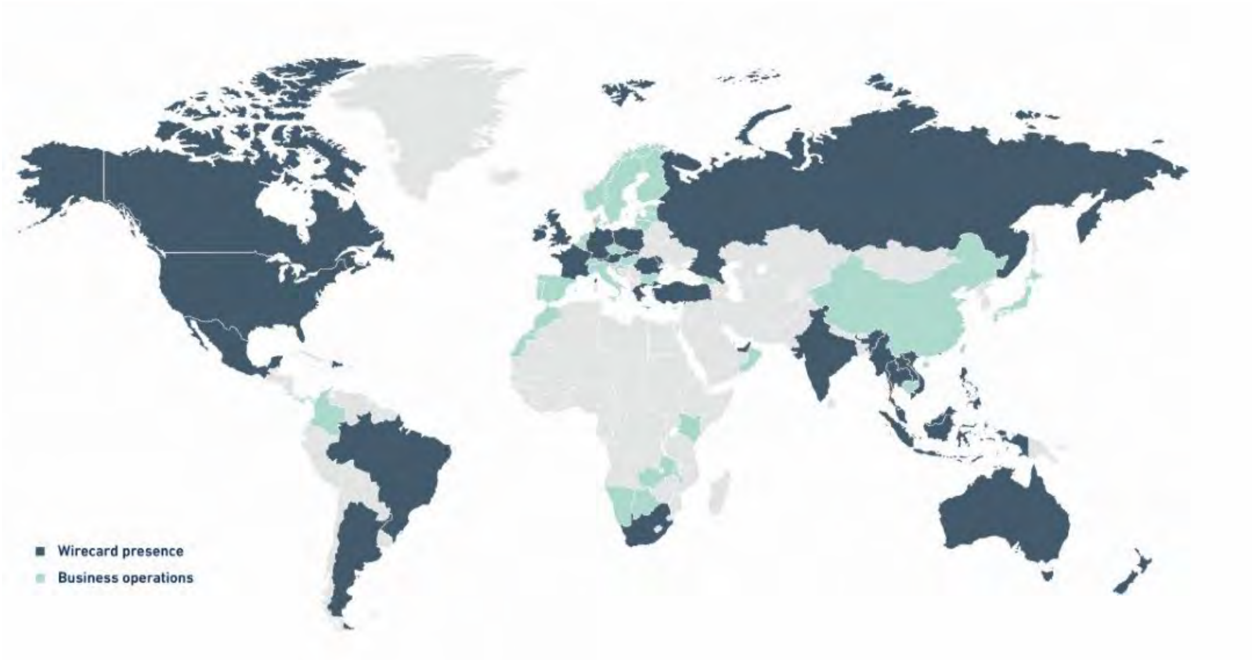
Credit card companies or suppliers of alternative types of payment provide secure networks or solutions for electronic transactions. Customers want to simply and securely conclude their transactions in real time and possess for this purpose a card product from a card issuing institution (issuer) or use 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. Only licensed financial services companies are permitted to offer issuing or acquiring services and thus to carry out the associated transfers of funds. 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.

Irrespective of the sales channel, Wirecard offers services across all areas of electronic payments to its customers and partners. While there are numerous local and regional 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 and by combining all services on an integrated platform solution. International customers with complex business models can be supported in all areas of electronic payment transactions. Wirecard enables retailers to reduce the complexity of electronic payment to a minimum and to optimise sales processes by integrating all services from payment processing, risk management and fraud prevention, value added services and card acceptance via its own and third party financial institutions through to banking services such as treasury and currency management. Additional digital services in the area of data analytics, customer loyalty programmes and financial services provide retailers with an insight into consumer behaviour and enable them to develop personalised offers.

Wirecard provides companies and consumers with physical and virtual card products, as well as all services dealing with the issuing of payment instruments, all on the same platform. 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. Products, services and value added services in the area of issuing and acceptance can be combined to reduce the complexity of the electronic payment process and all downstream processes to a minimum for retailers and to help them realise synergies with respect to processing, costs and data.

Global presence

The Wirecard Group provides its international and globally active customers and partners with local support via its regional sites for technology, services and sales which are located around the world. Wirecard's global presence covers Europe, the Asia-Pacific region, Latin America, North America, and the Middle East / Africa. The core European markets are Germany, France, Great Britain, Ireland, Austria and Romania. The global presence of Wirecard is structured around five key locations, to which smaller locations in other countries are assigned. These are the Group headquarters in Aschheim for Europe, Singapore for the Asia-Pacific region, São Paulo for Latin America, Conshohocken (Philadelphia) for North America and Dubai for the Middle East / Africa.



Organisational structure

The organisational structure of the Wirecard Group reflects the interconnection of technology and financial services. The Group parent company Wirecard AG, headquartered in Aschheim near Munich, assumes responsibility for Strategic Corporate Planning and the central tasks of Human Resources, Legal, Treasury, Controlling, Accounting, Group Audit and Group Compliance, M&A, Strategic Alliances and Business Development, Corporate Risk Management, Corporate Communications and Investor Relations, as well as Facility Management. The holding company also manages the acquisition and management of participating interests.

The core task of the operation and modular development of the platform is the responsibility, in particular, of the technology-oriented subsidiaries in Munich (Germany), Kosice (Slovakia), São Paulo (Brazil), Chennai (India) and Dubai (United Arab Emirates). The area of Professional Services at these technology-oriented subsidiaries supports the set-up process for large customers and interface integration. The innovation department Wirecard Labs orientates the innovation strategy for the Group towards the technology-oriented subsidiaries.

The subsidiaries that specialise in financial services hold the licenses for banking services, money transfers or e-money, as well as the memberships of global credit card companies, such as Visa, Mastercard and other credit card companies, and also providers of alternative payment processes. In addition, these subsidiaries are responsible for the areas of merchant compliance, risk management and underwriting.

Wirecard markets its products and solutions via its sales locations worldwide. They are closely linked with the technology-oriented subsidiaries and those specialising in financial services. The sales activities are structured globally around the target sectors of consumer goods, digital goods and travel and mobility. Experts in each sector are based in Aschheim and also at the international sales branches. The way in which the sales structure is aligned towards the customer sectors ensures expertise in each sector. This is turn guarantees a targeted sales approach and a high level of problem-solving skills, which increases sales success.

The value added chain served by the Group is completed by Wirecard Communication Services GmbH based in Leipzig, Germany. This subsidiary offers call centre and communication services internally within the Group and sells these to the customers of Wirecard.

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

Changes to the Group structure in the reporting period

During the course of the 2018 fiscal year, the group structure changed mainly as a result of the integration of acquisitions. No new acquisitions were made in 2018, but acquisitions initiated in previous years were integrated.

On 13 March 2017, Wirecard and the Citigroup subsidiaries CITIBANK, N.A. and CITIBANK OVERSEAS INVESTMENT CORPORATION agreed the acquisition by Wirecard AG of the customer portfolios of Citi's credit card acceptance business in eleven Asian-Pacific markets. The transaction involved all customer portfolios in the area of credit card acceptance in Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand. The portfolios that will be acquired comprise a long-standing customer base of more than 20,000 retailers, particularly from the travel and mobility sector, the financial services sector, luxury goods, retail trade and technology and telecommunications. The closing of the acquisition is due to be completed in several stages in each country in 2019. The acquisition of the customer portfolio for Malaysia was concluded on 31 January 2018, the acquisition of the customer portfolio for India was concluded on 31 August 2018 and the acquisition of the customer portfolios for Australia and New Zealand were concluded on 25 October 2018 and the portfolios were consolidated at the same point in time in each case.

As part of the organic expansion of the Group’s global presence, strengthening of sales activities and restructuring within the Group, the following companies were newly founded in the 2018 fiscal year: Wirecard Slovakia s.r.o., Kosice (Slovakia), Wirecard LLC, Moscow (Russia), Wirecard Luxembourg S.A., (Luxembourg), Wirecard Payment Services (Namibia) (Pty) Ltd, Windhoek (Namibia).

One of the reasons for founding Wirecard Luxembourg S.A., based in Luxembourg, is the expected exit of the United Kingdom of the European Union (Brexit) and its impact on the operating business of Wirecard Card Solutions Ltd, Newcastle (Great Britain), which is to be taken over in part by the new company.

Please refer to chapter 1 in the notes to the consolidated financial statements for further details on the legal structure of Wirecard, changes to the Group structure and a full list of all consolidated subsidiaries in the Group.

Group management and supervision

The Management Board is responsible for the management of the Group. It had four members as of 31 December 2018:

- Dr. Markus Braun, CEO
- Alexander von Knoop, CFO
- Jan Marsalek, COO
- Susanne Steidl, CPO

The Supervisory Board of Wirecard AG had six members as of 31 December 2018:

- Wulf Matthias, Chairman
- Alfons Henseler, Deputy Chairman
- Stefan Klestil, Member
- Dr. Anastassia Lauterbach, Member
- Vuyiswa V. M’Cwabeni, Member
- Susana Quintana-Plaza, Member

Tina Kleingarn stepped down from the Supervisory Board of Wirecard with effect from 31 December 2017. Dr. Anastassia Lauterbach joined the Supervisory Board as her successor on 21 June 2018. In accordance with a resolution passed by the Annual General Meeting on 21 June 2018, the number of members on the Supervisory Board in the Articles of Incorporation was increased from five to six and Susana Quintana-Plaza joined the Supervisory Board of Wirecard AG with effect from 26 June 2018.

The remuneration scheme for the Management Board consists of fixed and variable components, while the remuneration scheme for the Supervisory Board consists of fixed components. Further information can be found in the Corporate Governance Report.

Reporting segments

The Group reports on its business performance in three segments, which are closely interconnected with one another operationally:

Payment Processing & Risk Management (PP&RM)

The largest Group segment Payment Processing & Risk Management (PP&RM) accounts for all products and services related to electronic payment processing, risk management and other value added services. The business activities of the companies in the Wirecard Group included in the Payment Processing & Risk Management reporting segment exclusively comprise products and services that are involved with acceptance or transactions and the processing of electronic payments and associated processes.

Acquiring & Issuing (A&I)

The Acquiring & Issuing (A&I) segment completes and extends the value chain of Wirecard. In the acquiring business, 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 cards and Girocard/Maestro cards.

Call Center & Communication Services (CC&CS)

The complete scope of the value added services offered by our call centre activities in the area of language and text-based dialogue systems (Interactive Voice Response and Chatbots) is reported in the Call Center & Communication Services (CC&CS) segment. In addition, Call Center & Communication Services are also provided in the range of cardholder services offered for Wirecard solutions such as boon, mycard2go and Orange Cash, as well as for after sales care of our customers and for mailing activities.

1.2 Mitarbeiter

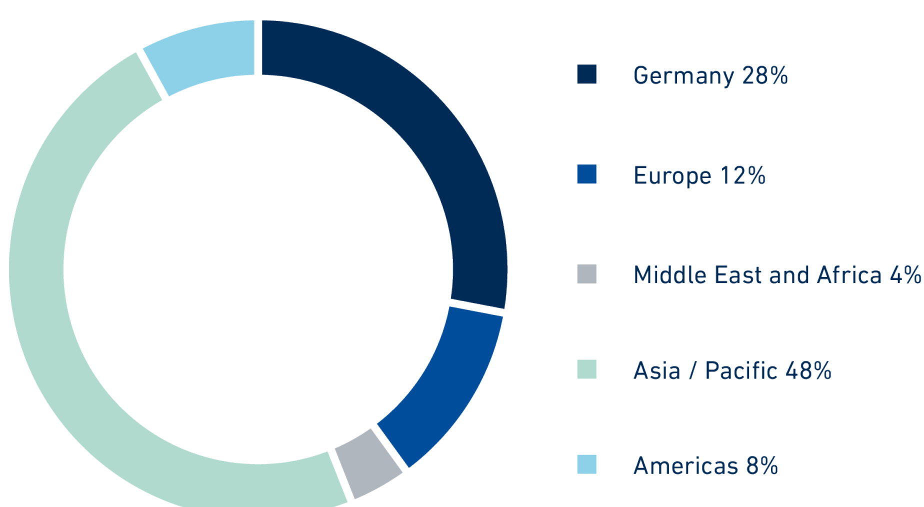
The highly qualified and international employees of Wirecard play a significant role in the success of the business across all areas of the Group. Their effort and commitment make it possible for Wirecard to be a driver of innovation and thus position itself as the leading specialist for services within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

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, human resources development, the retention of personnel and diversity.

The Group employed an average of 5,154 employees (2017: 4,449), excluding members of the Management Board of Wirecard AG and trainees, during the course of the 2018 fiscal year. 86 (2017: 75) of these were employed by a subsidiary as members of the Management Board or as managing directors as of 31 December 2018. The increase in the average number of employees is mainly due to the organic growth of the Group. The 5,369 employees of the Group (previous year: 4,692) were distributed across the following regions on the reporting date of 31 December 2018:

- Germany: 1,518 (2017: 1,388)
- Europe excluding Germany: 669 (2017: 567)
- Asia / Pacific (APAC): 2,551 (2017: 2,173)
- Middle East and Africa (MEA): 217 (2017: 194)
- Americas (AMER): 414 (2017: 370)

Mitarbeiter nach Regionen (Werte gerundet)

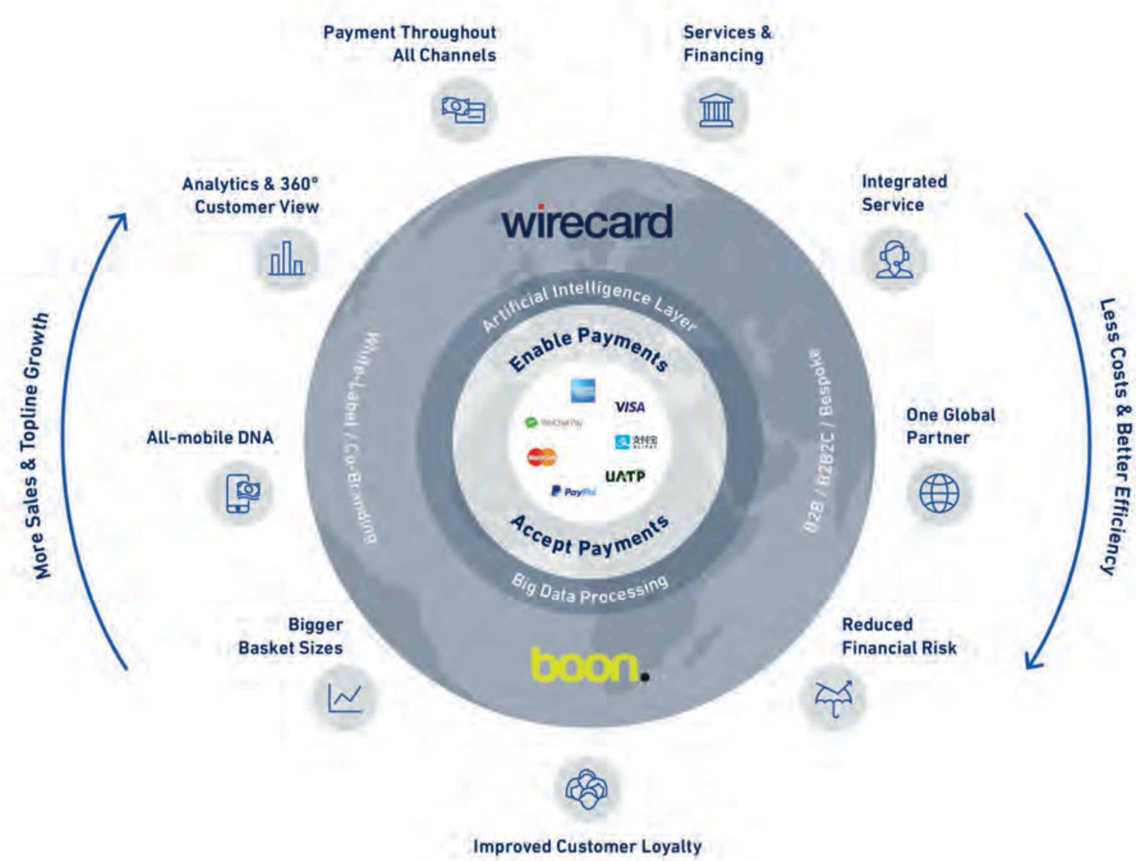


2. Business activities and products

2.1 Business activities

Overview

As one of the world's leading technology companies for electronic payment processing and payment solutions, Wirecard provides tailor-made and comprehensive digital solutions within the entire payment ecosystem for all sales channels:



Wirecard covers it core business in the area of electronic payment processing, which includes payment acceptance, issuing, digital banking and value added services, through its diverse range of products and services along the entire value added chain and the combination of software services and banking products, and also links them with new product innovations. In doing so, we provide our customers with, in particular, innovations for the digitalisation of bricks and mortar trade, omnichannel solutions and expanded mobile payment functions. Supplementary digital value added services such as data analytics tools or transaction and retail banking services round off the range of services on the platform.

In the area of payment processing and acceptance, the global multi-channel platform provides local and international payment methods in all important currencies together with corresponding fraud-prevention solutions. We use our technological expertise and our integrated, digital platform to support our customers and partners to reproduce and set up their payment infrastructure in all sales channels and integrate further innovative value added services.

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

Furthermore, new functions and value added services are being continuously added to our own mobile payment solution boon, which is available in various European countries and is not tied to any bank. Newly developed functions include, for example, the integration of virtual cards as payment methods in e-commerce, the use of touch IDs and the provision of micro loans.

Business model

Central to the 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 banking services, as well as other services, is what makes Wirecard a unique partner for customers of all sizes and from all sectors.

USPs

Unique selling points include the combination of technology with financial products, the global orientation of the payment platform and innovative and digitalised 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 relationships with providers of goods or services on the Internet and in bricks and mortar trade who handle their electronic payment processes via Wirecard. As a result, technical services for the processing and risk analysis of payment transactions, as performed by a payment services provider, and payment acceptance performed by licensed entities, are closely interlinked.

Alongside the core business, coverage of the entire payment value chain within the Group makes it possible to address additional business fields. Wirecard enters into strategic partnerships and business relationships with banks and FinTech companies through Wirecard Bank AG, Wirecard Card Solutions Ltd. In the UK and other licensed companies primarily in Asia. Alongside the relevant licences and legal framework, Wirecard also provides products and solutions from the areas of electronic payment processing, Internet-based banking services, issuing, risk management and technological expertise.

Alongside the core services from the transaction-oriented business model, Wirecard also finances loans in individual cases. The lenders are generally external third parties, i.e. private consumers or companies, on a case-by-case basis also the FinTech itself. The loans are issued according to strict rules and internal bank guidelines. The risk of default is minimised using loan collateral.

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 sector comprises companies of various dimensions, from start-ups through to major international corporate groups. They include Internet pure players, multi-channel retailers, teleshopping retailers and traditional bricks and mortar retailers. The industry segments are highly varied: from traditional industries such as clothing, shoes, sports equipment, books, entertainment systems, computer/IT peripherals, furniture/fittings, tickets and cosmetics 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.

2.2 Products and Solutions

Wirecard supports companies across all areas of electronic payment processing and acceptance, the issuing of payment instruments and through valuable, associated additional services such as data analytics or transaction and retail banking services. All of the services required for this purpose are offered worldwide within the Wirecard Group. Wirecard's global platform solution based on Internet technology enables acquiring and issuing services to be linked with digital value added services according to individual needs. As a result, it is possible to offer customers and partners a full range of products and services within the payment ecosystem that has been individually tailored to their requirements. Payment processing and the issuing of payment instruments can be offered across all sales channels, whether online, mobile or digitally in the bricks and mortar trade, and combined with risk management and additional services. Thanks to the flexible structure of the platform, Wirecard is the ideal partner for supporting customers when taking on the challenges posed by digitalisation.

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 and country-specific, alternative payment and debit card systems) provides technical payment processing including integrated risk and fraud management systems. The Wirecard platform also enables acquirers and credit card institutions to utilise powerful and individually tailored acquiring processing services as white label solutions.

In addition, 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.

Wirecard supports all sales channels using an omnichannel approach which is consistently implemented in the platform. Transactions are processed via the central platform irrespective of the location of the payment (retail store, Internet shop, mobile application, telephone, e-mail, etc.). The payment data are transferred to the central platform via payment pages integrated into the retailer's website, via shop plugins, via Application Programming Interfaces (APIs) integrated to connect to checkout systems in bricks-and-mortar retail and via SDKs (Software Developer Kits) integrated into the mobile app or the ePOS app. These services enable the retailer to offer a consistent sales process for goods and services directly from a mobile application, a website and via voice commerce. At the point-of-sale, Wirecard processes payment via traditional POS terminals and also mPOS terminals, i.e. via mobile card readers, which are combined with a smartphone or tablet so that these devices can be used as mobile electronic card terminals. Modern, Internet-enabled checkout systems can also be directly connected to the payment interfaces. Retailers can thus flexibly design all of their business processes from various sales channels and monitor and optimise them with the help of real-time reporting and business intelligence tools. This includes, amongst other things, self-learning analyses in the areas of customer conversion optimisation, customer value and customer migration rates. As the platform architecture is Internet-based, 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.

Payment acceptance solutions – payment acceptance/ credit card acquiring

The technical services that retailers use for payment processing and risk management are mostly used in combination with the acquiring services offered by Wirecard Bank AG, other licensed entities within the Wirecard Group or third party financial services partners.

In addition to the Principal Membership held with the credit card companies Visa and MasterCard, acquiring licence agreements are also in place with JCB, American Express, Discover/Diners and UnionPay. Furthermore, our acquiring licensing agreements for alternative payment methods will be further expanded to offer customers the most personalised and convenient payment process possible. Banking services such as foreign exchange management supplement the financial processes.

Issuing solutions

Wirecard supplies the technical services for the issuing of various card products such as credit, debit and prepaid cards. The range of products and services includes the management of card accounts, the processing of card transactions (issuing processing), seamless real-time integration into core banking systems, peer-to-peer money transfer functions, top up functions, integrated loyalty and couponing solutions and data analytics tools. Alongside its own brand boon., Wirecard enables its customers and partners to issue cards in the form of contactless and contact-based products, as well as mobile solutions for payment in the bricks and mortar trade, e-commerce or via in-app payments. Purely virtual cards for use in e-commerce are also available.

Mobile wallets or mobile payment apps enable contactless payment via smartphones using near field communication technology (NFC). The encrypted card data is saved via the Apple, Google or Samsung wallet with the aid of so-called “tokenisation processes” by which the original card number is replaced by a token. The user pays by holding their device against a card terminal, which enables contactless payments. 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.

New functions and value added services are being continuously added to boon. – Wirecard’s mobile payment app and, according to its own assessment, Europe’s fastest growing mobile payment solution. It contains a fully digital credit card and now supports not only Apple Pay but also Google Pay, Garmin Pay and Fitbit Pay. The boon app, which has a modern design and the latest usability features, enables customers to make contactless payments with their smart device at the checkout, shop online or transfer money to family and friends.

Standardised white label solutions are available for companies who need to regularly make payouts for wages, refunds or one-off payments and also for multi-currency cards for tourists, virtual instant cards and more.

Issuing licenses

The technical issuing services provided under brand names or as white label solutions for other brands, FinTechs or even banks are usually provided in combination with the issuing licences from Wirecard Bank AG, other licensed entities within the Wirecard Group or third party financial services partners. Wirecard has issuing licences from Visa and MasterCard, an e-money license and a full banking licence for the SEPA region, as well as e-money licences for Turkey, the Philippines and Singapore.

Value added services/card linked offers/couponing and loyalty

Customer loyalty systems provide retailers and partners with opportunities for personally addressing customers, target group-oriented advertising, messages about customised offers and vouchers and customer loyalty programmes. Fully in line with the trend towards digitalisation and 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 and Loyalty System in the software platform supports various different types of campaign and redemption mechanisms, such as goal-driven campaigns, stamp cards, coupons and cashback. The central solution enables bricks and mortar retailers to digitalise numerous areas such as payments, data collection or couponing and loyalty and access them in real time. Data-driven services and products supplement the already established range of couponing and loyalty solutions and enable customer segmentation, the avoidance of customer migration and a targeted sales approach via mobile channels on the basis of the generated payment data from the areas of acceptance and issuing.

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) utilises rules and decision-making logic based on artificial intelligence. Decisions about the acceptance or rejection of transactions are taken in milliseconds based on historical data in combination with dynamic real-time checks. 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. Wirecard's Business Intelligence Tool enables operators of online shops to individually adapt their risk management settings to user-specific templates and follow all relevant key performance indicators (KPI) in real time.

3. Objectives, strategy and corporate management

3.1 Financial and non-financial targets

Wirecard's technology-driven services and our goal to be at the forefront of dynamically progressing technological developments in the area of digital payments make it possible for our customers and partners to benefit from the digitalisation of the payment process. By linking payment processing and acceptance with innovative and digital issuing solutions and associated value added services such as data analytics, currency conversion services, other digital banking services in the retail sector and transaction banking and loyalty programmes, Wirecard is able to offer its customers a full range of products and services within the entire payment ecosystem all from one source irrespective of the sales channel. Other value added services such as e.g. tax refunds (tax free sales) can be very easily connected to the Wirecard platform and seamlessly integrated into the payment process.

Sustainable, income-oriented company growth lies 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).

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.

Additional financial objectives are presented in the Management Report, III. Forecast and report on opportunities and risks.

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. The aim is to push forward 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 is being driven by digitalisation. 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 Group continuously assesses its strategic decisions according to the aspects outlined above. The aim is to leverage Wirecard's fundamental strengths in order to continue to increase earnings in the next two years. At the same time, our aim is to help our customers combat an increasingly complex environment using innovative solutions so that they can secure and increase 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 unanticipated events.

Sustainabilityt

Wirecard 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 plays an increasingly significant role in upholding stakeholder value, as well as the company's corporate social responsibility (CSR).

The non-financial report for the 2018 financial year, which includes all material non-financial aspects for the Group as well as an explanation of the corporate objectives associated with the economic, ecological and social issues. This non-financial report is published and available on our website at: ir.wirecard.de/finanzberichte**.**

3.2 Group strategy

Strategic developments in the 2018 fiscal year

With operating earnings before interest, tax, depreciation and amortisation of EUR 560.5 million, Wirecard achieved its targets. The strategy which principally follows organic growth, as well as further primarily organic expansion in global growth markets, was successfully implemented. The Management Board and employees have exploited scaling potential, maximised value added and continued to push forward the internationalisation of the Group. The EBITDA margin describes EBITDA in relation to revenues and stood at 27.8 percent for the full 2018 fiscal year (2017: 27.6 percent).

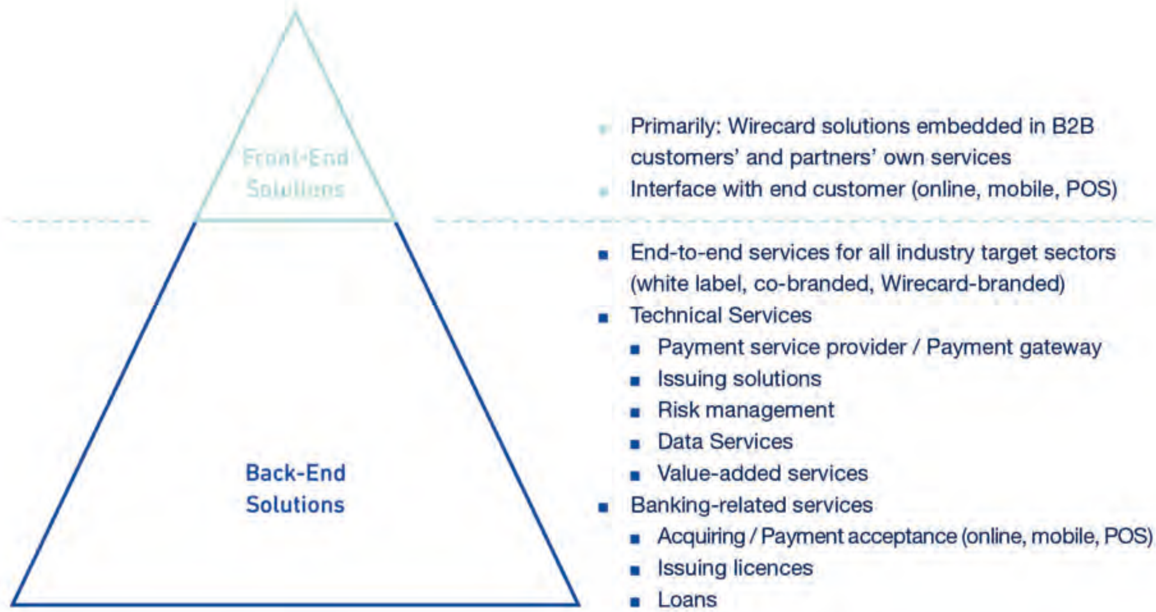
As part of the global growth strategy, Wirecard is striving to establish a worldwide network of service, technology and sales locations. Through the acquisition of the prepaid card business of Citigroup in the USA and the customer portfolio for card acceptance of Citigroup in the Asia-Pacific region (APAC), the Group has come a significant step closer to realising this vision. These two transactions have significantly extended the company's geographical scope and will act as the basis for the expansion of the available licensing framework. In future, the goal is to further expand the existing licences for the issuing of card instruments and payment acceptance in selected countries and to push forward the expansion of our digital platform solution.

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

The Management Board of Wirecard plans, implements and monitors the strategy. Based on the financial and non-financial targets described in the previous chapter, the strategy 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: Provision of a flexible platform, integration and expansion of the payment value added chain to include innovative value added services and the globalisation of the business model.

Integration und Erweiterung der Payment-Wertschöpfungskette um innovative Mehrwertdienste

Wirecard offers its customers the full value added chain through its products and solutions – across all areas of electronic payment processing and acceptance – and through the issuing of card products. The resulting complete range of services for all industries makes it possible to significantly reduce the complexity of electronic payment for the customers of Wirecard. By integrating all back-end processes in the Group and via the front-end solutions offered primarily on a white label basis, the conditions are created for exploiting 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 as shown in the graphic below:



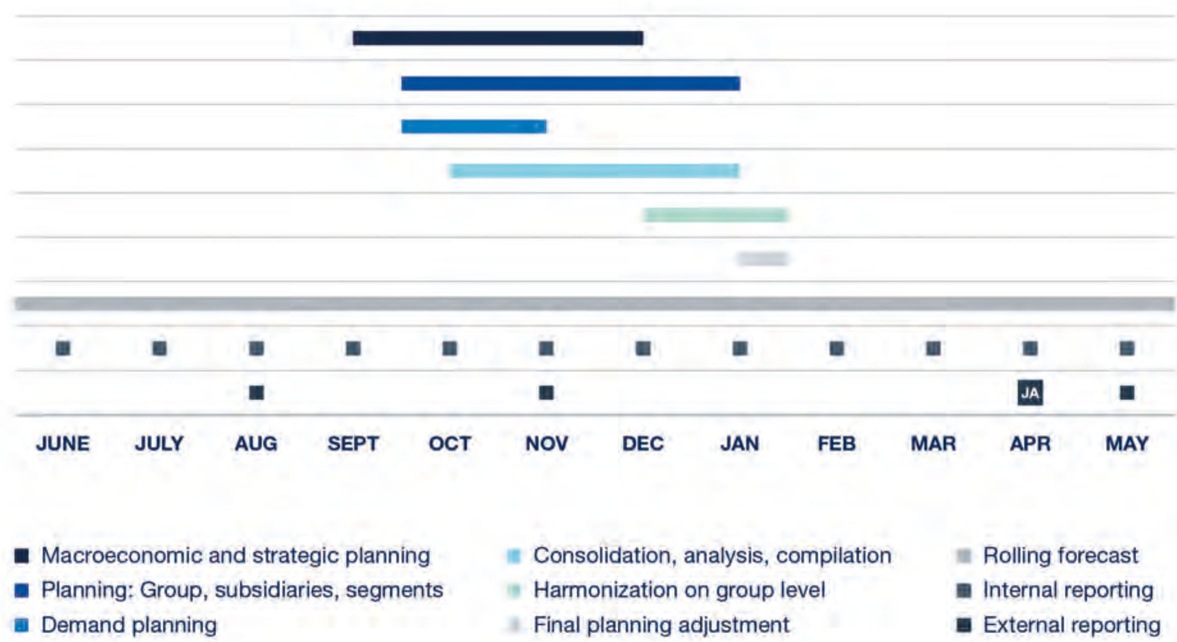
The anticipation of future developments and pushing forward innovations is deeply anchored in the Wirecard strategy. The comprehensive range of products and solutions is based on a highly scalable software platform that is linked to banking services, risk management services and value added services such as data analytics and financial services. The area of research and development remains an important pillar for also achieving above-average growth in the future as a driver of innovation.

Globalisation of the business model

The internationalisation of e-commerce and the associated level of complexity in the area of payments 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, who at the same time can minimise fraud and risk for retailers and who can offer full payment solutions all from one source.

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 areas of risk management, data services, value added services and issuing. The Group will now focus on primarily organic growth in its core markets. A global network of service and technical locations has been established over the last few years also through acquisitions. Alongside the continued organic development of Wirecard's global presence, selected acquisitions will form part of the growth strategy in future in order to also strengthen some international markets and complete the existing regional payment value chain. Acquisition opportunities will be reviewed according to a conservative M&A strategy. In particular, acquisitions could serve to achieve the goal of processing significant additional transaction volumes via the Wirecard platform. The strategy envisages providing customers of Wirecard with excellent quality and access to technology and services that can be readily provided through the company's presence on all continents.

3.3 Corporate management



In order to achieve the corporate targets (Management Report, I. Foundations of the Group, Chapter 3.1 Financial and non-financial targets), the planning and reporting system of Wirecard supports and secures the successful implementation of the strategy formulated by the Management Board (Management Report, I. Foundations of the Group, Chapter 3.2 Group strategy).

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 are supplemented to reflect new accounting standards, new product developments and changes 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 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 statement of financial position 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 make it possible to measure whether the various corporate targets have been or will be achieved.

Monthly reporting and ongoing analyses are the central steering elements used in controlling. Changes in business trends are identified at an early stage through continuous monthly comparisons of the 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. It is thus an important component underlying Wirecard's sustainable growth.

4. Research and development

The customer-oriented and innovative research and development activities – a central operational component of the Group – ensure Wirecard's success and lay the foundations for the future growth of the Group.

Wirecard relies on a central planning strategy, whose rigorous and decentralised implementation at the development centres at selected Wirecard locations is based on internal research and development networks. The modular approach enables the efficient implementation and further development of our technology services to incorporate regional customer and market requirements with no or minimal adjustments to the core platform.

Wirecard Labs develops the innovation strategy for the product portfolio. The main focus is placed here on a structured analysis of significant market and product developments in the areas of payment, banking, retail, travel and digital goods, as well as the development of pilot projects. Wirecard Labs manages the design and implementation of new product concepts in this way, often in cooperation with Wirecard's partners and customers. Another main focus of Wirecard Labs is internal communication. Wirecard Labs provides Wirecard employees with knowledge and information on the global status of the digital transformation using a variety of media. Programmes such as the internal innovation challenge – which allows employees around the world to contribute their own ideas for the future of payment and banking – round off the range of services offered by Wirecard Labs.

4.1 Research and development results

In the 2018 fiscal year, research and development activities focussed on expanding and implementing innovative solutions in mobile payment in the linked areas of payment acceptance, issuing and value added services along the entire payment value chain, as well as on advanced developments for the fully automated integration of small and medium-sized customers through to large customers. In addition, the research and development activities focussed on the area of data analytics.

The technical consolidation of the platforms from the acquisition of Citi Prepaid Card Services for the international business will be continued. Work continued on the integration of the North American platforms. In the Asia-Pacific region, progress was made with the implementation work in preparation for the migration of the customer portfolio acquired from the Citigroup for almost half of the countries.

In addition, the technical consolidation of VISA Processing Services has been completed in all seven countries. As part of this process, the new multi-currency concept was launched for these customers.

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 within the payment ecosystem via an integrated platform. There has been increased demand amongst customers for fully integrated solutions. Wirecard has responded to this demand and launched a solution on the market this year that enables retailers to independently carry out a fully digital registration process and also enables the automated connection of shop systems and the immediate payment of sums of money. This product is due to be rolled out globally in the next few years.

The predominant megatrends in the payment industry are also having an impact on our research and development activities. New technologies and trends are investigated at an early stage in our Wirecard Labs where we transform them into innovative product solutions. In this context we refer you to our detailed explanations in the Forecast (III. Forecast and report on opportunities and risks, Chapter 1.2 Global megatrends and positioning of Wirecard).

Payment gateway

In the core area of payment acceptance, Wirecard's omnichannel solutions are being continuously expanded in order to provide customers with a homogeneous payment infrastructure. Wirecard offers its customers all of the necessary national and international payment functions, as well as corresponding services in all important currencies.

In the reporting period, alternative payment processes such as Pay with Google, Trustly, Molpay and Boleto Bancario were integrated into the global range of products and services.

Wirecard has also enhanced the digital product portfolio at the point-of-sale and is working on a vendor-independent solution for tax free sales and the direct conversion of the transaction into the customer's home currency. Nexo – the new standard protocol for POS – was also implemented. The preparations for the migration of the customer portfolios acquired from the Citigroup for the Asia-Pacific region was another focus.

As part of the cloud initiative, certain applications will be run on the cloud to deliver higher performance or will be set up on the cloud to enable quicker expansion. In addition, the latest security standards such as 3DS 2.0 and tokenisation according to the specifications of the card organisations have been realised.

Shop systems

Wirecard expanded its cooperations and expanded the integration of payment processing into many more shop systems during the reporting period. As a result, retailers can use Wirecard as a payment service provider within their shop system in future with a fully functional and ready-to-use solution. The following systems were enhanced or the latest versions of these systems were implemented this year: WooCommerce, Prestashop, Shopware, SAP Commerce Cloud, Magento2, OpenCart.

Payment pages and seamless integration

Retailers integrate payment page solutions into their online shops to outsource the entire process to Wirecard, so that they do not come into contact with the payment data and thus all security-relevant requirements are completely fulfilled by Wirecard. A new payment page with the aspects described above was launched on the market this year. It can be independently adapted by the retailer to completely match the design of their webshop.

Digital value added services

In the area of mobile payment services, the 2018 fiscal year was characterised by the further development of the omnichannel product strategy.

For example, the cooperation with the leading Chinese payment service provider Alipay has been expanded. At the same time, Wirecard also opened up the possibility in 2018 for European retailers to accept payments via WeChat Pay – one of the leading mobile payment solutions in China.

In the area of mobile added value services, Wirecard has developed its own fully digital voucher platform for issuing and accepting gift vouchers in real time.

A significant development was also achieved in the area of mobile payment acceptance. The new mobile digital platform Wirecard ePos app enables bricks and mortar retailers to access a broad range of international payment options and digital value added services. Retailers can integrate these payment methods into their existing infrastructure using smartphones and tablets and benefit from real time reporting and methods for customer analysis.

In addition, Wirecard has established a fully integrated solution for self-learning analyses in the areas of customer conversion optimisation and risk management technology with the Omnichannel ePOS Suite. The Omnichannel ePOS Suite provides, for example, information on customer value and customer migration rates. Wirecard's Business Intelligence Tool enables operators of online shops to individually adapt their risk management settings to user-specific templates and follow all relevant key performance indicators (KPI) in real time.

Issuing

In the area dealing with the issuing of card products and mobile payment solutions, the successful migration of the Citi prepaid portfolio has opened up new markets such as Mexico and the United Arab Emirates.

Multi-currency cards allow consumers to manage their currency risk at all times.

In the reporting period, boon. for Google Pay was successfully launched in Germany and France, and we also went live with boon. for Apple Pay in Germany.

Alongside the expansion of issuing solutions in other regions and the improvement of their functionalities, a special focus was placed on new technologies.

In line with Wirecard's business intelligence and artificial intelligence strategy, corresponding solutions were enhanced and further and business customers can now take advantage of data analytics portals.

Research and development expenditure

Expenditure on research and development was increased to EUR 103.0 million in the 2018 fiscal year (2017: EUR 80.3 million). The proportion of research and development expenses to total revenues (R&D ratio) was 5.1 percent in the period under review (2017: 5.4 percent). The share of total research and development costs (capitalisation rate) accounted for by capitalised development costs amounted to 43.8 percent (2017: 56.4 percent).

These expenses are included in particular in the personnel expenses of the respective departments (product and project management, development and quality assurance etc.) as consultancy costs and other costs. Of these, development costs of EUR 45.1 million (previous year: EUR 45.3 million) were recognized as own work capitalized in the 2018 reporting period. The amount recorded in this context as amortization and depreciation of capitalised development costs totaled amounted to EUR 20.3 million in fiscal year 2018 (2017: EUR 20.1 million). This includes impairment losses on capitalized development costs of EUR 0.7 million (previous year: EUR 4.1 million).

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 average annual personnel capacity in research and development amounted to 1,359 employees (2017: 1,083 employees). They were responsible for product and project management, architecture, development and quality assurance. Expressed as a proportion of the average number of all employees in 2018 of 5,154, this corresponds to 26.4 percent (2017: 24.5 percent). The number of employees in research and development (2,151 employees) reported in the 2017 Annual Report and the stated average share (48 percent) were subject to other classification criteria that changed during the reference period as part of the restructuring measures in individual departments. 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

In the 2019 and 2020 fiscal years, research and development activities will also focus on improving existing products and services and using innovative new products to implement the corporate strategy of expanding the value added chain and growing the company's global technological footprint.

In the area of payment processing, the focus in 2019 will be on expanding the supported relevant payment processes in different markets and also on delivering innovative solutions to support retailers in optimising their processes and in processing payments in the most efficient way possible. Supplementing existing payment methods at the point-of-sale (POS) with additional local payment methods will enhance Internet technology-based POS payment processing. As part of the global expansion of card acceptance and issuing under our own licences or by partner banks, the functionalities of our own processing services will also be greatly expanded. In this context, instalment payments made via card, as well as other additional payment options for retailers, are particularly noteworthy.

The migration of the Citi acquiring portfolio in the Asia-Pacific region will be pushed forward in the next fiscal year in order to enable the integration of corresponding customers from the Asian countries into the Wirecard platform.

In the area of issuing, the focus will be placed next year on the market launch in the Philippines and Australia, as well as on the migration of US customers to the central platform.

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. Other data-driven services will be developed to provide added value for retailers, particularly in the core area of payment processing. In particular, the area dealing with alternative, digital payment processes at the POS will be intensively expanded and also enhanced with the development of retailer-specific (closed-loop) solutions.

Another main focus will be the expansion of the product portfolio in the area of Merchant Cash Advance, retailer loans and card-based payments by instalment.

The security of all processed customer and payment data will also continue to be the central theme for all product developments and in the operation of solutions.

5. Renumeration report and takeover law disclosures

5.1 Remuneration report

The remuneration report summarises the principles for the remuneration schemes for the Management Board and Supervisory Board of Wirecard AG in the 2018 fiscal year and explains the structure and amount of the remuneration for the individual members in the 2018 fiscal year.

Management Board

The current remuneration scheme for the members of the Management Board of Wirecard AG has been valid since 1 January 2018. The remuneration scheme for the Management Board that had been in place since 2012 was fundamentally revised against the background ofthe appointment of two new members of the Management Board. An independent, external remuneration consultant was mandated to help ensure, amongst other things, compliance with the latest legal and regulatory requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) and an appropriate level of remuneration based on a market comparison. The aim of the revision was to align the remuneration scheme with the internal characteristics and long-term, sustainable strategic targets of Wirecard AG, as well as to take account of the interests of all stakeholders and retain the previous focus on the capital market.

Principles of the remuneration scheme

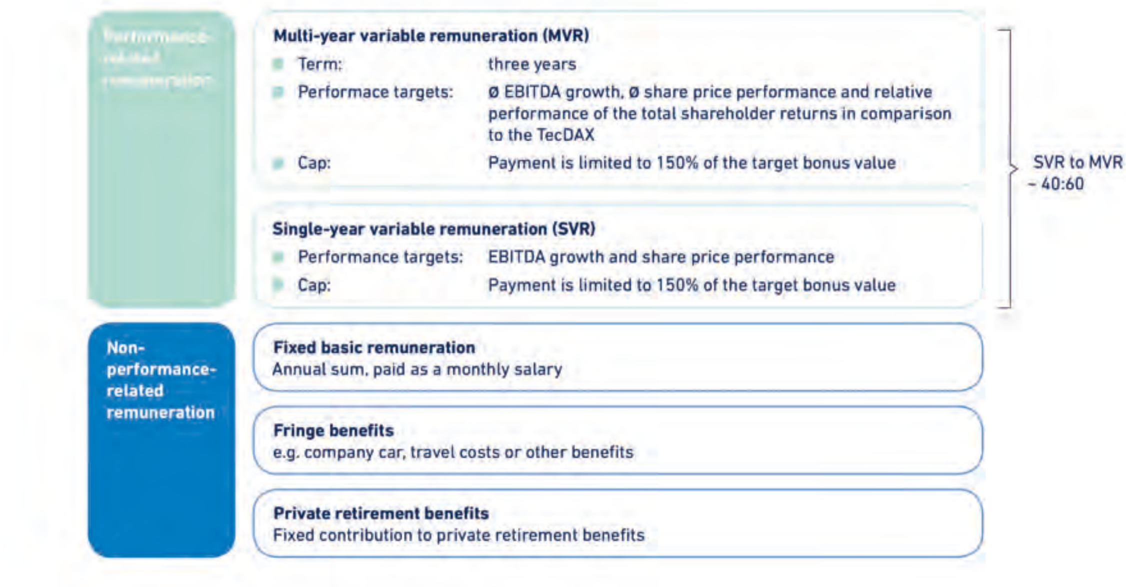
The remuneration scheme for the Management Board that is in place since 1 January 2018 should act as an incentive for sustainable, income-oriented company growth. Therefore, the new remuneration scheme focuses on the central financial performance indicator EBITDA (earnings before interest, tax, depreciation and amortisation) and the development of Wirecard AG's shareholder returns. In order to ensure the sustainable growth of the company, the predominant share of the variable remuneration is calculated on a multi-year basis. To balance the interests of shareholders and the Management Board, the variable remuneration is based not only on the absolute performance of the share price but also the relative performance of the total shareholder return (TSR) in comparison to the TecDAX.

The level of remuneration paid to the individual members of the Management Board is determined by the Supervisory Board. The Supervisory Board regularly examines the remuneration scheme and the appropriateness of the remuneration components and makes adjustments where necessary. In the process, the Supervisory Board observes the regulations in Section 87 AktG and follows the recommendations and suggestions in the DCGK. The criteria used to assess the appropriateness of the remuneration include the tasks and personal performance of the individual members of the Management Board, the economic situation, the success and future prospects of the company and the appropriateness of the remuneration in comparison with its peer group. Therefore, the revision focussed not only on making adjustments to the remuneration scheme itself but also to the level of remuneration paid to the members of the Management Board so that it reflects the growth of Wirecard AG and its position in the market.

Structure and components of the remuneration scheme for the Management Board

The revised remuneration scheme for the Management Board of Wirecard AG comprises non-performance-related and performance-related components. The former include fixed basic remuneration, fringe benefits and contributions to private retirement benefits as previously. The performance-related remuneration includes a single-year variable remuneration (SVR) component and a multi-year variable remuneration (MVR) component, which refer to one year performance intervals respectively. The revised remuneration scheme no longer includes the previous option available to the Supervisory Board to grant members of the Management Board an extraordinary bonus for extraordinary performance. The individual components will be explained in more detail below.

Overview of compensation components



Non-performance-related remuneration

Fixed basic remuneration

The fixed basic remuneration for the members of the Management Board of Wirecard AG is paid in twelve equal instalments as a monthly salary.

Basic remuneration (in EUR)

Dr. Markus Braun	1,600,000
Alexander von Knoop	700,000
Jan Marsalek	1,025,000
Susanne Steidl	700,000

Fringe benefits

In addition to basic remuneration, the members of the Management Board of Wirecard AG receive fringe benefits in the form of non-cash perquisites and other benefits in kind, such as private use of a company car and the refund of expenses, including business-related travel and hospitality costs.

Performance-related remuneration

Performance-related remuneration includes a single-year variable remuneration (SVR) component and a multi-year variable remuneration (MVR) component calculated over a period of three years. Approximately 60% of the variable remuneration is calculated over the long term to guarantee sustainability in the sense of Section 87 AktG.

Single-year variable remuneration
The SVR (approximately 40% of the performance-related remuneration) for the members of the Management Board of Wirecard AG is structured as a performance bonus scheme and is paid in cash at the end of the fiscal year if the targets are achieved.

The amount paid as SVR depends on EBITDA growth according to the consolidated financial statements and the share price performance of Wirecard AG in each fiscal year. Both performance targets are weighted equally.

SVR parameters

Performance targets	EBITDA-growth (weighting: 50%) Share price performance (weighting: 50%)
Term	One fiscal year
Target achievement	0% – 150% (Cap)

EBITDA growth of 20% (target) in comparison to the reported EBITDA in the preceding fiscal year represents a target achievement of 100%. The maximum target achievement of 150% (cap) is reached at EBITDA growth of 30% and upwards. EBITDA growth of 10% (minimum) represents a target achievement of 50%. The SVR is not paid below this minimum level for the EBITDA growth target.

For the share price target, an increase in share price of +15% (target) in the relevant fiscal year in comparison to the previous year represents a target achievement of 100%. The share price assessed for the calculation is the average price in the month of December, weighted for revenues, in the relevant fiscal year and the previous year. The maximum target achievement of 150% (cap) is reached at an increase in share price of +25%, while the minimum target achievement of 0% is reached in the event of an increase in the share price of +5%.

Intermediate values are determined using linear interpolation for both performance targets.

The amount paid as SVR is calculated by multiplying the average of the target achievements for both performance targets by the target bonus value defined for each member of the Management Board. The target achievement for the SVR is capped at 150% of the target bonus value. There is no guaranteed minimum for the target achievement. It is thus possible that no SVR is paid.

SVR target bonus value (in EUR)

Dr. Markus Braun	400,000
Alexander von Knoop	250,000
Jan Marsalek	333,333
Susanne Steidl	250,000

Multi-year variable remuneration

MVR parameter

Performance targets	EBITDA-growth (weighting: 1/3) Share price performance (weighting: 1/3) TSR-Performance of Wirecard share in relation to TecDAX (weighting: 1/3)
Term	three fiscal years
Target achievement	0% – 150% (Cap)

The multi-year variable remuneration covers a period of three years and is calculated on the basis of three equally weighted performance targets. Sustainable, income-oriented company growth is taken into account by measuring the average annual growth of the central financial performance indicator EBITDA over the period. The average annual performance of the share price of Wirecard AG also incentivises the positive growth of the company's value measured by market capitalisation. The third performance target is the development of the total shareholder return (TSR) in comparison to the TecDAX, insofar as the Supervisory Board does not amend the comparative index as a consequence of a change in membership of the index, and thus also takes into account the relative growth of Wirecard AG on the market.

The TSR measures the growth in value of the company for its shareholders and takes into account not only the accrued and implied reinvested dividends but also the share price performance during the period under review. Linking remuneration to the share price and TSR provides the Management Board with an incentive to sustainably increase the shareholder value of the company over the long term.

Average EBITDA growth reported in the consolidated financial statements for the company of 20% p.a. (target) over the three year period represents a target achievement of 100% for the MVR. The maximum target achievement of 150% (cap) is reached at an average EBITDA growth of 25% p.a. and upwards. EBITDA growth of 15% p.a. (minimum) represents a target achievement of 50%. The target achievement is 0% below this minimum level.

For the share price target, an average increase of 15% p.a. over the three year period represents a target achievement of 100%. The share price used for the calculation is the average price in the month of December, weighted for revenues in each fiscal year in the three year period and for the fiscal year before it. The maximum target achievement of 150% (cap) is reached at an average increase in the share price of +25% p.a., while the minimum target achievement of 0% is reached in the event of an increase in the share price of +/- 0%.

If the TSR for the Wirecard share after three years outperforms the TSR for the TecDAX by 20 percentage points over the same period, the TSR target is achieved to 100%. If it outperforms the TSR for the TecDAX by 40 percentage points, the cap of 150% is achieved. If the TSR for the Wirecard share after the three year period is equal to the TSR for the TecDAX, there is a target achievement of 0% (minimum).

Intermediate values for the three performance targets are determined using linear interpolation.

MVR target bonus values (in EUR)

Dr. Markus Braun	533,333
Alexander von Knoop	400,000
Jan Marsalek	466,667
Susanne Steidl	400,000

The amount paid as MVR is calculated by multiplying the average of the target achievements for the three performance targets after the three year period by the target bonus value defined for each member of the Management Board. The target achievement for the MVR is capped at 150% of the target bonus. There is no guaranteed minimum for the target achievement. It is thus possible that no MVR is paid.

In the 2018 fiscal year, the first tranche of the new MVR was established and will be due for payment in cash for the first time at the conclusion of the 2020 fiscal year if the targets are achieved.

Contributions to private retirement benefits

Contributions to private retirement benefits (in EUR)

Dr. Markus Braun	500,000
Alexander von Knoop	200,000
Jan Marsalek	325,000
Susanne Steidl	200,000

The company pays the members of its Management Board an annual contribution to their private retirement benefits. This is paid in twelve monthly instalments. 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 company retirement benefits exists.

Payments at the end of the employment relationship

Premature Departure

If a member leaves the Management Board before the end of their contract, before the end of the fiscal year or before the end of a still outstanding MVR tranche, the target achievements for the SVR and MVR are calculated in accordance with the rules described above. There will be no early payment of performance-related remuneration. However, the amounts are calculated pro rata temporis to the date at which the member leaves the Management Board.

In the event of permanent incapacity to work or death, the SVR and all outstanding MVR tranches will be paid immediately at the contractually agreed target bonus values.

Moreover, the company has committed itself to paying the fixed salary for a member of the Management Board for a period of six months, or for the month in which the incapacity to work started, from the commencement of an illness. In the event of the death of a member of the Management Board, his or her surviving dependants will receive the member's salary payments for six months, or for the month in which they died for a maximum period up to the end of the contractual term.

Change of control

The following rules apply 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:

The Management Board employment contracts for members appointed for the first time from 2018 onwards contain an extraordinary termination right for the member of the Management Board in the event of a change of control. The precondition for exercising the extraordinary termination right is that the change of control is associated with significant disadvantages for the member of the Management Board. If an extraordinary termination right is exercised, the member of the Management Board has an entitlement to the settlement of the outstanding remuneration for the residual term of the Management Board employment contract. The amount of the settlement must not exceed a maximum of three years' remuneration.

By way of derogation, the two long-standing members of the Management Board Dr. Markus Braun and Jan Marsalek are entitled to a special bonus based on the company's value in the event of a change of control. This arrangement was first agreed in 2006 and has applied ever since without alteration. The size of the special bonus for Dr. Markus Braun is 0.4% of the company's value and for Jan Marsalek 0.25% of the company's 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 do not have a right 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 contracts being terminated: Payment of fixed remuneration for the fixed duration of the contract, payable in one lump sum but discounted to the date of disbursement at an interest rate of 4 percent p.a.

Please refer to the takeover law disclosures under [5.3] for further details.

Other information

In addition to the life insurance policy with retirement benefits, the company has taken out the following for the members of the Management Board: accident insurance in the event of death and invalidity and D&O insurance for the activities of the members of the company's Management Board including a retention in accordance with legal regulations. The amount of the insurance premiums for these insurance policies totalled kEUR 261 in the 2018 fiscal year (2017: kEUR 184).

The members of the Management Board Susanne Steidl and Alexander von Knoop also received kEUR 36 for activities in management positions at subsidiaries. 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 2018 fiscal year.

Remuneration of the Management Board 2018

Single-year variable remuneration 2018

The target achievement for the SVR in the 2018 fiscal year was as follows:

Derivation of the target achievement for SVR 2018

Performance targets	Actual 2017	Actual 2018	Development	Achievement	Weighting
EBITDA in EUR mn. (as reported)	412.6	560.0	35.7%	150%	50%
Share price in EUR (Ø December)	91.05	133.74	46.9%	150%	50%

The following payments were made for the SVR in the 2018 fiscal year:

Member of the management board	SVR-target in kEUR	total achievement	SVR-payout in kEUR
Dr. Markus Braun	400	150%	600
Alexander von Knoop	250		375
Jan Marsalek	333		500
Susanne Steidl	250		375

Multi-year variable remuneration 2018
The tranche established in the 2018 fiscal year for the new MVR will be paid out for the first time in the 2020 fiscal year if the targets are achieved.

In addition, the members of the Management Board Dr. Markus Braun and Jan Marsalek received payments in 2018 for the single-year variable remuneration 2017 (Variable Remuneration I) and the multi-year variable remuneration (Variable Remuneration II) for 2016/2017. Therefore, the provisions as of 31 December 2018 for the previous contracts now only include the multi-year variable remuneration 2017/2018, which will be paid as scheduled in January 2019.

The previous Variable Remuneration II is calculated as follows on the basis of Wirecard AG's share price performance. The base price for this purpose is the average price in the month of December, weighted for revenues, for Wirecard AG shares traded on the regulated market of the Frankfurt Stock Exchange (Xetra trading, ISIN DE0007472060), as determined by the stock market information service Bloomberg. The contracts set maximum limits for the basis price as follows: a maximum limit of EUR 45.00 in 2016, EUR 49.00 in 2017 and EUR 49.00 in 2018. If the basis price should fall short during the bonus years, the bonus lapses and no (return) claim exists against the member of the Management Board.

The Management Board receives a sustainability bonus for a two-year period. This amount is calculated as 51 percent of the difference between the basis price of Wirecard AG shares in the second calendar year of the two-year period less the basis price in the year prior to the two year period, multiplied by a respective factor. This factor is 275,000 for Dr. Markus Braun and 300,000 for Jan Marsalek. 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, as well.

The payment of the previous Variable Remuneration II is capped at a maximum amount. This maximum amount is kEUR 561 for Dr. Markus Braun and kEUR 612 for Jan Marsalek.

Former members of the Management Board and their surviving dependants also received total compensation of kEUR 7,977 in the sense of Section 314 (1) No. 6b HGB in the 2018 fiscal year. This included a one-off payment to former members of the Management Board from the balance held in the pension account. kEUR 6,061 of this amount was not included in the 2018 expenses because it had already been recognised in the provisions as of 31 December 2017.

Total Compensation 2018
In the 2018 fiscal year, the total compensation 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 performance-related remuneration and other payments – amounted to kEUR 9,195 (2017: kEUR 11,506).

The following remuneration was set for the individual members of the Management Board for the 2018 fiscal year (individualised disclosure using tables in accordance with Section 4.2.5 German Corporate Governance Code):

Benefits granted 1

	Dr. Markus Braun				Alexander von Knoop			
	2018	2018	2018	2017	2018	2018	2018	2017
in TEUR		**(Min.)**	**(Max.)**			**(Min.)**	**(Max.)**	
Non-performance related remuneration								
Fixed basic remuneration	1,600	1,600	1,600	1,350	736	736	736	
Fringe benefits	526	526	526	478	223	223	223	
	2,126	**2,126**	**2,126**	**1,828**	**959**	**959**	**959**	
Performance-related remuneration								
Single-year variable remuneration								
2018	600	0	600	0	375	0	375	
2017	0	0	0	539	0	0	0	
2016	0	0	0	343	0	0	0	
Multi-year variable remuneration								
2015/2016	0			296				
2016/2017	0	–561	0	561				
2017/2018	582	0	800	0	437	0	761	
	1,182	**–561**	**1,400**	**1,739**	**812**	**0**	**1,136**	
Total	**3,308**	**1,565**	**3,526**	**3.567**	**1,771**	**959**	**2,095**	

Benefits granted 2

	Jan Marsalek				Susanne Steidl				Total			
	2018	**2018**	**2018**	**2017**	**2018**	**2018**	**2018**	**2017**	**2018**	**2018**	**2018**	**2017**
in TEUR		**(Min.)**	**(Max.)**			**(Min.)**	**(Max.)**			**(Min.)**	**(Max.)**	
Non-performance-related remuneration												
Fixed basic remuneration	1,025	1,025	1,025	900	736	736	736		4,097	4,097	4,097	2,250
Fringe benefits	325	325	325	303	209	209	209		1,283	1,283	1,283	781
	1,350	**1,350**	**1,350**	**1,203**	**945**	**945**	**945**		**5,380**	**5,380**	**5,380**	**3,031**
Performance-related remuneration												
Single-year variable remuneration												
2018	500	0	500	0	375	0	375		1,850	0	1,850	0
2017	0	0	0	588	0	0	0		0	0	0	1,127
2016	0	0	0	374	0	0	0		0	0	0	717
Multi-year variable remuneration												
2015/2016	0			323					0	0	0	619
2016/2017	0	–612	0	612					0	–1,173	0	1,173
2017/2018	510	0	612		437	0	612		1,965	0	2,785	0
	1,010	**–612**	**1,112**	**1,897**	**812**	**0**	**987**		**3,815**	**–1,173**	**4,635**	**3,636**
Gesamt	**2,360**	**738**	**2,462**	**3,100**	**1,757**	**945**	**1,932**		**9,195**	**4,207**	**10,015**	**6,667**

Allocation

	Dr. Markus Braun		Alexander von Knoop		Jan Marsalek		Susanne Steidl		Total	
in TEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Non-performance-related remuneration										
Fixed basic remuneration	1,600	1,350	736		1,025	900	736		4,097	2,250
Fringe benefits	526	478	223		325	303	209		1,283	781
	2,126	**1,828**	**959**	**0**	**1,350**	**1,203**	**945**	**0**	**5,380**	**3,031**
Performance-related remuneration										
Single-year variable remuneration										
2016	259	0			180				439	0
2017	539	0			588				1,127	0
Deriving from prior contracts			110				35		145	0
Multi-year variable remuneration										
2015/2016	0	561	0		0	561	0		0	1,122
2016/2017	561	0	0		612		0		1,173	0
	1,359	**561**	**110**	**0**	**1,380**	**561**	**35**	**0**	**2,884**	**1,122**
Total	**3,484**	**2,389**	**1,069**	**0**	**2,730**	**1,764**	**980**	**0**	**8,263**	**4,153**

Remuneration of the Supervisory Board 2018

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Association. According to these rules, the members of the Supervisory Board receive fixed remuneration of EUR 120,000 for every full fiscal year serving on the Supervisory Board. The Chairman of the Supervisory Board will receive double and the Deputy Chairman of the Supervisory Board will receive one-and-a-half times this amount. An additional fee for activities on committees is not foreseen in the rules because the Supervisory Board had not formed any committees at that time. The remuneration is payable in four equal instalments and is due in each case at the conclusion of a calendar quarter. Members of the Supervisory Board that are not part of the Supervisory Board for a full fiscal year or do not hold the positions of Chairman or Deputy Chairman for the full fiscal year receive pro rata remuneration after rounding up to the next full month of service. In addition, the members of the Supervisory Board receive an attendance fee of EUR 1,250 per day for plenary meetings of the Supervisory Board, which is payable after the conclusion of the calendar quarter in which the corresponding meeting took place.

Members of the Supervisory Board are also reimbursed for all expenses incurred in connection with the performance of their duties, as well as for the value added tax paid on the remuneration and reimbursed expenses. The company also reimburses the members of the Supervisory Board for all employer contributions for social insurance that are incurred in connection with their activities on the Supervisory Board according to foreign laws. The company has also taken out D&O insurance for the members of the Supervisory Board, which includes a corresponding retention in accordance with the recommendation in the German Corporate Governance Code.

The members of the Supervisory Board Wulf Matthias, Alfons W. Henseler and Stefan Klestil are also members of the Supervisory Board of the subsidiary Wirecard Bank AG. No other remuneration or benefits for personally rendered services, in particular consulting and agency services, were paid in the 2018 fiscal year.

As of 31 December 2018, no loans have been granted to members of the Supervisory Board.

Renumeration of the Supervisory Board 2018

in kEUR	Capacity	from	to	Basic remuneration	Attendance Fee	From affiliated companies	Total
Wulf Matthias	Chairman	01.01.2018	31.12.2018	240	11	65	316
Alfons W. Henseler	Deputy Chairman	01.01.2018	31.12.2018	180	11	60	251
Stefan Klestil	Member	01.01.2018	31.12.2018	120	11	55	186
Vuyiswa V. M'Cwabeni	Member	01.01.2018	31.12.2018	120	11	0	131
Dr. Anastassia Lauterbach	Member	21.06.2018	31.12.2018	60	5	0	65
Susana Quintana-Plaza	Member	26.06.2018	31.12.2018	60	5	0	65
Total renumeration				780	55	180	1,015

Renumeration of the Supervisory Board 2017

in kEUR	Capacity	from	to	Basic remuneration	Attendance fee	From affiliated companies	Total
Wulf Matthias	Chairman	01.01.2017	31.12.2017	240	14	65	319
Alfons W. Henseler	Deputy Chairman	01.01.2017	31.12.2017	180	14	60	254
Stefan Klestil	Member	01.01.2017	31.12.2017	120	13	55	188
Tina Kleingarn	Member	01.01.2017	31.12.2017	120	15	0	135
Vuyiswa V. M'Cwabeni	Member	01.01.2017	31.12.2017	120	15	0	135
Total renumeration				780	71	180	1,031

In 2018, remuneration for the Supervisory Board totalled kEUR 1,015 (31 December 2017: kEUR 1,031). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries of kEUR 180 (31 December 2017: kEUR 0). An amount of kEUR 144 was recognised as a provision for the remuneration and will be paid in 2019.

5.2 Takeover law disclosures (pursuant to Sections 289a (1), 315a (1) German Commercial Code (HGB)) and explanatory report

Composition of the subscribed capital

The subscribed capital of Wirecard AG as of 31 December 2018 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. All shares confer the same rights and obligations. Each share confers one vote at the Annual General Meeting of Wirecard AG and an equal share of the profits.

Restrictions relating to voting rights or the transfer of shares

Restrictions to the voting rights of shares can arise, in particular, from the provisions of the German Stock Corporation Act (AktG) e.g. Section 136 AktG (exclusion of voting rights). Violations of the disclosure requirements under capital market law in the German Securities Trading Act (WpHG) could also result in the rights attached to shares, including voting rights, being at least temporarily revoked. The Management Board is not aware of any contractual restrictions relating to voting rights or the transfer of shares.

Shareholdings that exceed 10 percent of the voting rights

According to the notifications of voting rights received by the company as of 31 December 2018 in accordance with Sections 33 and 34 WpHG, there are no direct or indirect shareholdings in the company that exceed 10 percent of the voting rights.

Shares with special rights that grant controlling powers

No shares with special rights have been issued that grant controlling powers.

Control of voting rights if employees hold a share of the capital

Employees that hold a share of the capital of Wirecard AG exercise their control rights like other shareholders directly in accordance with the statutory regulations and the Articles of Association.

Regulations about the appointment and recall from office of members of the Management Board and changes to the Articles of Association

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.

Changes to the Articles of Association require a resolution by the Annual General Meeting in accordance with Section 179 AktG. Insofar as the statutory regulations do not specify anything mandatory to the contrary, resolutions by the Annual General Meeting in accordance with Section

20 (1) of the Articles of Association are passed with a simple majority of votes cast and, if applicable, with a simple majority of the share capital represented at the time the resolution is passed. According to Section 179 (2) AktG, a majority of 75 percent of the share capital represented is required for a change to the purpose of the company set out in the Articles of Association. Changes to the Articles of Association that only affect the wording can be approved by the Supervisory Board in accordance with Section 15 of the Articles of Association. Furthermore, the Supervisory Board is authorised by resolutions passed by the Annual General Meeting to change Section 4 of the Articles of Association (share capital) according to the respective use of the authorised and conditional capital after the expiry of the respective authorisation or utilisation deadline.

Authority of the Management Board to issue or buy back shares

According to the resolution made by the Annual General Meeting on 16 June 2016, the Management Board is authorised with the consent of the Supervisory Board to issue registered and/or bearer convertible bonds and/or option bonds, participating rights and/or profit participation bonds or a combination of these instruments (hereinafter referred to jointly as bonds) with a total nominal amount of up to EUR 300,000,000.00 with or without restriction on their maturity up to 15 June 2021 and to grant the holders or creditors of these bonds conversion or option rights to new bearer shares of the company with a proportionate amount in the share capital of up to EUR 12,356,558.00, according to the details in the terms for the bonds. The bonds can be issued against cash payment but also against contributions in kind, particularly against shareholdings in other companies. The respective terms of the bonds can also include a conversion or option obligation, as well as a right of a put option for the issuer to supply shares in the company at the end of the term or at another point in time (in any combination). The authorisation also includes the possibility to grant shares in the company, insofar as the holders or creditors of these bonds exercise their conversion or option rights, fulfil their conversion or option obligations or exercise their put options for the shares. The bonds may be issued once or several times, in whole or in part, or simultaneously in different tranches. The convertible bonds (partial debentures) can be issued in euro and also – as long as the corresponding value in euro is not exceeded – in an official currency of an OECD member country. They can also be issued by companies associated with Wirecard AG in the sense of Section 15 ff. of the AktG. In this case, the Management Board is authorised, with the consent of the Supervisory Board of the issuing company, to provide the guarantee for the bonds and to grant the holders or creditors of such bonds shares in Wirecard AG for the settlement of the conversion or option rights and conversion or option obligations conferred by these bonds, as well as to provide the required statements and take the necessary action for the successful issuing of the bonds. The Management Board is with the consent of the Supervisory Board, amongst other things, also authorised under certain circumstances and within defined limits to exclude the subscription rights of the shareholders of Wirecard AG to the bonds. No use has yet been made of this authorisation to issue bonds. In order to exercise the conversion and/or option rights issued under the aforementioned authorisation and to fulfil the corresponding conversion and/or option obligations or put option, the Annual General Meeting also resolved on 16 June 2016 to conditionally increase the share capital by up to EUR 12,356,558.00 by issuing up to 12,356,558 new no-par value bearer shares (Conditional Capital 2016). The specific details of the authorisation, especially the limit on the possibility of excluding subscription rights and the calculation modalities, can be found in the resolution passed by the Annual General Meeting and Section 4 (4) of the Articles of Association. No use was made of the Authorised Capital 2015 in the fiscal year. For further details on capital, please refer to Chapter 4 of the notes to the consolidated financial statements.

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 EUR 30,000,000.00 in consideration for contributions in cash and/or kind (including so-called mixed contributions in kind) by issuing up to 30,000,000 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 special cases. The specific details of the authorisation, especially the limit on the possibility of excluding subscription rights and the calculation modalities, can be found in Section 4 (2) of the Articles of Association. No use was made of the Authorised Capital 2015 in the fiscal year. For further details on capital, please refer to Chapter 4 of the notes to the consolidated financial statements..

According to the resolution passed at the Annual General Meeting on 20 June 2017, the Management Board was authorised, up to 19 June 2022, to acquire treasury shares up to the amount of 10% of the share capital of Wirecard AG existing at the time of the resolution or – if this value is lower – at the time this authorisation is exercised. The Management Board can choose to acquire treasury shares either on the stock market or by means of a public tender offer to all shareholders, whereby a public tender offer can also be carried out by means of an invitation to tender offers. In addition to selling the acquired treasury shares via the stock market or offering them to all shareholders, the Management Board was also authorised to use the shares for all purposes permitted by law. Amongst other things, the acquired treasury shares can, with the consent of the Supervisory Board, be withdrawn or also used as part of business combinations or company acquisitions with the exclusion of shareholders' subscription rights or sold to third parties in return for a cash payment, if the price at which the shares are sold is not significantly lower than the market price at the time of the agreement. In the event of a tender offer to all shareholders, the shareholders' subscription rights may also be excluded for fractional amounts with the consent of the Supervisory Board. The specific details of the authorisation can be found in the resolution passed by the Annual General Meeting. No use has yet been made of the authorisation to acquire treasury shares.

Significant agreements in the event of a change of control

In the event of a change of control, the Management Board employment contracts for Dr. Markus Braun and Jan Marsalek include an entitlement to a special bonus, which is dependent on the company's value and payable in three equal instalments. A change of control was defined here as the point in time at which a notice pursuant to Sections 33, 34 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 33, 34 WpHG are assigned by way of entitlement or attributed to a natural or legal person or a body of persons. The amount of the special bonus for Dr. Markus Braun is 0.4 percent of the company's value and for Jan Marsalek 0.25 percent of the company's value. 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. There is no entitlement to extraordinary termination in the event of a change of control. The prerequisite for an entitlement to a special bonus was that (i) 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, (ii) the company's value determined in this manner reaches at least EUR 500 million, whereby a company value in excess of EUR 2 billion shall not be taken into account in calculating the special bonus, and (iii) the offer becomes effective due to its acceptance by some of the shareholders. The entitlement to receive a special bonus also exists if the appointment to the Management Board is withdrawn or otherwise terminated by the Supervisory Board after a change of control or the Management Board employment contract is terminated with notice after a change of control. In this case, the Management Board employment contract can be terminated within two months after the announcement of the recall or other termination of the contract by both the member of the Management Board and also the company with immediate effect. Alongside the bonus payment, the members of the Management Board are also entitled in this case to the payment of the fixed remuneration for the remainder of the term of the contract (discounted to the date of disbursement), as well as to payment of the market value in cash for stock options allocated but not yet exercised at the time of termination.

The newly appointed members of the Management Board as of 1 January 2018, Alexander von Knoop and Susanne Steidl, , do not have any comparable entitlement to the payment of a bonus payment in the event of a change of control. However, the Management Board employment contracts of Alexander von Knoop and Susanne Steidl contain an extraordinary termination right for the member of the Management Board in the event of a change of control. The precondition for exercising the extraordinary termination right is that the change of control is associated with significant disadvantages for the member of the Management Board (especially due to recall, significant changes in responsibilities, tasks or place of work, a request to agree to a reduction in remuneration, early termination of the contract or delisting). A change of control exists if (i) a shareholder assumes control in the sense of Section 29 German Securities Acquisition and Takeover Act(WpÜG) through the acquisition or assignment of at least 30 percent of the voting rights, (ii) the company concludes a control agreement as a dependent entity in accordance with Section 291 AktG or (iii) the company was merged with a legal entity outside the Group in accordance with Section 2 German Transformation Act (UmwG), unless the value of the other legal entity according to the agreed exchange ratio is less than 50% of the value of the company. If an extraordinary termination right is exercised or the Management Board employment contract was consensually annulled within nine months of the change of control, there is an entitlement to the settlement of the remuneration entitlements for the residual term of the Management Board employment contract, although limited to a maximum of three years' remuneration.

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 AG has concluded a contract for a fixed credit line with a total volume of EUR 1,750 million with a consortium bank. Each member of the consortium bank has the right, under certain circumstances, to cancel its share of the credit line as well as its outstanding share of the syndicated loan and demand repayment if a shareholder, or shareholders acting together with respect to Wirecard AG, acquire the control of the company and/or more than 50 percent of the share capital voting rights in Wirecard AG. Control is defined as the possibility of exercising decisive influence over the management of the company through shareholdings, cooperation or by any other manner.

Compensation agreements in the event of a takeover bid with members of the Management Board or employees

There are no compensation agreements with members of the Management Board or employees of Wirecard AG in the event of a takeover bid.

II. Economic report

1. General conditions and business performance

1.1 Macroeconomic conditions

Global economic conditions

The International Monetary Fund (IMF) forecasted global economic growth of 3.7 percent in 2018. In the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam), the IMF expected growth of 5.2 percent. The forecast for India is growth of 7.3 percent. The Brazilian economy will grow by 1.3 percent according to the IMF, while it forecasts growth of 0.8 percent for South Africa. The IMF forecasts growth within the eurozone of 1.8 percent in 2018, with growth of 1.5 percent in Germany, 1.5 percent in France, 1.0 percent in Italy and 2.5 percent in Spain. For the emerging countries in Europe such as those in Eastern Europe or Turkey, the IMF forecasts growth of 3.8 percent for the reporting period. The IMF forecasts growth of 1.4 percent in 2018 for the United Kingdom (UK). According to estimates by Euro-stat, the statistical office of the European Union, gross domestic product in the European Union and the euro-zone grew by 1.9 percent in the 2018 fiscal year.

Sector-specific conditions

The expected growth rates for 2018 based on the company's own calculations for the e-commerce markets relevant to Wirecard AG of around 15 percent were achieved. These growth rates were confirmed in re-search reports which showed e.g. growth rates of 13% for the European e-commerce market. In addition, sec-tor-specific analyses – such as those from eMarketer showing a growth rate of more than 23% for global e-commerce trade and from IATA showing a growth rate of 6.5% for the aviation industry for 2018 – demonstrate the dynamic growth of the markets relevant to Wirecard.

1.2 Business performance in the period under review

General business performance

Through its diverse range of products and services and combination of software technology and banking products Wirecard further expanded the core business in the area of payment acceptance and processing in the re-porting period and also linked it more strongly with production innovations in the issuing area to bring new issuing solutions to the market. In this context, enhanced mobile payment functions and innovations to digitalise bricks and mortar trade are particularly noteworthy. Value added services in all areas round off the range of services for a global, integrated payment ecosystem with the Wirecard platform solution.

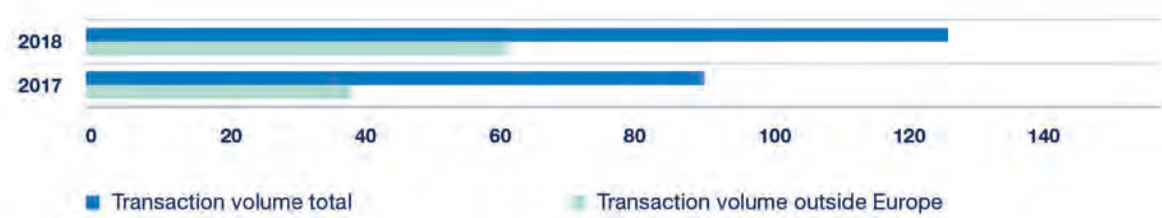
It was possible to further increase the customer portfolio of 41,000 large and medium-sized companies and al-most 238,000 small companies in comparison to the previous year. Alongside clear growth in the number of new customers in all industries and sectors, it was also possible to significantly expand the existing business. Supplementing existing payment methods with innovative, mobile solutions, risk management services and value added services along the whole of Wirecard's value added chain are good examples of how business relationships have been expanded. At the same time, numerous important partnerships were concluded in various sectors in order to integrate specialist expertise into the network and also further expand the customer groups being addressed.

The major share of consolidated revenues is generated on the basis of business relations with providers of goods or services on the Internet who outsource their payment processes to Wirecard AG. This allows innovative services for the settlement and risk analysis of payment transactions – services performed by a payment service provider – and credit card acceptance (acquiring) performed by Wirecard Bank AG, other Wirecard financial institutions and third-party banks to be closely integrated together. By linking innovative and digital issuing solutions and associated value added services such as data analytics, currency conversion services, other digital banking services in the retail sector and transaction banking and loyalty programmes, Wirecard is able to offer its customers a diverse range of products and services within this entire payment ecosystem and create additional potential for revenue. As a result, it was possible to gain important new customers in the reporting period and also significantly expand the range of products and services for existing customers. In addition, scaling effects were achieved through processing higher transaction volumes via the technical platform.

Fee income from the core business of the Group, namely the acceptance and issuing of means of payment along with associated value added services, is generally proportionate to the transaction volumes processed. The transaction volume in the 2018 fiscal year was EUR 124,9 billion (2017: EUR 91,0 billion). This corresponds to a growth of 37.3 percent.

The transaction volume generated within Europe, which accounts for 50.0 percent of the total transaction volume, grew by 20.9 percent to EUR 62.5 billion (2017: EUR 51.7 billion). The transaction volume generated outside Europe grew by 58.8 percent to EUR 62.4 billion (2017: EUR 39.3 billion) and thus accounts also for 50.0 percent of the total transaction volume.

Transaction volumes 2017 / 2018 (in bn. Euro)



Innovative developments in the fiscal year

Wirecard develops innovations by picking up on trends towards internationalisation and the demand for digital omnichannel solutions, and continuously enhances the existing portfolio of products and services to include valuable functions and value added services within the payment ecosystem through an integrated platform solu-tion.

Our range of digital services based on our platform covers all customer touchpoints – whether via innovative solutions in traditional bricks and mortar trade, online on the Internet (e-commerce) or via a mobile end device (m-commerce). Alongside new types of issuing products and payment solutions, customers are provided with valuable associated digital services in the areas of financial services or data analytics. By tailoring product innovations such as the Wirecard Instant Merchant Settlement to specific customer groups, we create customised and complete solutions within the payment ecosystem. The mobile digital platform Wirecard ePos app – which can be used on a smartphone or tablet – gives bricks and mortar retailers access to popular international payment options and value added services.

A selection of our diverse range of product innovations from during and after the reporting period will be presented below:

In the area of data analytics, there was also a focus on significantly expanding real-time analyses in the reporting period. Information on how to avoid customer migration, predictive metrics, regional data, top spender evaluations and RFM (Recency, Frequency, Monetary Value) analyses help retailers to stabilise their existing business and also to generate additional income. Datasets are supplemented by open data sources from Google, Ama-zon, Twitter or general data such as the dates of national public holidays. All of this information enables retailers to better plan employee rotas, predict stock levels and improve their marketing plans, which has the overall effect of improving customer satisfaction and increasing income.

Alongside services such as the provision of virtual account structures, currency exchange services, Internet-of-things applications and applications for networked purchasing, value added services for the digital issuing of loans were also expanded. The funds will be provided in cooperation with powerful financing partners and banks. The system for evaluating creditworthiness and approving loans is integrated directly into the payment infrastructure. Analytic systems use the transaction data from business relationships in the area of payment processing collected over many years to deliver well-founded evaluations. Retailers that want faster payouts can thus benefit from quick decision-making processes and shorter waiting times for loans to be paid out. The range of products for Merchant Cash Advance or real-time payments for completed transactions that is offered, in particular, to small and medium-sized retailers not only provides great added value for our customers but also directly exploits the opportunities presented by a uniform and global digital platform.

The new Wirecard API Management and Developer Portals enable customers to work with the digital platform and the associated digital solutions offered by Wirecard more quickly. By using the standardised OpenApi Specification, Wirecard allows its customers to accelerate the entire implementation process and reduce the integration times from weeks down to just a few minutes. The API Management Portal acts as a one-stop shop for all relevant Wirecard documentation, including technical specifications, flow diagrams and detailed installation and integration instructions. The Wirecard Developer Portal is specially designed for developers at companies that are not yet working with Wirecard. It provides them with the opportunity to plan their Wirecard installation in an area isolated from the system environment (sandbox environment). The Portal provides access to numerous Wirecard APIs that can be downloaded, installed and tested within a protected environment. In real-life scenarios, companies are able to experience how Wirecard solutions can help them push forward their digitalisation strategies and improve their own customer experience. Developers will soon be able to try out open banking applications on the Portal that support future initiatives such as PSD2. The Developer Portal contains elements such as a self-service support hub, a documentation database and a product and implementation showroom that demon-strates the full spectrum of services offered by the Wire-card ecosystem for digital financial technology.

In the area of associated value added services, online marketplaces such as Natura, the leading Brazilian cosmetics company, can access new digital finance features such as split payments, automatic refunds, bank transfers and financial reconciliation and thus improve the satisfaction of their retailers and conversion rates.

The cooperation with SES-imagotag, the global market leader in omnichannel solutions for the retail trade, was expanded to include in-store payment using digital price tags. The existing system offered by both companies for seamless mobile payment enables consumers to pay everywhere and at any time in store and thus avoid long queues at the checkout. This system will now be expanded to include a wide range of loyalty, couponing and data analytics functions

Globale presence and international services

Business potential with regard to Chinese companies that are also active outside China, as well as Chinese and end customers such as tourists, was exploited during the reporting period.

For its partner DHgate, a leading Chinese e-commerce platform, Wirecard will provide acquiring services for DHgate's exclusive partner Camel Financial in future to enable digital payments outside of China.

The business relationships with Alipay and Tencent – China's leading mobile payment methods – were also further expanded in the reporting period. As a result, Chinese tourists can pay directly at the retailer's point-of-sale via barcode using their Alipay or WeChat Pay app and the retailer can benefit even more from the tourism boom from China. In the reporting period, renowned customers and partners such as the fashion and lifestyle company Breuninger (Alipay and WeChat Pay), the KaDeWe Group (Alipay) and the Fossil Group were acquired. Due to the partnership between Wirecard and Stuttgart-Marketing GmbH, official tourism partner of the state capital of Baden-Württemberg, Stuttgart will become the first China Pay City in Germany, as many locations such as restaurants, retail shops and museums can now accept payments via Alipay and WeChat Pay.

After the reporting period, Wirecard also began cooperating with Ctrip, the largest online travel agent in China, in the area of issuing to provide its customers with multi-currency Visa cards that eliminate the need to exchange money abroad for seven currencies.

One example of the expansion of cross-border payment services from Wirecard is provided by the expansion of the cooperation with Berjaya, one of Malaysia's largest retail conglomerates, in the reporting period. In the future, users in the Asia-Pacific region will be able to use "B Infinite" – the first fully digital cross-border customer loyalty app. With the B Infinite loyalty program, consumers can earn loyalty points from various retailers in different regions and then redeem them, receive the latest "flash deals" from local partners, make card payments or even pay via the app and earn digital loyalty points. This solution is a good illustration of Wirecard's vision of enabling fully digital, cross-border payment transactions. The outdoor company Mammut provides another good example. Wirecard is supporting the company with the expansion of its e-commerce business in the USA by handling its payment processing.

Business performance by segment

The integrated business model makes it possible to generate revenue in all three segments with one customer relationship. Therefore, business success is described in detail below subdivided by target sector and also in terms of geographical location and area of application.

Payment Processing & Risk Management

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. Alongside the transaction volumes processed by the company, the volume processed via the technical acquiring model by third-party banks, which are also allocated under the PP&RM segment, has also increased. Outside of its European licence area in particular, so-called BIN sponsorship models with third party banks can be used to offer fully integrated acquiring solutions. The business with existing and new customers developed very positively during the period under review.

Business performance in acquiring, financial services and issuing

In the year under review, the acquiring volume increased in line with the growing core business of payment processing.

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. The collaborations with FinTech companies have enabled Wirecard Bank, as well as Wirecard Card Solutions Ltd. in Great Britain, to exploit new potential for revenue by providing payment services in addition to its banking licence or e-money 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 the settlement of goods 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 company achieved a very good business performance in 2018 in both acquiring and issuing.

Business performance in Call Center & Communication Services

The services Wirecard Communication Services GmbH offers in this segment are mostly performed for the Wirecard Group but also for third party customers. The expansion of customer services and backoffice services for the Group has been pushed forward and new third party customers have been acquired. The project to expand operations into Romania (Bucharest) was also started.

It was thus possible to secure new customer service projects for Payout Cards (Western Europe) and the bankomo app from Reisebank. Other call centre services were also provided e.g. for the telecommunications provider Orange (France and Spain).

The hybrid service centre structure – meaning the bundling of a bricks and mortar service centre with a virtual one – enables this area of the company to focus on third party customers who have very demanding requirements in terms of languages and skills. It also makes the targeted outsourcing of operations at peak times possible – a key area of expertise of Wirecard Communication Services GmbH.

Business performance in target sectors

In the 2018 fiscal year, it was also possible to continue the successful business performance thanks to the broad range of innovative services offered along the entire payment value chain and across all sales channels. In particular, the increasing demand for cross-border payment solutions, the integration of alternative, mobile payment methods and the digitalisation of the bricks and mortar trade has supported our business success.

Some examples of the important new customer acquisitions and expanded business relationships during the reporting period are given below.

In the consumer goods sector, the “Try Before You Buy” flexible invoice payment option is being introduced for the first time by PVH Corp. – which is responsible for the Calvin Klein and Tommy Hilfiger businesses in Europe – and Wirecard’s Fraud Prevention Suite will ensure that this process remains secure for retailers. At IKEA online shops in Southeast Asia, consumers can benefit from an integrated payment solution. The service offered by Wirecard is based on a single integration point for all payment methods across the entire region. In addition, the system offers real-time checks so that IKEA South-east Asia can ensure payments are made on time while guaranteeing fraud prevention.

In the target sector of travel and mobility, Wirecard will from now on not only handle payment acceptance services but also payment processing services for Wizz Air, one of the largest low-cost airlines. Passengers of the LATAM Airlines Group, Latin America's largest airline, will be able to quickly and easily receive compensation using payout cards in the future. Wirecard will offer payment processing and acquiring services to travel agents in Australia in the future via its cooperation with the Australian Federation of Travel Agents.

As part of their strategic partnership, Wirecard and Crédit Agricole Payment Services (CAPS) will offer new e-commerce services in the area of payment acceptance and processing. The partnership also includes the development of mobile point of sale (mPOS) and other point of sale (POS) solutions that will offer fast and easy payments in line with the latest technologies. In addition to new customer acquisitions, CAPS will offer its existing customers the possibility of combining their existing POS solutions with online and mobile products so that the end consumer can benefit from an integrated, digitalised solution. This partnership will also support the international growth of large customers by providing them with a central platform for payment acceptance and processing across the whole of Europe.

As part of the partnership with Mizuho Bank, a series of customer relationships with Japanese retailers in Singapore and Hong Kong have been successfully agreed. Mizuho is currently investigating whether the current cooperation can be expanded beyond acquiring services to also include the area of issuing. We plan to intensify this cooperation in other Asian countries, as well as in Europe and the USA.

Mobile Payment/boon.

boon. is the only fully digitalised bank independent mobile payment solution on the European market and combines innovative and secure payment functionalities with services in the area of personal finance and numerous other value added services.

In the reporting period, boon. for Google Pay was successfully launched in Germany and France, while boon. for Apple Pay also went live in Germany.

It will also be possible to use the mobile payment solution on so-called “wearables” in the future. All Fitbit Pay customers in Ireland, Italy, Spain, Switzerland and Great Britain can use boon from Wirecard with immediate effect to make secure purchases via Fitbit Pay using their Fitbit Ionic and Fitbit Versa smartwatches. Garmin Pay customers can also use boon in Germany and six other European countries to make bank-independent payments via their smartwatch. boon. users who want to transfer money can from now on also make peer-2-peer transfers via iOS or Android.

2. Results of operations, financial position and net assets of the Group

Wirecard generally publishes its figures in millions of euros (EUR millions). 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. Some of the amounts shown differ from the amounts in the consolidated financial statements for the financial year 2017 due to adjustments made within the framework of corrections within the meaning of IAS 8.

Results of operations

In the fiscal year 2018, Wirecard also achieved further significant growth in both revenues and operating profit.

Group gross profit (revenues including other own work capitalised less cost of materials) increased by 29,3 percent to EUR 971.2 million in the 2018 fiscal year (previous year: EUR 745.2 million).

Revenue trends

Consolidated revenues increased in the fiscal year 2018 by 35.4 percent from EUR 1,488.6 million to EUR 2,016.2 million.

Revenues generated in the fiscal year 2018 in the core segment of Payment Processing & Risk Management, arising from risk management services and the processing of online payment transactions, increased by 39.0 percent from EUR 1,064.8 million to EUR 1,479.9 million.

The share of the total consolidated revenues accounted for by the Acquiring & Issuing segment grew by 24.7 percent in the fiscal year 2018 due to organic growth and the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region to EUR 609.3 million (previous year: EUR 488.5 million), of which the share accounted for by issuing amounted to EUR 260.5 million in the fiscal year 2018 (previous year: EUR 205.9 million).

Revenue from Acquiring & Issuing in the fiscal year 2018 primarily comprised commissions, interest, financial investments and revenues from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. The cooperation with so-called FinTech companies 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 has assumed rapidly growing strategic importance for Wirecard in the last year. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

The interest income generated by the Acquiring & Issuing segment in the fiscal year 2018 totalled EUR 20.6 million (previous year: EUR 12.4 million) and is recognised as revenue in the consolidated income statement. Accordingly, it is not contained in the Group's financial result. In particular, it comprises interest income on the investments of own funds as well as customer deposits (deposits and acquiring money).

The Call Center & Communication Services segment generated revenues of EUR 9.1 million in the 2018 fiscal year, compared with EUR 9.9 million in the previous year.

Trends in key expense items

The Group's cost of materials increased in the fiscal year 2018 to EUR 1,090.0 million compared to EUR 788.8 million in the 2017 fiscal year. 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 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 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.

Group personnel expenses rose to EUR 234.7 million in the fiscal year 2018, up by 26.2 percent year on year (previous year: EUR 186.0 million). Alongside the organic growth of the Group and the associated growth in the number of employees, the increase in personnel expenses was also due to acquisitions made in the last year, which means that the comparability of this item is restricted. The consolidated personnel expense ratio fell by 0.9 percentage points year on year to 11.6 percent.

Other operating expenses mainly comprise legal and financial statement costs as well as consulting expenses and consulting-related expenses, equipment and leasing, office expenses, impairments, expenses for travel, sales and marketing and personnel-related expenses. These amounted to EUR 157.1 million in the fiscal year 2018 (previous year: EUR 160.4 million) and break down as follows:

Other operating expenses

in EUR million	2018	2017
Legal and financial statement costs	17.0	17.9
Consulting expenses and consulting-related expenses	28.9	24.0
Office expenses	18.3	15.0
Equipment and leasing	24.9	21.9
Travel, sales and marketing	23.0	20.9
Personnel-related expenses	20.1	15.7
Insurance payments, contributions and levies	6.2	3.5
Allowances	n/a	18.9
Other	18.8	22.7
Total	157.1	160.4

The increase in expenses for almost all subitems goes hand in hand with the growth in the operating business of the Group and stood at 8,4 percent of revenue (previous year: 9,4 percent). In addition, the increase in the consulting expenses and consulting-related expenses was due to the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region.

As part of the first-time application of IFRS 9 as of 1 January 2018, impairment losses on financial assets from fiscal year 2018 onwards must be reported in a separate item in the consolidated income statement. These impairment losses are based on the new expected credit loss model, which anticipates expected losses from future bad debt losses. In the previous year, impairments were still determined using the previously applicable model of incurred losses in accordance with IAS 39 and were reported under other operating expenses.

Amortisation/depreciation in a total amount of EUR 122.0 million (previous year: EUR 98.7 million) is broken down below the consolidated income statement into two items for the purpose of better transparency. It is broken down so that the amortisation/depreciation of assets which result from business combinations and acquired customer relationships (M&A-related) can be presented separately.

In the fiscal year 2018, amortisation/depreciation adjusted for M&A was EUR 83.4 million (previous year: EUR 57.9 million). The M&A-related amortisation/depreciation in the fiscal year 2018 was EUR 38.7 million (previous year: EUR 40.9 million). As the company has a high level of M&A activity, this differentiation makes it easier to compare this item. Amortisation/depreciation rose year on year in the fiscal year 2018, mainly due to investments realised in property, plant and equipment, the further development of the multi-channel platform and various mobile payment projects.

Amortisation/depreciation in the Geschäftsjahr 2018 included impairments totalling EUR 12.5 million (previous year: EUR 4.5 million), which comprised impairments of customer relationships of EUR 0.2 million (previous year: EUR 0.4 million) and impairments of internally-generated and other intangible assets of EUR 12.3 million (previous year: EUR 4.1 million). These impairments were due, on the one hand, to a lower actual flow of benefits (revenue trend) from existing customer relationships than was originally planned, as well as, on the other hand, to the consolidation of existing software platforms, which will no longer be used by Wirecard in the future because of constant ongoing developments and migration activities associated with purchased software solutions.

EBITDA trends

The pleasing growth in earnings overall in the 2018 fiscal year was primarily due to the increase in the transaction volume processed by Wirecard, scaling effects from the transaction-oriented business model, the completed M&A transactions and from the increased usage of the banking services offered by Wirecard.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) grew in the fiscal year 2018 in the Group by 36.6 percent from EUR 410.3 million in the previous year to EUR 560.5 million. The EBITDA margin stood at 27.8 percent in the fiscal year 2018 (previous year: 27.6 percent).

The EBITDA of the Payment Processing & Risk Management segment stood at EUR 481.3 million in the fiscal year 2018 and grew by 49.1 percent (previous year: EUR 322.7 million). The share of the EBITDA accounted for by the Acquiring & Issuing segment in the fiscal year 2018 reached EUR 79.9 million (previous year: EUR 86.6 million), of which the share of the EBITDA accounted for by issuing in the fiscal year 2018 amounted to EUR 37.3 million (previous year: EUR 44.7 million).

Financial result

The financial result stood at EUR –29.0 million in the fiscal year 2018 (previous year: EUR –18.2 million). Group financial expenses stood at EUR 49.0 million in the fiscal year 2018 (previous year: EUR 33.4 million). This included, in particular, interest expenses from loans and leasing, from the unwinding of a discount on liabilities and expenses from fair value measurements. The Group financial income in the 2018 fiscal year stood at EUR 20.0 million (previous year: EUR 15.2 million) and was mainly due to income from fair value measurements.

The Group’s financial result does not include interest income generated by Wirecard Bank AG and Wirecard Card Solutions Ltd., which must be reported as revenues in accordance with IFRS accounting principles.

Taxes

Owing to the international orientation of the Group, the cash tax rate (excluding deferred taxes) amounted to 12.3 percent in the fiscal year 2018 (previous year: 16.6 percent). Including deferred taxes, the tax rate was 15.2 percent (previous year: 12.7 percent).

Earnings after tax

Earnings after tax in the fiscal year 2018 increased by 35.7 percent compared to the 2017 fiscal year, from EUR 256.1 million to EUR 347.4 million.

Earnings per share

The average number of issued shares on an undiluted basis amounted to 123,565,586 shares in the fiscal year 2018 (previous year: 123,565,586 shares). Basic (undiluted) earnings per share stood at EUR 2.81 in the fiscal year 2018 (previous year: EUR 2.07).

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 and liquidity 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 (for details refer to III. Forecast and report on opportunities and risks, section 2.10 Financial risks of the Annual Report 2018).

Capital and financing analysis

Changes of financial position

in EUR million	31 Dec 2018	31 Dec 2017	Changes in percent
I. Equity			
1. Subscribed capital	123.6	123.6	0%
2. Capital reserve	494.7	494.7	0%
3. Retained earnings	1,375.7	1,074.1	28%
4. Other components of equity	–71.2	–52.3	36%
Total equity	1,922.7	1,640.0	17%
II. Liabilities			
1. Non-current liabilities			
Non-current interest-bearing liabilities	1,348.7	754.8	79%
Other non-current liabilities	163.8	85.4	92%
Deferred tax liabilities	80.1	76.9	4%
	1,592.6	917.1	74%
2. Current liabilities			
Liabilities of the acquiring business	651.9	422.6	54%
Trade payables	63.4	66.1	–4%
Interest-bearing liabilities	117.4	311.6	–62%
Other provisions	18.5	2.4	668%
Other liabilities	186.6	151.5	23%
Customer deposits from banking operations	1,263.0	973.2	30%
Tax provisions	38.9	48.2	–19%
	2,339.6	1,975.7	18%
Total liabilities	3,932.2	2,892.8	36%
Total equity and liabilities	5,854.9	4,532.8	29%

Wirecard reports equity of EUR 1,922.7 million (31 December 2017: EUR 1,640.0 million). 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 loans as of the 31 December 2018 amounting to EUR 1,466.1 million at interest rates of between 0.85 and 3.10 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. Wirecard considers this calculation to be a good method for enabling a comparison with other companies. These banks determine the Group'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 statement of financial position. 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 AG and Wirecard Card Solutions Ltd., the acquiring funds of Wirecard Bank (31 December 2018: EUR 453.4 million; 31 December 2017: EUR 240.9 million) and the reduction in equity from the total assets according to the consolidated financial statements, while leasing liabilities are added back to these total assets.

The increase in interest-bearing liabilities of EUR 399.7 million is related to the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region as well as the range of products available in particular for small and medium-sized merchants for Merchant Cash Advance or real-time payouts of transactions made.

Investment analysis

The investments in strategic transactions/M&A mainly relate to acquisitions in the Asia-Pacific region. In addition, the investments in medium-term financing agreements are due to the product range for merchant cash advance or real-time payments of transactions made, which is available in particular to small and medium-sized merchants.

This mainly affects:

Substantial cash outflows for investments

in EUR million	2018	2017
Strategic transactions/M&A	42.5	265.0
Medium-term financing agreements	115.0	0.0
Internally-generated intangible assets	45.1	45.3
Other intangible assets (software)	7.6	32.8
Property, plant and equipment	23.5	15.0

Liquidity analysis

The subsidiaries Wirecard Bank AG and Wirecard Card Solutions Ltd. hold customer deposits from the banking and card business. In the past, smaller portions of the cash and cash equivalents from customer deposits were mainly only invested in securities (so-called collared floaters and short-term and medium-term interest-bearing securities). The remaining funds were held as deposits with the central bank and demand and short-term fixed-term deposits with banks. In the previous year, the additional funds resulting from customer deposits were deducted or reported as a reduction on the balance of cash and cash equivalents.

The cooperation with so-called FinTech companies 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 has assumed rapidly growing strategic importance for Wirecard in the last few years. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

While the cash flow from operating activities before the changes from the banking business shows the cash flow from the operating business of Wirecard, the cash flow from operating activities also takes into account the effect of the deposit business and the corresponding asset items.

As far as the liquidity analysis is concerned, it should also be noted that liquidity is influenced by reporting 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 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, will be offset by a countervailing cash flow trend in the first half of the following year.

Receivables and liabilities from acquiring are transitory in nature and subject to substantial fluctuations from one reporting date to another as, inherent to the business model, these statement of financial position items are significantly influenced by the overall transaction volume and the security reserves. Receivables from acquiring mainly comprise receivables from credit card organisations, banks and acquiring partners and liabilities exist to retailers. The customer deposits from the banking business and corresponding securities or receivables from the banking business likewise constitute items that can be eliminated for the adjusted cash flow. To simplify the identification and reporting of the relevant portion of the company's own earnings, Wirecard has decided to present a further statement in addition to the usual statement of cash flow from operating activities in order to eliminate these items. The cash flow from operating activities (adjusted) of EUR 500.1 million (previous year: EUR 375.7 million) clearly shows that Wirecard 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 as well as in particular for the small and medium-sized merchants for Merchant Cash Advance or real-time payouts of transactions made. The Group's interest-bearing liabilities to banks increased by EUR 399.7 million to EUR 1,466.1 million (31 December 2017: EUR 1,066.4 million). The largest share of this increase was due to the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region and is currently being used for Merchant Cash Advance or real-time payouts of completed transactions within the scope of the product range provided in particular for small and medium-sized merchants. Wirecard has EUR 1,905.6 million of lending commitments (31 December 2017: EUR 1,342.7 million). Along with the loans recognised in the statement of financial position, additional credit lines from commercial banks amounting to EUR 436.4 million are consequently available (31 December 2017: EUR 278.0 million). Lines for guarantee credit facilities are also available in an amount of EUR 85.0 million (31 December 2017: EUR 16.0 million), of which EUR 29.2 million has been utilised.

Net assets

Changes in net assets

in EUR million	31 Dec 2018	31 Dec 2017	Changes in percent
I. Non-current assets			
1. Intangible assets			
Goodwill	705.9	675.8	4%
Customer relationships	452.1	484.9	–7%
Internally-generated intangible assets	138.2	120.0	15%
Other intangible assets	113.3	109.3	4%
	1,409.5	1,390.0	1%
2. Property, plant and equipment	81.5	57.5	42%
3. Investments accounted for using the equity method	14.0	14.6	–4%
4. Financial and other assets / interest-bearing securities	413.6	310.2	33%
5. Tax credits			
Deferred tax assets	10.8	9.1	18%
Total non-current assets	1,929.4	1,781.4	8%
II. Current assets			
1. Inventories and work in progress	10.6	13.3	–21%
2. Receivables of the acquiring business	684.9	442.0	55%
3. Trade and other receivables	357.4	274.7	30%
4. Tax credits			
Tax refund entitlements	13.1	11.0	20%
5. Interest-bearing securities and fixed-term deposits	139.6	109.1	28%
6. Cash and cash equivalents	2,719.8	1,901.3	43%
Total current assets	3,925.5	2,751.4	43%
Total assets	5,854.9	4,532.8	29%

Assets reported in the statement of financial position of Wirecard increased by EUR 1,322.1 million in the fiscal year 2018, rising from EUR 4,532.8 million to EUR 5,854.9 million. In the 2018 fiscal year, both non-current and current assets grew. In addition to the investments and growth in the operating business, these changes were due to, amongst other things, the consolidation of the assets acquired and liabilities assumed as part of the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region. This caused various statement of financial position items to increase. As a result, comparisons can only be made to a limited extent.

The British pound sterling fell in value against the euro as a result of the political situation. The current situation in Turkey also led to a depreciation in the value of the country's currency compared to the euro. As the operating business is not affected by these situations and is performing positively, there is no need based on current assessments and calculations to impair the assets held there above the currency translation adjustment.

In addition to the assets reported in the statement of financial position, the 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 met its intended objective of achieving profitable growth in the fiscal year 2018. With after-tax earnings of EUR 347.4 million, earnings per share of EUR 2.81 (diluted and basic) and an equity ratio of 32.8 percent, the Group has a solid financial and accounting basis for the current fiscal year. The company initially forecast operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 510 million and EUR 535 million for the 2018 fiscal year. This forecast was adjusted within fiscal year 2018 by the Management Board to an EBITDA of between EUR 550 million and EUR 570 million and has now been reached at EUR 560.5 million.

3. Results of operations, financial position and net assets of Wirecard AG

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.

3.1 Results of operations

In the 2018 fiscal year, Wirecard AG significantly increased its revenues. The operating earnings were slightly below the figure in the previous year due to the decrease in dividend payments.

Revenue trends

Wirecard AG as an individual company does not have its own operating business. Its activities focus on the provision of administrative and management services for its subsidiaries. Therefore, the revenues of kEUR 18.358 in the reporting year (2017: kEUR 15.916) mainly comprise intercompany settlements within the Group.

Earnings before interest and taxes (EBIT) stood at kEUR 109.586 (2017: kEUR 118.231).

Trends in key expense items

Personnel expenses in the reporting year totalled kEUR 23.819 (2017: kEUR 21.068).

Other operating expenses mainly comprise the following items: legal and consulting costs, exchange rate expenses, office expenses and personnel-related expenses. These totalled kEUR 23.068 (2017: kEUR 35.656) in the reporting year.

Income from profit and loss transfer agreements

The positive result in the fiscal year was mainly attributable to income from profit and loss transfer agreements. Overall, Wirecard AG received income of kEUR 136.699 (2017: kEUR 154.159) in the reporting year from profit and loss transfer agreements as follows: Wirecard Technologies GmbH transferred profit of kEUR 132.112 (2017: kEUR 87.940) to Wirecard AG. Click2Pay GmbH reported a loss of kEUR -44 in the fiscal year (2017: kEUR -7.247), which was settled by Wirecard AG. Wirecard Acquiring & Issuing GmbH generated a profit of kEUR 9.380 (2017: kEUR 70.171) in the reporting year. Wirecard Sales International Holding GmbH transferred a loss of kEUR -4.749 (2017: kEUR 3.295) to Wirecard AG as part of a profit and loss transfer agreement.

Wirecard Technologies GmbH develops and operates the software platform that forms the central element of the portfolio of products and services for the internal business processes of the Group. Click2Pay GmbH participates with its product of the same name in the expansion of suppliers of digital goods, such as music and gaming platforms. Wirecard Acquiring & Issuing GmbH and Wirecard Sales International Holding GmbH act as holding companies for subsidiaries within the Group and as management holding companies do not carry out other operating activities.

Interest income and expenses

The financial result contains interest income from short and medium-term receivables from affiliated companies. The interest on these receivables is calculated at the current market rates in each case. The receivables are due to financing, as well as dividend payments and charges for management services. Interest income from affiliated companies stood at kEUR 7.206 (2017: kEUR 5.998) in the reporting year. Wirecard AG generated interest income from loans of kEUR 14 (2017: kEUR 15) in the reporting year.

The item interest and other expenses of kEUR 20.391 (2017: kEUR 14.755) contains, amongst other things, guarantee credit facilities and bank provisions of kEUR 5.780 (2017: kEUR 4.585). Interest on taxes stood at kEUR 3.933 (2017: kEUR 655), while interest on bank borrowings stood at kEUR 10.659 (2017: kEUR 8.198).

Annual net profit

Earnings after tax in the 2018 fiscal year stood at kEUR 58.838 (2017: kEUR 97.913). The annual net profit is primarily due to income from profit and loss transfer agreements.

3.2 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.

Capital and financing analysis

Wirecard AG's equity increased in the reporting year from kEUR 766.385 to kEUR 802.981. The equity ratio fell and stood at 34,2 percent of the total assets as of 31. Dezember 2018, while it stood at 40,4 percent of the total assets in the previous year. The main reason for this development was the increase in liabilities to credit institutions to finance equity investments at subsidiaries and the acquisition of customer portfolios.

The subscribed capital remained unchanged as of 31. Dezember 2018 at EUR 123,566 and is divided into 123,565,586 no-par value bearer shares based on a notional share capital of EUR 1.00 per share.

In the reporting year, interest-bearing liabilities to credit institutions increased as planned to finance new acquisitions in the fiscal year, as well as to finance the acquisition of customer portfolios.

Trade payables mainly exist with respect to service providers and comprise amounts that are current in nature. The trade payables are immaterial in comparison to the liabilities to credit institutions.

Investment analysis

The criteria for investment decisions in the Wirecard Group generally comprise the capital employed, the securing of a comfortable level of cash and cash equivalents, the results of an in-depth analysis of both potential risks and the opportunity/risk profile and the type of financing (purchase or leasing). Depending on the type and size of the investment, the temporal course of the return on investment is taken fully into account.

In the reporting year, intangible assets included total investment of kEUR 1.222 in software by Wirecard AG due mainly to the constant growth of the Group. This software is amortised over a period of 3 to 10 years.

Office furnishing, low-value assets and other operating and office equipment were also acquired so that acquisition costs increased to kEUR 2.921. They are amortised over a period of three to thirteen years. In the reporting period, leasehold improvements increased the carrying amount to kEUR 1.081 and are depreciated over the term of the existing lease agreements. The financial leases for technical equipment and operating and office equipment increased by kEUR 1.850 so that the carrying amount of kEUR 9.424 was recognised as of 31. Dezember 2018. The leased items serve as security for the respective obligations from the finance leasing agreements.

In the reporting year, Wirecard AG as an individual company provided its subsidiary Wirecard Acquiring & Issuing GmbH with additional equity of kEUR 60,000. The funds were invested in existing and new investments.

Furthermore, Wirecard AG provided its subsidiary Wirecard Sales International Holding GmbH with additional equity of kEUR 260,000. The funds were invested in existing and new investments.

Liquidity analysis

Treasury Management – which is responsible for the entire Group – provides all parts of the Group with the liquidity they require. In the process, it attempts to avoid borrowing capital and thus any interest on borrowed capital.

As a holding company, Wirecard AG mainly generates revenues from its subsidiaries. It only generates revenue from third-party companies through leases. Therefore, it does not have high cash flows from operating activities. However, it does have cash inflows from profit and loss transfer agreements and dividends from its participating interests. In contrast, the acquisition of participating interests and providing its participating interests with equity lead to cash outflows. In the reporting period, the Annual General Meeting of Wirecard AG also approved the payment of a dividend of EUR 0.18 per dividend-entitled ordinary share for the 2017 fiscal year. A total of kEUR 22.242 was distributed to the 123,565,586 dividend-entitled ordinary shares.

Wirecard AG had a comfortable volume of liquidity to meet its payment obligations at all times throughout the entire fiscal year.

The cash and cash equivalents held by Wirecard AG increased by kEUR 28.875 to kEUR 113.799 in the reporting year. In contrast, liabilities to credit institutions increased from kEUR 1.075.111 to KEUR 1.455.269. They were related to company acquisitions and the acquisition of customer portfolios in the Wirecard Group. In addition, the investments in medium-term financing agreements are due to the range of products for Merchant Cash Advance or real-time payments for completed transactions that is offered, in particular, to small and medium-sized merchants. Current interest-bearing liabilities to credit institutions fell in the reporting year from kEUR 307.934 to kEUR 101.576. Non-current interest-bearing liabilities to credit institutions increased in the reporting year by kEUR 596.424 from kEUR 757.241 to kEUR 1.353.666.

Liabilities to affiliated companies increased slightly by kEUR 52 to kEUR 15.804. The receivables from affiliated companies increased by kEUR 98.569 to kEUR 922.350. Other assets fell by kEUR 2.257 to kEUR 1.350.

Wirecard AG has credit lines totalling EUR 1.9 billion available from various credit institutions. As of the reporting date, Wirecard AG itself had drawn EUR 1.5 billion in bank loans at interest rates of between 0.4 and 1.6 percent. Guarantee credit facilities of kEUR 29,230 had been drawn.

Net assets

In addition to the assets reported in the statement of financial position, Wirecard AG also indirectly holds other significant unreported intangible assets, such as customer relationships, human capital, supplier capital, etc., via its subsidiaries and second-tier subsidiaries. It is corporate policy to value assets conservatively.

Fixed assets

As a holding company based at the Aschheim site, Wirecard AG provides its subsidiaries with software and office, operating and related equipment, whereby the cost of depreciation is passed on to the subsidiary.

In the reporting year, intangible assets included total investment of kEUR 1.222 in software by Wirecard AG due mainly to the constant growth of the Group. This software is amortised over a period of 3 to 10 years.

Office furnishing, low-value assets and other operating and office equipment were also acquired so that acquisition costs increased to kEUR 2.921. They are amortised over a period of three to thirteen years. In the reporting period, leasehold improvements decreased the carrying amount to kEUR 1.081 and are depreciated over the term of the existing lease agreements. The financial leases for technical equipment and operating and office equipment increased by kEUR 1.850 so that the carrying amount of kEUR 6.715 was recognised as of 31. Dezember 2018. The leased items serve as security for the respective obligations from the finance leasing agreements.

The total amount of the shares in affiliated companies increased by kEUR 320,000 to kEUR 1.288.546 in the reporting year due to the capital contributions made to the subsidiaries Wirecard Acquiring & Issuing GmbH and Wirecard Sales International Holding GmbH.

The company's valuations of the shares in affiliated companies showed that no impairments were necessary because the fair values were higher than the carrying amounts.

Current assets

Current assets increased overall in the reporting period from kEUR 912.338 to kEUR 1.037.523. This was primarily due to the fact that receivables from affiliated companies increased by kEUR 823.780 to kEUR 922.350 and bank balances increased by kEUR 84.924 to kEUR 113.799.

Current receivables mainly comprise management services billed at the end of the year that are provided by Wirecard AG as a holding company to other companies in the Group. Where profit and loss transfer agreements have been concluded with subsidiaries, current receivables from affiliated companies also include the profit/loss transferred at the end of the year.

Current receivables from Wirecard Technologies GmbH increased in the reporting year from kEUR 192.539 to kEUR 351.362. The balance as of 31. Dezember 2018 mainly comprises profit transfers and management services billed at the end of the year.

Current receivables from Wirecard Acquiring & Issuing GmbH fell in the reporting year from kEUR 73.025 to kEUR 21.114 and include the profit transfer and management services billed at the end of the year.

Current receivables from Wirecard Sales International Holding GmbH, which fell in the reporting year from kEUR 212.120 to kEUR 158.341, include profit transfers, management services billed at the end of the year and financing for existing participating interests and the acquisition of customer portfolios.

Current receivables from Wirecard Processing FZ-LLC fell in the reporting year from kEUR 14.864 to kEUR 330 and mainly comprise management services billed at the end of the year.

Non-current receivables from Wirecard Sales International Holding GmbH were fully settled in the amount of kEUR 67.535 after the capital increase.

As part of the cash management agreement between Wirecard AG and Wirecard Technologies GmbH, the balance of non-current receivables from Wirecard Technologies GmbH increased from kEUR 228.413 to kEUR 286.757. According to the terms of the cash management agreement, Wirecard AG provides the affiliated companies in the agreement with the funds required for their business operations and absorbs any surpluses that are not required.

Non-current receivables from Click2Pay GmbH fell in the reporting year, as part of the cash management agreement and due to the settlement of the loss from 2018 between Wirecard AG and Click2Pay GmbH, from kEUR 2.597 to kEUR 1.921.

The items under other assets are reported at the lower of either the nominal value or the fair value. They all have a residual term of up to one year. An amount of kEUR 1.350 mainly comprised tax reimbursement claims.

The net assets held by Wirecard AG mean that it is well positioned to handle all strategic and operating matters and it is anticipated that the assets it holds in the future will continue to unreservedly guarantee the planned growth of the Group.

3.3 Overall statement on the business situation

The Wirecard Group generated annual net profit of kEUR 347,368 in 2018, which represents an increase of 35.7 percent in comparison to the previous year. Earnings after taxes of Wirecard AG fell from kEUR 97.913 in the previous year to kEUR 58.838 in the reporting year. This was primarily due to the amended dividend policy. Wirecard AG has a solid financial and accounting basis for the current fiscal year with an equity ratio of 34 percent.

For the outlook on the economic situation of the Wirecard Group, we refer to the earnings, financial and asset situation in section II.2 of this report.

Wirecard AG expects to receive slightly higher investment income from its subsidiaries in 2019, assuming the dividend policy remains unchanged.

4. Report on events after the reporting date

Events occurred after the reporting date, that have provided additional information on the company's position as of the balance sheet date (events requiring recognition) are recognized in the consolidated financial statements.

Events after the balance sheet date that do not have to be taken into account are disclosed in the notes if they are material.

For a summary of the investigations in Asia, please refer to our comments in the consolidated management report under the section Report on opportunities and risks.

After the period under report, the Company and SoftBank Group Corp., Japan, have signed a binding term sheet (MoU) under which an affiliate of SoftBank Group shall invest approximately EUR 900 million in Wirecard via a convertible bond mechanism and a strategic partnership for digital payment solutions to enhance business in Japan and South Korea shall be formed.

III. Forecast and report on opportunities and risks

1. Forecast

1.1 Underlying macroeconomic conditions in the next two fiscal years

In its world economic outlook published on 11 January 2019, the International Monetary Fund (IMF) forecasts global economic growth of 3.5 percent in 2019 and 3.6 percent in 2020.

High growth rates are forecast, in particular, for emerging markets in Asia such as India and the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam). Based on the growth rate of 7.3 percent in the previous year, the IMF expects a further increase in growth in India of 7.5 percent in 2019 and 7.7 percent in 2020. Disruptive governmental measures mean that the Indian market offers Wirecard many opportunities for implementing digital payment solutions and supporting the development there towards a cashless society. In the Asia-5 states, growth of 5.1 percent for 2019 and 5.2 percent for 2020 is forecast. These countries are also important sales markets for Wirecard.

In the eurozone, a core market for Wirecard, economic growth of 1.6 percent is expected in 2019 and 1.7 per-cent in 2020, based on growth of 1.8 percent experi-enced in the previous year. In Germany in particular, the IMF expects lower demand from private households, a reduction in industrial production and weaker foreign demand. Weak domestic demand and high financing costs are expected in Italy.

In the United Kingdom (UK), there continues to be great uncertainty about the precise nature of the country's exit from the EU. The IMF forecasts growth of 1.5 percent in 2019 and 1.6 percent in 2020 for the UK.

Emerging European countries can expect growth of 0.7 percent in 2019 and 2.4 percent in 2020. According to the IMF, the annual growth forecasts for the South Afri-can market are 1.4 percent in 2019 and 1.7 percent in 2020. After growth of 1.3 percent on the Brazilian market in 2018, a significant increase to 2.5 percent is expected in 2019 (2020: 2.2 percent).

In the United States of America (USA), the IMF expects economic growth of 2.5 percent in 2019 and 1.8 percent in 2020, based on growth of 2.9 percent experienced in 2018.

From a macroeconomic perspective, there are positive growth opportunities for the sales markets relevant to the Wirecard Group despite geopolitical and financial policy uncertainties. Due to the global market presence of Wirecard and its numerous international locations, a stable risk diversification in terms of regional political and economic uncertainties on the market has been achieved.

1.2 Sector forecasts and global megatrends

Sector forecasts

Significant growth and a high level of innovation have also been forecast for the payment industry in the com-ing years. The sector is preparing for both structural changes in the individual markets and also innovations in products and services. In its "World Payment Report 2018" study, the company Capgemini expects cashless payments to grow by around 14 percent per year up to 2021. Emerging countries in Asia (such as Malaysia, Thailand and Indonesia) will experience the highest growth rates in this sector of around 29 percent per year.

The trend towards digitalisation of the entire payment ecosystem is continuing across all sectors and sales channels. Digital payment solutions are emerging along the whole value added chain that are characterised by innovation, efficiency, security and convenience for the customer. Investment in new technologies is absolutely essential for service providers in the payment sector if they want to continue to survive on the market. The trend towards internationalisation, both amongst retailers and also end consumers, requires cross-border, digital solutions dealing with payment processing and associated services such as banking services or logistical value added services in the form of automated shipping of the purchased goods to the home country. Changes to the regulatory framework conditions, such as opening up access to traditional banking systems as part of the PSD2 Directive, will make it easier for alternative suppli-ers of payment solutions to enter the market.

As a global leader for innovation in the payment industry and a supplier of solutions for electronic payment transactions, the growth of the global digital payment market is crucially important to the Wirecard Group. The core sales markets are Europe, the Asia-Pacific region and North America. In addition, the company has branches in the United Arab Emirates, South Africa and Brazil. The international presence of the Wirecard Group means that the global payment market can now be addressed in the best possible way.

Global megatrends

Six global megatrends can currently be observed in the payment industry, which flow into the research activities and development of new product solutions and features in order to secure the strong competitive position of Wirecard and its position as a global leader in payment innovations both now and also in the long term:

- Decline in the use of cash in comparison to electronic payments
- Artificial intelligence/ machine learning
- Internet technology and the Internet of Things (IoT)
- Internationalisation and cross-border payments
- Financial inclusion
- Seamless customer experience

Decline in the use of cash in comparison to electronic payments

The global development towards a cashless society and advancing digitalisation within the payment ecosystem offer enormous opportunities for growth. In particular, developing countries are still highly dependent on cash. Regulatory measures and demonetarisation strategies, such as those in India, support our business activities and motivate us to develop innovative, cashless solu-tions for the global market.

Artificial Intelligence/ machine learning

The application of technologies in the field of artificial intelligence to imitate human intelligence and human behaviour is bringing about structural change in the economy and in society. Using cognitive systems and machines, digital information is recorded and algorithms are used to draw conclusions, make decisions and take action. Machine learning is used to develop artificial neural networks that can complete tasks such as speech or facial recognition using an almost endless amount of structured and unstructured data.

Wirecard has already gathered a decade of solid experience in the application of AI in the area of risk management and possesses an extensive pool of data and corresponding data analysis tools. The continuous devel-opment of tools to identify fraud patterns enables the opportunities and risks relating to transactions to be appropriately assessed in order to safeguard and in-crease retailer revenues. This extensive knowledge can now be transferred to new product innovations in order to gain valuable insights into purchasing decisions and consumer behaviour so that our retailers can benefit from better conversion rates, cost optimisations and targeted, individualised campaign and pricing strategies.

Internet technology and the Internet of Things (IoT)

The Internet of Things is a wide-ranging network of smart devices that together collect and evaluate data. By combining hardware, software and communication sys-tems, the objects can communicate with one another via sensors, receive orders and carry out their tasks inde-pendently of one another and without any external influ-ences. Alongside the automation of production process-es in the industrial sector, these digital, network-based technologies are bringing about a fundamental transformation of products, services, value added chains and business models in all segments, such as the household, health and consumer goods. Data is used to help recognise and understand behavioural patterns, opinions and preferences of customers. New ways of interacting with customers and new brand experiences become possible in which the consumer is made co-designer of their product. Product differentiation and individual pricing structures then also become possible.

Wirecard is also already working on innovative solutions and integrating IoT technologies into our payment ecosystem. Our open and flexible platform solution provides the successful basis for connecting all types of smart devices via interfaces and for integrating not only payment data but also corresponding user data into our ecosystem. IT security and data protection are key factors here for sustainable and long-term business success.

Internationalisation and cross-border payments

The dynamic trend towards the digitalisation of all sales channels and the internationalisation of business models, reinforced by the increased outsourcing of business activities abroad and internationally accessibly online shops, means the need for efficient, secure and fast cross-border payment solutions is also increasing.

In our payment ecosystem, we are constantly working to develop new solutions that make cross-border payments more efficient, secure and convenient for our retailers and customers.

Financial Inclusion

Financial inclusion means allowing individual people or companies to have access to financial services such as loans, financial investments, payment solutions and insurance services. Broader access and participation in the financial ecosystem can reduce income disparities, generate jobs, increase consumption and help poorer societies to protect themselves better against financial risks.

Due to its global presence, Wirecard has set itself the goal of providing simple and innovative solutions to help private customers, as well as small and medium-sized companies, in underdeveloped countries to access the financial system.

Seamless customer experience

It is assumed that the experience a customer has when purchasing a product will be a more crucial factor in the future than the price or quality of the product. Customers expect reliable products, a fair relationship between price and individual value, the fulfilment of their own individual requirements and needs and transparent information. New innovations to enhance the purchasing experience such as augmented reality, expanding the real world to include virtual objects or virtual reality e.g. in video games, will increase the individual value of a product beyond simply its product presentation.

Using innovative and digital solutions in the area of mobile payments through to the complete automation of payment processes, it will also be possible for brick and mortar retailers to develop more efficient and seamless payment processes in the future.

1.3 Prospects for expansions

Using the diverse range of services within the payment ecosystem and the combination of software technology and banking products, the area of payment acceptance and processing will be further expanded and also increasingly linked with product innovations in the issuing area to bring new issuing solutions to the global market. In this context, enhanced mobile payment functions and innovations to digitalise bricks and mortar trade are particularly noteworthy. Value added services in all areas such as data analytics round off the range of services for a global, integrated payment ecosystem with the Wirecard platform solution. It will enable existing customers and also new customers and partners of all global representatives of Wirecard to be served and thus offers great potential for cross-selling activities.

Wirecard has achieved its goal of global expansion. The plan is to continue to use our foothold in each region to expand through sensible acquisitions. The Group-wide value added chain will also be introduced to international growth markets in future, insofar as the existing infrastructure and level of technology make this possible.

Wirecard AG anticipates additional potential for profitable growth in local markets over the next few years by link-ing acquiring and issuing services, while at the same time being able to expand its global payment platform to include mobile payment solutions and value added ser-vices such as the integration of transaction and retail banking services or a customer loyalty programme. The trend towards digitalisation in bricks and mortar trade also offers Wirecard good prerequisites for cross-selling activities for existing and new customers.

1.4 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 globally 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 investment to expand its portfolio of products and services, in order to extend the value chain of our core business.

Future sales markets

A large proportion of the growth of Wirecard AG is expected to be in its core markets of Europe, the USA and the Asia-Pacific region in 2019 and 2020.

The strategy of achieving an international presence through locally networked entities and providing multinational card and payment acceptance agreements is the key to securing further globally active retailers as customers. The Wirecard platform offers locally and globally relevant payment methods. This product range will also be continuously extended. Due to the acquisition of the Asia-Pacific acquiring portfolio of the Citigroup, Wirecard will homogenise and expand its range of products and services for the entire APAC region. Regionally active and international retailers can already benefit today from the full payment value added chain offered by Wirecard.

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 new business areas in mobile services, data analytics, financial services, couponing and loyalty. The development of new products and solutions, some in cooperation with 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.

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.

1.5 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 hav-ing an equity ratio that remains at a comfortable level. It stood at 32.8 percent in 2018 (2017: 36.2 percent). The dividend payout of EUR 0.20 per share that is to be proposed to this year's Annual General Meeting has been taken into account in this statement. The retained profits will be invested in, amongst other things, research and development expenses and new technologies. These currently account for around five percent of annual revenues per year.

The Management Board intends to continue to finance future investments, such as financing agreements on the product range for merchant cash advance or real-time payments provided in particular for small and medium-sized dealers as well as potential acquisitions, in the future either from its own cash flow 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 strat-egy of integrating providers of payment transaction ser-vices and technology services, as well as network opera-tors, in high-growth economic regions in Asia into our corporate group will prove successful in the long term.

Results 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 2019 earnings forecast is also based on the key performance indicator of EBITDA.

We forecast operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 740 million and EUR 800 million for the 2019 fiscal year. This forecast is based on:

- an increase in cashless payments in the core sales markets of the Wirecard Group
- the dynamic trend towards digitalisation at the point-of-sale, combined with increased demand from retailers for digital ePos solutions, as well as demand from consumers for innovative payment solutions
- the increase in the transaction volume processed by the Wirecard Group for both existing and new customers
- economies of scale from the transaction-oriented business model
- cross-selling effects with existing customers
- linking digital acquiring and services with issuing services and value added services such as loyalty programmes to create completely new business models in the area of digitalisation

- the continuous expansion of our value added chain to include valuable additional services in the area of data analytics to allow personalised, digital price and product offers to be made at the point-of-sale
- the constant expansion of our portfolio with innovative financial services (transaction banking, retail banking services, insurance services, etc.)

The forecast does not include possible effects from further potential corporate acquisitions. We also forecast that revenues and the results of operations will continue to remain positive in 2019.

The high demand for international solutions, our competitive advantage due to the combination of technology and innovative banking services and our current customer projects and partnerships, as well as our ongoing global expansion, are the reasons we are convinced that the Wirecard Group will grow faster than the overall market in both 2019 and 2020.

By linking acquiring and issuing services with digital value added services across the entire payment ecosystem and utilising the resulting product innovations and enhancements, we believe that profitable areas of business and existing customer relationships can be expanded and new customers and partners from various different sectors and regions can be secured.

Due to the integration of our acquired companies and the migration of their customer portfolios onto our integrated technology platform, improvements in the efficiency of our operational processes, as well as disciplined cost management, we anticipate further positive effects on earnings.

2. Report on opportunities and risks

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

2.1 Risk-oriented corporate governance

For Wirecard, 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, Wirecard 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. Wirecard continuously monitors the level of cover that they provide.

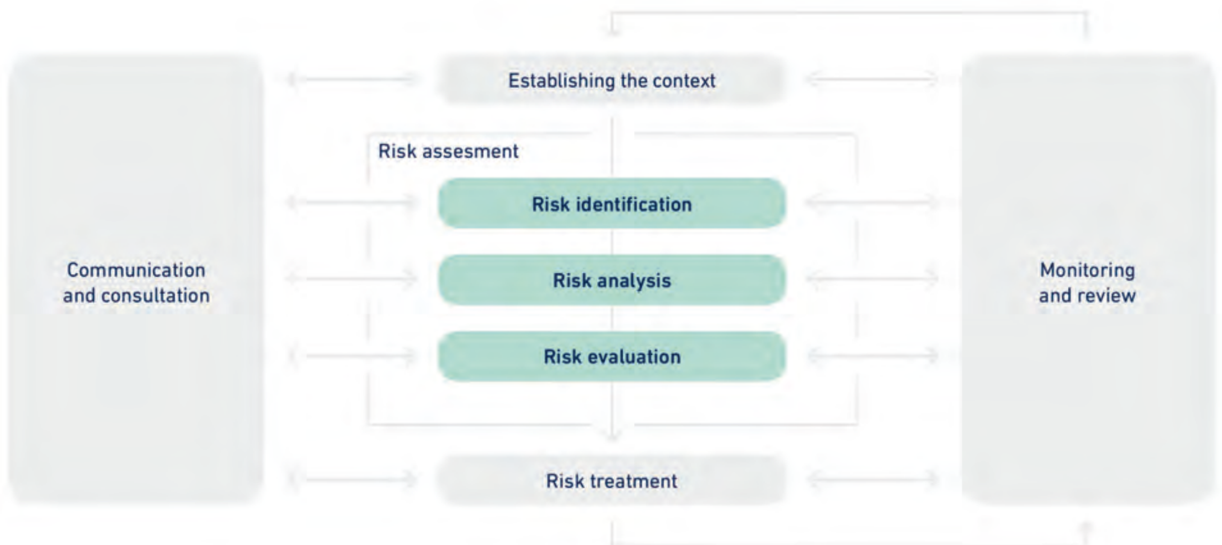
Equally, it is a company-wide policy to identify, evaluate and exploit opportunities in order to sustain growth trends and secure the Group's earnings growth.

2.2 Efficiently organised risk management system

For Wirecard, risk management comprises 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 31000:2018 standard. In addition, relevant regulatory requirements for risk management systems that go above and beyond this standard are implemented in some companies of the Wirecard Group.

The ERM system is standardised Group-wide and integrated into the business processes, as well as into the 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 op-erating 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 (impact). Appropriate risk management measures are developed and pursued. Relevant risks, along with the measures adopted, are continuously recorded centrally for the 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 provides the Management Board with an up-to-date view of the overall risk situation 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 central risk controlling in Group Risk Management. 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 in conjunction with the Group risk management system.

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 identification and management of non-financial risks, which flow into the Group non-financial declaration in accordance with Section 215b of the HGB forms a subprocess of risk management.

Wirecard 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, risks are assessed in the dimensions of "estimated probability of occurrence" and "potential impact on the net assets, financial position and results of operations, as well as reputation".

Both assessments classify the risks at one of five levels, which are shown below.

Probability of occurence	Description	from(%)	to(%)
Very unlikely	Event occurs only under extraordinary circumstances	0.00	9.99
Unlikely	The occurence 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
Almost certain	Event occurs within the observation period with a very high degree of probability	80.00	100.00

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

Impact	Description	from(TEUR)	to(TEUR)
Immaterial	Negligible effect on the net assets, financial position and results of operations	0,00	39,999
Low	Limited effect on the net assets, financial position and results of operations	40,000	64,999
Moderate	Tangible effect on the net assets, financial position and results of operations	65,000	104,999
Considerable	Substantial effect on the net assets, financial position and results of operations	105,000	174,999
Significant	Up to critical effect on the net assets, financial position and results of operations	175,000+	–

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

Impact	**Event probability**				
	Very unlikely	Unlikely	Likely	Verly likey	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 occurence and level of impact, Wirecard derives a risk value for the significance of the risks based on a five-level scale – ranging from „very low“ to „very high“.

There were no changes in the methodology of risk evaluation compared to the previous year.

Due to the same opportunity and risk profile, the statements in this chapter apply to the Wirecard AG and the Wirecard Group accordingly.

2.4 Internal control and risk management system
The aim of an appropriate and effective ICS is to guarantee the functionality and efficiency of business processes and ensure compliance with regulatory and legal re-quirements with respect to the individual processes. The ICS approach followed by Wirecard is based on the criteria defined in the Internal Control - Integrated Framework from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Wirecard has an internal control and risk management system also in relation to the (Group) accounting process, in which appropriate structures and processes are defined and then implemented within the organisation. This is designed to guarantee the timely, uniform and correct accounting of 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 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 addi-tion to defined control mechanisms such as technical and manual reconciliation and coordination processes, lie in the separation of functions and ensuring compli-ance with directives and work instructions. The Group accounting process at Wirecard is managed by the Ac-counting and Controlling departments.

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 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 departments are 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 implemented as a minimum requirement. Certain approval processes must be applied throughout the accounting process. In addition, a group of experts that is not involved in the preparation process, including external advisers, is on hand for special functional questions and complex issues.

While reviewing the propriety 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 method to monitor the effectiveness of the internal, accounting-related control system. This process is geared to the risks of possible erroneous reporting in the consolidated financial statements.

The effectiveness of the internal control system is monitored by the Supervisory Board of Wirecard AG.

2.5 Summary of investigations in Asia

In Spring 2018, Wirecard's Compliance was informed that a whistle-blower had come forward and described various activities that had taken place locally in the Singapore accounting department. After discussing the allegations which had come to light, orders were given to secure data and files that were possibly relevant, and the law firm Rajah & Tann, Singapore, was commissioned to record and document the allegations made by the whistle-blower, and also to initially clarify the risks those allegations harboured. After receiving the preliminary report dated 4 May 2018, which outlines the accusations and related plausibility checks, Wirecard placed a new assignment with Rajah & Tann, commissioning the law firm to thoroughly investigate and evaluate the allegations made, and to develop recommendations based on the findings that emerged from its investigations. The law firm Rajah & Tann was later also assisted by a team of forensic experts from a renowned independent consulting firm which operates worldwide.

The entire investigations, some of which were conducted by additional third parties, involved conducting interviews, analysing mass data, evaluating employees' mailboxes and reviewing individual cases. This overall analysis has also and in particular included a thorough audit of key transactions in years already closed – amongst other things the acquisition and sale of software, including scrutinising communications with third parties (e.g. customers/suppliers) and inspecting the acceptance documents – and more besides.

The investigations by the law firm Rajah & Tann have been completed and the related final report has been submitted. In consultation with the law firm, Wirecard published a "Summary of Updated Findings" on 26 March 2019. All in all, the results of these investigations did not produce any findings having a material impact on the company's assets or on its earnings and financial position. All the findings were corrected in the consolidated financial statement 2018. Sales proceeds were reduced in total by EUR 1.5 million. Receivables amounting to EUR 11.0 million and one payable totalling EUR 10.0 were posted in the accounts anew, since the original items were entered specifying the agent as the contractual partner, but should have been attributed to the customer or supplier (cf. Chapter 2.7 of the Appendix for further details).

During the course of the investigations conducted, there has been nothing to confirm either the alleged fraudulent round-tripping payments or the allegations of corruption. Moreover, no facts have emerged that would substantiate suspicions of money laundering or of the supervisory authorities being deceived with regard to the granting of licenses. The authorities in Singapore are currently still looking into specific allegations. It cannot be ruled out that one or other employees may have committed punishable offences.

In conjunction with its investigations, the law firm Rajah & Tann has already formulated initial recommendations, some of which the Company has already put into practice, such as e.g. stepping up internal controls with greater involvement of the group head office, and introducing more extensive training for members of staff. In addition, Wirecard has also defined further measures in consultation with the Supervisory Board, which are being implemented along with Rajah & Tann's recommendations as part of the continuous improvements that are made to Wirecard's Compliance Management System.

2.6 Risk areas

The risk areas that are relevant to Wirecard are shown in the diagram below. The sequence in which they are presented, however, does not imply any assessment of the probability of occurrence or possible impact of any loss.

Overall risk	Description
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
Debtor risks	Risks of return debits, risks arising from default in payment obligations of customers of the Wirecard Group as well as of card holders
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 currently assigned a lower risk value can potentially cause greater damage than risks currently assigned a higher risk value. Additional risks of which Wirecard is currently unaware, or which are still gauged as immaterial, could similarly have a great impact on the net assets, financial position and results of operations, as well as the reputation, of Wirecard. These include natural hazard risks and other financial risks (e.g. risks arising from external tax audits).

2.7 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 Wire-card'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 Wire-card 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 risk strategy consistent with this business strategy is also determined.

In addition, external influencing factors such as market and competitive conditions in core markets (e.g. the use of cryptocurrencies such as Bitcoin), 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 an immaterial 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.

Market risk

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

Legal and regulatory changes in the national and international environment could have a direct or indirect influence on the business performance of Wirecard. An increased level of political uncertainty and the increasing appeal of populist parties for voters in a number of countries within the European Union could thus have an adverse impact on European integration. In countries outside of the European Union, in which Wirecard is represented by subsidiaries, there could be far-reaching political changes. An escalation in the political risks could have unforeseeable political consequences and lead to a situation where, for example, certain transactions or their payment processing is only possible to a limited extent or in some countries no longer possible at all. Moreover, growth in those emerging markets where Wirecard is active could weaken, stagnate or even decrease – resulting in a failure to meet business expectations in these countries which could thus have a direct impact on the planned international growth of Wirecard. In addition, the transaction-based business model of Wirecard 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 Wirecard may be incurred. Moreover, the purchasing power of consumers may fall, thereby affecting the volume of transactions processed by retailers through Wirecard.

The vote by the United Kingdom (“UK“) to leave the European Union (“Brexit”) and the concrete implementation as part of an orderly or disorderly exit are creating economic uncertainty and will play an important role for the development of both regions. Even in the event of a hard exit from the EU by the UK and the simultaneous loss of the passporting model for institutions based in Great Britain, Wirecard does not expect any significant negative impact on the Group. As a result of the EU passporting model, banks based in an EU member state can provide cross-border financial services within all EU countries. Solutions and strategies for the UK's possible exit scenarios have been developed in order to keep the impact on the business models of Wirecard and its customers as limited as possible. The solutions include, amongst other things, transferring existing customer groups and processes to other Group companies. In this context, the new company Wirecard Luxembourg S.A. was founded. With this new company, the Group's own full German banking licence and a British e-money licence, Wirecard is prepared for corresponding regulatory risks and still expects to be able to provide payment services at the current level in future both within Great Britain and also the EU. Opportunities could arise if competitors of Wirecard do not possess an appropriate licensing network and are thus only able to conduct their business to a limited extent in the future within the EU or Great Britain. 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 Wirecard’s business.

Due to the fact that our business model is primarily transaction-oriented, the introduction and use of products and services provided by Wirecard 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 the business performance of Wirecard.

Wirecard 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.

For this reason, the Management Board gauges the occurrence of this market risk as unlikely for the 2019 fiscal year. Nevertheless, a moderate impact on the net assets, financial position and results of operations of Wirecard, as well as an increase in the other risks de-scribed in this report, cannot be completely excluded. For this reason, the Management Board gauges this risk as medium.

Equally, transformational political changes such as the limits imposed on the use of cash in India or 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 out-strips present expectations, could signify an opportunity for Wirecard's net assets, financial position and results of operations.

Risks arising from existing customer business

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

Wirecard generates a significant share of its 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 Wirecard, 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, Wirecard continuously monitors levels of customer satisfaction relating to services and products that Wirecard 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 low impact on the net assets, financial position and results of operations, as being very unlikely in the 2019 fiscal year. As a consequence, and by way of summary, the Management Board assumes the existence of a very low associated 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 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 products unsuitable. Given its general positioning as an Application Service Provider (ASP), in other words as an outsourcing service provider or a provider of white label solutions, Wirecard 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.

In general, all activities carried out by Wirecard especially in the area of “research and development” (see Chapter 4.) are subject to innovation risk. If Wirecard fails to realise investments made in the area of “research and development” for products in line with the market, anticipated earnings contributions and related-value added services may fall short of expectations. Wirecard counteracts this risk with the continuous development of products in line with the global megatrends of blockchain technology, artificial intelligence and the Internet-of-Things.

Wirecard’s development processes, quality assurance processes and operating processes have been integrated into its Group-wide risk reporting system. Due to regular quality controls, Wirecard avoids the manufacture of faulty products. Wherever possible, and whenever this makes sense, Wirecard 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 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 an immaterial 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 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.

Wirecard 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 the business performance of Wirecard 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 Wirecard is itself a driving force behind the current movement towards global consolidation, and consequently can play an active role in shaping it.

Wirecard 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 Wirecard and the targeted acquisition of competitors. The probability of occurrence for this risk, which may – should it materialise – have a low impact on the net assets, financial position and results of operations, is gauged by the Management Board as unlikely in the 2019 fiscal year. As a consequence, the Management Board assumes a low risk in this instance.

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

2.8 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 Wirecard'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. Wirecard plans to continue to expand its activities. Its future success also depends on whether Wirecard proves sufficiently successful in recruiting highly qualified skilled personnel and managers for the company.

If Wirecard 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 Wirecard 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, Wirecard protects itself against the loss of key employees and counteracts a possible risk of a lack of motivation.

Wirecard counters this risk using a targeted personnel policy. The recruitment of graduates, young professionals and experienced managers is a central element of this policy. Alongside attractive career opportunities, the aim is to foster the loyalty of employees to Wirecard as an employer through high levels of innovation, the inter-national and intercultural corporate environment and employee benefits.

The positioning of Wirecard as an attractive employer will continue to help foster the loyalty of qualified employees and attract new personnel. Over the past years, Wirecard has experienced only very low employee turn-over amongst its managers. Due to the measures that have been adopted, Wirecard gauges the occurrence of this risk as unlikely. However, an immaterial 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 2019 fiscal year as very low..

Project risks

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 Wirecard, they can nevertheless negatively impact the company's business performance or jeopardise the realisation of a customer project through, for example, higher project expenditure 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 Wirecard, for instance due to bottlenecks in resources.

Wirecard's active project risk management and the targeted optimisation of the risk profiles of customer projects by experienced project managers at Wirecard serve to mitigate project risks. Risk management of customer projects is fully integrated into Wirecard's company-wide risk reporting system. Important projects at Wirecard can be found, in particular, in the area of IT and for the integration of the customer portfolios acquired from the Citigroup in 2017. It is very likely that the allegations against a subsidiary in Singapore will have a negative impact on the timely closing of particular entities within the integration of the customer portfolios (see chapter 2.1 and 2.12). It is considered likely that these allegations will lead to the late issue of individual licences.

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 2019 fiscal year given the overall risk structure of the project portfolio. However, a low impact on Wirecard'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 Wirecard'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 Wirecard's business performance.

Changes to the usage rights for third-party software and technologies – to the extent that they are integrated into Wirecard's products – 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.

Wirecard 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 damage being sustained by customers, this could not only result in economic damage for Wirecard but also damage its reputation. In contrast, we view the use of cloud services as an opportunity – highly available and redundant infra-structures support the continuous operation of systems and protect them as much as possible from possible breakdown.

Wirecard utilises third parties, in particular, to sell its prepaid products. In this regard, Wirecard 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 and sales partner management within Wirecard 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 Wire-card’s quality management system, proactive service-level management and Wirecard’s comprehensive redundancy concepts. Wirecard 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 2019 fiscal year. If this risk should materialise, it could have a low 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

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

Goodwill has resulted from the consolidation of various acquisitions. Wirecard 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’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 Wirecard and advice is sought from consultants in the relevant specialist areas before acquisitions are realised. As far as possible, Wirecard 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 2019 fiscal year as very unlikely. Nevertheless, an immaterial impact on the net assets, financial position and results of operations due to the potential volume of such transactions cannot be excluded. As a consequence, Wirecard’s Management Board gauges this risk as very low.

2.9 Informations- und IT-Risiken

Wirecard 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 availa-bility to be impaired.

Risks 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.

Due to the nature of its business activities, extensive transaction data is held by Wirecard, 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 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 Wirecard’s business performance, through both a direct cash outflow due to erroneous payments made during the course of payment transactions of Wirecard Bank AG, and lost 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, Wirecard 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 Wirecard’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, Wirecard arranges for third parties, who in turn are subject to a non-disclosure agreement, to audit its procedures and infrastructure on an ongoing basis in order to detect any security loopholes, amongst other things.

If Wirecard 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 stra-tegic activities or through product defects as a result of the falsification of internal data. Wirecard 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.

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. This regulation from the European Union standardises the rules for the processing of personal data by private companies and public authorities. As well as additional amendments to the rules, the regulation also increased the possible fines for data protection violations. The maximum fine for particularly serious violations is now EUR 20.0 million or 4% of global revenue in the previous fiscal year, depending on which figure is higher.

Due to the security measures that have been implemented, the Management Board gauges the occurrence of this risk in the 2019 fiscal year as unlikely. However, Wirecard cannot fully exclude a considerable 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.

Information technology represents a strategic factor for success in Wirecard’s business activities. The quality and availability of information systems and Wirecard’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 Wire-card’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 designing its information systems, Wirecard relies on 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 avail-ability, such as e.g. in computer centres and the cloud, 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 2019 fiscal year as unlikely. For this reason, Wire-card cannot fully exclude a moderate impact on its repu-tation, as well as on its net assets, financial position and results of operations. Overall, the Management Board assumes a medium risk in this instance.

2.10 Financial Risks

Exchange rate risk

Currency risk derives from Wirecard'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 exists with respect to the earnings of Wirecard that are to be reported in euros if there is a weakening in the relevant foreign currency exchange rates. Equally, an increase in such exchange rates represents an opportunity.

In these segments, both receivables from and liabilities to retailers, banks and payment providers 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 for-ward exchange transactions or currency options are deployed with speculative intentions. If no hedging takes place, the residual risks of exchange rate fluctuations may influence Wirecard's earnings that are to be reported in euros.

In addition, currency risks exist for major M&A transactions not processed in euros where there is a significant time period between the signing of the contract and the closing of the contract. The length of this period and any special events that may occur during it, such as possible political realignments due to elections, could influence the currency risk.

In the case of M&A transactions, Wirecard concludes the overwhelming majority of its transactions in euros and thus avoids, wherever possible, currency risk. If this is not possible for individual transactions, Wirecard uses a comprehensive risk analysis to check whether it is sensible to hedge the currency exchange rate for the period required for the fulfilment of the contract (using for ex-ample so-called “deal contingent hedges”) to minimise the risk. As Wirecard does not deploy currency forward and option transactions for speculative purposes, the conclusion of the forward contract is contingent in these cases on the closing of the underlying M&A transaction.

There is no guarantee that the measures that have been taken will prove successful in all instances and that an immaterial impact on Wirecard’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 Wirecard’s operat-ing activities.

Wirecard 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 31/12/2018: -0.40% p.a.) introduced by the European Central Bank (ECB), minor costs for the holding of liquidity in euros in bank accounts may be incurred.

In order to optimise interest income from Wirecard Bank AG’s base liquidity, Wirecard has decided to enter into selective short or medium-term securities investments with maturities of up to five years. These investments comprise collared floaters (variable rate bearer bonds and borrower’s note loans from various banks fundamentally with a minimum (A-) investment-grade rating and with a minimum interest rate) and also individual, selected investments in portfolios of fixed-interest commercial and consumer loans as part of cooperations between Wirecard Bank AG and individual FinTech companies.

As part of debt financing, Wirecard has partially agreed fixed interest rates until maturity, or on the basis of 1, 2, 3, 6, 9 or 12-month EURIBOR, plus a margin agreed with the funding banks.

If Wirecard 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 Wirecard. 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.

Wirecard continually invests substantial amounts of non-required liquidity in demand deposits, fixed-term deposits and overnight (call money) deposits on a short-term basis. The base liquidity is invested by Wirecard in both variable-rate bearer bonds and borrower's note loans from selected issuers fundamentally with a minimum (A-) investment-grade rating, and partly with a minimum interest rate, and also in a portfolio of fixed-interest commercial and consumer loans. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term or the loan period 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 they 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 and the investment in the loan portfolio is strictly limited, 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).

2.11 Debitor risks

Wirecard 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 value losses from receivables arising from a contract with a business partner (e.g. retailers, private and business customers and other institutions and acquiring partners).

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 Wirecard on the basis of existing agreements.

Retailers can act fraudulently in various ways and, as a result, harm Wirecard 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 Wirecard defaulting on their contractual payment obligations, they 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, Wirecard 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.

The predominant share of receivables results from the acquiring business. Transactions in acquiring are processed either via licensed acquirers belonging to Wirecard or via external acquiring partners. In both cases, Wirecard is subject to the main opportunities and risks associated with the transactions. Accordingly, receivables are due from credit card organisations for acquiring via the licensed acquirers who belong to Wirecard or are due from the external acquiring partners if they have processed the transactions. Wirecard's receivables result from payment delays and the security reserve retained by the acquiring partner. The reserve held by the acquirer serves, as is customary in the sector, as a hedge against those financial risks resulting from the processing of the transactions. The reserve typically has a revolving character and exists for the length of the business relationship. The free liquidity invested in demand deposits and overnight (call money) deposits on a short-term basis, fixed-term deposits and bank bearer bonds could also be jeopardised if these credit institutions suffer insolvency or financial difficulties. Wirecard 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 creditworthiness and economic data for the respective counterpart, external ratings are also included in the review by Wirecard.

The investments by Wirecard in portfolios of commercial and consumer loans could be endangered by insolvency or financial difficulties experienced by counterparties. Wirecard takes account of such risk through both limiting the overall level of investment and also by setting stringent lending criteria. Furthermore, Wirecard transfers part of the default risk to cooperation partners.

In individual cases, Wirecard Bank AG directly issues loans to selected strategic partners on the basis of a risk assessment. Wirecard takes account of any possible risk by strictly limiting the individual investments, the overall level of the investment and also by setting stringent lending criteria. Further risks may exist due to cross-border receivables. For example, it may be impossible to realise existing receivables, or only do so with difficulty, as a result of different statutory regulations in other countries (regarding foreclosure, for instance). 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 Wirecard'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, for example, could be neutralised by negative developments in these countries. Even though Wirecard 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.

Wirecard 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 while 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. In accordance with the considerations in chapter 7.2 in the notes of the consolidated financial statements, we remain cautious and assume an impact on Wirecard's net assets, financial position and results of operations that could reach a significant level. Due to the monitoring and control measures that have been adopted, the Management Board gauges the occurrence of this risk as very unlikely. Overall, Wirecard's Management Board assumes a medium risk in this instance.

2.12 Legal and regulatory risks

Regulatory risks

Current and future promulgations concerning regulatory conditions and non-compliance with them could negatively affect the business performance of Wirecard.

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

Wirecard 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, statutory and regulatory requirements for payment systems and payment products consequently impact the company's business performance in all countries in which Wirecard operates. These compliance requirements can manifest themselves, for example, in anti-corruption regulations or the equity requirements for banks in accordance with the Capital Requirements Regulation (CRR). The legal and regulatory requirements for Wirecard generally increase through the continuous expansion in licences for the issuing of card instruments and payment acceptance in selected countries. However, the legal and regulatory conditions and risks that apply to the products and services offered by Wirecard's 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 Wirecard's qualified employees. To further mitigate risks, Wirecard 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.

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. Wirecard 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.

Wirecard 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, Wirecard 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 Wirecard's business activities and earnings deriving from changes to underlying legal conditions and regulations.

In Wirecard's business areas, risks deriving from regulatory changes or non-compliance with these changes that may even have a considerable impact on net assets, financial position and results of operations, as well as on the company's reputation, cannot generally be excluded. However, Wirecard assumes a risk occurrence as very unlikely from today's perspective. Overall, Wirecard's Management Board gauges this risk as medium.

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 the business performance of Wirecard.

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 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 or Wirecard Bank AG.

Wirecard 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, Wirecard 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 Wirecard's ability to encumber or sell assets, acquire other companies or participating interests, or perform conversions. Wirecard fully complies with these contractual terms. The Management Board does not believe that these contractual conditions will have a negative impact on Wirecard's business activities.

If Wirecard 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 in previous year, 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 in April 2015. As Wirecard has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a potential immaterial impact on Wire-card's net assets, financial position and results of operations. At this point in time, Wirecard believes that losing this case is likely.

As reported in previous year, out-of-court claims were made against the company, and against a specific Group company, in August 2015 for the payment of security reserves. These claims are challenged by counterclaims from Wirecard for the payment of contractual penalties. As Wirecard AG has secured corresponding assets of the claimant to the amount of the calculated risk, the Management Board assumes a potential immaterial 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.

An insolvency administrator for a former IT service provider is pursuing the enforcement of a claim against a company in the Wirecard Group due to a confession of judgement from 2014. Wirecard has submitted an appeal against the enforcement on the basis that the claim has already been fulfilled. The chances of the appeal against the enforcement being successful are thus considered good. Even if Wirecard loses the case and the claim is enforced, Wirecard can demand reimbursement of the claim from an entity affiliated with the claimant on the basis of a cooperation agreement. As Wirecard has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a potential immaterial impact on Wirecard's net assets, financial position and results of operations. At this point in time, Wirecard believes that losing this case is unlikely.

A merchant has sued Wirecard or a group entity for contractual damages. The ground of the lawsuit is an alleged breach of duties under the credit card acceptance agreement. As Wirecard has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a potential immaterial impact on Wire-card's net assets, financial position and results of operations. At this point in time, Wirecard believes that losing this case is very likely.

In the insolvency proceedings dealing with the assets of a cooperation partner of a Group company, Wirecard has registered outstanding receivables against the cooperation partner on the insolvency schedule. The insolvency administrator has entered outstanding counterclaims from the cooperation agreement against Wirecard. Wirecard disputes the due dates of the counterclaims because they were dependent on the participation of the cooperation partner. Wirecard has offset these claims where possible in accordance with insolvency law. As Wirecard AG has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a potential immaterial impact on Wirecard's net assets, financial position and results of operations. At this point in time, Wirecard believes that losing this case is very likely.

A company in France has filed a lawsuit against a company in the Wirecard Group for the cessation of use of a trademark and for damages. Wirecard disputes the alleged infringement of trade mark rights. As Wirecard AG has accumulated corresponding reserves to the amount of the calculated risk, the Management Board assumes a potential immaterial impact on the Wirecard Group's net assets, financial position and results of operations. At this point in time, Wirecard believes that losing this case is likely.

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 relevance to the company. Even when considered together, the impact on Wirecard's net assets, financial position and results of operations is only considered to be immaterial.

As a result of the loss in value of the company's shares in relation to the summary of the investigations in Asia presented in chapter 2.5 of this section, there were also losses in value in the USA for unsponsored American depository receipts issued by third parties. On the basis of these events, a class action lawsuit is pending in California, USA, to receive compensation for the losses in value of the unsponsored American depository receipts. The lawsuit is in its early stages and could be joined by other claimants. The outcome of the lawsuit is difficult to predict at this early stage because the admissibility and also the justification for the lawsuit are under dispute and the extent to which other claimants will join the lawsuit cannot be predicted. In addition, there are ongoing investigations against Wirecard employees in Singapore whose final results are currently unknown.

Certain former minority shareholders of an acquired Wirecard group entity in India (Hermes) in 2015 have brought two claims in England against previous co-shareholders and Wirecard AG. The claims are based on the allegation that the former minority shareholders hadn't received the true value of the shares sold by them during the Hermes restructure in 2015. It is currently not possible to make a reliable statement about the further process and outcome of the claims.

An Indian company has brought a claim in India against, inter alia, Wirecard AG in March 2019. The claim is based on the allegation of having caused the claimant financial disadvantages. Based on the current assessment, the factual basis for the claim seems to be incorrect. At this point in time, it is not possible to make a reliable statement about the further process and outcome of the claims.

In summary, risks having up to a moderate impact on the Wirecard Group's net assets, financial position and results of operations arising from current litigation cases cannot be completely excluded. The Management Board of Wirecard gauges the occurrence of this risk as very unlikely and generally assumes that the risk is low overall.

2.13 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.

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's reputation.

Wirecard is aware of this risk and therefore continually reviews the statements on its products, as well as re-ports on Wirecard 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.

As a result of the reports of the summary of the investigations in Asia into alleged irregularities in the accounting of subsidiaries in Asia presented in chapter 2.5 of this section, there is a possibility of a negative impact on the trust placed in the company. The possibility of this having a negative impact on the acquisition of new customers, business partners, employees or investors cannot be excluded.

The quantification of reputation risk is extremely difficult due to the multitude of potential loss scenarios. If Wirecard were to fail to rapidly counter the communication of erroneous information or misguided information, for example, there is a risk of a low impact on Wirecard's net assets, financial position and results of operations, as well as a danger that other risks described in this report will be exacerbated. Despite the numerous pre-ventative measures that have been taken, Wirecard's Management Board gauges the occurrence of this risk as likely and assesses the overall reputation risk as medium.

2.14 Summary of overall risk

Despite its continuing growth, Wirecard was able to keep the overall risk structure stable in the period under review approximately at the same level as in the previous year. As a result of the ongoing optimisation of the risk management system, particularly with regard to managing the development of the volume and complexity of the busi-ness, 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 Wirecard 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 con-cerned, 63 (PY: 63) percent of all risks were classified as "low" or "very low", while 37 (PY: 37) percent of all risks were classified as "medium". No risk was classified as "high" or "very high".

Wirecard's Management Board remains confident that the Group's profitability forms a solid foundation for fu-ture business development and provides the requisite resources to allow the Group to pursue available oppor-tunities. Given its leading position on the market, com-mitted 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, Wirecard thus considers itself well prepared to meet the challenges it will face in the 2019 fiscal year.

3. Overall statement on the Group's expected development (outlook)

Due to our outstanding market position and comprehensive range of solutions, we will benefit sustainably from the accelerating trend towards the digitalisation of business processes across all sectors.

Wirecard enables its customers to accept globally and locally relevant payment methods and establishes the connections to banking networks in the local region. At the same time, our technology helps to minimise fraud and risk for retailers. Comprehensive data-driven value-added services, such as real-time analyses and digital financial services, are distinguishing characteristics of our solutions and offer additional potential for generating revenue for retailers and for Wirecard. We will further expand our existing licences for the issuing of card instruments and payment acceptance in selected countries, while striving to acquire additional licences and pushing forward the expansion of our digital platform solution. As well as the continuous expansion of the core feature of the digital Wirecard platform – global acquiring and issuing services – and linking these services to create completely new digital processes, Wirecard AG will also increase its value added over the next few years.

In the 2019 fiscal year, we expect EBITDA of between EUR 740 million and EUR 800 million. The annual result for 2019 for the AG at individual company level is expected to be at a similar level to the previous year's result. This forecast is based on, amongst other things, the continued dynamic growth of the global e-commerce market, the trend towards digitalisation in bricks and mortar retailing, the acquisition of new customers, cross-selling effects with existing customers and the continuous expansion of the value-added chain to include valuable additional services such as data analytics, loyalty programmes and financial services including loans. As a 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.

Aschheim near Munich, 24 April 2019

Wirecard AG, Management Board

Dr. Markus Braun | Alexander von Knoop | Jan Marsalek | Susanne Steidl

Content Consolidated Financial Statements

Consolidated statement of financial position

Assets

in EUR million	Notes	31 Dec 2018	31 Dec 2017	1 Jan 2017
			adjusted*	adjusted*
I. Non-current assets				
1. Intangible assets	(3.1.),(2.2.)			
Goodwill		705.9	675.8	534.9
Customer relationships		452.1	484.9	392.3
Internally-generated intangible assets		138.2	120.0	99.2
Other intangible assets		113.3	109.3	81.7
		1,409.5	1,390.0	1,108.1
2. Property, plant and equipment	(3.2.),(2.2.)	81.5	57.5	44.7
3. Investments accounted for using the equity method	(3.3.)	14.0	14.6	14.8
4. Financial and other assets / interest-bearing securities	(3.4.),(2.3.)	413.6	310.2	216.2
5. Tax credits				
Deferred tax assets	(3.5.),(2.4.)	10.8	9.1	2.7
Total non-current assets		1,929.4	1,781.4	1,386.4
II. Current assets				
1. Inventories and work in progress	(3.6.),(2.2.)	10.6	13.3	4.5
2. Receivables of the acquiring business	(3.7.),(2.3.)	684.9	442.0	402.4
3. Trade and other receivables	(3.8.),(2.3.)	357.4	274.7	190.2
4. Tax credits	(3.9.),(2.4.)			
Tax refund entitlements	(3.9.)	13.1	11.0	9.4
5. Interest-bearing securities and fixed-term deposits	(3.10.)	139.6	109.1	156.5
6. Cash and cash equivalents	(3.11.),(6.)	2,719.8	1,901.3	1,332.6
Total current assets		3,925.5	2,751.4	2,095.6
Total assets		5,854.9	4,532.8	3,482.1

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7).

Equity and liabilities

in EUR million	Notes	31 Dec 2018	31 Dec 2017 adjusted*	1 Jan 2017 adjusted*
I. Equity	(4.)			
1. Subscribed capital	(4.1.)	123.6	123.6	123.6
2. Capital reserve	(4.2.)	494.7	494.7	494.7
3. Retained earnings	(4.3.)	1,375.7	1,074.1	837.8
4. Other components of equity	(4.4.)	–71.2	–52.3	27.4
Total equity		1,922.7	1,640.0	1,483.4
II. Liabilities	(4.),(2.2.)			
1. Non-current liabilities	(4.5.),(2.3.)			
Non-current interest-bearing liabilities		1,348.7	754.8	579.5
Other non-current liabilities		163.8	85.4	31.4
Deferred tax liabilities		80.1	76.9	59.7
Total non-current liabilities		1,592.6	917.1	670.6
2. Current liabilities	(4.6.),(2.3.)			
Liabilities of the acquiring business		651.9	422.6	404.8
Trade payables		63.4	66.1	23.3
Interest-bearing liabilities		117.4	311.6	15.1
Other provisions		18.5	2.4	3.9
Other liabilities		186.6	151.5	119.5
Customer deposits from banking operations		1,263.0	973.2	734.0
Tax provisions	(2.4.)	38.9	48.2	27.4
Total current liabilities		2,339.6	1,975.7	1,328.0
Total liabilities		3,932.2	2,892.8	1,998.6
Total equity and liabilities		5,854.9	4,532.8	3,482.1

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

Consolidated income statement

in EUR million	Notes	1 Jan 2018 – 31 Dec 2018		1 Jan 2017 – 31 Dec 2017	
					adjusted*
Revenues	(5.1.),(2.2.)		2,016.2		1,488.6
Own work capitalised	(5.2.)		45.1		45.3
Cost of materials	(5.3.)		1,090.0		788.8
Gross profit			971.2		745.2
Personnel expenses	(5.4.)		234.7		186.0
Other operating expenses	(5.5.)		157.1		160.4
impairment losses of financial assets	(5.6.)		31.2		n/a
Other operating income	(5.7.)		12.7		11.8
Share of profit or loss from associates (at equity)	(1.1.),(3.3.)		–0.5		–0.2
EBITDA			560.5		410.3
Amortisation/depreciation	(5.8.)		122.0		98.7
EBIT **			438.5		311.5
Financial result	(5.9.)		–29.0		–18.2
Other financial income		20.0		15.2	
Financial expenses		49.0		33.4	
Earnings before tax **			409.4		293.3
Income tax expense	(5.10.)		62.1		37.3
Earnings after tax **	(5.11.)		347.4		256.1
Earnings per share (basic and diluted) in EUR	(5.11.)		2.81		2.07
Average shares outstanding (basic and diluted)	(5.11.),(4.1.)		123,565,586		123,565,586
EBITDA			560.5		410.3
Amortisation and depreciation (M&A adjusted)***	(5.8.)		83.4		57.9
EBIT adjusted **			477.1		352.4
Amortisation and depreciation (M&A related)	(5.8.)		38.7		40.9
EBIT **			438.5		311.5

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

** Attributable entirely to the shareholders of the parent company

*** Adjusted by amortisation of assets which result from business combinations and acquired customer relationships (M&A related)

Consolidated statement of comprehensive income

in EUR million	1 Jan 2018 – 31 Dec 2018	1 Jan 2017 – 31 Dec 2017 adjusted*
Earnings after tax	347.4	256.1
Items to be reclassified to profit or loss		
Change from currency translation differences	–13.6	–79.0
Revaluation of available-for-sale financial assets with no effect on profit or loss	0.0	4.1
therein: tax effects	0.0	–0.1
Cash flow hedge	0.0	–4.8
therein: tax effects	0.0	–1.8
Recycled to the income statement	0.0	0.0
Other comprehensive income, net of income taxes	–13.6	–79.7
Total comprehensive income	333.8	176.3

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

Consolidated statement of changes in equity

	Subscribed capital Nominal value/number of shares issued	Capital reserve	Retained earnings	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Total consolidated equity
	EUR million / pieces million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
			adjusted*				
Balance as of 31 December 2016	123.6	494.7	829.3	1.2	21.4	4.8	1,475.0
Adjustments in accordance with IAS 8	0.0	0.0	8.5	0.0	0.0	0.0	8.5
Balance as of 1 January 2017	123.6	494.7	837.8	1.2	21.4	4.8	1,483.4
Earnings after tax	0.0	0.0	256.1	0.0	0.0	0.0	256.1
Other comprehensive income, net of income taxes	0.0	0.0	0.0	4.1	–79.0	–4.8	–79.7
Total comprehensive income	0.0	0.0	256.1	4.1	–79.0	–4.8	176.3
Dividends paid	0.0	0.0	–19.8	0.0	0.0	0.0	–19.8
Balance as of 31 December 2017	123.6	494.7	1,074.1	5.3	–57.6	0.0	1,640.0
Effect from initial adoption of IFRS 9 and IFRS 15	0.0	0.0	–23.5	–5.3	0.0	0.0	–28.8
Balance as of 1 January 2018	123.6	494.7	1,050.6	0.0	–57.6	0.0	1,611.2
Earnings after tax	0.0	0.0	347.4	0.0	0.0	0.0	347.4
Other comprehensive income, net of income taxes	0.0	0.0	0.0	0.0	–13.6	0.0	–13.6
Total comprehensive income	0.0	0.0	347.4	0.0	–13.6	0.0	333.8
Dividends paid	0.0	0.0	–22.2	0.0	0.0	0.0	–22.2
Balance as of 31 December 2018	123.6	494.7	1,375.7	0.0	–71.2	0.0	1,922.8

Notes on equity under (4.)

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

Consolidated cash flow statement

in EUR million	Notes	1 Jan 2018 – 31 Dec 2018	1 Jan 2017 – 31 Dec 2017
			adjusted*
Earnings after tax	(5.)	347.4	256.1
Financial result		29.0	18.2
Income tax expense		62.1	37.3
Gain/loss from disposal of non-current assets		6.6	2.1
Amortisation/depreciation		122.0	98.7
Change from currency translation differences		–0.7	–1.0
Change in inventories		2.8	–6.8
Change in receivables		–344.9	–99.2
Change in liabilities of the acquiring business and trade payables		226.2	60.3
Change in other assets and liabilities		82.4	12.0
Net cash outflow arising from income tax		–62.2	–28.4
Interest paid excluding interest on loans and finance lease		–4.4	–3.4
Interest received		0.7	3.4
Cash flow from operating business before banking operations	(6.)	466.9	349.3
Change in non-current assets of banking operations		33.8	–58.4
Change in current assets of banking operations		–34.7	35.5
Change in customer deposits of banking operations		283.6	237.1
Cash flow from operating business of banking operations		282.7	214.2
Cash flow from operating activities	(6.1.)	749.6	563.5
Cash outflows for investments in intangible assets		–86.2	–96.2
Cash outflows for investments in property, plant and equipment		–23.5	–15.0
Cash outflows for investments in financial assets and interest-bearing securities		–115.0	0.0
Cash inflows from investments in financial assets and interest-bearing securities		2.0	0.0
Cash inflows from repayment of loans extended		0.0	1.0
Cash outflows for acquisition of consolidated companies less acquired cash	(1.1.),(6.2.)	–8.9	–246.8
Cash flow from investing activities	(6.2.)	–231.7	–357.1
Cash outflows for previous years' acquisitions of companies		–29.2	–65.2
Repayment of lease liabilities		–15.3	–11.7
Cash inflows from increase of financial liabilities		898.0	495.5
Cash outflows for expenses from increase of financial liabilities		–8.3	–5.5
Cash outflows for repayment of financial liabilities		–507.5	–26.1
Dividends paid		–22.2	–19.8
Interest paid on loans and finance leases		–12.1	–10.3
Cash flow from financing activities	(6.3.)	303.4	356.9
Net change in cash and cash equivalents		821.3	563.3
Exchange-rate- and revaluation-related changes to cash and cash equivalents		–14.6	1.1
Cash and cash equivalents at start of period		1,895.9	1,331.5
Cash and cash equivalents at end of period	(6.4.)	2,702.5	1,895.9

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

Consolidated cash flow from operating activities (adjusted)

in EUR million	1 Jan 2018 – 31 Dec 2018	1 Jan 2017 – 31 Dec 2017
		adjusted*
Earnings after tax	347.4	256.1
Financial result	29.0	18.2
Income tax expense	62.1	37.3
Gain/loss from disposal of non-current assets	6.6	2.1
Amortisation/depreciation	122.0	98.7
Change from currency translation differences	–0.7	–1.0
Change in inventories	2.8	–6.8
Change in receivables	–78.5	–53.4
Change in trade payables	–7.0	40.9
Change in other assets and liabilities	82.4	12.0
Net cash outflow arising from income tax	–62.2	–28.4
Interest paid excluding interest on loans and finance lease	–4.4	–3.4
Interest received	0.7	3.4
Cash flow from operating activities (adjusted)	500.1	375.7

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7)

Receivables and liabilities of acquiring business are transitory in nature and subject to substantial fluctuations from one reporting date to another as, inherent to the business model, these statements of financial position items are significantly influenced by the overall transaction volume and the security reserves. Receivables of acquiring business mainly comprise receivables from credit card organisations, banks and acquiring partners and liabilities exist to merchants. The customer deposits from the banking business and corresponding securities or receivables from the banking business likewise constitute items that can be eliminated for the cash flow (adjusted). To simplify the identification and reporting of the cash-relevant portion of the Company's own earnings, Wirecard has decided to present a further statement in addition to the usual statement of cash flow from operating activities with those items eliminated.

Change in intangible assets and property, plant and equipment

2018 in EUR million	Cost 1 Jan 2018	Currency translation adjustments	Addition due to first-time consolidation	Additions	Disposals	Reclassification	31 Dec 2018
1. Intangible assets							
Goodwill	680.5	–9.6	36.4	0.0	0.0	3.3	710.6
Internally-generated intangible assets	185.6	–0.4	0.0	45.1	–1.6	0.2	228.9
Other intangible assets	191.3	–0.7	0.0	47.1	–0.1	–3.3	234.3
Customer relationships	600.5	0.2	0.0	0.0	0.0	0.0	600.7
	1,658.0	–10.5	36.4	92.2	–1.7	0.2	1,774.5
2. Property, plant and equipment	112.4	–0.2	0.1	50.0	–4.3	–0.1	157.9
	1,770.3	–10.7	36.5	142.2	–6.1	0.1	1,932.4

2017 in EUR million	Cost 1 Jan 2017	Currency translation adjustments	Addition due to first-time consolidation	Additions	Disposals	Reclassificatio	31 Dec 2017
				adjusted*			
1. Intangible assets							
Goodwill	539.6	–46.7	187.5	0.0	0.0	0.0	680.5
Internally-generated intangible assets	145.0	–1.8	0.0	45.3	–0.4	–2.5	185.6
Other intangible assets	140.8	–6.5	4.4	51.4	–0.6	1.9	191.3
Customer relationships	477.7	–28.7	151.5	0.0	0.0	0.0	600.5
	1,303.2	–83.7	343.5	96.7	–1.1	–0.6	1,658.0
2. Property, plant and equipment	85.3	–4.4	3.2	33.3	–5.5	0.6	112.4
	1,388.4	–88.1	346.6	130.0	–6.6	0.0	1,770.3

* Some of the amounts disclosed differ from the amounts in the consolidated financial statements of fiscal year 2017 due to adjustments made in accordance with IAS 8 (see Note 2.7).

Cumulative amortisation/depreciation						Carrying amount	Carrying amount	
1 Jan 2018	Currency translation adjustments	Additions	Disposals	Reclassificatic	31 Dec 2018	31 Dec 2018	31 Dec 2017	Amortisation/ depreciation 2018
4.7	0.0	0.0	0.0	0.0	4.7	705.9	675.8	0.0
65.6	0.0	25.0	0.0	0.0	90.6	138.2	120.0	25.0
82.0	–0.3	39.1	0.0	0.2	121.0	113.3	109.3	39.1
115.6	–0.2	33.3	0.0	0.0	148.7	452.1	484.9	33.3
267.9	–0.5	97.5	0.0	0.2	365.0	1,409.5	1,390.0	97.5
54.9	–0.2	24.5	–2.8	–0.1	76.4	81.5	57.5	24.5
322.8	–0.7	122.0	–2.8	0.1	441.4	1,491.0	1,447.5	122.0

Cumulative amortisation/depreciation						Carrying amount	Carrying amount	
1 Jan 2017	Currency translation adjustments	Additions	Disposals	Reclassificatic	31 Dec 2017	31 Dec 2017	31 Dec 2016	Amortisation/ depreciation 2017
		adjusted*						
4.7	0.0	0.0	0.0	0.0	4.7	675.8	534.9	0.0
45.8	–0.3	20.1	0.0	0.0	65.6	120.0	99.2	20.1
59.1	–2.4	25.5	–0.3	0.0	82.0	109.3	81.7	25.5
85.4	–2.9	33.2	0.0	0.0	115.6	484.9	392.3	33.2
195.0	–5.6	78.8	–0.3	0.0	267.9	1,390.0	1,108.1	78.8
40.6	–1.4	19.9	–4.2	0.0	54.9	57.5	44.7	19.9
235.7	–7.1	98.7	–4.5	0.0	322.8	1,447.5	1,152.8	98.7

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 also referred to as "Wirecard" or the "Group") was founded on 6 May 1999.

As the parent company of the Group, Wirecard AG is required to prepare consolidated financial statements. The business activities of the Group are split into three reporting segments: "Payment Processing & Risk Management", "Acquiring & Issuing" and "Call Center & Communication Services". Alongside Wirecard AG, the Group includes a number of subsidiaries which carry out the entire operating business worldwide. 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. The development and maintenance of this platform is mainly managed by Wirecard Technologies GmbH based 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. in Cape Town (South Africa) 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 such as Visa, MasterCard, Unionpay, Amex, DinersClub, JCB, Discovery International and UATP. This enables Wirecard to issue physical and virtual card products and accept card payments for merchants and companies. Wirecard Bank AG, based in Aschheim (Germany), has a full German banking licence and can also offer banking services to customers in addition to acquiring and issuing services. 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. (based in Istanbul) obtained an e-money license from the Turkish regulatory authority BRSA (Banking Regulation and Supervision Agency) in 2016. Our Indian company GI Technology, based in Chennai (India), holds a licence for the issuing of prepaid payment instruments. Wirecard Australia A&I Pty. Ltd. based in Melbourne (Australia) holds an issuing license from the Australian Securities & Investments Commission (ASIC). Furthermore Wirecard E-Money Philippines Inc. based in Manila (Philippines) received the approval for issuing- and acquiring- transactions from the Bangko Sentral ng Pilipinas.

The Group, particularly Wirecard UK & Ireland Ltd. in Dublin (Ireland), Wirecard Brazil S.A. in São Paulo (Brazil), cardSystems Middle East FZ-LLC in Dubai (United Arab Emirates) as well as many of the East Asian subsidiaries, works together internationally with various banks and financial services providers so that it can offer corresponding acquiring and issuing services in those areas where Wirecard cannot use its own licence. The acquisition of Citi Prepaid Card Services in the USA in 2017 and the acquisition of various customer portfolios from the Citigroup in the Asia-Pacific region in 2017 and 2018 have greatly expanded this international network of acquiring partners. Cooperation with local banks will continue to be expanded further in the future to offer merchants acquiring and issuing 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 in the area of mobile cash machines, mobile card acceptance and software services for Internet and mobile banking.

Wirecard markets its products and solutions globally via its locations in Europe, the Middle East, Africa, Asia, America and Oceania. The sales activities are structured around Wirecard's target sectors of consumer goods, digital goods and travel and mobility. Experts in each sector are based at the Group`s headquarter in Aschheim and provide support to their colleagues at the globally distributed branches 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 sales success. The 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 served via subsidiaries in New Zealand and Australia, the United Arab Emirates, South America, South Africa as well as the USA.

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

Changes to the Group structure

The changes in the shareholdings held directly and indirectly by Wirecard AG will be described below. If these changes involve business combinations, they will be explained in the subsequent section.

On 13 March 2017, Wirecard and the Citigroup subsidiaries CITIBANK, N.A. and CITIBANK OVERSEAS INVESTMENT CORPORATION agreed on the acquisition by Wirecard of the customer portfolio of Citi's credit card acceptance business in eleven Asian-Pacific markets as part of an asset deal. The transaction involved all customer portfolios in the area of credit card acceptance in Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand. The portfolio that will be acquired comprises a long-standing customer base of more than 20,000 merchants, particularly from the travel and mobility sector, the financial services sector, luxury goods, retail trade and technology and telecommunications. The closing of the transaction for Singapore, Hong Kong, the Philippines, Malaysia, India, Australia and New Zealand was completed by the reporting date of 31 December 2018.

As part of the worldwide organic expansion of the Group's presence and its sales activities, the following companies were newly founded in the 2018 fiscal year:

- Wirecard Slovakia s.r.o., Kosice (Slovakia)
- Wirecard LLC, Moscow (Russia)
- Wirecard Luxembourg S.A., (Luxembourg)
- Wirecard Payment Services (Namibia) (Pty) Ltd, Windhoek (Namibia)

One of the reasons for founding Wirecard Luxembourg S.A., based in Luxembourg, is the current intention of the United Kingdom to leave the European Union (Brexit) and its impact on the operating business of Wirecard Card Solutions Ltd., Newcastle (Great Britain).

Otherwise, there were no significant changes to the scope of consolidation.

Scope of consolidation

Shareholdings of Wirecard AG

Wirecard Sales International Holding 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, Graz (Austria)	100%
Wirecard Asia Holding Pte. Ltd., (Singapore)	100%
Wirecard Singapore Pte. Ltd., (Singapore)	100%
Wirecard (Vietnam) Ltd., Ha Noi City (Vietnam)	100%
Wirecard Payment Solutions Malaysia SDN BHD, Kuala Lumpur (Malaysia)	100%
PT Prima Vista Solusi, Jakarta (Indonesia)	100%
PT Aprisma Indonesia, Jakarta (Indonesia)	100%
Wirecard Myanmar Ltd., Yangon (Myanmar)	100%
Wirecard (Thailand) Co. Ltd., Bangkok (Thailand)	100%
Wirecard India Private Ltd., Chennai (India)	100%
American Payment Holding Inc., Toronto (Canada)	100%
Hermes I Tickets Pte Ltd, Chennai (India)	100%
GI Philippines Corp, Manila (Philippines)	100%
Wirecard Forex India Pte Ltd, Bangalore (India) (before: Star Global Currency Exchange Pte Ltd)	100%
Wirecard Romania S.A., Bucharest (Romania)	100%
Romcard S.A., Bucharest (Romania)	100%
Supercard Solutions & Services S.R.L., Bucharest (Romania)	100%
Wirecard Global Sales GmbH, Aschheim (Germany)	100%
Wirecard Poland Sp.Zo.o., Warsaw (Poland)	100%
Wirecard LLC, Moscow (Russia)	100%
Wirecard Mexico S.A. De C.V, Mexico City (Mexico)	100%

Shareholdings of Wirecard AG - continued

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%
MyGate Communications Pty Ltd., Cape Town (South Africa)	100%
Wirecard Acceptance Technologies GmbH, Aschheim (Germany)	100%
Wirecard Service Technologies GmbH, Aschheim (Germany)	100%
Wirecard Issuing Technologies GmbH, Aschheim (Germany)	100%
Wirecard NZ Ltd., Auckland (New Zealand)	100%
Wirecard Australia Pty Ltd, Melbourne (Australia)	100%
Wirecard Africa Holding Proprietary Ltd., Cape Town (South Africa)	100%
Wirecard South Africa Proprietary Ltd., Cape Town (South Africa)	100%
Wirecard Payment Services (Namibia) (Pty) Ltd, Windhoek (Namibia)	100%
Wirecard Slovakia s.r.o., Kosice (Slovakia)	100%
Click2Pay GmbH, Aschheim (Germany)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Wirecard Processing FZ LLC, Dubai (United Arab Emirates)	100%
Wirecard Acquiring & Issuing GmbH, Aschheim (Germany)	100%
Wirecard Bank AG, Aschheim (Germany)	100%
Wirecard Brazil S.A., Sao Paulo (Brazil)	100%
Wirecard Card Solutions Ltd., Newcastle (United Kingdom)	100%
Wirecard E-Money Philippines Inc., Manila (Philippines)	100%
Wirecard Luxembourg S.A., (Luxembourg)	100%
Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey)	100%
GI Technology Pte. Ltd., Chennai (India)	60%
Wirecard North America Inc., Conshohocken (United States)	100%
Wirecard Australia A&I Pte. Ltd., Melbourne (Australia)	100%
Wirecard Hong Kong Ltd. (Hong Kong)	100%
Wirecard Payment Solutions Hong Kong (Hong Kong)	100%

The company has complied with the IFRS requirements concerning the mandatory inclusion of all domestic and all foreign subsidiaries that are controlled directly or indirectly by Wirecard AG.

A total of 53 subsidiaries were fully consolidated as of 31 December 2018 (50 companies as of 31 December 2017). Uniform accounting and valuation policies apply to the scope of consolidated subsidiaries. The shareholdings and percentages of voting rights of the subsidiaries are identical.

GI Technology Pte. Ltd. based in Chennai (India) will not be fully consolidated. Due to the conditions in the shareholders agreement, which are particularly associated with the Indian regulations for financial services companies, the company is accounted for using the equity method. This is because Wirecard exercises a significant influence on the company with this 60 percent shareholding but does not have full control.

Business combinations in the fiscal year

Acquisition of Citi's card acceptance business in the Asia-Pacific region

On 13 March 2017, Wirecard and the Citigroup subsidiaries CITIBANK, N.A. and CITIBANK OVERSEAS INVESTMENT CORPORATION agreed on the acquisition by Wirecard of the customer portfolios of Citi's credit card acceptance business in eleven Asian-Pacific markets. The transaction involved all customer portfolios in the area of credit card acceptance in Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand. The portfolios that will be acquired comprise a long-standing customer base of more than 20,000 merchants, particularly from the travel and mobility sector, the financial services sector, luxury goods, retail trade and technology and telecommunications. The closing of the acquisition is due to be completed in several stages in each country until 2019. The acquisition of the customer portfolio for Malaysia was concluded on 31 January 2018, the acquisition of the customer portfolio for India was concluded on 31 August 2018 and the acquisition of the customer portfolios for Australia and New Zealand were concluded on 25 October 2018 and the portfolios were consolidated at the same point in time in each case.

Alongside the cash payments already made, the agreed purchase price also includes other payments, which were reported as a liability at the time of acquisition. The parties agreed not to disclose the precise purchase price. Non-separable assets, as well as the synergy effects within the Group, are recognised under goodwill.

The customer portfolios in Malaysia, India, Australia and New Zealand contributed EUR 24.9 million in revenues and EUR 2.5 million in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to the consolidated profit or loss of Wirecard in the 2018 fiscal year, whereby further integration costs within the Group were not deducted.

If the portfolios had been acquired on 1 January 2018, they would have made a contribution to revenues of EUR 52.2 million and to operating earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 4.2 million when extrapolated for the twelve month period. The reported amounts are also not yet final because individual analyses are still being performed due to the complexity of the transaction.

The current fair values of the assets and liabilities are as follows:

Acquisition of Citi's card acceptance business in the Asia-Pacific region

in EUR million	Fair value
Goodwill	39.7
Property, plant and equipment	0.1
Financial and other assets (non-current)	73.7
Other receivables	13.0
Deferred tax assets	0.2
Current liabilities	19.3
Non-current liabilities	92.7

Business combinations in the previous year

Acquisition of Citi Prepaid Card Services

The acquisition of the business of Citi Prepaid Card Services announced by Wirecard on 29 June 2016 was successfully concluded on 9 March 2017 as part of a combined share and asset deal and the company was consolidated at this point in time. Wirecard acquired the company Ecount Inc., which was renamed as Wirecard North America Inc. following the acquisition, and with it more than 100 new employees in Conshohocken, Pennsylvania (USA), and 20 further employees in various international locations. At the same time, Wirecard has expanded its global presence in its core business of payment processing into the North American market.

Citi Prepaid Card Services has already issued more than 2,500 card programmes for large international companies, primarily on the North American market. The customers of the acquired business include leading telecommunication service providers, pharmaceutical companies, global IT and electronics manufacturers, Internet and consumer goods corporations and public sector clients. The portfolio largely comprises incentive and compensation cards, as well as corporate disbursement programmes for salaries or travel.

The entire purchase price was due in cash at the closing of the transaction. The parties agreed not to disclose the precise purchase price.

Citi Prepaid Card Services contributed EUR 109.1 million in revenues and EUR 20.7 million in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to the consolidated profit or loss of Wirecard in the 2017 fiscal year, whereby further integration costs in the Group were not deducted.

If Citi Prepaid Card Services had been acquired on 1 January 2017, it would have made a contribution to revenues of EUR 130.9 million and to operating earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 24.8 million when extrapolated for the twelve-month period. Due to the fact that this transaction is a combined asset and share deal as well as a spin-off from the operating business of Citi Prepaid Services, the determination of the result after tax is neither expedient nor possible. The acquired prepaid card business itself will also benefit, in particular, from its integration into Wirecard's global payments platform. The same is true for the company's international customers, who will be able to expand the services they currently receive to include additional functions and thus generate added value.

The preliminary purchase price allocation was examined and finalised within the twelve-month period. Non-separable assets, such as the expert knowledge and contacts held by the employees and management, as well as the synergy effects within the Group, were recognised under goodwill.

The following table shows the final break down of the fair values of the assets and liabilities:

Acquisition of Citi Prepaid Services

in EUR million	Fair value
Goodwill	92.3
Customer relationships	106.5
Other intangible assets	3.6
Property, plant and equipment	0.8
Inventories and work in progress	2.0
Trade and other receivables	20.4
Deferred tax liabilities	31.0
Current liabilities	15.1

MyGate Communications Pty Ltd.

Wirecard acquired all shares in MyGate Communications Pty Ltd. based in Cape Town, South Africa, on 6 March 2017 and the company was consolidated at this point in time.

MyGate Communications is a leading payment service provider (PSP) in Africa and had around 20 employees at the time of acquisition. The agreed purchase price of EUR 13.1 million consists of a cash payment of EUR 9.9 million and further earnout payments of up to EUR 4.9 million, of which EUR 3.6 million have been recognised at the time of acquisition.

MyGate Communications contributed EUR 5.9 million in revenues and EUR 1.6 million in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to the consolidated profit or loss of Wirecard in the 2017 fiscal year, whereby further integration costs in the Group were not deducted.

If MyGate Communications had been acquired on 1 January 2017, it would have made a contribution to revenues of EUR 7.1 million and to operating earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 2.0 million when extrapolated for the twelve-month period. Due to the fact that after this transaction restructuring has taken place and thus resulted in outsourcing of the operating business, a determination of the earnings after taxes is neither expedient nor possible.

Non-separable assets, such as the expert knowledge and contacts held by the employees and management, as well as the synergy effects within the Group, were recognised as goodwill.

The following table shows the final break down of the fair values of the assets and liabilities:

Acquisition of MyGate

in EUR million	Fair value
Cash	0.6
Goodwill	8.2
Customer relationships	13.9
Property, plant and equipment	0.0
Other non-current intangible assets	0.8
Trade and other receivables	0.3
Deferred tax liabilities	1.5
Current liabilities	8.7
Non-current liabilities	0.1
Purchase price	13.6

Acquisition of Citi's card acceptance business in the Asia-Pacific region

On 13 March 2017, Wirecard and the Citigroup subsidiaries CITIBANK, N.A. and CITIBANK OVERSEAS INVESTMENT CORPORATION agreed on the acquisition by Wirecard of the customer portfolios of Citi's credit card acceptance business in eleven Asian-Pacific markets. The transaction included all customer portfolios in the area of credit card acceptance in Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand. The portfolios that will be acquired comprise a long-standing customer base of more than 20,000 merchants, particularly from the travel and mobility sector, the financial services sector, luxury goods, retail trade and technology and telecommunications. The closing of the acquisition is due to be completed in several stages in each country by 2019. In the first year, after closing all acquisitions in the Group (2019 fiscal year), consolidated operating earnings before interest, tax, depreciation and amortisation (EBITDA) of more than EUR 20 million are expected through the acquisition. The acquisition of the customer portfolios for Singapore and Hong Kong was concluded on 15 June 2017, while the acquisition of the customer portfolio for the Philippines was concluded on 30 November 2017 and the portfolios were consolidated at this point in time in each case.

Alongside the cash payments already made, the agreed purchase price also includes other payments, which were reported as a liability as of the day of acquisition. The parties agreed not to disclose the precise purchase price. Non-separable assets, as well as the synergy effects within the Group, were recognised as goodwill.

The customer portfolios in Singapore, Hong Kong and the Philippines contributed EUR 92.4 million in revenues and EUR 2.4 million in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to the consolidated profit or loss of Wirecard in the 2017 fiscal year year, whereby further integration costs in the Group were not deducted.

If the portfolios had been acquired on 1 January 2017, they would have made a contribution to revenues of EUR 175 million and to operating earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 5 million when extrapolated for the twelve month period. Due to the fact that this transaction involves various customer portfolios, as well as a spin-off from Citi's operating business, determining the earnings after tax is neither expedient nor possible. The reported amounts are also not yet final because individual analyses are still being performed due to the complexity of the transaction.

The current fair values of the assets and liabilities are as follows:

Acquisition of Citi's card acceptance business in the Asia-Pacific region

in EUR million	Fair value
Goodwill	87.0
Customer relationships	31.1
Property, plant and equipment	2.3
Financial and other assets (non-current)	32.6
Other receivables	1.6
Deferred tax assets	6.0
Current liabilities	9.3
Deferred tax liabilities	3.0
Non-current liabilities	54.2

Exemption from the obligation 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 Holding GmbH, Aschheim, are exempt from the obligation to prepare consolidated financial statements as full compliance with the requirements of Section 291 (2) of the HGB already exists.

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 confirms that the sub-group financial statements of Wirecard Technologies GmbH, Wirecard Acquiring & Issuing GmbH, Wirecard Sales International Holding 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 Holding GmbH, Aschheim (Germany)
- Wirecard Global Sales GmbH, Aschheim (Germany)
- Wirecard Issuing Technologies GmbH, Aschheim (Germany)
- Wirecard Acceptance Technologies GmbH, Aschheim (Germany)
- Wirecard Service Technologies GmbH, Aschheim (Germany)
- Wirecard Retail Services GmbH, Aschheim (Germany)
- Wirecard Communication Services GmbH, Leipzig (Germany)

The necessary requirements of German commercial law will be fulfilled accordingly.

2. Basis of preparation

Wirecard generally publishes its figures in millions of euros (EUR million). The use of rounding means it is possible that some figures do not add up exactly to form the totals stated and that the figures and percentages do not exactly reflect the absolute values on which they are based. Some of the amounts shown differ from the amounts in the consolidated financial statements for the financial year 2017 due to adjustments made in context of corrections in accordance with IAS 8. For further details, please refer to the comments on corrections in accordance with IAS 8 in section 2.7. The following abbreviations are used in the consolidated 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, which is combined with the management report of Wirecard AG, have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as the supplementary regulations applicable in accordance with Section 315e (1) of the German Commercial Code (HGB).

All interpretations mandatory to be applied for the fiscal year 2018 by the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account.

Currency translation

The reporting currency is the euro. The functional currency of the foreign subsidiaries is, apart from a few exceptions, the local currency in the country in which the subsidiary is based and operationally active. The amounts relating to assets and liabilities of these companies reported in the consolidated statement of financial position 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 exchange rates. Differences arising from foreign currency translation are reported in other comprehensive income, net of income tax with no effect on profit or loss and reported separately under equity in the translation reserve. The amount reported under other comprehensive income, net of income tax for a foreign business operation will be reclassified in the income statement if this foreign business operation is sold. Differences between the translation of foreign currency into the functional currency for this company at the transaction rate and the rate at the time of payment or on the reporting date 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 or expenses.

Discretionary decisions, estimates and assumptions

The preparation of the 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 reporting 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. In addition, this is presented in section 2.3.

Classification

In the statement of financial position, 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 2018. 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 as well as potential voting rights. Where necessary, the Group considers the accounting rules for non-controlling interests in accordance with IFRS 10.22 as being displaced by 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 reporting date as those of the parent company. 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.

Associates are companies in which Wirecard has the possibility of exercising a significant influence over the company; this is generally the case when between 20 percent to 50 percent of the voting rights are held directly or indirectly. Associates are accounted for in the consolidated financial statements using the equity method and recognised initially at their acquisition costs. The share of the result of an associate held by Wirecard after acquisition is reported in the consolidated income statement under share of profit or loss from associates, while the share of other comprehensive income, net of income tax with no effect on profit or loss is correspondingly recognised in the other comprehensive income. The cumulative changes after the acquisition date increase or decrease the carrying amount of the shareholding in the associate. If the losses from an associate attributable to Wirecard equal or exceed the value of the share in this company, no further share of the losses is recorded, unless Wirecard has assumed obligations or made payments on behalf of the associate. The share in the associate is the carrying amount of the shareholding, plus all non-current interests in the company applicable to the economic substance after net investment by Wirecard in the associate.

2.2 Significant accounting and valuation policies

Valuation uncertainties

Discretionary decisions are required in applying the accounting and valuation policies. The most important forward-looking assumptions, as well as other substantial sources of uncertainty relating to estimates as of the reporting 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 goodwill, property, plant and equipment, of intangible assets as well as of financial assets.
- In accounting and measurement of 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 reporting 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 statement of financial position and in the relevant notes.

Accounting for business acquisitions

Business combinations are accounted for using the acquisition method. The acquisition costs of an acquisition are measured at the fair value of the assets given and the liabilities incurred or assumed at the time of acquisition. The identifiable assets acquired in a business combination and the liabilities assumed, including contingent liabilities, are initially valued by Wirecard at their fair values at the time of acquisition. Identifiable assets and liabilities generally consist of customer relationships, software and other intangible assets, property, plant and equipment, financial and other assets, provisions and liabilities, and deferred tax liabilities and assets. For the subsequent valuation of the respective assets and liabilities, reference is made to the respective paragraph below.

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 must be distributed across all groups of 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 must be subjected to annual impairment testing. In the event of any evidence of impairment (triggering event) to a unit, it is then 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 or business operation is sold, the amount of goodwill attributable to it is taken into consideration accordingly while determining the profit or loss generated by the sale in question.

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments. The determination of the recoverable amount of a business segment to which goodwill has been allocated is based on estimates by management. The business segments represent the group of cash-generating units at the level at which the related goodwill is monitored. Management estimates are made on the basis of the various products, distribution areas and regions. The cash flow forecasts and the forecasts for financial surpluses 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 groups of cash-generating units:

- Risk-free interest rate: 1.0 percent (previous year: 1.25 percent)
- Market risk premium: 7.0 percent (previous year: 7.0 percent)

Important assumptions entailed in calculating value in use 2018

	PP&RM	A&I*	CC&CS
Unlevered beta	0.80	1.03	0.80
Weighted average cost of capital (WACC) before taxes	7.89	10.51	8.44
Weighted average cost of capital (WACC) after taxes	7.58	8.55	6.66
Long-term revenues growth rate	2.00	2.00	1.00
Annual Growth Rate of the forecasting horizon	20.18	16.11	19.07

* for A&I: levered Beta

Important assumptions entailed in calculating value in use 2017

	PP&RM	A&I*	CC&CS
Unlevered beta	0.85	1.09	0.85
Weighted average cost of capital (WACC) before taxes	8.56	12.52	9.44
Weighted average cost of capital (WACC) after taxes	8.22	9.44	7.06
Long-term revenues growth rate	2.00	2.00	1.00
Compound Annual Growth Rate of forecasting horizon	25.01	18.66	10.44

* for A&I: levered Beta

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 to December 2018 were used as in the previous year. A yield curve was derived from these yields using the 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, the base interest rate (rounded) was 1.0 percent as of 31 December 2018 (previous year: 1.25 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 7.0 percent (previous year: 7.0 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 the values to be used through valuation methods based on discounted cash flow forecasts and discounted financial surpluses. These discounted cash flows and financial surpluses 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. Financial cash flows and surpluses 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 assumed for the budget and all other planning years that relate to the revenues. 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 flat rate 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, an impairment test is carried out if a triggering event occurs. For more details on the procedure and essential assumptions, please refer to the explanatory notes on accounting for goodwill.

Acquired software is stated at acquisition cost plus the ancillary acquisition costs 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 2018, as was the case in the previous year. The software constituting the Group's core operations, most of which was internally developed and includes corresponding development costs, has an estimated useful life 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 made by management are reviewed. Development costs capitalised in the fiscal year totalled EUR 45.1 million (previous year: EUR 45.3 million).

Accounting for property, plant and equipment

The original costs of acquisition or manufacture of property, plant and equipment, that did not enter the Group through acquisitions, 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 2018, 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. This period is three to five years for computer hardware and, as a rule, eight to thirteen years for office equipment and furniture.

Any gains and losses from the disposal of fixed assets are reported as other operating income and expenses.

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 reporting 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 line amortisation/depreciation item.

The necessity of a partial or full reversal is reviewed as soon as evidence exists 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 reversal of impairment losses 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.

As in the previous year, there were isolated impairment losses made to customer relationships, as well as internally-generated intangible assets and other intangible assets, in the reporting year. However, there were no reversals of impairment losses for intangible assets and property, plant and equipment as in the previous year.

Inventories and work in progress

Products and merchandise, which did not enter the Group through acquisitions, 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 business, which are in part not held directly but instead held on account of Wirecard, are reported under cash if Wirecard has access to these funds in the short term. In contrast, the portion that Wirecard does not have access to in the short term is classified as trade and other receivables. Cash and cash equivalents from lease guarantees which are not freely available amounted to EUR 12.7 million (previous year: EUR 7.5 million) and were classified as trade and other receivables.

Provisions and liabilities

Provisions are carried if the Group has a current (legal or factual) 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. Tax risks are reassessed annually on the basis of the current state of knowledge and revalued with regards to their amount and probability of occurrence, respectively. 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.

In the context of business combinations, negative contracts are analysed and these are measured at fair value as liability for non-callable periods. The disadvantage compared to market prices is based on assessments made by management and its observations of the market.

Expenditure incurred in forming provisions is generally reported as other operating expenses. Gains resulting from the reversal of provisions are recognised as 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. In this context, please also refer to the risk report under section Report on opportunities and risks of the combined management report.

Revenue recognition

Until 31 December 2017, Wirecard applied IAS 18 (Revenue) for the measurement and recognition of revenue. In accordance with IAS 18, revenue is recognised when there is sufficient evidence that a sales arrangement exists, the goods have been transferred or the services have been rendered, the price for the goods or services is fixed or determinable, and it is probable that payment will be received. Accordingly, transaction fees are recognised as realized when the transaction has been completed. When acquiring partners and / or other platforms are used for processing transactions, Wirecard is subject to the significant opportunities and risks associated with the settlement of the transaction. As a result, Wirecard defines itself as the principal in the sense of IAS 18. In this case, the acquiring partner is defined only as a service provider of Wirecard. Expenses for the provision of these services by the acquiring partner are included in the cost of materials. Interest is recognised pro rata temporis, using the accrual basis of accounting.

Wirecard applies IFRS 15 (Revenue from contracts with customers) for the first time since 1 January 2018. In accordance with IFRS 15, revenue is recognised in an amount that reflects the consideration for the performance obligation. To implement this principle, a five step model is used to determine the amount and timing of revenue:

- Identification of the contract with the customer
- Identification of the distinct performance obligations
- Determination of the transaction price
- Allocation of the transaction price to performance obligations
- Revenue recognition with satisfaction of the performance obligations

Revenue recognition from transaction-based business
Most of the revenue recognised by Wirecard relates to transaction fees incurred in many areas of Payment Processing & Risk Management, Acquiring & Issuing, as well as in connection with banking services. These transaction fees result from the satisfaction of the different performance obligations, in particular the technical processing of payment transactions, including risk management, as well as acceptance and issuing of means of payments. Fees received from the merchant or private customer are recognised as revenue once the transaction has been processed. This applies both when the transactions are processed via Wirecard's own platform and when acquiring partners and/or other platforms are involved. When acquiring partners and/or other platforms are used for processing transactions and Wirecard has control over the transaction, Wirecard defines itself as the principal and the acquiring partner is defined only as a service provider (agent) of Wirecard. Wirecard integrates the various stages for the fulfilment of the performance obligation (processing of the whole payment transaction). Accordingly, all transaction fees incurred by the merchant are recognised as revenue. Fees of other service providers involved in the settlement of the payment transaction, in particular fees for credit-card issuing banks, credit-card companies, payment service providers and external technical operators are recognised as cost of materials once the service is used or at the time the costs are incurred. In general, transaction fees are due immediately on the part of the merchant. If an acquiring partner processes the transaction, the payment of the fees to Wirecard is due on a quarterly basis.

Revenue recognition from non-transaction-based business
Here, revenue is recognised primarily within the B2B segment in the area of the card issuing business for fees for the implementation of prepaid card co-branding programmes. These fees include, but are not limited to, setup fees, charging costs, and transportation costs that are charged to the programme manager in accordance with the contractual conditions. Payment terms usually provide for payment within 30-90 days of invoicing. In addition, if it is agreed with the programme manager, Wirecard is entitled to the entire amount of, or to a part of the credit balance of expired prepaid cards (breakage). Revenue is recognised at the point in time in which the programme manager charges the prepaid cards. The amount of revenue results from the estimated breakage, if it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the breakage is subsequently resolved. The estimate of breakage is derived from the calculation of the respective prepaid card programme, taking into account past experience.

Accordingly, for this purpose, a contract asset is presented.

In the case of contracts with customers with whom software licence agreements (a right to use intellectual property) constitute a contract obligation, revenue is recognised at the time the licence is granted to the customer, if it is probable, that Wirecard will in exchange receive the consideration. Invoices are issued in accordance with the contractual terms and conditions. Payment terms usually provide for partial payment within 30 days of invoicing as well as further partial payments within the next 12 to 24 months. Approximately 3 percent of revenue is generated from the sale of software licences.

2.3 Accounting for financial assets and liabilities

Financial assets and liabilities are recognised in the consolidated statement of financial position if Wirecard 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.

Financial assets and liabilities were recognised and measured in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) until 31 December 2017.

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

Since 1 January 2018, Wirecard applies IFRS 9 Financial Instruments. According to IFRS 9, financial instruments are split into the following categories:

- measured at amortised cost
- financial assets (debt instruments) measured at fair value with no effect on profit or loss under other comprehensive income
- financial assets (equity instruments) measured at fair value with no effect on profit or loss under other comprehensive income
- financial assets and liabilities measured at fair value through profit or loss

Financial assets

The Group classifies its financial assets at the time of initial recognition.

According to IFRS 9, 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 attributable to the acquisition of the assets are additionally taken into account.

At initial recognition, financial assets are classified for the subsequent valuation in accordance with IFRS 9 either as measured at amortised cost, measured at fair value with no effect on profit or loss within other comprehensive income or measured at fair value through profit or loss.

The classification of financial assets when initially recognised is dependent on the characteristics of the contractual cash flows for the financial assets and the business model used at Wirecard to manage its financial assets. Except for trade receivables which do not contain any significant financing components, Wirecard measures a financial asset at its fair value. In the case of those financial assets that are not measured at fair value through profit or loss, any transaction costs that are directly assignable to the acquisition or sale of the financial asset are additionally taken into account. Trade receivables which do not contain any significant financing components are measured at the transaction price calculated in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value with no effect on profit or loss under other comprehensive income, the cash flows must solely arise from payments of principal and interest (SPPI) on the amount outstanding. This evaluation is described as an SPPI test and is carried out at the level of individual financial instruments.

The business model used by Wirecard to manage financial assets reflects how a company controls its financial assets in order to generate cash flows. Depending on the business model, cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets or both.

Acquisitions 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 (regular-way transactions) are recognised on the settlement date, in other words the date on which the assets are supplied to or delivered by Wirecard.

The subsequent valuation of financial assets according to IAS 39 depends on their classification as detailed below:

Financial assets at fair value through profit or loss (IAS 39)
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 the financial derivatives concluded by the Group that do not meet the criteria for hedge accounting 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 statement of financial position at fair value, with gains and losses being recognised in profit or loss.

Loans and receivables (IAS 39)
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 investments (IAS 39)
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 final 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 in the comparative period.

Available-for-sale financial assets (IAS 39)
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. Un realised 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.

The subsequent valuation of financial assets according to IFRS 9 depends on their classification as detailed below:

Measured at amortised cost (debt instruments) (IFRS 9)

This category has the greatest significance for the consolidated financial statements. Wirecard measures financial assets at amortised cost when the two following conditions are met:

- the business model for the financial asset has the aim of holding the financial asset to collect contractual cash flows and
- the contractual terms that apply to the financial asset result in cash flows at specified times which exclusively comprise payments of principal and interest on the amount outstanding

Financial assets classified as measured at amortised cost are measured in subsequent periods using the effective interest method and are subject to impairment testing. Gains and losses are recognised in profit or loss if the asset is derecognised, modified or impaired.

Measured at fair value with no effect on profit or loss under other comprehensive income (debt instruments) (IFRS 9)

Wirecard measures financial assets at fair value under other comprehensive income when the two following conditions are met:

- the business model for the financial asset has the aim of holding it both to collect contractual cash flows and also to sell and
- the contractual terms that apply to the financial asset result in cash flows at specified times which exclusively comprise payments of principal and interest on the amount outstanding

If debt instruments measured at fair value with no effect on profit or loss under other comprehensive income are derecognised, the cumulative gain or loss from changes in the fair value recognised under other comprehensive income is reclassified in the income statement.

Measured at fair value with no effect on profit or loss under other comprehensive income (equity instruments) (IFRS 9)

Wirecard can make an irrevocable election at the initial recognition of its equity instruments to classify them as measured at fair value with no effect on profit or loss under other comprehensive income, if they meet the definition of equity according to IAS 32 Financial Instruments: Presentation and are not held for trading purposes. The classification is carried out separately for every instrument.

Gains and losses from these financial assets are not reclassified in the income statement. Dividends are recognised in the income statement as other income if there is a legal right to receive payments, unless the dividends represent the recovery of part of the acquisition costs for the financial asset. In this case, the gains are recognised under other comprehensive income. Equity instruments measured at fair value with no effect on profit or loss under other comprehensive income are not subject to impairment testing. Wirecard has not exercised this option up to now.

Financial assets measured at fair value through profit or loss (IFRS 9)

The group of financial assets measured at fair value through profit or loss comprises financial assets held for trading, financial assets classified as measured at fair value through profit or loss at initial recognition and financial assets which must be measured at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchasing in the near future. Financial assets that have cash flows which do not exclusively comprise payments of principal and interest are classified as measured at fair value through profit or loss irrespective of the business model.

Notwithstanding the previous explanations about the criteria for the classification of debt instruments in the categories “measured at amortised cost” or “measured at fair value with no effect on profit or loss under other comprehensive income”, debt instruments can be classified as measured at fair value through profit or loss at initial recognition if an accounting mismatch can be eliminated or significantly reduced as a result.

Financial assets measured at fair value through profit or loss are recognised in the statement of financial position at fair value, whereby the net change in the fair value is recognised in the income statement.

This category includes financial investments in equity instruments for which Wirecard did not irrevocably elect to classify them as equity instruments measured at fair value with no effect on profit or loss under other comprehensive income.

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 or IFRS 9.3.2.5 respectively (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 (IAS 39)
Under IAS 39, 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 have 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 appreciable defaults in the history of Wirecard. In the area of FinTech, receivables are secured by cash securities as is typical in the sector to a level above the expected default. In the case of trade receivables from retailers/merchants and trade and other 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. 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 reporting date. In the case of receivables of acquiring business and trade and other receivables that were not overdue and whose value had not been impaired, there were no indications that payment defaults would occur that would lead to an impairment of the assets of Wirecard. On the basis of portfolios formed by combining financial instruments within product groups according to credit risk characteristics, flat-rate impairments are carried out for possible losses on individual portfolios of financial instruments. Additions within the fiscal year are reported in the consolidated income statement under other operating expenses and reversals under other operating income. 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.

Impairment of financial assets (IFRS 9)
In the case of all debt instruments that are not measured at fair value through profit or loss, the Group recognises impairments for expected credit losses (ECL). In this context, please refer to the explanations in section 7.2 Risk reporting.

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 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 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 criteria for hedge accounting in accordance with IAS 39. Financial liabilities recognised at fair value through profit or loss are recognised in the statement of financial position at fair value, with gains and losses being recognised in profit or loss. The financial liabilities at fair value through profit or loss also include the fair value of earnout liabilities for business combinations. In addition, fair value adjustments to earnout liabilities are reported under the financial result. Please also refer here to sections 2.5 and 7.4.

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. Due to the contractual regulations for processing transactions with credit card organisations, with providers of different payment methods and also within interbank transfers in payment processing, Wirecard generally views the entire transaction volume as a financial guarantee because a general liability cannot be excluded. In the 2018 fiscal year, this volume stood at EUR 124.9 billion (previous year: EUR 91.0 billion). All 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.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 statement of financial position cannot be determined with the support 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. Best possible estimates made by the management of Wirecard are also used to determine the risk of default, especially in the case of high-value receivables.

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 reporting date are used to calculate the amount in question.

Deferred tax liabilities and assets

In accordance with IAS 12 (Income Taxes), deferred tax liabilities and assets are recognised for all temporary differences between the values of assets and liabilities in the tax statement of financial position and the values in the consolidated statement of financial position, as well as for consolidation measures. 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). In addition, deferred tax liabilities in connection with shareholdings in companies, branch offices and associates are not recognised if Wirecard is able to control the timing of the reversal of the temporary difference and insofar as the temporary difference is not expected to reverse in the foreseeable future.

Furthermore, deferred tax assets relating to benefits of as yet unutilised tax loss carryforwards are recognised in the consolidated statement of financial position to the extent that it can be assumed with an adequate degree of probability that the respective company will be able to generate sufficient taxable income in the future.

Deferred 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 reporting date, taking account of current estimates in accordance with IAS 12.37 and IAS 12.56.

Deferred taxes are determined in line with IAS 12.47 on the basis of the tax rates applicable at the time of realisation respectivily 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 in the other comprehensive income, without impacting the income statement.

The calculation of deferred taxes was based on a German corporation tax rate of 15.0 percent (previous year: 15.0 percent) plus the solidarity surcharge of 5.5 percent (previous year: 5.5 percent) on corporation tax and a flat rate German trade tax rate of 11.20 percent (previous year: 11.20 percent), which takes into account the municipal factor for the respective location from 2017 and the corresponding tax rates of the foreign companies, in particular in the following countries:

Tax rates of foreign companies

in percent	31 Dec 2018	31 Dec 2017
India	34.6	34.6
Ireland	12.5	12.5
Austria	25.0	25.0
Singapore	17.0	17.0
Hongkong	16.5	16.5
Gibraltar	10.0	10.0
United Kingdom	19.0	20.0
Turkey	20.0	20.0
Indonesia	25.0	25.0
New Zealand	28.0	28.0
South Africa	28.0	28.0
Brazil	34.0	34.0
United States	21.0	21.0

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 statement of financial position 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

With the exception of the first-time application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), the accounting principles applied have basically remained unchanged from 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.

The effects resulting from the first-time application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) as of 1 January 2018 resulted in a one-time adjustment totalling EUR –28.8 million after taxes, which was recognised accordingly directly under equity with no effect on profit or loss. The following sections will present the adjustment effects resulting from the first-time application of the new IFRS standards.

IFRS 9 Financial Instruments

Subject to some exceptions, IFRS 9 is to be applied retrospectively at the date of initial application. IFRS 9 allows for the use of a simplified approach to make certain disclosures in accordance with IFRS 7 without restating prior periods. Wirecard has utilised the option of using this simplified approach. The cumulative effect is recognised under equity with no effect on profit or loss.

At the date of initial application of IFRS 9, the management of Wirecard assessed which business models apply to the financial assets held by the Group and reclassified the financial instruments of Wirecard in the appropriate measurement category according to IFRS 9 in each case as follows.

The Visa preferred stock disclosed under the item “Financial and other assets / interest-bearing securities” on the statement of financial position, which was classified under the category “available-for-sale financial assets” up until 31 December 2017 and measured at fair value with no effect on profit or loss following initial recognition, is measured at fair value through profit or loss since the date of initial application on 1 January 2018. Unrealised gains or losses of EUR 5.3 million that were recognised up to now in equity under other comprehensive income were reclassified from the revaluation reserve to retained earnings as of 1 January 2018.

The convertible bonds also disclosed under the item “Financial and other assets / interest-bearing securities” on the statement of financial position do not fulfil the so-called cash flow criterion and will continue to be measured at fair value through profit or loss.

All other financial assets such as loans, bank accounts and trade receivables are held to collect the contractual cash flows that exclusively represent payments of principal and interest on the outstanding nominal amount. They meet the requirements of the “hold to collect” business model in the sense of IFRS 9 and will continue to be measured at amortised cost. In contrast, interest-bearing securities (collared floaters) and fixed-term deposits were measured at fair value as of 31 December 2017.

In the case of the financial liabilities, there was no change in the classification of the financial instruments held by the Group according to the IFRS 9 measurement categories at the time of initial application of IFRS 9.

Since 1 January 2018, impairments have been determined using the expected credit loss model, which anticipates expected losses due to future defaults on receivables. This model is to be applied for financial assets not measured at fair value through profit or loss, as well as for so-called contract assets according to IFRS 15, leasing receivables, lending commitments and certain financial guarantees. In order to determine the expected credit losses, customers are combined into groups with similar credit risks or an individual assessment of the credit risk is carried out. In general, IFRS 9 stipulates a three-stage model for recognising expected credit losses.

In credit quality level 1, impairment losses for financial instruments where there has been no significant increase in credit risk since initial recognition on the reporting date are measured at the level of the 12-month expected credit loss. Using the effective interest method, the effective interest rate is applied to the gross carrying amount of the financial asset.

If there has been a significant increase in the credit risk for a financial instrument since initial recognition, the financial instrument is allocated to credit quality level 2 and the impairment loss is measured on every reporting date at the level of the lifetime expected credit loss. As for credit quality level 1, the effective interest rate is applied to the gross carrying amount of the financial asset using the effective interest method.

Financial assets whose credit quality has been impaired on the reporting date or which were already impaired at the time of acquisition or provision are allocated to credit quality level 3. As for credit quality level 2, the impairment loss is measured at the level of the lifetime expected credit loss. However, the effective interest rate is applied to the amortised cost of the financial asset, i.e. its net carrying amount.

As part of the simplified approach, value adjustments for trade receivables and contract assets according to IFRS 15 which do not contain any significant financing components are measured at the level of the lifetime expected credit loss. There is thus no classification in credit quality level 1 or credit quality level 2.

At the time of initial application, the change due to the transition from IAS 39 (incurred loss model) to IFRS 9 (expected credit loss model) of EUR 41.3 million (before taxes) was recognised under equity with no effect on profit or loss.

The risk of default from payment transactions mainly relates to potential chargebacks from end customers after a merchant becomes insolvent. The risk is considered very low because the potential chargeback claims against the merchant are covered by liabilities from the ongoing transaction volume, individual security reserves or, alternatively, delayed payment to merchants. These guarantees are continuously monitored on the basis of a continuous analysis of the merchant business in order to keep the default risk low. If a merchant does become insolvent, however, the guarantees may prove to be inadequate in individual cases, whereby claims for payment which Wirecard is entitled to make against the merchant due to the reversal of transactions may not be enforceable. Therefore, Wirecard has classified the transaction volume from these business models as a financial guarantee. If according to IAS 39 no risk of default was recognised up to now in the form of a provision in the sense of IAS 37 due to the low expectation of default, risk of default must now be accounted for under the expected credit loss model according to IFRS 9. The amount resulting from this difference in measurement of EUR 14.3 million (before taxes) was recognised by a reduction in equity upon initial application.

IFRS 15 Revenue from Contracts with Customers

In the case of transaction-based business, IFRS 15 has not resulted in any significant change in the timing of revenue recognition. If external acquiring partners are used for the processing of transactions, Wirecard has further analysed whether the Group should also be regarded as the principal towards the merchant in accordance with the new provisions in IFRS 15 or whether first and foremost a contract with the merchant exists in accordance with IFRS 15. Based on this analysis, a gross presentation of revenues will continue to occur from the date of initial application on 1 January 2018 (disclosure of the fees from the merchants as revenues and the expenses for the acquiring partner as cost of materials). Exceptions exist for some business models where Wirecard is subject to the significant opportunities and risks and was accordingly regarded as the principal with respect to the merchant in the sense of IAS 18 although no contract with the merchant exists in accordance with IFRS 15 (enforceable rights and obligations). Accordingly, the merchant's fees are recognised net of the expenses for the acquiring partner as revenues.

In the case of non-transaction-based business, however, there has been a change in the timing of revenue recognition for some business transactions. In particular, there has been an effect on the recognition of revenues from the credit balances of expired prepaid cards because revenue is regarded to be recognised earlier in accordance with IFRS 15 as it has been up to now. The primary reason for this is that, for IFRS 15, the restrictions according to IAS 18 for the recognition of revenues from the sale of goods or the provision of services for which the receipt of a consideration is dependent on the occurrence or non-occurrence of a future event do no longer have to be applied. This has an impact on the date at which the credit balances of expired prepaid cards are recognised. In accordance with IFRS 15, revenue is recognise already at the time the prepaid cards are charged and not only with the collection of the credit balances.

Accordingly, a contract asset is presented at the time of revenue recognition. For the Wirecard Group, this one-off effect at the time of initial application amounted to EUR 13.3 million (after taxes) and resulted in an increase in equity as of 1 January 2018 with no effect in the income statement of profit and loss.

For the revenue recognition from contracts with customers with whom software licence agreements are the only performance obligations, the new provisions of IFRS 15 do not have any significant impact on the consolidated financial statements. Revenue continues to be recognised at a point in time when control of the asset is transferred to the customer. This is generally the case on delivery of the software or software licence. As a rule, Wirecard grants an unlimited right of use to the (licensed) software in its state at the time the licence is granted. Consequently, there are no further performance obligations after delivery of the software. Therefore, the new standard has not generally effected the amount nor has it led to a deferment of the date at which the revenue is recognised.

The respective effects of the initial application of IFRS 9 and IFRS 15 described above on the equity of Wirecard as of 1 January 2018 were as follows:

Initial adoption effect of IFRS 9 and IFRS 15 to equity

in EUR million	Retained earnings	Revaluation reserve
As of 31 Dec 2017	1,074.1	5.3
Initial adoption IFRS 9		
Increase of allowance for interest-bearing securities and fixed-term deposits	0.0	-
Increase of allowance for receivables and other financial assets	–41.1	-
Increase of allowance for cash and cash equivalents	–0.2	-
Reclassification visa preferred stock	5.3	–5.3
Reclassification of interest-bearing securities and fixed-term deposits	–0.2	-
Recognition of financial guarantees	–14.3	-
Initial adoption effect of deferred taxes	13.8	-
Initial adoption effect IFRS 9	–36.7	–5.3
Initial adoption IFRS 15		
Deferred revenues from credit balances on expired prepaid cards	17.7	-
Initial adoption effect of deferred taxes	–4.4	-
Initial adoption effect IFRS 15	13.3	-
Total initial adoption effect	–23.4	–5.3
As of 1 Jan 2018	1,050.7	0.0

The following table shows the classification of the financial assets held by the Group according to the measurement categories in accordance with IFRS 9 compared to IAS 39:

Financial assets

	Rating category in accordance with IAS 39	in accordance with IFRS 9	Carrying amount 1 Jan 2018	Carrying amount 31 Dec 2017	Change
Interest-bearing securities and fixed-term deposits	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	155.4	155.6	–0.2
Receivables and other financial assets	Loans and receivables	Financial assets measured at amortised cost	881.0	904.4	–23.4
Cash and cash equivalents	Loans and receivables	Financial assets measured at amortised cost	1,901.1	1,901.3	–0.2
Visa preferred stock	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss	19.4	19.4	0.0
Convertible bonds	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	41.9	41.9	0.0

The changes that arise from the transition from IAS 39 to IFRS 9 are mainly attributable to the initial application of the expected credit loss model. Some exceptions are the interest-bearing securities (collared floaters) and fixed-term deposits which were allocated to the category “financial assets at fair value through profit or loss” according to IAS 39 and are now classified as “financial assets measured at amortised cost” according to IFRS 9. Due to the (retrospective) reclassification and associated change in the measurement system, there was a change in the carrying value of EUR –0.2 million.

The effects of the initial application of IFRS 9 and IFRS 15 on the consolidated statement of financial position of Wirecard as of 1 January 2018 were as follows:

Assets

in EUR million	1 Jan 2018	IFRS 9	IFRS 15	31 Dec 2017
ASSETS				
I. Non-current assets				
1. Intangible assets				
Goodwill	675.8	0.0	0.0	675.8
Customer relationships	484.9	0.0	0.0	484.9
Internally-generated intangible assets	120.0	0.0	0.0	120.0
Other intangible assets	109.3	0.0	0.0	109.3
	1,390.0	0.0	0.0	1,390.0
2. Property, plant and equipment	57.5	0.0	0.0	57.5
3. Investments accounted for using the equity method	14.6	0.0	0.0	14.6
4. Financial and other assets / interest-bearing securities	292.0	–18.2	0.0	310.2
5. Tax credits		0.0	0.0	
Deferred tax assets	22.9	13.8	0.0	9.1
Total non-current assets	1,777.0	–4.4	0.0	1,781.4
II. Current assets				
1. Inventories and work in progress	13.3	0.0	0.0	13.3
2. Receivables of the acquiring business	437.9	–4.1	0.0	442.0
3. Trade and other receivables	273.4	–19.0	17.7	274.7
4. Tax credits				
Tax refund entitlements	11.0	0.0	0.0	11.0
5. Interest-bearing securities and fixed-term deposits	109.1	0.0	0.0	109.1
6. Cash and cash equivalents	1,901.1	–0.2	0.0	1,901.3
Total current assets	2,745.8	–23.3	17.7	2,751.4
Total assets	4,522.8	–27.7	17.7	4,532.8

Equity and liabilities

in EUR million	1 Jan 2018	IFRS 9	IFRS 15	31 Dec 2017
EQUITY AND LIABILITIES				
I. Equity				
1. Subscribed capital	123.6	0.0	0.0	123.6
2. Capital reserve	494.7	0.0	0.0	494.7
3. Retained earnings	1,050.7	–36.7	13.3	1,074.1
4. Other components of equity	–57.6	–5.3	0.0	–52.3
Total equity	1,611.3	–42.0	13.3	1,640.0
II. Liabilities				
1. Non-current liabilities				
Non-current interest-bearing liabilities	754.8	0.0	0.0	754.8
Other non-current liabilities	85.4	0.0	0.0	85.4
Deferred tax liabilities	81.3	0.0	4.4	76.9
	921.5	0.0	4.4	917.1
2. Current liabilities				
Liabilities of the acquiring business	422.6	0.0	0.0	422.6
Trade payables	66.1	0.0	0.0	66.1
Interest-bearing liabilities	311.6	0.0	0.0	311.6
Other provisions	16.7	14.3	0.0	2.4
Other liabilities	151.5	0.0	0.0	151.5
Customer deposits from banking operations	973.2	0.0	0.0	973.2
Tax provisions	48.2	0.0	0.0	48.2
	1,990.0	14.3	0.0	1,975.7
Total liabilities	2,911.5	14.3	4.4	2,892.8
Total equity and liabilities	4,522.8	–27.7	17.7	4,532.8

Without the initial application of IFRS 15 as of 1 January 2018, it would have resulted in the following differences or values in the consolidated statement of financial position as of 31 December 2018 and the consolidated income statement for the 2018 fiscal year:

Assets

in EUR million	31 Dec 2018	IFRS 15	Without application of IFRS 15
ASSETS			
I. Non-current assets			
Financial and other assets/interest-bearing securities	413.6	–3.1	410.5
II. Current assets			
Trade and other receivables	357.4	–19.1	338.3
Total assets	771.0	–22.2	748.8

Equity and liabilities

in EUR million	31 Dec 2018	IFRS 15	Without application of IFRS 15
EQUITY AND LIABILITIES			
I. Equity			
Retained earnings	1,375.7	–16.0	1,359.8
Other components of equity	–71.2	–0.7	–71.9
II. Liabilities			
Long-term deferred taxes	80.1	–5.5	74.6
Total equity and liabilities	1,384.6	–22.2	1,362.4

Consolidated income statement

in EUR million	1 Jan 2018 – 31 Dec 2018	IFRS 15	Without application of IFRS 15
Revenues	2,016.2	26.0	2,042.1
Gross profit	971.2	–3.6	967.6
EBITDA	560.5	–3.6	556.9
EBIT	438.5	–3.6	434.9
Earnings before tax	409.4	–3.6	405.9
Income tax expense	62.1	–0.9	61.2
Earnings after tax	347.4	–2.7	344.7

2.6 Amendments to accounting and valuation policies that do not yet require mandatory application

The IASB and the IFRS-IC have published the following standards and interpretations that have already been endorsed by the EU within the scope of the comitology procedure but their application was not yet mandatory in the 2018 fiscal year. The Group has not adopted these standards and interpretations early. The IASB also newly approved or revised a number of further accounting standards and interpretations that Wirecard has not yet implemented in the 2018 fiscal year as their application was not yet mandatory or they were not yet approved by the European Union.

IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16 "Leases", which was adopted into European law by the European commission in November 2017. IFRS 16 replaces the existing standards and interpretations for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The new standard is required to be applied for the first time for fiscal years beginning on or after 1 January 2019. Wirecard has not exercised the option of early adoption of IFRS 16.

IFRS 16 introduces a uniform lease accounting model for lessees that requires the recognition of all assets and liabilities from leases in the statement of financial position. Recognition exemptions exist for short-term leases with a lease term of 12 months or less at the commencement date (and without a purchase option) and for leases for which the underlying asset is of low value. Consequently, in the future, IFRS 16 will eliminate the requirement under IAS 17 for lessees to classify leases either as operating leases, where the respective assets and liabilities are currently not recognised, or as finance leases. The lease term is generally determined considering the non-cancellable period of the lease. If the lease contract contains extension or termination options for the lessee, these are taken into account if they are considered reasonably certain to be exercised or not exercised as of the reporting date. If the lease contract contains a bilateral right of termination, the lessor's right to terminate the lease is considered when determining the lease term. Using the interest rate implicit in the lease, the present value of the leasing payments must be recognised as a leasing liability. If it is not possible to determine the interest rate implicit in the lease, the incremental borrowing rate is used. The right-of-use acquired by the lessee is recognised as an asset. The right-of-use assets are depreciated over the lease term. The leasing liabilities are reduced over the lease term due to repayments and the interest expense is allocated over the lease term. The liabilities are measured using an effective interest method.

Wirecard has so far mainly concluded operating leases for moveable assets (primarily motor vehicles and IT hardware) and properties. The transition to IFRS 16 takes place on 1 January 2019 using the modified retrospective approach, whereby the cumulative effect of initial application of the standard is recognised as an adjustment to the opening statement of retained earnings at the time of intitial application. Wirecard will not adjust the comparative figures for the prior-year period.

Based on Wirecard's group-wide analysis, the following effects from the initial application of IFRS 16 are expected:

- So far, payment obligations for operating leases only had to be reported in the notes to the financial statements. Going forward, however, it is mandatory to recognise the rights and obligations arising from these leases as assets (right of use for the leased asset) and liabilities (lease liability) on the statement of financial position. Wirecard expects a substantial increase in total assets in the range of EUR 30 million to EUR 40 million at the time of initial application. A significant adjustment of Wirecard's equity in the opening balance as of 1 January 2019 is currently not expected.

- In accordance with IAS 17, expenses from operating leases were reported as part of other operating expenses. Under IFRS 16, interest expenses and depreciations will be presented in the income statement. Accordingly, from 2019, both EBITDA and depreciation will be higher compared to 2018 and the financial result will show a lower surplus or a higher deficit.
- In the cash flow statement, payments for operating leases have until now been presented as cash flow from operating activities. In the future, payments for former operating leases will be split into interest payments and repayments, which will be allocated to cash flow from financing activities. Accordingly, from 2019, cash flow from operating activities will be higher compared to 2018 and cash flow from financing activities will be lower.
- The disclosure requirements have been significantly expanded and amended compared to IAS 17.

There is no significant impact for Wirecard as a lessor from the transition to IFRS 16. For lessors, the accounting model in IFRS 16 is not significantly different from the previous model in IAS 17. The lessor still differentiates between operating and financing leases for accounting purposes.

With respect to the obligations from operating leases presented in the Notes (see section 7.6 Other financial obligations and contingent liabilities), Wirecard expects that the main difference in the measurement of the new lease obligations will result from legal obligations which have been committed, but not yet commenced. Wirecard is already required to report the obligations from operating leases in accordance with IAS 17 once both parties had signed the lease contract. According to IFRS 16, lease liabilities are not recognised until the commencement of the lease. There may be differences due to extension and termination options. Options where it is considered reasonably certain that they will be exercised or not exercised by the lessee must be taken into account in the measurement of the lease liabilities according to IFRS 16. For the determination of obligations for operating leases there may be a different assessment regarding the options.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, IFRIC 23 "Uncertainty over Income Tax Treatments" was published by the IASB. This interpretation clarifies the requirements for the approach for recognising and measuring uncertain income tax treatments. As part of the assessment of the uncertainty, a company is required to consider whether it is probable that the relevant tax authority will accept the income tax treatment. In this process, the company has to determine whether it assesses every uncertain tax treatment separately or jointly with one or more other tax treatments. The approach selected should be the one which provides a better prediction of whether the uncertainty will be resolved.

IFRIC 23 is to be applied for fiscal years beginning on or after 1 January 2019. Earlier application is permitted. Wirecard plans to adopt the interpretation on the required effective date. Wirecard does not expect any significant effects due to the application of IFRIC 23.

Further standards, interpretations and amendments
The IASB and the IFRS-IC have published further standards and interpretations and amendments up to the point at which the consolidated financial statements were published for which application was not yet mandatory in the 2018 fiscal year. These are as follows:

Standards, interpretations and amendments

Standard	Description	Mandatory application for fiscal years beginning on or after
Annual Improvements to IFRSs 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019*
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019*
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019*
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019*
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019*
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020*
Amendments to IFRS 3	Definition of a Business	1 January 2020*
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020*
IFRS 17	Insurance Contracts	1 January 2021*

* Resolution by the EU still outstanding, information on the obligatory application according to the IASB

Wirecard anticipates that the standards, interpretations and amendments listed above will have no impact or no material impact on the Wirecard Group's financial position and financial performance.

2.7 Corrections in accordance with IAS 8

In connection with the investigations in Asia, errors were identified in the revenue recognition for the fiscal year 2017, which were corrected retrospectively. Revenues were reduced by a total of EUR 1.5 million.

One reason for this was that software transactions (purchase and sale of software) were initially recorded in the wrong entity of the Group with the agent as contractual partner. An intangible asset (purchase of software) and corresponding revenues (sale of software) were recorded in the amount of around EUR 10.0 million. After correction, the entire software business was recorded in the correct entity of the Group. Revenues were increased by EUR 1.0 million, trade receivables from customers in the amount of EUR 11.0 million and trade payables to software suppliers in the amount of EUR 10.0 million were recorded. The pro rata depreciation of the software (EUR 0.8 million) and the related tax effects (EUR 0.5 million), which was missing in fiscal year 2017, were taken into account in the correction. On the other hand, revenue of EUR 2.5 million was recognized for another software business in fiscal year 2017, which should correctly have been recognized in fiscal year 2018 after the software services had been rendered. The correction led to a corresponding reduction in trade receivables. Furthermore, other liabilities and other operating expenses each increased by EUR 1.0 million for fiscal year 2017 due to an additional cost item not yet recognized. In this connection, we also refer to our comments in the combined management report under the section Opportunities and risks.

Irrespective of this, it was determined in the course of fiscal year 2018 that transaction fees received in previous years were not recognized as revenue but recognized as trade payables. Accordingly, revenues of EUR 3.7 million increased retrospectively for fiscal year 2017 and of EUR 11.7 million as of 1 January 2017 for earlier fiscal years (both before taxes). In addition, corresponding tax provisions of EUR 1.0 million were recognized in the income statement for fiscal year 2017 and tax provisions were increased by EUR 3.2 million as of 1 January 2017.

In the course of an extended review of transactions, further errors in the revenue recognition were identified that led to a reduction of EUR 3.5 million in revenue and corresponding trade receivables for the fiscal year 2017.

The following overview shows the overall effects of the corrections in accordance with IAS 8:

Consolidated statement of financial position

in EUR million	31 Dec 2017	1 Jan 2017
Other intangible assets	+0.3	0.0
Trade receivables and other receivables	+5.0	0.0
Total assets	+5.3	0.0
Trade payables	–5.3	–11.7
Other liabilities	+2.1	0.0
Tax provisions	+3.6	+3.2
Total liabilities	+0.5	–8.5
Net effect on equity (retained earnings)	+4.8	+8.5

Consolidated income statement

in EUR million	1 Jan 2017 – 31 Dec 2017
Revenue	–1.3
Other operating expenses	+1.0
Net effect on EBITDA	–2.3
Amortisation	+0.8
Net effect on profit before taxes	–3.2
Tax expenses	+0.5
Net effect on profit after taxes	–3.6

Earnings per share

in EUR	1 Jan 2017 – 31 Dec 2017
Earnings per share (basic and diluted)	–0.03

These changes had no effect on other comprehensive income after taxes or cash flow from operating activities, investing activities or financing activities in the comparable period of 2017.

3. Notes to the consolidated statement of financial position – assets

For the change in intangible assets and property, plant and equipment (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 reporting year and carrying amounts), please refer to the attached change in intangible assets and property, plant and equipment from 1 January 2018 to 31 December 2018 (including the previous period).

3.1 Intangible assets

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

Goodwill and customer relationships

The statement of financial position items 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 and liabilities irrespective of whether they are reported in the statement of financial position of 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 in the statement of financial position as 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 respectively 20 years.

Goodwill is not subject to any sheduled amortisation. Goodwill is assessed at least once a year by the Group (most recently on the reporting date of 31 December 2018) or during the course of the year if there is an indication of an impairment (triggering event) in accordance with the Group's accounting policies. Customer relationships are also analysed in the case of a triggering event. Accordingly, a triggering event analysis is carried out and if a triggering event is detected, an assessment based on discounted cash flows is carried out in order to determine any potential need for impairment (impairment test).

In the fiscal year 2018, goodwill changed primarily as a result of the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region by EUR 39.7 million and as a result of currency-related valuations by EUR –9.6 million as of the reporting date. As of 31 December 2018, goodwill totalled EUR 705.9 million (31 December 2017: EUR 675.8 million) and is assigned for the following groups of cash-generating units:

Goodwill

in EUR million	31 Dec 2018	31 Dec 2017
Payment Processing & Risk Management	552.6	528.1
Acquiring & Issuing	153.0	147.4
Call Center & Communication Services	0.3	0.3
Total	705.9	675.8
Less: impairment losses	0.0	0.0
	705.9	675.8

The change in the item customer relationships of EUR 32.9 million in the reporting period is mainly related to their amortisation and currency-related valuations as of the reporting date.

Amortisation commences together with the flow of benefits and is performed over the expected length of each customer relationship.

Customer relationships are subject to the following amortisation rules:

Amortisation of customer relationships

Useful life	Remaining useful life	Remaining carrying amount in mn EUR
20	19	36.2
20	18	93.3
20	17	38.3
20	16	41.5
20	15	82.6
20	14	76.6
20	13	37.9
15	12	4.9
10	7	32.3
10	6	1.0
10	5	1.3
10	4	2.1
10	3	3.4
10	2	0.6
		452.1

For information on changes in goodwill and customer relationships, please also refer to the enclosed statement of changes in intangible assets and property, plant and equipment (with previous periods) in these notes.

Internally-generated intangible assets
In the fiscal year 2018, internally-generated software was developed and capitalised in the amount of EUR 45.1 million (31 December 2017: EUR 45.3 million). This relates especially to software for the payment platform and its expansion, as well as M&A-related enhancements to the IT infrastructure in order to serve new customers acquired through the inorganic growth of the company.

Other intangible assets
Besides software for individual IT solutions and applications, other intangible assets relate to software acquired for and used by the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments. In the reporting period 2018, this item mainly changed due to operative investment from EUR 109.3 million as of 31 December 2017 to EUR 113.3 million as of 31 December 2018.

3.2 Property, plant and equipment

The main increases in this item are due to investments in the expansion of the computer centres and the expansion of the terminal business related to growth in the operating business.

Any gains and losses from the disposal or sale of fixed assets are reported as other operating income and expenses respectively. Maintenance work and minor repairs are recognised through profit or loss within other operating expenses.

The carrying amount of technical equipment and operating and office equipment held as part of finance leases as of 31 December 2018 totalled EUR 36.5 million (31 December 2017: EUR 20.7 million) and is reported accordingly under property, plant and equipment. The leased items also serve here as security for the respective obligations from the finance lease agreements.

3.3 Investments accounted for using the equity method

Shares in associated companies of EUR 14.0 million (31 December 2017: EUR 14.6 million) were entirely attributable to GI Technology Pte. Ltd. based in Chennai, India. Due to the conditions in the shareholder agreement, which are particularly associated with the Indian regulations for financial services companies, the company is accounted for using the equity method. This is because Wirecard exercises a significant influence on the company but does not have full control. For further information, please refer to section 1.1.

3.4 Financial and other assets / interest-bearing securities

Financial and other assets and interest bearing securities as of 31 December 2018 totalled EUR 413.6 million (31 December 2017: EUR 310.2 million). These break down as of the reporting date as follows:

Breakdown of financial and other assets / interest-bearing securities

in EUR million	31 Dec 2018	31 Dec 2017
Visa preferred stock	23.6	19.4
Financing agreements (amongst others sales partner)	132.9	20.8
Convertible bonds	13.2	41.9
Securities	2.3	1.8
Securities/collared floaters	24.7	44.6
Receivables from bank business (mostly from FinTech business)	123.4	141.4
Other M&A related assets	89.5	31.9
Other	3.9	8.3
	413.6	310.2

On 21 June 2016, Wirecard received a cash payment of EUR 71.8 million plus preferred stock that is disclosed under “Visa preferred stock” valued at EUR 14.0 million (nominal value EUR 25.6 million) as a consideration for the sale of the previously held shares in Visa Europe Ltd. The preferred stock can be converted into Visa Inc. class A common stock. Furthermore, an additional deferred cash consideration of EUR 6.2 million (nominal value: EUR 6.2 million) was agreed, which will be fully paid until the middle of 2019. Due to the term to maturity, this is reported under the “Trade and other receivables” statement of financial position item. The amount of preferred stock is contingent upon certain factors and could still subsequently change. The calculation of the fair value of this asset is based on the market quotations for Visa A shares and estimations by the management which take the calculations of external appraisers and external information about Visa Europe Ltd. or Visa Inc. into account. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties and is subject to a required holding period, are discounted due to uncertainties and the inability to trade the stock.

As part of the range of products for Merchant Cash Advance or real-time payments for completed transactions which are offered, in particular, to small and medium-sized merchants, the corresponding funds will be provided in cooperation with powerful <financing partners and banks. As of 31 December 2018, a volume of EUR 115.6 million was already earmarked for this purpose by powerful financing partners, which are disclosed under the item financing agreements.

The convertible bonds 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. As it is not possible to separately measure the embedded derivative, the entire financial instrument is measured at fair value through profit or loss. Please also refer here to section 7.4 of the Annual Report.

Furthermore, this statement of financial position item also contains various securities which are held to improve interest income and whose interest rates mainly depend on money market rates. In part, minimum and maximum interest rates have been agreed (collared floaters).

The assets reported under the item “Receivables from bank business (mostly from FinTech business)” exist mainly 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 and 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 in this statement of financial position item due to their terms of maturity. The reason for this was also the response to the prevailing low-interest phase which has enabled Wirecard to utilise these business fields. The basis for these items are the cash and cash equivalents from the banking business (customer deposits) of Wirecard.

As part of the purchase price allocations related to the acquisition of Citi's card acceptance business in the Asia-Pacific region in accordance with IFRS 3, various other assets were identified that were recognised accordingly in a separate item. This was due to accounting-specific rules for the accounting of various contractual rights and assets in accordance with IFRS 3.

3.5 Tax credits

Deferred tax assets

Tax credits and deferred tax assets refer to temporary differences between the carrying amounts of assets and liabilities in the tax statement of financial position and their carrying amounts in the consolidated statement of financial position according to IFRS. Deferred tax assets are recognised in accordance with IAS 12 using the statement of financial position orientated liability method. According to this method, the deferred taxes are calculated based on the temporary differences described above, while taking into account the tax rates valid at the time the differences are reversed. Deferred tax assets are only accounted for to the extent that taxable profit is considered likely to be available. With regard to further details on the tax reconciliation account and the changes in deferred taxes, please refer to the information under section 5.10 Income tax expense and deferred taxes.

3.6 Inventories and work in progress

As of 31 December 2018, the reported inventories and work in progress amounted to EUR 10.6 million (31 December 2017: EUR 13.3 million) and relate to merchandise such as terminals and debit cards, which are kept for, amongst other things, payments using mobile phones.

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 fiscal year 2018, in the previous period or the previous periods. Therefore, there were also no reversals of impairment losses on inventories and work in progress in the fiscal year 2018.

3.7 Receivables of acquiring business

The items “receivables of the acquiring business” and “liabilities of the acquiring business” of Wirecard 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 merchant and acquiring partner operate, as well as to the business relationship between the merchant and Wirecard, different business models are utilised that can result in varying accounting methods being applied. The transaction volumes within and via Wirecard are correspondingly reported separately under the item receivables of the acquiring business in the consolidated statement of financial position as trade receivables from credit card organisations, banks and acquiring partners.

From a financial reporting perspective, it is thus particularly important to differentiate whether the transaction volume is processed via licensed acquirers belonging to Wirecard or whether Wirecard is using an external acquiring partner. If the transaction volumes are processed via Wirecard, they are reported 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.

However, if another bank is involved in the processing of transactions, Wirecard is not permitted to receive and report the transaction volumes in the statement of financial position due to the EU Payments Services Directive (PSD). In this case, the acquiring partner accounts for these items on their statement of financial position. Wirecard then only reports any charges and commissions, as well as the rolling security reserves for the merchants general risk of default, as receivables of the acquiring business. In this context, please refer to section 7.2 of the Annual Report.

Only Wirecard's charges that are included in the revenues have an impact on profit or loss and not the entire receivable amount. The increase as of the reporting date thus corresponds to the increase in the transaction volume processed via Wirecard.

3.8 Trade and other receivables

The statement of financial position item "trade and other receivables" breaks down as follows:

Depending on the reporting date and the payment cycle, the statement of financial position items “receivables of the acquiring business” and “liabilities of the acquiring business” (less commissions and charges) are subject to considerable fluctuations from one reporting date to another. These fluctuations occur in particular due to delayed payouts on account of the public holidays between reporting periods. During the actual processing of the transactions, it is also sometimes possible that the payment of credit card volumes from Wirecard to the merchant already takes place before the funds are received from the credit card companies. Particularly, this product has developed very positively in Brazil and in the newly acquired Asia-Pacific portfolios. This results in, amongst other things, higher receivables in comparison to the corresponding liabilities.

Trade and other receivables

in EUR million	31 Dec 2018	31 Dec 2017
Receivables from bank business (mostly from FinTech business)	98.0	102.5
Receivables from prepaid card business	40.3	19.0
Other M&A related receivables	31.4	0.7
Other trade receivables	115.6	99.8
Other receivables	72.2	52.6
	357.4	274.7

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. These are reported under the item “Receivables from bank business”. 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 instalement purchase agreements and the provision of small loans in cooperation with FinTech companies. The reasons for this are, on the one hand, the transformation of the financing industry towards Internet-based, technology-oriented solutions and, on the other hand, the response to the prevailing low-interest phase which has enabled Wirecard to utilise these business fields. The basis for these items are the cash and cash equivalents from the banking business (customer deposits). In this context, receivables arise primarily in relation to individual transactions with private customers, for which collateral is regularly provided by the FinTech companies. Furthermore, this item also contains short-term customer loans and current account overdraft loans, which are held to improve interest income and whose interest rates depend on market rates.

As part of the initial application of IFRS 15 as of 1 January 2018, there was a change to the point in time at which revenue is recognised for certain non-transaction-based business. This change has resulted in a deferral item (contractual assets) which is since reported under the “Receivables from prepaid card business” item in the amount of EUR 19.1 million as of 31 December 2018. The non-current share of EUR 3.1 million is reported in the “Financial and other assets/interest-bearing securities” statement of financial position item. Impairments for these items totalled less than EUR 0.1 million. On 1 January 2018, Wirecard updated its breakage estimate and compared it with the total actual expired prepaid balances and reported corresponding revenue of EUR 28.9 million in the 2018 fiscal year for services that were provided in earlier periods.

“Other trade receivables” comprise all receivables from the other business fields of Wirecard. These also increased due to, in particular, the higher business volume of the Group.

“Other receivables” comprise rent, insurances and other services that due to their contractual terms are accrued after the reporting date. In addition, this subitem comprises deposits, receivables from employees and other assets, as well as the additional deferred cash consideration of EUR 6.2 million from the sale of the shares in Visa Europe Ltd.

3.9 Tax credits

As of 31 December 2018, tax credits comprised tax reimbursement claims of EUR 5.4 million (31 December 2017: EUR 2.3 million) and VAT reimbursement claims of EUR 7.7 million (31 December 2017: EUR 8.7 million).

3.10 Interest-bearing securities and fixed-term deposits

Apart from investing in various interest-bearing securities, Wirecard has also invested as in previous years 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 minimally 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”. In contrast, fixed-term deposits with a term of up to three months are reported under “Cash and cash equivalents”. As of the reporting date of 31 December 2018, fixed-term deposits of EUR 1.2 million (31 December 2017: EUR 4.6 million) had been placed as collateral for credit card business for the duration of the business relationship.

Due to their term to maturity, convertible bonds of EUR 22.2 million were reported under this statement of financial position item for the first time and were reclassified accordingly from non-current assets to this item.

3.11 Cash and cash equivalents

As of 31 December 2018, the item “Cash and cash equivalents” totalling EUR 2,719.8 million (31 December 2017: EUR 1,901.3 million) included cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight deposits). This item also includes cash from current customer deposits of Wirecard Bank AG and Wirecard Card Solutions Ltd. which are not placed in interest-bearing securities (31 December 2018: EUR 1,263.0 million; 31 December 2017: EUR 973.2 million) and funds from the acquiring business of Wirecard Bank AG (31 December 2018: EUR 453.4 million; 31 December 2017: EUR 240.9 million). To improve its interest income, Wirecard invests some of the customer deposits in various short, medium and long-term interest bearing securities (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, the item "Cash and cash equivalents" would have been EUR 166.7 million higher as of the reporting date (31 December 2017: EUR 155.6 million).

4. Notes to the consolidated statement of financial position – equity and liabilities

With regards to the development of Group equity in the fiscal year 2018, further particulars in addition to the following explanations are provided in the table "Consolidated statement of changes in equity".

4.1 Subscribed capital

As of 31 December 2018, the subscribed capital was EUR 123.6 million (31 December 2017: EUR 123.6 million) and comprised 123,565,586 (31 December 2017: 123,565,586) 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 EUR 30.0 million 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 percent 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 percent below the company's stock market price and the new shares issued under the exclusion of subscription rights do not exceed 3 percent 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 3 percent threshold that are issued during the term of this authorisation, which as a result of other authorisations excluding shareholders' sub-scription rights as staff shares to employees of the company and members of management and employ-ees of companies associated with the company, are issued at a price which is lower than the stock market price. The 3 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;

- when 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 percent 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 reporting date, there was authorised capital (Authorised Capital 2015) of EUR 30.0 million as in the previous year.

Conditional capital

In order to give the company the required flexibility to issue convertible bonds in the future, the Management Board was authorised with the consent of the Supervisory Board to issue registered and/or bearer convertible bonds and/or option bonds, participating rights and/or profit participation bonds or a combination of these instruments (hereinafter referred to jointly as "convertible bonds") with a total nominal amount of up to EUR 300.0 million with or without restrictions on their maturity up to 15 June 2021 and to grant the holders or creditors of these convertible bonds conversion or option rights to new bearer shares of the company with a proportionate amount in the share capital of up to EUR 12,356,558.00, according to the details in the terms for the bonds (Conditional Capital 2016). No use has yet been made of this authorisation to issue bonds.

4.2 Capital reserve

The capital reserve as of 31 December 2018 was EUR 494.7 million and is thus unchanged from the previous year.

4.3 Retained earnings

A dividend of EUR 0.18 per dividend-entitled ordinary share was approved for distribution to shareholders at the Annual General Meeting 2018 on 21 June 2018, which corresponds to a total amount of EUR 22.2 million. In the 2017 fiscal year, the dividend payment was EUR 0.16 per dividend-entitled ordinary share, which corresponded to a total amount of EUR 19.8 million.

A proposal will be made at the 2019 Annual General Meeting to pay a dividend of EUR 0.20 per share to the shareholders, which corresponds to a total amount of EUR 24.7 million.

4.4 Other components of equity

Revaluation reserve

Wirecard sold all of its shares in Visa Europe Ltd. in the fiscal year 2016. The preferred stock in Visa Inc. received as a consideration for the sale of the shares was allocated at this point in time as financial assets in the category "Available-for-sale financial assets". Accordingly, the fair value (after taxes) of the asset was revaluated and disclosed in the revaluation reserve up to 31 December 2017 in accordance with IAS 39. As part of the initial application of IFRS 9 as of 1 January 2018, an amount of EUR 5.3 million that was previously reported in the revaluation reserve was reclassified in full as retained earnings.

Translation reserve

The foreign currency translation reserve changed in the fiscal year 2018 due to foreign currency translations with no effect on profit or loss according to IAS 21 from EUR – 57,6 million as of the reporting date of the previous year to EUR –71.2 million as of 31 December 2018. This development was primarily attributable to goodwill and customer relationships accounted for in foreign currencies due to the acquisitions concluded in the reporting period and in previous years.

4.5 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

Non-current interest-bearing liabilities are related to the financing of the acquisitions completed in the fiscal year 2018 and in previous years. They increased in the fiscal year 2018 by EUR 593.9 million from EUR 754.8 million to EUR 1,348.7 million as of 31 December 2018. This increase is related to the planned transfer of the bridge loans taken out for the acquisitions concluded in the previous year into the already existing syndicated loans, which were increased accordingly for this purpose. As of 31 December 2018, the Wirecard had approved credit lines of EUR 1,905.6 million (31 December 2017: EUR 1,342.7 million). Along with the loans already recognised in the statement of financial position, additional credit lines from commercial banks amounting to EUR 436.4 million are thus available to Wirecard (31 December 2017: EUR 278.0 million).

Other non-current liabilities

This statement of financial position item is broken down as follows:

Other non-current liabilities

in EUR million	31 Dec 2018	31 Dec 2017
Earnout liabilities	5.6	16.8
Lease liabilities	27.2	13.7
Variable remuneration and pension benefits	2.0	1.9
Other M&A related liabilities	120.0	52.4
Other non-current liabilities	9.1	0.7
	163.8	85.4

The portion of earnout components and current purchase price liabilities that is due within the period of one year is EUR 25.9 million as of 31 December 2018 (31 December 2017: EUR 42.6 million) and is disclosed under current liabilities.

As part of the purchase price allocation related to the acquisition of Citi's card acceptance business in the Asia-Pacific region, further other non-current liabilities were identified that were recognised accordingly in a separate item. This was due to accounting-specific rules for the accounting of various contractual obligations and liabilities in accordance with IFRS 3.

Deferred tax liabilities

Deferred taxes of EUR 80.1 million (31 December 2017: EUR 76.9 million) refer to temporary differences between the carrying amounts of assets and liabilities in the tax statement of financial position and their carrying amounts in the consolidated statement of financial position according to IFRS. These are reported under non-current liabilities and are due, in particular, to the disclosure of intangible assets as part of the acquisitions concluded in previous years.

With regard to further details on the tax reconciliation account and the changes in deferred taxes, please refer to the information under section 5.10 Income tax expense and deferred taxes.

4.6 Current liabilities

Current liabilities consist of liabilities of the acquiring business, trade payables, 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

The items “liabilities of the acquiring business” and “receivables of the acquiring business” of Wirecard are mainly characterised by the transaction volume of merchants that use Wirecard's payment services. If the transactions are processed via licensed acquirers that belong to Wirecard, 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 can take place daily, weekly or monthly, whereby a security reserve is generally held for longer periods 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 colleteral, as well as to even completely dispose with a security reserve if dealing with state-owned merchants. This reduces the item trade payables respectively slows the increase in this item.

Depending on the reporting date and the payment cycle, the statement of financial position items liabilities of the acquiring business and receivables of the acquiring business (less commissions and charges) are subject to considerable fluctuations from one reporting date to another. These fluctuations occur, in particular, due to delayed payouts on account of the public holidays between respective reporting periods. During the actual processing of the transactions, it is also sometimes possible that the payment credit card volumes from Wirecard to the merchant already takes place before the funds are received from the credit card companies. This can result in, amongst other things, higher receivables in comparison to the corresponding liabilities.

Trade payables

Trade payables comprise payables from the operating business that are not allocated to the area of acquiring due to their nature.

Interest-bearing liabilities

Current interest-bearing liabilities of EUR 117.4 million (31 December 2017: EUR 311.6 million) mainly comprise loans that are due within one year. In this context, please refer to the explanations on non-current interest-bearing liabilities.

Other provisions

Provisions of EUR 18.5 million (31 December 2017: EUR 2.4 million) are recognized as current liabilities because they are expected to be used within the following fiscal year. These provisions contain financial guarantees of EUR 12.3 million (31 December 2017: EUR 0.0 million) as the largest item, which were recognised as part of the initial application of IFRS 9 as of 1 January 2018 (see section 2.5 for further explanations), the costs of preparing and auditing the financial statements of EUR 2.2 million (31. December 2017: EUR 1.0 million) and provisions for litigation risks of EUR 1.0 million (31. December 2017: EUR 0.4 million).

The different types of provisions changed as follows during the reporting year:

Statement of changes in provisions

in EUR million	1 Jan 2018	Utilisation	Reversal	Addition	31 Dec 2018
Litigation risks	0.4	0.0	0.0	0.6	1.0
Archiving	0.1	–0.1	0.0	0.1	0.1
Annual General Meeting	0.4	–0.4	0.0	0.3	0.3
Financial statement and other audit costs	1.0	–1.0	–0.1	2.3	2.2
Financial guarantees	14.2	0.0	–2.0	0.0	12.3
Other provisions	0.6	–0.4	–0.2	2.6	2.6
	16.7	–1.8	–2.3	5.9	18.5

Other liabilities

This statement of financial position item is broken down as follows:

Other liabilities

in EUR million	31 Dec 2018	31 Dec 2017
Accruals	65.2	57.2
Other M&A related liabilities	45.4	3.6
Lease liabilities	16.5	12.4
Purchase price liabilities	25.9	42.6
Other	33.6	35.7
	186.6	151.5

The increase in accruals from EUR 57.2 million as of 31 December 2017 to EUR 65.2 million as of 31. December 2018 is related to the growth in the operating business of Wirecard in the fiscal year 2018.

Customer deposits from banking operations

As of 31 December 2018, this statement of financial position item includes customer deposits of EUR 1,263.0 million (31 December 2017: EUR 973.2 million) 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 the respective customer accounts.

Tax provisions

Tax provisions totalling EUR 38.9 million (31 December 2017: EUR 48,2 million) mainly relate to provisions formed for income taxes payable by Wirecard AG (EUR 20.8 million; 31 December 2017: EUR 5.3 million), Wirecard (Gibraltar) Ltd. (EUR 3.7 million; 31 December 2017: EUR 3.7 million), PT Aprisma Indonesia (EUR 3.2 million; 31 December 2017: EUR 1.8 million), Wirecard UK & Ireland Ltd. (EUR 2.3 million; 31. December 2017: EUR 1.6 million), Hermes I-Tickets Pte. (EUR 3.5 million; 31 December 2017: EUR 11.4 million) and Wirecard North America Inc. (EUR 2.4 million; 31. December 2017: EUR 7.9 million).

5. Notes to the consolidated income statement

5.1 Revenues

The revenues of the Group are subdivided between the operating segments – which reflect the influence of economic factors on the type, amount, timing and uncertainty of the revenue and payment flows – as follows:

Revenues by operating segment

in EUR million	2018	2017
Payment Processing & Risk Management (PP&RM)	1,479.9	1,064.8
Acquiring & Issuing (A&I)	609.3	488.5
Call Center & Communication Services (CC&CS)	9.1	9.9
	2,098.4	1,563.2
Consolidation PP&RM	–53.0	–45.1
Consolidation A&I	–22.6	–22.9
Consolidation CC&CS	–6.6	–6.5
Total	2,016.2	1,488.6

In the "Payment Processing & Risk Management" segment, Wirecard generates revenues from services in the area of payment processing, particularly from services rendered via its own multi-channel platform but also via the platforms of its partners.

A large proportion of payment processing revenues is accounted for by B2B business customers from the consumer goods, digital goods and tourism sectors and is realised from electronic payment transactions – particularly on the Internet – by conventional payment processes such as credit card payments or electronic direct debits. As of the reporting date of 31 December 2018, 41,000 large and medium-sized business customers (previous year: 36,000 large and medium-sized business customers) were connected to the company's multi-channel platform.

Furthermore, revenues are generated in the "Payment Processing & Risk Management" segment 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 business. In the fiscal year 2018, the share accounted for by issuing was EUR 260,5 million (previous year: EUR 205,9 million).

The interest income generated in the "Acquiring & Issuing" segment of EUR 20.6 million (previous year: EUR 12.4 million) is reported as revenues in accordance with IAS 18.5 (a). This also includes interest income from the collared floaters.

The "Call Center & Communication Services" segment generates revenues from operating telephone-based advisory services and by providing conventional call centre services.

5.2 Own work capitalised

Expenditure on research and development increased to EUR 103.0 million in the fiscal year 2018 (previous year: EUR 80.3 million). The ratio of research and development expenses to total Group revenue (R&D ratio) was 5.1 percent in the reporting period (previous year: 5.4 percent). The share of total research and development costs accounted for by capitalised development costs (capitalisation rate) within the Group amounted to 43.8 percent (previous year: 56.4 percent).

The originally recorded research and development costs are included, in particular, in the personnel expenses of the relevant departments (Product and Project Management, Development, Quality Assurance, etc.), as well as in the consultancy expenses within other operating expenses. Of this amount, EUR 45.1 million (previous year: EUR 45.3 million) were taken into account as own work capitalised in the 2018 reporting period. In this context, the regular amortisation and depreciation of capitalised development costs was EUR 25.0 million in the fiscal year 2018 (previous year: EUR 20.1 million). This includes impairments of capitalised development costs of EUR 5.4 million (previous year: EUR 4.1 million).

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, to MasterCard and to 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 are also included in the area of risk management, while commission costs for external sales are included in acquiring.

In Acquiring & Issuing, 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 the corresponding customer accounts.

5.4 Personnel expenses

Personnel expenses in the fiscal year 2018 totalled EUR 234.7 million (previous year: EUR 186.0 million) comprising salaries of EUR 208.8 million (previous year: EUR 163.8 milllion) and social security contributions of EUR 25.9 million (previous year: EUR 22.2 million).

In the fiscal year 2018, the Group employed an average of 5,154 employees (previous year: 4,449) (excluding the Management Board and apprentices), of whom 317 (previous year: 329) worked on a part-time basis. Of the 5,154 employees, 86 (previous year: 75) were employed as management board members/general managers at subsidiaries.

Alongside organic growth within the Group and the associated growth in the number of employees, the increase in personnel expenses was also due to acquisitions made over the last year, which means that the comparability of this item is restricted. The consolidated personnel expense ratio fell by 0.9 percentage points year on year to 11.6 percent.

The total number of employees was distributed amongst the following functions:

Employees

	2018	2017
Sales	964	883
Administration	629	501
Customer service	1,248	914
Research/Development and IT	2,313	2,151
Total	5,154	4,449
Of which part-time	317	329

In the event of a change of control of Wirecard AG, 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 Wirecard'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 combined management report.

5.5 Other operating expenses

The breakdown of other operating expenses is as follows:

Other operating expenses

in EUR million	2018	2017
Legal and financial statement costs	17.0	17.9
Consulting expenses and consulting-related expenses	28.9	24.0
Office expenses	18.3	15.0
Equipment and leasing	24.9	21.9
Travel, sales and marketing	23.0	20.9
Personnel-related expenses	20.1	15.7
Insurance payments, contributions and levies	6.2	3.5
Allowances	n/a	18.9
Other	18.8	22.7
Total	157.1	160.4

The increase in expenses for almost all subitems goes hand in hand with the growth in the operating business of the Group. In addition, the increase in the consulting expenses and consulting-related expenses was due to the acquisition of further customer portfolios from the Citi credit card acceptance business in the Asia-Pacific region.

In the prior year, impairments were still determined according to the previously valid incurred loss model in accordance with IAS 39. For more details, please also refer to the explanations on accounts receivable risks in section 7.2 Risk reporting.

5.6 Impairment losses for financial assets

As part of the first-time application of IFRS 9 as of 1 January 2018, impairment losses on financial assets from fiscal year 2018 onwards must be reported in a separate item in the consolidated income statement. These impairment losses are based on the new expected credit loss model, which anticipates expected losses from future bad debt losses. For more details, please also refer to the explanations on accounts receivable risks in section 7.2 Risk reporting.

5.7 Other operating income

Other operating income is broken down as follows:

Other operating income

in EUR million	2018	2017
Income from release of provisions/accruals	4.0	2.8
Income from currency translation differences	2.7	0.7
Income from reversal of bad debt allowances	0.0	2.4
Income from offset benefits in kind	0.8	0.7
Other income	5.2	5.2
Total	12.7	11.8

Other operating income of EUR 12.7 million (previous year: EUR 11.8 million) resulted from various smaller items, including income from the release of provisions and income from the revaluation of receivables and liabilities.

5.8 Amortisation and depreciation

Amortisation and depreciation is broken down below the consolidated income statement of Wirecard into two items so that the amortisation and depreciation of assets which result from business combinations and acquired or assumed customer relationships (M&A-related) can be presented separately. In the fiscal year 2018, amortisation and depreciation adjusted for M&A amounted to EUR 83.4 million (previous year: EUR 57.9 million). The M&A-related amortisation and depreciation in the reporting year was EUR 38.7 million (previous year: EUR 40.9 million). Due to the significant M&A activity of the company, this differentiation makes it easier to compare this item with the previous year or previous years.

Amortisation and depreciation in the fiscal year 2018 included impairments totalling EUR 12.5 million (previous year: EUR 4.5 million), which comprised impairments of customer relationships of EUR 0.2 million (previous year: EUR 0.4 million) and impairments of internally-generated and other intangible assets of EUR 12.3 million (previous year: EUR 4.1 million). These impairments were due, on the one hand, to a lower actual flow of benefits (revenue trend) from existing customer relationships than was originally planned, as well as, on the other hand, to the consolidation of existing software platforms, which will no longer be used by Wirecard in the future because of constant ongoing developments and migration activities associated with purchased software solutions.

5.9 Financial result

The financial result is broken down as follows:

Financial result

in EUR million	2018	2017
Unwinding of discount on liabilities	3.5	5.2
Interest expenses from loans and leasing	29.4	15.8
Losses from fair value measurement	15.8	12.0
Impairment of financial assets	0.0	0.3
Currency-related expenses	0.3	0.1
Financial expenses	49.0	33.4
Currency-related income	0.0	0.8
Interest income	5.1	4.0
Gains from fair value measurement	14.6	9.7
Income from securities and loans	0.3	0.6
Financial income	20.0	15.2

Interest income in the Acquiring & Issuing segment of EUR 20.6 million (previous year: EUR 12.4 million) is not reported under the financial result but under revenues in accordance with IAS 18.5 (a). For more details, please also refer to section 5.1. Revenues and section 7.1. Segment reporting.

5.10 Income tax expense and deferred taxes

Tax reconciliation account

in EUR million	2018	2017
Earnings before tax	409.4	293.3
Expected expense arising from 27.025% income taxes on consolidated earnings before tax (previos year: 27.025%)	–110.7	–79.3
Divergent effective tax rates abroad	66.8	35.1
Changes in tax rates	–0.5	10.1
Non-recognised deferred tax assets	–6.5	1.3
Tax increase due to non-tax-deductible expenses	–3.4	–3.8
Prior years' tax effects	–9.0	–1.5
Tax reduction due to tax-free income	1.3	0.3
Other tax effects	–0.2	0.5
Income tax expense reported	–62.1	–37.3
Thereof: effective tax expenses	–50.2	–48.7
Thereof: deferred tax income/expense	–11.9	11.4

The basis of the tax reconciliation account was the tax rate applicable to the tax group of Wirecard AG of 27.025 percent as in the previous year.

The following deferred tax assets and tax liabilities were accounted for and were due to recognition and measurement differences in individual statement of financial position items and tax loss carryforwards:

Deferred taxes

	Deferred tax assets		Deferred tax liabilities	
in EUR million	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Internally-generated intangible assets	1.6	0.0	27.9	23.7
Other intangible assets	2.2	0.0	5.2	2.6
Customer relationships	0.0	0.0	58.9	57.1
Financial assets	8.0	0.0	2.6	2.6
Other property, plant and equipment	0.7	0.7	0.0	0.1
Trade and other receivables	5.7	0.4	1.3	1.0
Other equity and liabilities	9.7	7.2	3.7	1.1
	28.0	8.3	99.9	88.1
Tax loss carryforwards	2.5	12.0	0.0	0.0
Offsetting of deferred tax assets	–19.7	–11.2	–19.7	–11.2
Recognised deferred taxes	10.8	9.1	80.1	76.9

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 also relate to income taxes on the same taxable entity that are levied by the same tax authority.

In the fiscal year 2018, deferred tax assets have been offset against deferred tax liabilities of EUR –19.7 million (previous year: EUR –11.2 million).

Reconcilation of deferred taxes

in EUR million	31 Dec 2018	31 Dec 2017
Opening balance deferred taxes (net deferred tax liability)	67.8	57.1
Effect from initial adoption of IFRS 9 and IFRS 15	–9.3	0.0
Opening balance deferred taxes (net deferred tax liability)	58.5	57.1
Deferred tax income/expense from the change in temporary differences, which is recognised in profit or loss in the reporting period	2.4	–2.3
Deferred tax income/expense from the change in capitalised tax losses, which is recognised in profit or loss in the reporting period	9.5	1.0
Deferred taxes acquired through business combinations	–0.2	29.4
Changes in tax rates	0.5	–10.1
Change in deferred taxes due to exchange rate change	–0.8	–5.9
Other deferred taxes recognised with no effect on profit or loss	–0.6	0.3
Other deducted deferred taxes with no effect on profit or loss	0.0	–1.8
Closing balance deferred taxes (net deferred tax liability)	69.3	67.8

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 effect on profit or loss; in this case, deferred taxes are recognised under equity with no effect on profit or loss.

The temporary differences in connection with holdings in subsidiaries, branch offices and associates, which were not recognised in accordance with IAS 12.39, amounted to EUR 1,293.3 million (previous year: EUR 931.3 million) as of the reporting date of 31 December 2018. 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 reporting date, the parent company does not intend to issue such consent.

As of 31 December 2018, the Group reported corporation tax loss carryforwards of EUR 66.9 million (previous year: EUR 62.4 million). These 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 originally incurred the losses.

If the Group perceives there is a risk that tax loss carryforwards cannot or can no longer be offset against taxable income in the foreseeable future, it either does not recognise any deferred tax assets or these are impaired. In this context and with regard to the feasibility of realising these loss carryforwards, Wirecard made a valuation adjustment to reduce the deferred tax assets as of 31 December 2018 of EUR 12.7 million (previous year: EUR 15.6 million) by the amount of EUR 10.2 million (previous year: EUR 3.6 million) to EUR 2.5 million (previous year: EUR 12.0 million).

5.11 Earnings per share

Earnings per share were calculated in accordance with IAS 33.10 as the quotient of consolidated profit or loss of Wirecard 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 also taken into account in accordance with IAS 33.30-60. As in the previous year, no (convertible) bonds existed as of 31 December 2018.

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 2018".

Earnings per share

Description	Unit	2018	2017
Earnings after taxes	in EUR million	347.4	256.1
Weighted average number of ordinary shares – basic	Number in thousands	123,566	123,566
Potential bonus shares resulting from dilutive effect of convertible bonds	Number in thousands	0	0
Weighted average number of ordinary shares – diluted	Number in thousands	123,566	123,566
Earnings per share – basic	EUR	2.81	2.07
Earnings per share – diluted	EUR	2.81	2.07

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 tax.

While the cash flow from operating activities before banking operations shows the cash flow from the operating business of Wirecard, the cash flow from operating activities also takes into account the changes in cash flows from the deposit business (customer deposits) and the corresponding asset items from the banking and prepaid card business of the subsidiaries Wirecard Bank AG and Wirecard Card Solutions Ltd.

Method used to measure cash and cash equivalents

For the 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 2018 and 31 December 2017, the Company held both cash and cash equivalents.

Reconciliation to cash and cash equivalents according to IAS 7.45

Cash and cash equivalents at end of period includes cash in hand and bank balances disclosed under cash and cash equivalents in the statement of financial position (31 December 2018: EUR 2,719.8 million; 31 December 2017: EUR 1,901.3 million), less current (immediately due and payable) liabilities to banks (31 December 2018: EUR –17.3 million; 31 December 2017: EUR –5.5 million), disclosed under current interest-bearing liabilities.

As part of the first-time consolidations in the 2018 fiscal year, there were no increases in cash and cash equivalents (previous year: EUR 0.6 million).

Cash flows arising from business transactions denominated in foreign currencies are reported in the functional currency of the relevant 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 EUR million	31 Dec 2018		31 Dec 2017	
Cash and cash equivalents		2,719.8		1,901.3
Current interest-bearing liabilities	–117.4		–311.6	
of which current bank borrowings		–17.3		–5.5
Cash and cash equivalents at end of period		2,702.5		1,895.9

6.1 Cash flow from operating activities

Due to the special system used in the acquiring business, which is heavily characterised by reporting date effects inherent in the business model, Wirecard has decided to present a further statement of cash flow from operating activities (adjusted) in addition to the usual presentation of cash flow from operating activities to eliminate those items that are merely of a transitory or rolling nature and thus do not influence the operating cash flow from a business perspective. These supplements help to identify and present the cash-relevant portion of the Group 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 cash inflows/outflows from operating business activities. The cash inflows/outflows from operating activities is determined by including the interest and tax payments.

The cooperation with so-called FinTech companies 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 has assumed rapidly growing strategic importance for the Group in recent years. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables the Group, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

Interest received/paid in accordance with IAS 7.31

Interest received in the fiscal year 2018 amounted to EUR 0.7 million (previous year: EUR 3.4 million). Interest paid on loans and finance leases in the fiscal year 2018 came to EUR –4.4 million (previous year: EUR –3.4 million) and is reported under cash flow from operating activities.

The respective cash flows from such interest received and interest paid were each classified under operating activities.

Interest paid on loans and finance leases in the fiscal year 2018 came to EUR –12.1 million (previous year: EUR – 10.3 million) and is reported under cash flow from financing activities.

Cash flows from income taxes in accordance with IAS 7.35 and 7.36
The cash-effective balance of income taxes (cash flow from income taxes) in the fiscal year 2018 totalled EUR – 62.2 million (previous year: EUR –28.4 million) and was always classified as operating activities.

Cash flow from operating activities of banking operations
In the fiscal year 2018, cash flow from the banking operations of EUR 282.7 million was generated (previous year: EUR 214.2 million). The main reason for this development was the increase in customer deposits from Wirecard's growing issuing business, which were increasingly invested in short-term assets from the banking sector. The unadjusted cash flow from operating activities in the fiscal year 2018 thus stood at EUR 749.6 million (previous year: EUR 563.5 million).

The subsidiaries Wirecard Bank AG and Wirecard Card Solutions Ltd. hold customer deposits from the banking and prepaid card business. These customer deposits are held as deposits with the central bank and as demand and fixed-term deposits with banks. In addition, some of the customer deposits are invested in securities or are used to expand the business with FinTech companies.

The cash flows from banking operations are split into the following items:

- Change in non-current assets of banking operations (primarily securities and FinTech receivables with a term of more than one year)
- Change in current receivables of banking operations (primarily securities and FinTech receivables with a term of less than one year)
- Change in customer deposits of banking operations

6.2 Cash flow from investing activities

The cash flow from investing activities is the result of the cash inflows from non-current assets (excluding deferred taxes) and the cash outflows for investments in non-current assets (excluding deferred taxes). The cash flow from investing activities totalled EUR –231.7 million in the reporting period (previous year: EUR –357.1 million).

The cash outflows for investments mainly comprise of the following:

Substantial cash outflows for investments

in EUR million	2018	2017
Strategic transactions/M&A	42.5	265.0
Medium-term financing agreements	115.0	0.0
Internally-generated intangible assets	45.1	45.3
Other intangible assets (software)	7.6	32.8
Property, plant and equipment	23.5	15.0

The investments in strategic transactions/M&A mainly relate to acquisitions in the Asia-Pacific region. In addition, the investments in medium-term financing agreements are due to the range of products for Merchant Cash Advance or real-time payments for completed transactions that is offered, in particular, to small and medium-sized merchants.

Disclosures pursuant to IAS 7.40 are as follows:

Investments to acquire companies

in EUR million	2018	2017
Purchase prices paid	8.9	247.4
Acquired cash and cash equivalents	0.0	0.6
Net investment	8.9	246.8

6.3 Cash flow from financing activities

In the Group's cash flow statement, interest paid and interest received is reported separately. In the process, paid interest directly related to financing is assigned to the cash flow from financing activities and all other to cash flow from operating activities.

Cash flow from financing activities in the fiscal year 2018 mainly concerns cash inflows from drawing on financial liabilities of EUR 898.0 million (previous year: EUR 495.5 million), which are related to the planned transfer of bridge loans taken out for the acquisitions concluded in the previous year into the already existing syndicated loans, which were increased accordingly for this purpose. Accordingly, there was a cash outflow for the repayment of financial liabilities of EUR –507.5 million (previous year: EUR –26.1 million). In addition, financing was carried out as part of finance leases, which resulted in a net cash flow of EUR –15.3 million (previous year: EUR – 11.7 million). Cash flow from financing activities also reports outgoing cash flows for the acquisition of companies in previous years in an amount of EUR –29.2 million (previous year: EUR –65.2 million).

The changes in liabilities from financing activities compared to the previous year are as follows:

Changes in liabilities from financing activities

in EUR million			non cash-relevant			
	1 Jan 2018	cash-relevant	Additions	Changes in measurement	Other	31 Dec 2018
Purchase price liabilities	59.4	–29.2	2.4	–1.1	0.0	31.5
Lease liabilities	26.1	–15.3	32.9	0.0	0.0	43.7
interest-bearing liabilities	1,060.9	386.4	0.0	0.0	1.5	1,448.8
Total	1,146.4	341.9	35.3	–1.1	1.5	1,524.0

Changes in liabilities from financing activities

in EUR million			non cash-relevant			
	1 Jan 2017	cash-relevant	Additions	Changes in measurement	Other	31 Dec 2017
Purchase price liabilities	77.2	–65.2	36.7	11.2	–0.5	59.4
Lease liabilities	19.5	–11.7	18.3	0.0	0.0	26.1
interest-bearing liabilities	593.4	467.1	0.0	0.0	0.4	1,060.9
Total	690.1	390.2	55.0	11.2	–0.1	1,146.4

6.4 Cash and cash equivalents at end of period

After taking into account the total cash inflows and cash outflows reported above of EUR 821.3 million (previous year: EUR 563.3 million), exchange rate-related changes of EUR –14.6 million (previous year: EUR 1.1 million) as well as cash and cash equivalents at start of the reporting period of EUR 1.895,9 million (31 December 2017: EUR 1.331,5 million), cash and cash equivalents at the end of reporting period amounted to EUR 2,702.5 million (31 December 2017: EUR 1,895.9 million).

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 created an additional 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.

6.5 Net cash items

Net Cash Position - Wirecard

in EUR million		31 Dec 2018		31 Dec 2017
Cash and cash equivalents		2,719.8		1,901.3
Interest-bearing securities and fixed-term deposits		2.3		1.8
Receivables of the acquiring business and trade and other receivables		1,042.4		716.7
Interest-bearing liabilities / other liabilities		–303.9		–463.1
Customer deposits from banking operations	–1,263.0	–1,098.7	–973.2	–819.4
Non-current interest-bearing securities	24.7		44.6	
Interest-bearing securities and fixed-term deposits	139.6		109.1	
Liabilities of the acquiring business and trade payables		–715.3		–488.8
Net Cash Position - Wirecard		1,646.6		848.6

The calculation shown in the table also contains liabilities from M&A projects and earn-out obligations reported as liabilities. To gain a non-current view of the net cash items, the items non-current interest-bearing liabilities and other non-current liabilities, as well as non-current financial and other assets / interest bearing securities, are taken into account. This calculation also shows the solid financial situation of Wirecard as in previous years.

Net Cash Position (long term view) - Wirecard

in EUR million		31 Dec 2018		31 Dec 2017
Net Cash Position - Wirecard		1,646.6		848.6
Long term interest-bearing financial assets	413.6	386.5	310.2	263.7
(thereof customer deposit related)	27.1		46.5	
Non-current interest-bearing liabilities		–1,348.7		–754.8
Other non-current liabilities		–163.8		–85.4
Non-current Net Cash position		520.6		272.1

Alongside the loans recognised in the statement of financial position, additional credit lines from commercial banks amounting to EUR 436.4 million are available (31 December 2017: EUR 278.0 million).

6.6 Free cash flow

In addition to the cash flow statement presented, 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 activities and for dividend payments.

Free cash flow

in EUR million	31 Dec 2018	31 Dec 2017
Cash flow from operating activities (adjusted)	500.1	375.7
Operative CAPEX	76.2	93.1
Free cash flow	423.9	282.6

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 122.0 percent (previous year: 110.4 percent).

Cash conversion

in EUR million	31 Dec 2018	31 Dec 2017
Free cash flow	423.9	282.6
Earnings after tax	347.4	256.1
Cash conversion in percent	122.0	110.4

7. Other notes

7.1 Segment reporting

Reportable segments are determined in accordance with internal reporting of Wirecard. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) is used as an internal measurement criterion for the performance of the segments, which is why EBITDA is also reported by segment. Prices for the settlement of services between the segments are set on the basis of the arms's length principle. For internal reporting to the Group's main decision-makers, items of the statement of financial position, interest and taxes are not reported at segment level.

Revenues fall into the following operating segments: Wirecard distinguishes between the areas of "Payment Processing & Risk Management", "Acquiring & Issuing" and "Call Center & Communication Services".

The largest segment in the Group is Payment Processing & Risk Management (PP&RM). It accounts for all products and services related to electronic payment processing, risk management and other value added services. Insofar as items cannot be allocated to another segment, Wirecard AG in its holding function as the parent company of 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 Group. The Acquiring & Issuing segment comprises, in particular, all of the business areas of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH, Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş, Wirecard Brazil S.A. and Wirecard Card Solutions Ltd. as well as Wirecard North America Inc.

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 the accounts kept with Wirecard Bank AG. The issuing area mainly encompasses the issuing of prepaid cards 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 the Group reports the complete value-added scope of its call centre activities, with other products such as after-sales service for the Group's customers and mailing activities included as sub-categories.

In its segment reporting, Wirecard breaks down revenues, EBITDA and segment assets geographically according to the geographical regions of "Europe" including Germany, "Asia and Pacific" and "America and Africa" including North and South America. This information is given according to the production location, i.e. the headquarters of the subsidiaries.

Alongside all of the German companies, the geographic region "Europe" includes Wirecard Payment Solutions Holdings Ltd. along with its subsidiaries, Wirecard Card

Solutions Ltd., Wirecard (Gibraltar) Ltd., Wirecard Central Eastern Europe GmbH, Wirecard Romania S.A. and its subsidiaries, Wirecard Poland Sp. Zo.o. and Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş. as well as in the 2018 fiscal year newly founded Wirecard Slovakia s.r.o., Wirecard Luxembourg S.A. and Wirecard LLC, based in Moscow.

The geographic region "Asia and Pacific" includes the companies CardSystems Middle East FZ-LLC, Wirecard Processing FZ-LLC, Wirecard Asia Holding Pte. Ltd., Wirecard Payment Solutions Malaysia SDN BHD, Wirecard Singapore Pte. Ltd. and their respective subsidiaries, PT Prima Vista Solusi, PT Aprisma Indonesia, Wirecard NZ Ltd. and its subsidiary, Wirecard India Pte. Ltd., Wirecard Australia A&I Pte. Ltd., Wirecard Hong Kong Ltd., Wirecard Payment Solution Hong Kong Ltd., Wirecard Myanmar Ltd., Wirecard Thailand Co. Ltd., Wirecard E-Money Philippines, Inc. and Hermes I Tickets Private Limited with its subsidiary and Wirecard Forex India Pte Ltd (formerly: Star Global Currency Exchange Private Ltd).

The geographic region "America and Africa" includes American Payment Holding Inc., Wirecard North America Inc., Wirecard Mexico S.A. de C.V., Wirecard Brazil S.A. as well as Wirecard Africa Holding (Pty) Ltd. with its subsidiaries and MyGate Communications (Pty) Ltd. both based in Cape Town, South Africa.

Revenues by operating segment

in EUR million	2018	2017
Payment Processing & Risk Management (PP&RM)	1,479.9	1,064.8
Acquiring & Issuing (A&I)	609.3	488.5
Call Center & Communication Services (CC&CS)	9.1	9.9
	2,098.4	1,563.2
Consolidation PP&RM	–53.0	–45.1
Consolidation A&I	–22.6	–22.9
Consolidation CC&CS	–6.6	–6.5
Total	2,016.2	1,488.6

EBITDA by operating segment

in EUR million	2018	2017
Payment Processing & Risk Management (PP&RM)	481.3	322.7
Acquiring & Issuing (A&I)	79.9	86.6
Call Center & Communication Services (CC&CS)	–0.5	1.0
	560.7	410.3
Consolidations	–0.1	0.0
Total	560.5	410.3

Regional revenue breakdown

in EUR million	2018	2017
Europe (incl. Germany)	999.5	805.5
Asia Pacific	950.9	615.6
America and Africa	177.8	141.4
	2,128.2	1,562.5
Consolidation Europe	–100.9	–63.9
Consolidation Asia Pacific	–9.7	–10.0
Consolidation America and Africa	–1.4	0.0
Total	2,016.2	1,488.6

EBITDA by region

in EUR million	2018	2017
Europe (incl. Germany)	274.3	227.0
Asia Pacific	236.2	148.8
America and Africa	49.9	34.5
	560.5	410.3
Consolidations	0.0	0.0
Total	560.5	410.3

Segment assets by region

in EUR million	31 Dec 2018	31 Dec 2017
Europe (incl. Germany)	477.3	464.7
Asia Pacific	763.0	727.9
America and Africa	250.8	254.9
Total	1,491.0	1,447.5

7.2 Risk reporting

Wirecard is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the table below. 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 combined management report in section 2.5 Risk report, please refer to this for more information. Since financial risk and debtor risks have a direct impact on specific items in the statement of financial position and income statement, they are explicitly dealt with below.

The company's policy is generally 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 Wirecard 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, licence rights and liability
Other risks	Reputation risks and risks arising from emergencies

Exchange rate risk

Exchange rate and currency risks exist, in particular, where assets, liabilities, revenues and planned transactions exist or arise in a currency other than the functional currency of the local 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 70.7 percent (previous year: 68.8 percent) of these revenues are generated in foreign currencies, with the most important foreign currency being the US dollar. A general risk exists with respect to the earnings of Wirecard that are to be reported in euros if there is a weakening in the relevant foreign currency exchange rates. Equally, an increase in such exchange rates represents an opportunity.

An average reduction in the exchange rates of relevance to Wirecard of ten percentage points, based on gross income in foreign currency of around EUR 686 million (previous year: EUR 510 million), would result in a decreased income of EUR 68.6 million (previous year: EUR 51.0 million). Accordingly, an increase of ten percentage points would produce additional income of EUR 68.6 million (previous year: EUR 51.0 million).

In these segments, both receivables from and liabilities to merchants, banks and payment providers exist in foreign currencies. In order to avoid currency risk, the Group Treasury department of Wirecard tries to ensure that receivables and liabilities exist 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 by this process are hedged after specific analysis by the additionall ude of deploying financial derivatives. In the 2018 fiscal year, seven currency options were concluded with a nominal volume equivalent to around EUR 11.4 million (USD 14.0 million). In contrast, ten currency derivatives were concluded in the previous year, of which seven currency derivatives with a nominal volume equivalent to around EUR 38.2 million (USD 42.0 million) and three forward exchange transactions were concluded with a nominal volume equivalent to around EUR 16.9 million (USD 18.0 million). Expenses for premiums totalled around EUR 0.2 million in the 2018 fiscal year (previous year: EUR 0.4 million).

The use of derivative financial instruments is subject to strict internal controls effected within the scope of centralised mechanisms and uniform directives. No forward exchange transactions or currency options are generally deployed with speculative intentions. As in the previous year, the Group did not have any currency derivatives as of the reporting date of 31 December 2018.

Interest rate risks

The Group has substantial liquidity at its disposal that is invested in demand and fixed-term deposits and/or overnight 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 rates may be subject to fluctuations which may impact the return realised by the Group. As a result of the negative base interest rate on deposits with banks in euro introduced by the European Central Bank (ECB) (as of 31 December 2018: -0.40 percent p.a.; previous year: -0.40 percent p.a.), minor costs arise for the holding of liquidity in euro in bank accounts.

Should the interbank money market rates relevant to Wirecard fall by half a percentage point and based on a total investment amount of around EUR 2,719.8 million in the portfolio as of 31 December 2018 (previous year: EUR 1,901.3 million), this would correspond to a decreased income with an overall effect of EUR 13.6 million (previous year: EUR 9.5 million). Accordingly, an improvement by half a percentage point would produce additional income of EUR 13.6 million (previous year: EUR 9.5 million).

As of 31 December 2018, the Group's interest-bearing liabilities to banks were reported at EUR 1,466.1 million (previous year: EUR 1,066.4 million). These are primarily related to redemption loans taken out in connection with acquisitions made and currently as part of the product range for merchant cash advance or real-time disbursements made available to small and medium-sized merchants, 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, Wirecard 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 (such as interest rate swaps, forward rate agreements, etc.) were deployed in the 2018 fiscal year or the previous 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 flows forecast and reconciling these with actual cash flows.

Wirecard continually invests substantial amounts of non-required liquidity in demand deposits, fixed-term deposits and overnight deposits on a short-term basis. The base volume of liquidity is invested by Wirecard in interest-bearing securities. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term or the loan period and the time at which liquidity is required. Interest-bearing securities (bonds) are repaid at 100.0 percent on final maturity. If they are redeemed prior to maturity, there is a price risk (a deviation either above or below the 100.0 percent expected at maturity) 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 and the investments in the loan portfolio are strictly limited, the Management Board assumes that the risk is low.

Undiscounted cash flows according to contractually agreed payment dates as of 31 December 2018

in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing liabilities	–128.2	–1,383.4	–0.8	–1,512.4
Other liabilities	–319.1	–34.4	0.0	–353.4
Trade payables	–63.4	0.0	0.0	–63.4
Liabilities of the acquiring business	–651.9	0.0	0.0	–651.9
Customer deposits from banking operations	–1,263.0	0.0	0.0	–1,263.0
Total	–2,425.6	–1,417.8	–0.8	–3,844.2

Undiscounted cash flows according to contractually agreed payment dates as of 31 December 2017

in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing liabilities	–322.7	–772.2	–2.4	–1,097.3
Other liabilities	–208.0	–32.7	0.0	–240.8
Trade payables	–66.0	0.0	0.0	–66.0
Liabilities of the acquiring business	–422.6	0.0	0.0	–422.6
Customer deposits from banking operations	–973.2	0.0	0.0	–973.2
Total	–1,992.5	–804.9	–2.4	–2,799.9

Accounts receivable risks

In order to counteract the risk that business partners of Wirecard may default on their contractual payment obligations, they are subject to a comprehensive evaluation according to relevant criteria, such as credit rating, liquidity, market positioning, management's professional 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 merchants. 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 Wirecard's internal debtor and liquidity management system. Depending on the risk factors, Wirecard also takes merchant default risk into account through individual reserves or, alternatively, delayed payment to merchants, as well as through payment commitments from banks or insurance companies. All measures are adjusted on a regular basis thanks to close monitoring of merchant business operations.

The predominant share of receivables results from the acquiring business. Transactions in acquiring are processed either via licensed acquirers belonging to Wirecard or via external acquiring partners. In both cases, Wirecard is subject to the main opportunities and risks associated with the transactions. Accordingly, receivables are due from credit card organisations for acquiring via the licensed acquirers who belong to Wirecard or are due from the external acquiring partners if they have processed the transactions. The Group's receivables result from payment delays and the security reserve retained by the acquiring partner. The reserve held by the acquirer serves, as is customary in the sector, as a hedge against those financial risks resulting from the processing of the transactions. The reserve typically has a revolving character and exists for the length of the business relationship. The free liquidity invested in demand deposits and overnight deposits on a short-term basis, fixed-term deposits and bank bearer bonds outside Wirecard could also be jeopardised if these credit institutions suffer from insolvency or financial difficulties. Wirecard 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 creditworthiness and economic data for the respective counterpart, external ratings are also included in the review by the Group.

The maximum risk of default for all financial assets at Wirecard corresponds to their carrying amount. If there are indications that financial assets are impaired, these financial instruments are subjected to impairment losses or derecognised without delay and the risks are recognised as profit or loss. As of 31 December 2018, the Group did not make any individual value adjustments for financial assets especially in the credit business of the Acquiring & Issuing (A&I) segment for which sufficient securities were held. The securities held as of 31 December 2018 were mainly cash capital contributions and pledged company shares. The value of the securities is reviewed annually. In the 2018 fiscal year, there was no change to the quality of the securities or the collateral policy.

Wirecard made value adjustments for the following classes of financial assets that are measured at amortised cost:

- Interest-bearing securities and fixed-term deposits
- Receivables and other financial assets
- Cash and cash equivalents

To evaluate the risk of default for financial instruments, which fulfil the so-called cash flow criterion, Wirecard uses an expected credit loss model. Expected credit losses give the probability-weighted estimate of the credit losses over the expected term of the financial instrument. A payment default is the difference between payments that are contractually owed to a company and payments that the company expects to receive.

The risk is measured by evaluating the expected losses from a financial instrument to determine an unbiased and probability-weighted amount that corresponds to the fair value of the financial instrument and is based on appropriate and dependable information.

In this model, Wirecard defines credit risk on the basis of the credit quality of counterparties, issuers or borrowers and the resulting risk of default, delay in payment or complete insolvency of the business partner, as well as the risk of a loss of value due to a change in their credit quality. In its narrowest sense, the credit risk means the risk of default, which is the risk that a contractual party in a transaction involving a financial instrument is unable to fulfil its obligations, thereby causing financial losses to the other party.

The Expected Credit Loss (ECL) is calculated in accordance with the following basic formula:

$ECL = EaD \times PD_T \times LGD$

In order to determine the expected credit loss, Wirecard defines the following loss parameters based on the Basel III Guidelines:

- Exposure at Default (EaD): Represents the full amount of the receivable in the event of a default.
- Loss Given Default (LGD): Represents the share of the full amount of the receivable that cannot be recovered in the event of a default.
- Probability of Default (PD_T): Represents the probability of a default by the counterparty within the expected term of the financial instrument.

For the majority of material items, there is an individual assessment of the risk of default. In some cases there is no appropriate or dependable information that can be used to measure the expected credit losses on an individual basis without incurring inappropriate expenses or loss of time. In these cases, the expected credit losses are measured on a portfolio basis.

Various processes and methods are utilised to determine the PDs. The aim of all the methods used is to make the most objective assessment possible of the counterparties and the financial instrument.

The information used includes factors specific to the counterparties, the general economic situation and an evaluation of the current and future conditions on the reporting date. Both internal and external data sources are used. The data basically covers company-specific empirical data for previous credit losses, internal ratings, external empirical data about credit losses and external ratings, reports and statistics. If no data or only insufficient data is available for individual counterparties, estimates are made based on empirical data for comparable companies in the same sectors.

To determine the counterparty's probability of default, the results issued by external rating agencies are used. Furthermore, rating and scoring models from external service providers such as crowdlending platforms and a rating model developed in-house using analyses of transaction data from acquiring are used to determine the PDs. In addition, a rating system for the evaluation of individual counterparties is used that takes into account historical and forward-looking values, as well as qualitative, quantitative, sector-specific, macroeconomic and country-specific criteria. If it is not possible to make a valid assessment of the probability of default based on the available data or the quality of the data, portfolio-based average values and expert assessments are used. Accordingly, Wirecard defines its rating classes A to E on the basis of the range of ascending one-year PDs.

The appropriateness of these processes and the methods used are checked and validated regularly. Individual processes are used to determine the 12-month expected credit loss and also, if necessary, the lifetime expected credit loss. The 12-month expected credit loss is the portion that corresponds to the expected credit loss resulting from possible default events on a financial instrument within the 12 months after the reporting date.

The lifetime expected credit loss is the credit loss that results from all possible default events over the expected lifetime of a financial instrument. The type of credit loss used depends on whether the general or simplified approach is being used and also whether there has been a significant increase in the risk of default.

The risk of default for financial instruments is considered to be low if the counterparty is able to fulfil its contractual payment obligations without any problem and there will be no foreseeable long-term negative changes to the economic and social framework conditions.

Wirecard uses the simplified approach for financial instruments with a low risk of default on the reporting date, which mainly covers bank accounts and investment grade bonds issued by banks.

The general approach measures the risk provision for an expected credit loss in three stages. The expected loss for a financial instrument whose probability of default has not increased significantly since initial recognition is determined using the 12-month credit loss which takes into account the defaults expected in the next 12 months. For financial instruments for which the probability of default has increased significantly since initial recognition, however, the lifetime expected credit loss for the financial instrument is used, which represents the risk provision for the remaining term of the instrument.

The analysis of the default risk is carried out as part of a multifactor, holistic analysis of the borrower and the financial instrument. When assessing whether there has been a significant increase in the risk of default, Wirecard utilises, amongst other things, individual qualitative factors that are presented in IFRS 9 and which indicate the insolvency of the counterparty. In addition, a significant increase in the credit risk is assumed if the PD has doubled since initial recognition of the financial instrument, which corresponds to a downgrading of two rating levels in the standard rating models. If a payment obligation is 30 days past due, the presumption that there has been a significant increase in the risk of default can be rebutted. This rebuttal must be based on reasonable and supportable information which, for example, indicates that the non-payment was due to administrative reasons instead of resulting from the financial difficulty of the counterparty.

Wirecard bases its definition of default for determining the risk of default according to IFRS 9 on the assumptions that correspond to the definition of default used for internal risk management purposes. Decisive criteria in this context are the insolvency of the borrower and an inability or unwillingness to pay over a significant period of time. If a payment obligation is 90 days past due, the presumption of a default can be rebutted if proof is presented in the form of reasonable and supportable information. Best possible estimates made by the management of Wirecard are also used to determine the risk of default, especially in the case of high-value receivables.

The amount of the value adjustment for credit quality level 3 is dependent on the criteria mentioned above and also the value adjustments for local companies. Depreciation and impairment for local companies are a strong indication of default according to IFRS 9. A financial asset is conclusively derecognised when the relevant insolvency proceedings have been completed and the recovery of additional payments can no longer be expected.

To determine the expected credit loss in the event of a default, the loss given default (LGD) is determined to describe the loss after all possible enforcement measures. The LGD describes the share of a receivable that cannot be recovered in the event of a default. It is determined using historical empirical values which are based on parameters such as the sector and region, as well as expert assessments.

The allowances developed as follows during the financial year:

Allowances

in EUR million	2018	2017
Cumulative allowances as of 1 January (in accordance with IAS 39)	–40.1	–25.3
Initial adoption IFRS 9	–41.3	-
Cumulative allowances as of 1 January (in accordance with IFRS 9)	–81.4	-
Changes in the reporting period	–17.4	–14.8
Cumulative allowances as of 31 December	–98.8	–40.1

In the previous year, value adjustments on financial instruments were estimated according to IAS 39 based on the incurred loss model. Individual receivables that were considered to be irrecoverable were reported separately (individual value adjustments). Other receivables were evaluated on a portfolio basis to see whether objective proof of an impairment existed but had not yet been identified. The estimated value adjustments were reported separately for these receivables (portfolio value adjustments).

The Group management determined that objective evidence for an impairment existed when one of the following indicators was identified:

- Significant financial difficulties of the borrower
- An increased probability that insolvency proceedings or other administrative proceedings will be opened against the assets of the borrower
- A default or delay in payment

Impairments were made for receivables for which a value reduction was identified if the recovery of additional payments was no longer expected.

Individual value adjustments were formed for the following receivables and other financial assets in the previous year:

Receivables

in EUR million	31 Dec 2017
Trade receivables (before individual value adjustments)	47.1
Value adjustments excl. currency valuation	–25.9
Carrying amount of receivables	21.2

In addition, there were portfolio value adjustments of EUR 7.7 million as of 31 December 2017.

Since 1 January 2018, value adjustments have been determined using the expected credit loss model, which anticipates expected credit losses due to future defaults on receivables in accordance with IFRS 9.

The development of the IFRS 9 value adjustments for financial assets that are not measured at fair value based on the expected credit loss model as of 31 December 2018 is presented in the following tables.

The following table presents the value adjustments from the “Receivables and other financial assets” class:

Development of receivables and other financial assets as well as allowances in accordance with IFRS 9

in EUR million	Not Credit-Impaired			Credit-Impaired	
Financial Assets	12-month expected-credit-loss	lifetime credit-loss			Total
(Allowance)	Stage 1	Stage 2	Simplified Approach	Stage 3	
As of 1 Jan 2018	792.7 (-40.4)	0.0 (-0.0)	107.2 (-10.3)	62.4 (-30.5)	962.2 (-81.2)
Transfer to Stage 2 and simplified approach	–1.2 (0.0)	1.2 (-0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (-0.0)
Transfer to Stage 3	–30.6 (11.2)	0.0 (0.0)	–0.8 (0.1)	31.3 (-16.8)	0.0 (-5.5)
Transfer to Stage 1	0.0 (0.0)	0.0 (0.0)		0.0 (0.0)	0.0 (0.0)
Derecognised during the period	–26.6 (1.1)	0.0 (0.0)	0.0 (0.0)	–11.3 (11.3)	–37.9 (12.4)
Additions, disposals, currency translation	395.6 (3.5)	0.3 (-0.0)	40.8 (-6.0)	–11.7 (-21.4)	425.0 (-23.9)
As of 31 Dec 2018	1,129.9 (-24.6)	1.5 (-0.0)	147.2 (-16.2)	70.7 (-57.4)	1,349.3 (-98.2)

Impairments totalling EUR 98.2 million (1 January 2018: EUR 81.2 million) include impairments in the balance sheet items financial and other assets / interest-bearing securities in the amount of EUR 29.0 million (1 January 2018: EUR 22.7 million), receivables of acquiring business in the amount of EUR 31.4 million (1 January 2018: EUR 24.3 million) as well as trade and other receivables in the amount of EUR 37.8 million (1 January 2018: EUR 34.2 million).

The value adjustments for the “Cash and cash equivalents” and “Interest-bearing securities and fixed-term deposits” classes are fully allocated to credit quality level 1 both at the beginning and end of the year and developed as follows during the 2018 financial year.

Development of interest-bearing securities and fixed deposits as well as allowances in accordance with IFRS 9

in EUR million	Not Credit-Impaired 12-month expected-credit-loss Stage 1
Financial Assets (Allowance)	
As of 1 Jan 2018	155.4 (-0.0)
Additions, disposals, currency translation	–10.8 (0.0)
As of 31 Dec 2018	144.5 (-0.0)

Development of cash and cash equivalents as well as allowance in accordances with IFRS 9

in EUR million	Not Credit-Impaired 12-month expected-credit-loss Stage 1
Financial Assets (Allowance)	
As of 1 Jan 2018	1,901.3 (-0.2)
Additions, disposals, currency translation	819.0 (-0.4)
As of 31 Dec 2018	2,720.3 (-0.6)

In the 2017 financial year, there were no value adjustments for these classes according to IAS 39.

The following table shows the financial assets and their value adjustments according to the internal risk categories.

Rating class

in EUR million	One-year PD	Financial Assets (Allowance) Stage 1	Stage 2	Simplified Approach	Stage 3
A	0.000% to 0.044%	1,344.0 (-0.1)	0.0 (-0.0)	3.4 (-0.0)	0.0 (-0.0)
B	0.045% to 0.429%	1,747.2 (-0.2)	0.0 (-0.0)	25.9 (-0.0)	0.0 (-0.0)
C	0.430% to 4.499%	609.5 (-8.2)	1.5 (-0.0)	9.2 (-0.2)	0.0 (-0.0)
D	4.500% to 99.999%	294.1 (-16.7)	0.0 (-0.0)	108.8 (-15.9)	0.0 (-0.0)
E	100.000%	0.0 (-0.0)	0.0 (-0.0)	0.0 (-0.0)	70.7 (-57.4)
		3,994.7 (-25.2)	1.5 (-0.0)	147.2 (-16.2)	70.7 (-57.4)

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 at 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 debt and equity to which the equity investors 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 going concern along with an adequate return on equity. For implementation purposes equity is compared with total equity and liabilities.

Following successful organic growth in the reporting year and the acquisitions made in the Asia-Pacific region in the 2018 fiscal year, Wirecard aims to maintain a comfortable equity ratio in the 2019 and 2020 fiscal years. 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 equity is the equity in the statement of financial position. Borrowed capital is generally defined as non-current and current financial liabilities, provisions and other liabilities.

As of the reporting date, the capital structure was as follows:

Capital structure

in EUR million (where not in %)	31 Dec 2018	31 Dec 2017
Equity	1,922.7	1,640.0
Equity as % of total capital	32.8%	36.2%
Borrowed capital	3,932.2	2,892.8
Borrowed capital as % of total capital	67.2%	63.8%
Total capital (equity and borrowed capital)	5,854.9	4,532.8

The Group reviews its capital structure on a regular basis.

For interest-bearing liabilities, Wirecard has assured the banks in its credit agreements that it will maintain a certain equity ratio. These banks calculate the 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 statement of financial position. 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 total assets according to the consolidated financial statements, to which the leasing liabilities are added. Furthermore, in relation to lending banks, Wirecard undertakes to maintain the proportion of financial liabilities to EBITDA. This target was once again fully achieved in the fiscal year 2018.

7.4 Additional information about financial instruments

The financial instruments as of 31 December 2018 are presented together with the values as of 1 January 2018 in the following tables and explanations for better comparability. Accordingly, please refer to our explanations in section 2.5 Changes to accounting and valuation policies in relation to the previous year due to the initial application of IFRS 9 as of 1 January 2018.

The carrying values of the financial assets according to the classes of financial instruments held by the Group are as follows:

Financial assets

in EUR million	31 Dec 2018	1 Jan 2018
Financial assets measured at amortised cost		
Interest-bearing securities and fixed-term deposits	144.5	155.4
Receivables and other financial assets	1,251.2	881.0
Cash and cash equivalents	2,719.8	1,901.1
Financial assets measured at fair value through profit or loss		
Visa preferred stock	23.6	19.4
Convertible bonds	35.4	41.9

The “Interest-bearing securities and fixed-term deposits” class comprises the statement of financial position items “Financial and other assets / interest-bearing securities” and “Interest-bearing securities and fixed-term deposits” except for the Visa preferred stock and the convertible bonds, which each represent their own class, and except for other non-current financial assets of EUR 259.3 million (1 January 2018: EUR 184.4 million), which are classified as “Receivables and other financial assets”. As of 31 December 2018, the “Financial and other assets / interest-bearing securities” statement of financial position item includes assets of EUR 90.5 million (1 January 2018: EUR 0.0 million), which do not represent financial assets in accordance with IFRS 9.

The “Receivables and other financial assets” class comprises the “Receivables of the acquiring business” and “Trade and other receivables” statement of financial position items, as well as other non-current financial assets of EUR 259.3 million(1 January 2018: EUR 184.4 million), which are recognised under the “Financial and other assets / interest-bearing securities” statement of financial position item. As of 31 December 2018, the “Trade and other receivables” statement of financial position item includes assets of EUR 50.5 million (1 January 2018: EUR 14.6 million), which do not represent financial assets in accordance with IFRS 9.

As of the reporting date, the maximum risk of default is equivalent to the carrying amount of each of the previously described categories or classes of financial assets.

The carrying values of the financial liabilities according to the classes of financial instruments held by the Group are as follows:

Financial liabilities

in EUR million	31 Dec 2018	1 Jan 2018
Financial liabilities measured at amortised cost		
Interest-bearing liabilities	1,466.1	1,066.4
Payables and other financial liabilities	988.3	638.4
Customer deposits from banking operations	1,263.0	973.2
Financial liabilities measured at fair value through profit or loss		
Earn-out liabilities	31.5	59.4
Financial guarantees	12.3	14.2

The “Liabilities and other financial debt” class comprises the “Other non-current liabilities”, “Liabilities of the acquiring business”, “Trade payables” and “Other liabilities” statement of financial position items, except for the earn out liabilities which represent their own class. As of 31 December 2018, the “Other non-current liabilities” and “Other liabilities” statement of financial position items include liabilities of EUR 45.8 million (1 January 2018: EUR 27.8 million), which do not represent financial liabilities in accordance with IFRS 9.

Financial guarantees are recognised under the “Other provisions” statement of financial position item.

The fair values of each class of financial instruments is as follows:

Financial assets

	Carrying amounts		Fair value	
in EUR million	31 Dec 2018	1 Jan 2018	31 Dec 2018	1 Jan 2018
Financial assets measured at amortised cost				
Interest-bearing securities and fixed-term deposits	144.5	155.4	144.4	155.6
Receivables and other financial assets	1,251.2	881.0	1,251.2	881.0
Cash and cash equivalents	2,719.8	1,901.1	2,719.8	1,901.1
Financial assets measured at fair value through profit or loss				
Visa preferred stock	23.6	19.4	23.6	19.4
Convertible bonds	35.4	41.9	35.4	41.9

Financial liabilities

	Carrying amounts		Fair value	
in EUR million	31 Dec 2018	1 Jan 2018	31 Dec 2018	1 Jan 2018
Financial liabilities measured at amortised cost				
Interest-bearing liabilities	1,466.1	1,066.4	1,466.1	1,066.4
Payables and other financial liabilities	988.3	638.4	988.3	638.4
Customer deposits from banking operations	1,263.0	973.2	1,263.0	973.2
Financial liabilities measured at fair value through profit or loss				
Earn-out liabilities	31.5	59.4	31.5	59.4
Financial guarantees	12.3	14.2	12.3	14.2

The fair value of financial assets and financial liabilities measured 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. For the financial assets and financial liabilities measured at amortised cost, such as cash and cash equivalents, current interest-bearing securities and fixed-term deposits, other current financial assets, trade payables, other current financial liabilities, revolving credit facilities and other financial debt, the carrying amount represents an appropriate approximation of fair value due above all to the short term to maturity. These instruments are allocated to Level 2 of the measurement hierarchy.

Hierarchy of fair values

As of the reporting date, 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: Methods in which all input parameters with a material influence on the fair value recognised can directly or indirectly be observed
- Level 3: Methods using input parameters with a material influence on the fair value recognised which are not based on observable market data

Financial instruments measured at fair value

in EUR million	31 Dec 2018	Level 1	Level 2	Level 3
Convertible bonds	35.4			35.4
Visa preferred stock	23.6			23.6
Earn-out liabilities	–31.5			–31.5
Financial guarantees	–12.3			–12.3

Financial instruments measured at fair value

in EUR million	1 Jan 2018	Level 1	Level 2	Level 3
Convertible bonds	41.9			41.9
Visa preferred stock	19.4			19.4
Earn-out liabilities	–59.4			–59.4
Financial guarantees	–14.2			–14.2

The fair value of financial assets and financial liabilities measured at fair value through profit or loss is calculated on the basis of accepted valuation techniques in accordance with IFRS 13 taking into account appropriate valuation parameters.

All convertible bonds held by Wirecard were allocated to Level 3 of the measurement hierarchy as in the previous year. They partially comprise a derivative component. As it was not possible to separately measure the embedded derivative as in previous years, the entire financial instrument is measured at fair value through profit or loss. Generally accepted valuation techniques in accordance with IFRS 13 are used for this process. These include the application of a binomial model, the discounted cash flow method or the fair value is derived from actual transaction prices less any transaction costs (fair value less costs of disposal). In the fiscal year 2018, changes to fair value resulted in gains recognised in profit or loss of EUR 6.9 million (previous year: EUR 9.1 million) and related losses of EUR 13.4 million (previous year: EUR 0.0 million). In the fiscal year 2017, convertible bonds of EUR 28.4 million were recognised at fair value as part of the fair value option in accordance with IAS 39 and convertible bonds of EUR 13.5 million were recognised at the cost of acquisition because it was not possible to measure the fair value reliably.

The Visa preferred stock held by Wirecard Bank AG and Wirecard Card Solutions Ltd., which is convertible into Visa Inc. class A common stock, is allocated to Level 3 of the measurement hierarchy. The amount of preferred stock is contingent upon certain factors and could subsequently change. The calculation of the fair value is based on the market quotations for Visa A shares and takes estimations by the management, the calculations of the appraisers and external information about Visa Europe Ltd. or Visa Inc. into account. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties and is subject to a required holding period, was discounted with respect to the value of the Visa Inc. A shares due to uncertainties and the inability to trade the stock. In the 2018 fiscal year, Wirecard recognised dividend income from the Visa preferred stock of EUR 0.3 million (previous year: EUR 0.2 million), as well as from gains due to changes in the fair value of EUR 4.2 million. In the 2017 fiscal year, the preferred stock was revaluated as “Available-for-sale financial assets” in accordance with IAS 39 against the item “Revaluation reserve” with no effect on profit or loss in the amount of EUR 4.1 million. Please refer to section 3.4 Financial and other assets / interest-bearing securities for further information.

Since the fiscal year 2016, financial liabilities measured at fair value through profit or loss include contingent considerations agreed as part of company acquisitions. The fair value of the contingent considerations is measured based on the discounted cash flow method taking into account the corresponding earn out agreements and using appropriate valuation parameters. The cash flow forecasts are based on the best estimate by management of the future development of the acquired subsidiary. In the fiscal year 2018, the fair value measurement of the earn-out liabilities resulted in income of EUR 3.5 million (previous year: EUR 0.0 million) and an expense of EUR 2.4 million (previous year: EUR 11.2 million), which was recognised accordingly in profit or loss in the financial result.

Since the fiscal year 2018, the financial liabilities measured at fair value through profit or loss have also included financial guarantees, which are allocated to take account of the risk of default according to the expected credit loss model as part of the initial application of IFRS 9 as of 1 January 2018. Due to the contractual regulations for processing transactions with credit card organisations, with providers of different payment methods and also within interbank transfers in payment processing, Wirecard generally views the entire transaction volume of EUR 124.9 billion (previous year: EUR 91.0 billion) as a financial guarantee because a general liability cannot be completely excluded. The value of the unperformed service per merchant, its probability of default and its recovery rate taking into account securities are included in the actual calculation of the expected credit losses (ECL) as of the reporting date. If an insufficient amount of data is available in individual circumstances, best possible estimates are made based on empirical data. As of 31 December 2018, the maximum although very unlikely guaranteed amount stood at EUR 3.1 billion (1 January 2018: EUR 2.0 billion), which would accordingly be immediately due. In the fiscal year 2018, the fair value measurement of the financial guarantees resulted in gains recognised in profit or loss of EUR 2.0 million.

The recurring measurements of the fair value of financial assets in Level 3 of the hierarchy are as follows:

Assets of Level 3 measured at fair value

in EUR million	Convertible bonds	Visa preferred stock
Balance as of 1 Jan 2017	32.7	15.3
Additions	0.0	0.0
Disposals	0.0	0.0
Changes by fair value revaluation	9.1	4.2
through profit or loss	9.1	0.0
not affecting profit or loss	0.0	4.2
Balance as of 31 Dec 2017	41.9	19.4
Additions	0.0	0.0
Disposals	0.0	0.0
Changes through profit or loss from fair value measurement	–6.5	4.2
Balance as of 31 Dec 2018	35.4	23.7

The gains or losses from the measurement of fair values of the convertible bonds and the Visa preferred stock are recognised in profit or loss in Wirecard's financial result.

The following tables present the resulting items of income, expense, gains or losses for the relevant categories of financial instruments:

Net result of financial instruments per valuation categories 2018 in accordance with IFRS 9

in EUR million	Interest	Fair value measurement	Currency-translation	Allowances
Financial assets measured at amortised cost	5.1	0.0	2.7	–31.2
Financial assets measured at fair value through profit or loss	0.3	–2.3	0.0	0.0
Thereof: visa preferred stock	0.3	4.2	0.0	0.0
Thereof: convertible bonds	0.0	–6.5	0.0	0.0
Financial liabilities measured at amortised cost	–32.9	0.0	–0.3	0.0
Financial liabilities measured at fair value through profit or loss	0.0	3.1	0.0	0.0
Thereof: earn out liabilities	0.0	1.1	0.0	0.0
Thereof: financial guarantees	0.0	2.0	0.0	0.0

Net result of financial instruments per valuation categories 2017 in accordance with IAS 39

in EUR million	Interest	Fair value measurement	Currency-translation	Allowances
Financial assets measured at fair value through profit or loss	1.2	9.8	–8.4	0.0
Thereof: fair value option	1.2	0.2	–8.4	0.0
Thereof: convertible bonds (at fair value)	0.0	9.1	0.0	0.0
Thereof: convertible bonds (at cost)	0.0	0.0	0.0	0.0
Available-for-sale financial assets	0.0	0.2	0.0	0.0
Loans and receivables	1.3	0.0	10.5	–22.4
Financial liabilities measured at amortised cost	–18.2	0.0	0.7	0.0
Financial liability at fair value	0.0	–11.5	0.0	0.0

7.5 Financial relationships with related companies

In the fiscal year 2018, financing agreements were in place among various companies in the Group. These business transactions were eliminated in the course of the consolidation of debt and earnings. In addition, please refer to section 8.3 Transactions with related companies and parties.

7.6 Other obligations and contingent liabilities

Other obligations

The companies in the 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:

Obligations from operating leases 2018

in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Annual claims	13.0	27.7	120.4	161.1

Obligations from operating leases 2017

in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Annual claims	20.7	57.3	0.0	78.0

The change from the previous year 2017 is attributable to the new contracts concluded in the reporting year 2018, in particular the rental agreement for the new Group headquarter in Aschheim. The lease agreement is expected to start at the end of financial year 2021. In addition to operating lease obligations, there are obligations from finance leases of EUR 2.7 million as of the balance sheet date that have not yet been recognised, as these leases commence after the balance sheet date.

In addition to these obligations, the Group has concluded finance lease agreements, in particular for terminals and IT components. The contracts include purchase options for the assets.

Obligations from finance leases and hire-purchase agreements

in EUR million	2018		2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
up to 1 year	17.3	16.5	12.8	12.4
1 to 5 years	28.0	27.2	13.9	13.7
more than 5 years	0.0	0.0	0.0	0.0
Total	45.3	43.7	26.7	26.1
Less interest portion	1.7		0.6	
Present value of minimum lease payments	43.7	43.7	26.1	26.1

Other claims based on leases in which the Group acts as a lessor are shown as follows:

Claims arising from leasing 2018

in EUR million	2019	2020	2021	2022	2023
Annual claims	12.2	7.9	3.4	1.1	0.4

Claims arising from leasing 2017

in EUR million	2018	2019	2020	2021	2022
Annual claims	11.2	9.7	8.5	3.7	1.6

After the period indicated, there are no other appreciable payment claims against Wirecard.

Contingent liabilities

Lawsuits were again brought against Wirecard AG or against specific subsidiaries this year. The Management Board assumes for these lawsuits, as well as for still pending appeal proceedings for lawsuits already brought in previous years, an immaterial potential impact on the 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 consits of the following members.

Dr. Markus Braun, Commercial Computer Scientist,
member of the Management Board since 1 October 2004
CEO, CTO

Alexander von Knoop, Business Graduate,
member of the Management Board since 1 January 2018
CFO

Jan Marsalek, Computer Scientist,
member of the Management Board since 1 February 2010
COO

Susanne Steidl, Business Economist,
member of the Management Board since 1 January 2018
CPO

Remuneration paid to the Management Board

In the fiscal year 2018, 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 amounts not yet disbursed for performance-related remuneration and other payments – amounted to EUR 9.2 million (previous year: EUR 11.5 million).

The revised remuneration system for the Management Board of Wirecard AG consists of non-performance-related and performance-related components. The former continue to include fixed basic remuneration, fringe benefits and contributions to the retirement arrangement. The performance-related components include one-year variable remuneration (EVV) and multi-year variable remuneration (MVV). The previous possibility for the Supervisory Board to award a special bonus for exceptional services to members of the Executive Board is no longer provided for in the revised remuneration system.

Wirecard pays the members of its Management Board an annual contribution towards private retirement benefits. This contribution was EUR 0.5 million gross (previous year EUR 0.5 million) for Dr. Markus Braun, EUR 0.3 million gross (previous year EUR 0.3 million) for Jan Marsalek and EUR 0.2 million gross (previous year EUR 0.0 million) each for both Alexander von Knoop and Susanne Steidl. This is paid in twelve monthly instalments and is taken into account as expenditure. In addition, the company pays a monthly contribution of EUR 250.00 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 company retirement benefits exist.

Former members of the Management Board and their surviving relatives also received total remuneration of EUR 8.0 million in fiscal year 2018 (previous year: EUR 0.0 million). This includes a one-off payment from the pension credit balance of former members of the Board of Management. Thereof EUR 6.1 million was not included in the consolidated income statement of fiscal year 2018, as these were already accrued as provisions as of 31 December 2017.

As in the previous year, no loans were granted to board members in the fiscal year 2018.

Further particulars in this regard can be found in the corporate governance report.

8.2 Supervisory Board

The Supervisory Board of Wirecard AG consits of the following members:

Wulf Matthias (Chairman), Financial Advisor at Wulf Matthias Wirtschaftsberatung
Other supervisory board mandates or mandates on other boards:

- Wirecard Bank AG, Aschheim (Germany)
- Deufol SE, 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)

Stefan Klestil, Management Consultant at Belview Partners GmbH
Other supervisory board mandates or mandates on other boards:

- Wirecard Bank AG, Aschheim (Germany)
- Billie GmbH, Berlin (Germany)
- Curve 1 Limited, London (England)
- iyzi Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey)
- N26 Bank GmbH, Berlin (Germany)
- N26 GmbH, Berlin (Germany)

Vuyiswa V. M'Cwabeni, SVP Technology and Innovation Strategist at SAP SE
No other supervisory board mandates or mandates on other boards.

The following person was elected to the Supervisory Board of Wirecard AG at the Annual General Meeting 2018 on 21 June 2018:

Dr. Anastassia Lauterbach, Self-Employed Technology Consultant (since 21 June 2018)
Other supervisory board mandates or mandates on other boards:

- COGITANDA Dataprotect AG, Altenahr-Kreuzberg (Germany)
- Dun & Bradstreet Corp., Short Hills, New Jersey (USA)
- EasyJet Plc, Luton, London (England)

At the Annual General Meeting 2018, a resolution was also passed to enlarge the Supervisory Board to include six members via a corresponding amendment to Section 9 (1) of the Articles of Incorporation and the following person was subsequently elected as an additional member of the Supervisory Board:

Susana Quintana-Plaza, COO & Executive Director at Galp Energia, SGPS, S.A. (since 26 June 2018)
Other supervisory board mandates or mandates on other boards:

- Hexagon Composites ASA, Ålesund (Norway)

The amendment to the Articles of Incorporation and the enlargement of the Supervisory Board of Wirecard AG to include six members came into effect on 26 June 2018.

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Incorporation. A revision of the rules was resolved by the Annual General Meeting 2016. According to the new rules, the members of the Supervisory Board will now receive fixed remuneration of EUR 120,000 for every full fiscal year. The Chairman of the Supervisory Board will receive double and the Deputy Chairman of the Supervisory Board will receive one-and-a-half times this amount; an additional fee for activities on committees is not foreseen in the rules because the Supervisory Board has not currently formed any committees due to its relatively small size. The remuneration is payable in four equal instalments and is due in each case at the conclusion of a calendar quarter. Members of the Supervisory Board that are not part of the Supervisory Board for a full fiscal year or do not hold the positions of Chairman or Deputy Chairman for the full fiscal year receive pro rata remuneration after rounding up to the next full month of service. In addition, the members of the Supervisory Board receive an attendance fee of EUR 1,250 per day for plenary meetings of the Supervisory Board, which is payable after the conclusion of the calendar quarter in which the corresponding meeting took place.

Members of the Supervisory Board are also reimbursed for all expenses incurred in connection with the performance of their duties, as well as for the value added tax paid on the remuneration and reimbursed expenses. The company also reimburses the members of the Supervisory Board for all employer contributions for social insurance that are incurred in connection with their activities on the Supervisory Board according to foreign laws.

In the fiscal year 2018, remuneration for the Supervisory Board totalled EUR 1.0 million (previous year: EUR 1.0 million). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries of EUR 0.2 million (previous year: EUR 0.2 million). An amount of EUR 0.1 million (previous year: 0.0 million) was recognised as a provision for the remuneration and will be paid in the 2019 fiscal year. For further information, please refer to the combined management report.

8.3 Transactions with related companies and parties

Related companies and parties

In accordance with IAS 24 (Related Party Disclosures), parties related to Wirecard 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 2018, the following legal transactions were entered into by Wirecard with a related company/person or at the insistence or request of one of these companies/persons:

Legal transactions with impact on consolidated income statement

Related entity/ related party	Type of legal relationship	Expense in EUR million	Provisions/ Payables in EUR million	Notes
Wulf Matthias	Supervisory Board mandate	0.1	0.1	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	0.1	0.1	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	0.1	0.1	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 AktG for the periods from April 2017 to March 2018 and April 2018 to March 2019 was signed in March 2018 and March 2019 respectively and made available to the shareholders for download from the website of Wirecard AG in March 2018 and March 2019.

8.5 Auditors' fees

Neither the deductible value added tax for Wirecard nor the non-deductible value added tax are included in the disclosures on auditors' fees.

In the fiscal year 2018, the following auditors' fees were reported (according to Section 314 (1) No. 9 of the HGB):

Auditors' fees

in EUR million	1 Jan 2018 – 31 Dec 2018 total	1 Jan 2018 – 31 Dec 2018 of which subsidiaries	1 Jan 2017 – 31 Dec 2017 total	1 Jan 2017 – 31 Dec 2017 of which subsidiaries
Ernst & Young GmbH				
Audit of the financial statements	2.1	0.3	1.7	0.4
Tax advisory services	0.0	0.0	0.0	0.0
Other assurance services	0.0	0.0	0.0	0.0
Other services	0.3	0.2	0.5	0.0
Total	2.3	0.5	2.2	0.4

The fee for the auditing services provided by Ernst & Young GmbH primarily covered the auditing of the consolidated financial statements of the Wirecard Group and auditing the separate financial statements of Wirecard AG and its subsidiaries requiring auditing.

The audit opinion issued by the independent auditor of the consolidated financial statements for the fiscal year 2018 was signed by Mr. Dahmen and Mr. Budde. Mr. Dahmen signed the audit opinion for the first time on 31 December 2016 and has been the responsible auditor for auditing the consolidated financial statements of Wirecard since the 2018 fiscal year.

Mr. Budde signed the audit opinion for the first time on 31 December 2018 as the second signatory. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been the sole auditor of Wirecard since the 2011 fiscal year and was previously the joint auditor together with RP Richter GmbH Wirtschaftsprüfungsgesellschaft since the 2009 fiscal year.

8.6 Events after the reporting date

Events after the reporting date that provide additional information on the company's situation as of the reporting date (adjusting events) have been included in the consolidated financial statements. Non-adjusting events after the reporting date are reported in the notes if material in nature.

After the period under report, the Company and SoftBank Group Corp., Japan, have signed a binding term sheet (MoU) under which an affiliate of SoftBank Group shall invest approximately EUR 900 million in Wirecard via a convertible bond mechanism and a strategic partnership for digital payment solutions to enhance business in Japan and South Korea shall be formed.

In connection with the allegations of a whistleblower in Asia, we refer to section 2.7 Corrections in accordance with IAS 8 and section III. 2. Opportunities and risks in the combined management report.

There were no other events after reporting date.

8.7 Clearance for publication in accordance with IAS 10.17

The consolidated financial statements as of 31 December 2018 were signed on 24 April 2019 and approved for submission to the Supervisory Board.

Aschheim, 24 April 2019

Wirecard AG

Dr. Markus Braun | Alexander von Knoop | Jan Marsalek | Susanne Steidl

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements as of 31 December 2018 give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Group Management Report, which has been combined with the Management Report for Wirecard AG, includes a fair view of the development and performance of the business and the position of the Group, together with the description of the principal opportunities and risks associated with the expected development of the Group.

Aschheim, 24 April 2019

Wirecard AG

Dr. Markus Braun   Alexander von Knoop   Jan Marsalek   Susanne Steidl

Wirecard Payment Schemes

The Wirecard Group offers merchants various national and international payment schemes

Payment Method Types

Electronic Funds Transfer
Direct Debit, Wiretransfer

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

All Countries

- MasterCard, Visa, American Express, JCB, Diners International / Discover, UnionPay
- Swift
- PayPal, Skrill Digital Wallet, MasterPass, Wire Transfer, Webmoney, Alipay Crossborder, Voucher by ValueMaster, Visa Checkout

Additional Payment Methods
Asia Pacific

Australia
- POLi

China
- Alipay, Tenpay
- UPOP
- WeChat Pay

India
- iCashcard
- Billdesk

Indonesia
- Carrier Billing

Malaysia
- Maybank2u, CIMB Clicks
- FPX

New Zealand
- POLi

Philippines
- Maybank2u, CIMB Clicks

Singapore
- Maybank2u, CIMB Clicks

Thailand
- Carrier Billing

Africa

South Africa
- Carrier Billing
- MobiCred

North America

- Safety Pay

USA
- Apple Pay

Canada
- Carrier Billing

Latin America

- Safety Pay

Brazil
- Boleto Bancario

Mexico
- Carrier Billing

Europe

- Alipay (barcode payment)
- paysafecard, Carrier Billing
- Maestro, VPay
- WeChat Pay

Austria
- eps, SofortBanking
- Klarna, Payolution
- paybox
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Safety Pay

Belgium
- SofortBanking, Bancontact/Mister Cash
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Safety Pay

Bulgaria
- ePay.bg, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Czech Republic
- eplatby
- Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Denmark
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Estland
- Trustly
- Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Finland
- Euteller
- Trustly
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

France
- SEPA Direct Debit, SEPA Credit Wiretransfer

Germany
- giropay, SofortBanking
- Guaranteed Installments, Guaranteed Payment on Invoice, Klarna, Payolution
- SEPA Direct Debit, SEPA Credit Wiretransfer, Guaranteed Direct Debit
- Safety Pay
- Paydirekt

Italien
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

Netherlands
- iDEAL, SofortBanking
- Klarna, Payolution
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Safety Pay

Norwegen
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Poland
- Trustly, Przelewy24, SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

Sweden
- Trustly
- Klarna
- SEPA Direct Debit, SEPA Credit Wiretransfer

Switzerland
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Postfinance
- Payolution

Spain
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Safety Pay

Turkey
- Carrier Billing
- Trustpay

Ukraine
- Moneta.ru, YandexMoney

United Kingdom
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Pay by bank app

Russia

- Moneta.ru, YandexMoney

Edition April 2018 (Subject to change)

Glossary

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.

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