

# ACROSS ALL BOUNDARIES

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**WIRECARD AG** Interim Report as at September 30, 2014



## KEY FIGURES

WIRECARD GROUP	9M 2014	9M 2013
Revenues	424,240	341,119 kEUR
EBITDA	120,954	89,793 kEUR
EBIT	92,161	71,400 kEUR
Earnings per share (undiluted)	0.61	0.51 EUR
Shareholders' equity	1,038,449	584,423 kEUR
Total assets	1,831,698	1,251,909 kEUR
Cash flow on ordinary transactions (adjusted)	103,436	77,900 kEUR
Employees (average)	1,601	973
of which part time	165	146

SEGMENTS	9M 2014	9M 2013
Payment Processing & Risk Management	Revenues 311,581	244,344 kEUR
	EBITDA 96,795	68,238 kEUR
Acquiring & Issuing	Revenues 147,432	123,926 kEUR
	EBITDA 23,888	21,380 kEUR
Call Center & Communication Services	Revenues 3,923	3,568 kEUR
	EBITDA 272	174 kEUR
Consolidation	Revenues - 38,696	- 30,720 kEUR
	EBITDA - 1	1 kEUR
<b>Total</b>	Revenues 424,240	341,119 kEUR
	EBITDA 120,954	89,793 kEUR

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# HIGHLIGHTS YTD 2014

Sky has given Wirecard the task of processing cashless payments for Snap, its new online media library. The video-on-demand platform has been available in Germany and Austria since mid of December 2013.

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Wirecard integrates the transmission technology Bluetooth Low Energy (BLE) into its Mobile Wallet platform and expands its offerings to include mobile value added services, e.g. discounts, special offers and loyalty schemes that are directly related to the customer's current location within the store.

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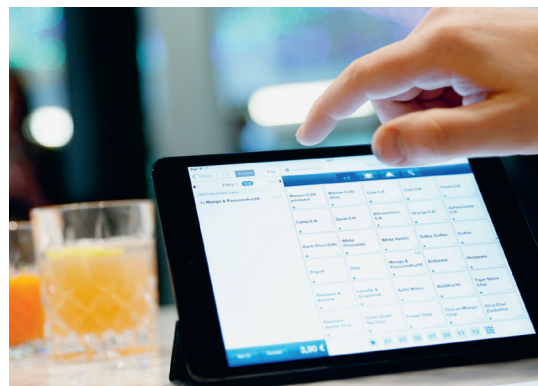
In spring, Wirecard integrated Host Card Emulation (HCE) into its Mobile Wallet Platform. In this way, Wirecard is enabling telecommunications companies, financial service providers, banks and also retailers to quickly enter the mobile payment market through Near Field Communication (NFC).

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Wirecard and Amadeus IT Group form a strategic partnership: Wirecard integrates its payment processing services through the amadeus payment platform.

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With the Trust Evaluation Suite, Wirecard is providing a comprehensive risk management facility. Retailers can now exploit customer potential in an even more targeted way while at the same time proactively managing and minimizing the risk of payment default.



Since May 2014, SoftwareONE relies on the Wirecard Payment Services. SoftwareONE, a global expert for software-licencing uses the interface to Wirecard's global Multi-Channel Payment Gateway.

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Internet technologies are changing the face of point-of-sale. Wirecard is presenting an innovative, future-oriented concept "Wirecard ePOS" relating to internet-based point-of-sale (POS) infrastructure. In this way, online software for mobile phones could replace the traditional hardware terminals within a few years.

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The La Prairie Group, a subsidiary of the Beiersdorf Group, has engaged Wirecard AG to implement its integrated payment services. Wirecard supports the worldwide operating company with payment processing and risk management services.

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At this year's European Paybefore Awards, Wirecard ranked among the top three in a total of four categories with its technology solutions for partners and customers. Vodafone's SmartPass was selected in the "Top of Wallet" category. The airberlin flight voucher that Wirecard realised in collaboration with UATP is one of the winners in the "Best Travel Companion" category.

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O2 Telefónica Germany's mobile solution mpass scored in the "Boundary Buster" category. This award is for cross-border solutions. Last, but not least, British company Wirecard Card Solutions from Newcastle was the winner in the „The One to watch: Company“ category.

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EZ-Link received the „Most Innovative NFC Project“ award for its „My EZ-Link Mobile“ joint-venture project with Wirecard at the „Smart Awards Asia 2014“ event. The mobile application allows EZ-Link cards to be topped up on Android smart phones using Near Field Communication Technology.

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In July, Wirecard announced the cooperation with its Indian sales partner Skilworth Technologies Private Limited. Wirecard AG is providing the technology for Skilworth Technologies Private Limited to introduce its innovative white-label mPOS solution to the Indian market under the brand "Bijlipay". Bijlipay is one of the first certified mPOS solutions based on chip & pin technology in the Indian market and enables small and medium-sized retailers in the travel, transport, gastronomic and retail industries to accept credit and debit card payments via their own smartphone.



Wirecard has been supporting E-Plus with its mobile phone brand BASE as it launches the mobile BASE Wallet with a prepaid payment card on the market. This so-called "Walletcard" is a digital Maestro card. Wirecard renders services for another known mobile network operator besides the existing partnerships with Deutsche Telekom, Vodafone, Telefónica Deutschland und Orange France.

From September on Wirecard's mobile card reader solution is offered in Lexware's portfolio under the name "Lexware pay". Wirecard is supporting the software manufacturer Lexware, part of the Haufe Group, in the expansion of its lexoffice eco-system with comprehensive payment and additional value functions on a white label basis. This solution was expanded in November 2014 to include credit card acceptance based on chip & pin.

The Wirecard Group has agreed on the acquisition of 3pay, headquartered in Istanbul. 3pay is considered to be one of the leading payment providers in Turkey. The service spectrum ranges from mobile payment / direct carrier billing services to its own prepaid card platform. Among the company's customers and partners are all Turkish mobile communications companies as well as far-reaching partnerships in the field of games publishing and social networks.

In October, Wirecard has gained Onur Air, a private airline in Turkey, as a client. The airline is now using the International Air Transport Association (IATA) interface for the billing and settlement plan (BSP) via Wirecard's multi-channel payment gateway.

From November on, zooplus AG, the leading online retailer for domestic pet supplies in Europe will be using solutions provided by Munich-based Wirecard. Wirecard enables zooplus to accept all the necessary credit and debit cards as well as supporting all payment and transaction currencies that the pan European business requires.

## **I. Condensed Group management report**

### **1. GROUP STRUCTURE, ORGANIZATION AND EMPLOYEES**

#### **Group**

Wirecard Group supports companies in accepting electronic payments across all sales channels. A global multichannel platform bundles international payment acceptances and methods, flanked by fraud prevention solutions. 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 issuing licenses for card and account products.

The Group parent company Wirecard AG assumes strategic corporate planning and the central tasks of Human Resources, Treasury, Controlling, Accounting, Legal, Risk Management, M&A and Financial Controlling, Corporate Communications and Investor Relations, Strategic Alliances and Business Development, and Facility Management. The holding company also manages the acquisition and management of participating interests.

#### **Subsidiaries**

The Wirecard Group comprises various subsidiaries, which perform the entire operating business. They are positioned as software and IT specialists for outsourcing and white label solutions in payment processing, and for the distribution of issuing products.

#### **Europe**

Wirecard AG is headquartered in Aschheim near Munich (Germany), which is also the head office of Wirecard Bank AG, Wirecard Technologies GmbH, Wirecard Acquiring & Issuing GmbH, Wirecard Sales International GmbH, Wirecard Retail Services GmbH, and Click2Pay GmbH. Wirecard Communication Services GmbH is headquartered in Leipzig (Germany).

Wirecard Technologies GmbH develops and operates the software platform that represents the central element of our portfolio of products and internal business processes.

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



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

The subsidiaries Wirecard Payment Solutions Holdings Ltd., Wirecard UK & Ireland Ltd. and Hervieu Ltd., all with head offices in Dublin (Ireland), as well as Wirecard Central Eastern Europe GmbH based in Klagenfurt (Austria) provide sales and processing services for the Group's core business, namely Payment Processing & Risk Management. Click2Pay GmbH operates wallet products.

Wirecard Card Solutions Ltd., based in Newcastle (United Kingdom) operates under an eMoney license from the UK's Financial Conduct Authority.

Wirecard Acquiring & Issuing GmbH and Wirecard Sales International, both headquartered in Aschheim, Germany, act as intermediate holding companies for subsidiaries within the Group and have no operating activities.

Gibraltar-based Wirecard (Gibraltar) Ltd. is currently in the liquidation process.

## **Asia**

Wirecard Processing FZ-LLC, with its registered office in Dubai, United Arab Emirates, specialises in services for electronic payment processing, credit card acceptance and the issue of debit and credit cards and attends to a regional portfolio of customers.

cardSystems Middle East FZ-LLC, Dubai focuses on the sale of affiliate products along with associated value-added services.

The Wirecard Asian Group, consisting of Wirecard Asia Pte. Ltd. and its subsidiaries E-Credit Plus Corp., Las Pinas City (Philippines), Wirecard Malaysia SDN BHD, Petaling Jaya (Malaysia), E-Payments Singapore Pte. Ltd. (Singapore), operates in the online payment processing area predominantly for e-commerce merchants in the East Asia region.

With its subsidiaries and TeleMoney brand, Systems@Work Pte. Ltd., which is headquartered in Singapore, ranks as one of the leading technical payment service providers for merchants and banks in the East Asia region. The group includes the subsidiary Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia).

PT Prima Vista Solusi with its headquarters in Jakarta (Indonesia) is a leading provider of payment transaction, network operation and technology services for banks and retail companies in Indonesia.

Trans Infotech Pte. Ltd., Singapore ranks among the leading providers in the payment services sector for banks in Vietnam, Cambodia and Laos. Furthermore Trans Infotech acts as a technology partner in the area of payment and technology services for banks, transportation businesses and retail companies in Singapore and the Philippines.

End of 2013, the takeover of PaymentLink Pte. Ltd., Singapore, and two subsidiaries, Korvac (M) SDN BHD, Kuala Lumpur (Malaysia) and Korvac Payment Services (S) Pte. Ltd. (Singapore) was concluded. PaymentLink operates one of the largest payment networks for local contactless payment cards in Singapore. The company is also one of the leading domestic acquiring processors and distributes local prepaid cards. The Malaysian subsidiary is a well-established provider of POS infrastructure, as well as payment and technology services, mainly for banks and financial service providers.

On February 3, 2014, the closing of the acquisition of the Indonesian company PT Aprisma, Jakarta, was completed. With its solutions based on SOA infrastructure, PT Aprisma Indonesia ranks as one of the leading providers of payment services in the region. With this transaction, Wirecard gained access to Indonesia's leading banks and telecommunications companies, as well as to other customers in Malaysia, Singapore and Thailand.

On September 3, 2014 announced to acquire 3pay, one of the leading payment providers in Turkey. Wirecard enters the Turkish market and enlarged its business activity in Middle East/ North Africa (MENA) with the acquisition of all shares in the Turkish Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş., headquartered in Istanbul. Under its brand 3pay, the company is considered to be one of the leading payment providers in Turkey. The service spectrum ranges from mobile payment/direct carrier billing services to its own prepaid card platform. Among the company's customers and partners are all Turkish mobile communications companies as well as far-reaching partnerships in the field of games publishing and social networks.

An overview of the scope of consolidation is provided in the notes to the consolidated financial statements.

## **Management and Supervisory boards**

The Management Board of Wirecard AG remained unchanged as of 30 September 2014, consisting of three members:

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

At the annual general meeting on 18 June 2014 the Deputy Chairman Mr. Henseler was re-elected. Accordingly the Supervisory Board comprised unchanged the following members on 30 September 2014:

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

The compensation scheme for the Management and Supervisory boards consists of fixed and variable components. Further particulars are documented in the Corporate Governance Report of the Annual Report 2013.

## **Employees**

The staff team that is distributed globally at international locations ranging from Dublin and Munich to Dubai, Singapore and Jakarta plays a significant role in the success of the Wirecard Group. Not least, their motivation and willingness to perform, as well as their engagement and commitment, forms the success of Wirecard AG, which has developed into a global payment brand over the past years.

The company employed 1.601 staff on average during the first nine month of 2014 (9M 2013: 973), excluding Management Board members and trainees, 165 of whom (9M 2013: 146) were employed part-time. A comparison can be made to only a limited extent, however, due to the corporate acquisitions that have been realised.

## 2. BUSINESS ACTIVITIES AND PRODUCTS

### Business activities

Wirecard is a globally leading technology company with more than 18,000 customers.

#### Overview

Wirecard supports companies in accepting electronic payments from all sales channels. A global multichannel platform bundles international payment acceptances and methods, flanked by fraud prevention solutions. Deploying state-of-the-art technologies and transparent real-time reporting services, these outsourcing and white label solutions for electronic payments form the core of our offerings.

As a technical enabler, Wirecard supports companies in the development of international payment strategies, whether online, mobile or at the point-of-sale and is also constantly expanding its portfolio to include new and innovative payment technologies.

When it comes to issuing their own payment instruments in the form of cards or mobile payment solutions, Wirecard provides companies with an end-to-end infrastructure, including the requisite issuing-licenses for card and account products.

#### Business model

The Wirecard Group's business model is based mainly on transaction-based fees for the use of software or services. End-to-end solutions spanning the entire value chain are offered in our customers' own corporate designs as co-branded solutions (with card organizations), as well as under the Wirecard brand. The flexible combination of our technology and services portfolio, as well as banking services is what makes the Wirecard platform unique for customers in all industries and sectors.

#### USPs

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

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

## Core sectors

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

- Consumer goods      This includes merchants who sell physical products to their target group (B2C or B2B). This customer segment comprises companies of various dimensions, from e-commerce start-ups through to major international corporate groups. They include Internet pure players, multi-channel, teleshopping and/or purely bricks-and-mortar merchants. The industry segmentation is highly varied: from traditional industries such as clothing, shoes, sports equipment, books/DVDs, entertainment systems, computer/IT peripherals, furniture/fittings, tickets, cosmetics, and so on, through to multi-platform structures and marketplaces.
- Digital goods      This sector comprises business models such as Internet portals, app software companies, career portals, Internet telephony and lotteries such as sports betting or poker.
- Travel and mobility      The customer portfolio in this sector comprises airlines, hotel chains, travel portals, tour operators, travel agents, car rental companies, ferries and cruise lines, as well as transport and logistics companies.

## Reporting segments

Wirecard AG reports on its business development in three segments.

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

This reporting segment includes the business activities of Wirecard AG, of Wirecard Technologies GmbH and of Wirecard Sales International GmbH, all headquartered in Aschheim. It also includes the business activities of Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland) and its subsidiaries, Wirecard Asia Group (Singapore) comprising Wirecard Asia Pte. Ltd. (Singapore) and its subsidiaries, Wirecard Processing FZ-LLC and cardSystems Middle East FZ-LLC with its registered office in Dubai (United Arab Emirates), Systems@Work Pte. Ltd. in Singapore with its subsidiaries, PT Prima Vista Solusi, Jakarta (Indonesia), Trans Infotech Pte. Ltd. with its registered office in Singapore and its three subsidiaries, PaymentLink Pte. Ltd. in Singapore, and two subsidiaries, PT Aprisma Indonesia in Jakarta (Indonesia), Wirecard Retail Services GmbH, Wirecard (Gibraltar) Ltd., Click2Pay GmbH (Aschheim), and Wirecard Central Eastern Europe GmbH (Klagenfurt, Austria).

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

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

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

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

This reporting segment spans the entire current business activities of Wirecard Bank AG, the Wirecard Card Solutions Ltd. and Wirecard Acquiring & Issuing GmbH. This segment includes acceptance (acquiring) and issuing credit cards and prepaid cards, as well as account and payment transaction services for corporate and private customers.

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

This reporting segment comprises all of the products and services of Wirecard Communication Services GmbH addressing the call centre assisted support of corporate and private customers. In addition to its primary task of supporting the two above-mentioned main segments, this reporting segment also serves its own portfolio of customers in the area of telephone services.

### **Products and solutions**

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

The Multi-Channel Payment Gateway, which is linked to 200 international payment networks (banks, payment solutions, card networks), provides payment and acquiring acceptance via the Wirecard Bank and global banking partners, including the integrated risk and fraud management systems.

In addition, for example country-specific payment and debit systems as well as industry-specific access solutions such as BSP (Bank Settlement Plan) or the encryption of payment data during payment transfers (tokenization) are available. In addition, Wirecard offers call centre services (24/7) with trained native speakers in 16 languages.

Thanks to a modular, service-oriented software architecture Wirecard enjoys the flexibility to change its business processes in conformity with market conditions at any time, and to respond quickly to new customer requirements. At the same time, the Internet-based architecture of the platform makes it possible to run individual work processes in a centralised manner from a single location or, alternatively, to distribute them across the various companies within the Group and run them at different locations around the world.

#### **Payment Acceptance Solutions – payment acceptance/credit card acquiring**

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

In addition to Principal Membership with Visa and MasterCard, acquiring license agreements are also in place with JCB, American Express, Discover/Diners and UnionPay as well as UATP. Banking services such as forex management supplement outsourcing for financial processes.

#### **Risk Management Solutions – risk management**

Wide-ranging tools are available for the use of risk management technology to minimise fraud scenarios and to prevent fraud (fraud/risk management). The Fraud Prevention Suite (FPS) draws on rule-based decision-making logic (rule engine) and offers extensive reports including, for example, what share of transactions has been rejected, and why. In addition, FPS analyses whether exclusively fraudulent transactions are rejected. Age verification, KYC identification (know your customer), analysis via device fingerprinting, hotlists and much more is included in the risk management strategies. An international network of service providers specialised in credit-worthiness checks can be additionally included depending on the merchant's business model.

The Trust Evaluation Suite extends Wirecard's risk management range. Through a comprehensive 360 degree assessment, the Trust Evaluation Suite takes all relevant information on the consumer into account in real time and in an automated way. Intelligent risk management is combined with payment processing and the order and payment history between the retailer and customer.

### **Issuing Solutions – card-based solutions**

The offerings for issuing-solutions has been constantly expanded since 2007 and includes the management of card accounts and the processing of card transactions (issuing processing), as well as the issuing of various types of cards, mostly Visa and MasterCard. The card number can be utilised in connection with a plastic card – virtually or in connection with a SIM card in mobile devices – or it can be deployed on a sticker or in the chip and magnetic strips on a plastic card for dual use (dual interface).

Wirecard offers an SP-TSM Gateway (service provider-trusted service manager), which can be integrated into all major systems. In addition, Wirecard operates its own SP-TSM server. SP-TSM is utilised to provide card data (provisioning) in the form of secure elements in a mobile device, and includes, for example, card management, card personalization and PIN management.

### **Wallet Solutions – solutions for mobile payments**

The Wallet Solution is based on a (white-label) platform enabling the management of credit balance accounts and providing technical support for customer legitimization processes (KYC), peer-to-peer money transfers and various top-up processes – while complying with national and regional regulations for the issue of Visa or MasterCard products. The platform features user interfaces for administrative functions (e.g. call centres) and for consumers. The latter can access their wallet via the Internet as well as by way of their cellphones in the form of smartphone apps. The wallet solution supports peer-to-peer money transfers and also Internet payments, via cellphone (in-app payment) and also in bricks-and-mortar retailing via Near Field Communication (NFC), Host Card Emulation (HCE), Quick Response Codes (QR Codes) or Bluetooth Low Energy (BLE).

### **Payment Innovations – convergence of online, offline and mobile**

As one of the leading providers for payment and risk management solutions, Wirecard relies on developing its own innovations, while also implementing customer-specific special solutions. In-app payments are just one of many future-oriented technologies in this regard. The white-label based mobile card reader solution facilitates the mobile acceptance of card payments. In the couponing and loyalty segment, new value-added services are currently arising, which Wirecard has been enabling in the first place by merging acquiring and issuing. Fully in line with the trend towards converging sales channels and payment systems, various services associated with payouts and vouchers are also offered in the mobile advertising area.



# WIRECARD PLATFORM

## MULTI-CHANNEL PAYMENT GATEWAY

- More than 200 connections to banks, payment solutions and card networks
- Tokenization of sensitive payment data
- Adapters for industry software solutions
- Real-time reporting and business intelligence
- Subscription management
- Billing and Settlement Plan (BSP)
- Automated dispute management
- White-label user- and system-interfaces

- Global payment strategy advisory
- Multi-lingual helpdesk 24/7
- Case management and exception handling
- Payment guarantee

## PAYMENT ACCEPTANCE SOLUTIONS

- Card acquiring processing
- Acquiring processing of alternative payment schemes
- Multi-currency processing and settlement
- Terminal software for payment and value added services
- Terminal management solutions

- Corporate banking services
- Acquiring services for Visa, MasterCard, JCB, American Express, Discover/Diners, UnionPay and alternative payment methods
- Consolidated settlement and treasury services
- Terminal network deployment and operation

## RISK AND FRAUD MANAGEMENT

- Automated fraud pattern detection
- Address verification
- Credit rating agency gateway
- Device fingerprinting
- Real-time rule-engine
- Bespoke decision logic
- Score cards
- Hotlists (black/white/grey)

- Credit risk and fraud management advisory
- Case management and exception handling
- Anti-money-laundry monitoring

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

- Online/PoS/Mobile/Mail order/Telephone order (Moto)
- White-Label /Co-Branded / Wirecard-Branded

## ISSUING SOLUTIONS

- Card issuing processing
- Multiple card types (credit, debit and prepaid cards)
- Multiple form factors: plastic, virtual, mobile, sticker, dual-interface
- MIFARE and CEPAS stored value cards
- Instant card creation
- SP-TSM\* gateway

- Card program management
- Issuing licenses from Visa, MasterCard, JCB
- BIN sponsorship services
- Supplier selection and management
- Card personalization and data preparation
- PIN-management
- Hosted SP-TSM service

## WALLET SOLUTIONS

- Multi-channel consumer enrolment and base-data management
- Zero-balance and pass-through accounts
- Credit facility management
- Multiple top-up and funding sources
- Mobile and Internet apps
- Peer-to-peer funds transfer (P2P)

- Multi-lingual helpdesk 24/7
- Consumer banking services
- eMoney institution
- Managed know-your-customer (KYC) service
- Marketing and merchant enrolment support

## PAYMENT INNOVATIONS

- International money remittance
- In-app payments
- Mobile card reader solutions
- Loyalty and couponing services
- Contextual advertising and cash-back
- Biometric and “mini ATM” solutions for emerging markets
- Industry solutions (e.g. public transport, taxi, airline, ...)
- NFC, BLE, QR, HCE ...

- Management of multi-channel payment products for financial institutions and mobile operators
- Merchant and consumer acquisition for payment products with outbound callcenter

\*Service Provider – Trusted Service Manager

### 3. GENERAL CONDITIONS AND BUSINESS PERFORMANCE

#### **Macroeconomic conditions**

In October 2014, the International Monetary Fund published its latest global economic growth forecast. Compared with July 2014, the forecast for global economic growth in 2014 as a whole was revised downwards slightly by 0.1 percent to now 3.3 percent. In its outlook published in November 2014, the European Commission sees the eurozone growing by 0.8 percent in 2014, and the European Union (EU 28) reporting economic output up by 1.3 percent.

With regard to Singapore, the IMF forecast economic growth of 3.0% for 2014 in October this year. In the most recent IMF forecast, growth in the Asia 5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) in 2014 is estimated at 4.7 percent.

Europe continues to comprise Wirecard AG's core market. Based on an aggregation of forecasts for Europe published by market research institutions such as eMarketer, Forrester Research, PhoCusWright, the German E-Commerce and Distance Selling Trade Association (bevh), the German Retail Trade Association (HDE) and others, Wirecard AG anticipates the European e-commerce market to grow by around 12 percent in 2014 – calculated across all industries.

On a global basis, American market research firm eMarketer identifies increasing user classes, both online and mobile, in emerging economies as enormous growth factors. This is directly connected with better logistics options, and varied alternative payment options, as well as the entry of leading brand manufacturers into new international markets.

Millions of consumers in Singapore, Indonesia, Vietnam, Malaysia and Thailand and are now being reached indirectly with payment solutions through the Wirecard Group's East Asian subsidiaries. Wirecard is also already very well positioned on East Asia's emerging markets through early investments in companies that base their growth on the latest technologies for multi-channel-enabled payment transaction solutions. Multinational companies' global e-commerce strategies increasingly prioritise access to local payment networks.

#### **Course of business in the period under review**

Wirecard AG achieved its targets in the third quarter of 2014. The company continually expanded its portfolio of solutions and developed new projects with key accounts during the period under review. The trend toward internationalisation continued in the core e-commerce business.

Wirecard's key USPs include its combination of Internet and software technology as well as banking products, the global orientation of the payment platform, and innovative solutions that allow electronic payments to be processed efficiently and securely for customers.

Most of the Group sales revenues are generated on the basis of business relations with suppliers of online merchandise or services who outsource their payment processes to Wirecard AG. This means that the conventional services for the settlement and risk analysis of payment transactions performed by a payment services provider and the credit card acceptance (acquiring) performed by Wirecard Bank AG are closely linked.

Economies of scale are inherent in the technical platform from the growing proportion of business customers, who increase transaction volumes through acquiring bank services, and new products that are added to the portfolio.

Fee income from the core business of Wirecard AG, namely acceptance and issuing means of payment along with associated value added services, is generally proportionate to the transaction volumes processed. The transaction volume in the third quarter of 2014 amounted to EUR 8.9 billion (Q3 2013: EUR 6.9 bn), reflecting 29.0 percent growth on the same quarter in the previous year. In the third quarter of 2014, the transaction volume generated in Asia totalled EUR 2.0 billion (Q3 2013: EUR 1.2 bn).

The volume processed in the first nine months of 2014 amounted to EUR 24.4 billion and was up by 28.4 percent on the same period in the previous year (9M 2013: EUR 19.0 bn). In Asia, the transaction volume in the same 2014 period amounted to EUR 5.1 billion (9M 2013: EUR 3.0 bn).

As of the end of the quarter under review, distribution among target sectors was follows:



## Target sectors

With direct sales distributed across the company's target sectors, technological expertise and service depth, Wirecard AG continued its operational growth in the third quarter and the first nine months of 2014, and at the same time further extended its customer base and international network of cooperation and distribution partners.

The centralisation of cashless payment transactions from different distribution and procurement channels on a single platform forms a unique selling point of the Wirecard Group. In addition to new business involving the assumption of payment processing, risk management and credit card acceptance in combination with ancillary and downstream banking services, significant cross-selling and up-selling opportunities exist in business with existing customers, contributing to consistent growth as business relationships expand.

Following the soft launch at the start of the year, the finalised Wirecard Checkout Portal has been available since October 2014. Every month some hundred new merchants are on-boarding via the Wirecard Checkout Portal. Wirecard provides a fully automated solution via [www.checkoutportal.com](http://www.checkoutportal.com) for fast configuration and acceptance of the most commonly used international payment methods. The entire set-up process is online and there is no media discontinuity. The Wirecard Checkout Portal enables small and medium-sized retailers as well as start-up companies to connect their shops to international e-commerce. Online card payments are guaranteed and payment options can be tailored to individual customer requirements using a plug-in linked to the Wirecard Checkout Portal. This plug-in process is fast, uncomplicated and directly carried out online with no bureaucracy involved.

At the end of October 2014, a cooperation agreement was signed with software company Supreme NewMediaGmbH, the operator of the SUPR shop system. Seamless payment integration via the Wirecard Checkout Portal facilitates various payment methods such as credit cards, PayPal and SOFORT payment transfer.

During the first nine months of 2014, new customer trends were very positive in all of the Wirecard Group's target sectors. Collaboration with numerous existing customers was expanded in the core business. New customers were added from all industries and sectors. A major international online marketplace expanded the payment methods already integrated by adding mPass, a mobile payment solution, in the third quarter of 2014. Supplementing existing payment methods with additional options is just one example of how existing business relationships are expanded and how innovative Wirecard solutions are combined.

The expanded cooperation with sunhill technologies GmbH, to include mobile ticketing, was already reported in the previous quarter. In the quarter ended, Wirecard acquired Verona Airport as a new customer in Ticketing. The conclusion of this agreement in the area highlights Wirecard's expertise in Ticketing and Mobility.

In the airlines sector, further renowned carriers were acquired as customers. For instance, Wirecard added one of the largest continental European airlines to the operating business in the previous quarter. Starting in the third quarter, Qatar Airways relies on Wirecard's payment processing service for online payments. The award-winning oneworld-member, is one of the fastest growing airlines in the world. After the end of the period under review, Turkish airline Onur Air was announced as a new customer of Wirecard AG on 28 October 2014. The private airline immediately started using the Billing and Settlement Plan (BSP) of the IATA interface via Wirecard Bank's Multi-Channel Payment Gateway. This makes Onur Air's ticket sales even faster and simpler.

In addition to new customers, the expansion of numerous existing business relationships in the quarter ended confirms a strong performance in the area of Travel and Transport. Among Wirecard's renowned customers, Thomas Cook expanded the Wirecard services it uses to include credit card acquiring.

The strong business performance in the quarter ended was rounded off by the Digital Goods sector. Two powerful brands in the German print magazine market were acquired as new customers. Focus Magazin Verlag GmbH, one of Germany's major news magazines, and Fit for Fun Verlag GmbH, which publishes the highest-selling German lifestyle magazine, use Wirecard in its capacity as specialist for payment processing and acquiring services.

SoftwareONE has already been using Wirecard Payment Services since the second quarter of 2014. The worldwide expert for software licensing uses the interface to Wirecard's global multi-channel payment gateway.

### **Business progress in Asia**

As part of the cooperation venture with EZ-Link Pte. Limited Singapore, the country's largest producer of contactless cards for local public transport systems, the world's first application was presented at the end of January that converts a mobile phone into a personal top-up device. In collaboration with MasterCard and McAfee, the "My EZ-Link Mobile" application transforms NFC-enabled mobile phones into personal, portable topping-up stations. Users of EZ-Link cards now no longer need to top up their credits at travel ticket machines, but instead benefit from a rapid and secure way of topping up their travelcards – technologically realised by Wirecard. EZ-Link clinched the "Most Innovative NFC Project Award" at the "Smart Awards Asia 2014" with its My EZ-Link Mobile app, a collaborative project with Wirecard AG.

The positive trend in our Asian business is also characterised by technology transfers that enable our new subsidiaries in Southeast Asia to operate with an expanded portfolio of solutions on Asian markets. We are also already productively deploying technology developments in our Mobile Payments business area that are still in the process of launching in Europe.

### **Business process in Acquiring**

Wirecard Bank generates most of its revenues within the Group through sister companies' sales structures. This comprises banking services for companies through card acceptance contracts, and business and foreign currency accounts.

Forex management services are increasingly being provided for airlines and e-commerce providers who book incoming payments in various currencies as a result of their international business. This provides them with a secure calculation basis, whether for settlement of merchandise and services in foreign currency or when receiving foreign exchange from concluded transactions.

In the quarter under review, the acquiring volume grew along with the core business of payment processing.

### **Business progress in Issuing**

Income in the Issuing division comprises B2B product lines such as the Supplier and Commission Payments solution as well as B2C prepaid card products.

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

### **Business progress in Mobile Payment**

During the third quarter of 2014, Wirecard AG continued to drive ahead with the development and launch of its innovative products and solutions in the areas of Mobile Payment, mPOS and Couponing & Loyalty. These allow providers to offer secure payments through mobile devices, offering users a constantly growing number of value added services.

Mobile payment using NFC technology has established itself as the global standard. With Apple's decision to use Near Field Communication technology in its new products and services presented in September 2014, NFC is now supported by all major device manufacturers as the global transmission standard creates the preconditions for trend-setting investment decisions by retail and the financial industry in the Mobile Payment area. Gartner Research expects that the number of NFC-enabled mobile phones will rise to around 550 million in 2014. This growth is based on the increasing number of NFC-enabled Android devices and the integration of NFC technology in Apple's new iPhone generation.

The increased availability of practical application scenarios for consumers provides further impetus for growth in NFC-based mobile payment transactions. Since September this year, Vodafone Smartpass users have had the option of using their smartphones to pay on all of the Transport for London (TfL) network. Users of Vodafone SmartPass, travelling in London by over- and underground, the Docklands Light Railway (DLR), trams and buses can pay contactless.

Wirecard was one of the first payment companies worldwide to integrate Bluetooth Low Energie (BLE), under the name Bluetooth BLE Smart Payment, and Host Card Emulation (HCE) as additional payment technology into its existing mobile wallet platform alongside NFC and QR Code. BLE enables data to be transferred over distances of up to 10 metres. In combination with micro-senders, known as beacons, this technology makes innovative, location-related services available. HCE makes it possible to carry out secure, NFC-based transactions for payments and services via mobile apps, regardless of whether a physical secure element (SE) is available on the mobile phone. All data generated during a transaction is therefore no longer stored on a hardware component, but instead on a secure centralised server. The technology facilitates fast entry in the mobile payment market for telecommunications companies, financial service providers, banks and retailers.

The technologies implemented by Wirecard AG stand for the transparency and simplicity of these payment services. The voucher and loyalty point programme integrated into the issuing platform provides voucher and customer loyalty programmes that are directly connected with card transactions. The couponing and loyalty system is also available for mobile payment in connection with white label card programmes.



With Wirecard ePOS, Wirecard AG presented an innovative future concept of the Internet-based point-of-sale infrastructure. As a consequence, Internet-based software on mobile phones could replace the proprietary hardware cash register terminal within a few years. Whether expensive cash handling or long queues: checkout processes at cash terminals incur high costs. Merchants will soon be able to reduce these costs over the long term, and also place mobile marketing campaigns as part of the checkout process.

In July 2014, the BASE Wallet was launched on the market. Wirecard is supporting E-Plus with its mobile network operator BASE in launching its mobile electronic wallet with a digital Maestro card, the "Walletcard". In combination with a mobile phone, contactless payment via NFC is possible at all MasterCard PayPass acceptance points around the world.

In India, Wirecard AG is supporting Skilworth Technologies Private Limited in the introduction of its innovative mPOS solution under the name Bijlipay. Following very successful initial test operations in Southern India, the roll-out across India started in early September 2014. Wirecard is supporting Bijlipay with its entire white label, end-to-end platform for chip & pin-based mPOS services that integrate these types of terminals, terminal management, mobile applications and retailer management, as well as acquiring processing and antifraud solutions.

With its mobile point-of-sale solutions, Wirecard has acquired software manufacturer Lexware, a Haufe Group company, as a new partner. Using Wirecard's flexible mobile card reader program, Lexware has offered its customers mobile, cashless payment processing via EC card since September 2014. After the end of the reporting period, this solution was expanded in November 2014 to include credit card acceptance based on chip & pin.

Negotiations with other telecommunications service-providers are currently underway. In addition, Wirecard expanded its cooperation with existing contractual partners to include technical solutions for added value voucher and loyalty point services. In Europe, telecommunications service-providers are offering digital wallets for smartphones, which, as platforms, combine payment functions with numerous services, such as ticketing or voucher and loyalty point programmes. Wirecard supports most of these initiatives, which are either combined with Visa, or MasterCard solutions and based on Near Field Communication (NFC) technology.

### **Business progress in Call Centre & Communication Services**

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

The hybrid call centre structure, in other words, the bundling of virtual stationary call centres with stationary ones, also enables third-party customers of "premium expert services" to benefit in the following segments:

- Financial Services
- First & Second Level User Helpdesk (specifically in the field of console, PC and mobile games as well as commercial software, security and navigation)
- Mail order/direct response TV (DRTV) and targeted customer service (outbound)
- Market and opinion research/Webhosting

In the first nine month of the year, Wirecard Call Centre & Communication Services further expanded its customer relationships. As parts of agreements with telecommunication service providers, the call centre currently renders services for E-Plus, Deutsche Telekom, Telefónica Germany, Vodafone Group and Orange.

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

Wirecard AG generally publishes its figures in thousands of euros (kEUR). The use of rounding means that 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.

### Results of Operations

In the nine-month period 2014, the Wirecard AG has again increased significantly both its revenue and operating profit.

### Results of operations

In the nine-month period 2014, consolidated revenues grew by 24.4 percent from kEUR 341,119 to kEUR 424,240.

Revenue generated in nine-month period 2014 in the core segment of Payment Processing & Risk Management stemming from risk management services and the processing of online payment transactions increased by 27.5 percent from kEUR 244,344 to kEUR 311,581.

The share of the Acquiring & Issuing segment of total consolidated revenue grew by 19.0 percent in the nine-month period 2014 to reach kEUR 147,432 (9M 2013: kEUR 123,926), of which the share from Issuing amounted to kEUR 32,639 in the nine-month period 2014 (9M 2013: kEUR 29,091).

Revenue from Acquiring & Issuing in the nine-month period 2014 primarily comprised commissions, interest from financial investments and income from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. This entails investing customer deposits to be invested by the Wirecard Bank AG and Wirecard Card Solutions Ltd. (30 September 2014: kEUR 349,411; 30 September 2013: kEUR 255,866) being held exclusively in sight deposits, overnight deposits, fixed-term deposits, as well as the base liquidity in variable-rate bearer bonds and borrower's note loans of selected issuers with a minimum (A-) investment-grade rating, partially with a minimum interest rate. In addition, the Group prepares its own risk valuation for the counterparty.

The interest income generated by the Acquiring & Issuing segment in the nine-month period 2014 totalled kEUR 2,438 (9M 2013: kEUR 2,339), and is recognised as revenue. Accordingly, it is not included in the Group's net financial income but is also reported here as revenue. It comprises interest income on investment of own as well as customer deposits (deposits and acquiring money) with external banks.

The Call Centre & Communication Services (CC&CS) segment generated revenues of kEUR 3,923 in the period under review, compared with kEUR 3,568 in the nine-month period 2013.

#### Trends in key cost items

Other own work capitalised primarily comprises the continued development of the core system for payment processing activities as well as continued development on Mobile Payment projects. In this regard, own work is only capitalised if it is subject to mandatory capitalisation in accordance with IFRS accounting principles. Capitalisation entries amounted to a total of kEUR 18,355 in the nine-month period 2014 (9M 2013: kEUR 14,781). It is corporate policy to value assets conservatively and to capitalise them only if this is required in terms of international accounting standards.

The Group's cost of materials increased in the fiscal year elapsed to kEUR 241,835, compared to kEUR 202,540 in the previous year. The cost of materials essentially comprises charges of the credit card issuing banks (Interchange), charges to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (e.g. in the field of Risk Management services and Acquiring). It also includes expenses for payment guarantees and factoring. In the field of acquiring it comprises commission costs for external distributions.

At the segment of Acquiring & Issuing, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as Interchange, and primarily processing costs for external services providers, production, personalisation and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts.

Gross profit (revenue including other own work capitalised less cost of materials) increased by 30.9 percent to kEUR 200,760 in the nine-month period 2014 (9M 2013: kEUR 153,360).

Group personnel expenses rose to kEUR 47,156 in the nine-month period 2014, up by 36.8 percent year-on-year (9M 2013: kEUR 34,481). The consolidated personnel expense ratio increased by 1.0 percentage points year-on-year to 11.1 percent. The growth in personnel expenses is due to the acquisitions made and the new hires in connection with the Mobile Payment projects, which also restrict the comparability of this item.

Other operating expenses mainly comprise the costs of legal advice, expenses entailed in preparing financial statements, consulting and related costs, office costs, sales and marketing expenses, and personnel-related expenses. These also include costs for external employees and consultants, especially as employed in Mobile Payment projects. These amounted to kEUR 36,123 within the Wirecard Group in the nine-month period 2014 (9M 2013: kEUR 31,219), consequently equivalent to 8.5 percent of revenue (9M 2013: 9.2 percent).

Amortisation/depreciation stood at kEUR 28,793 in the nine-month period 2014 (9M 2013: kEUR 18,393). Amortisation and depreciation rose year-on-year in the nine-month period 2014, mainly due to investments realised in property, plant equipment, Mobile Payment projects, and as a result of the acquisitions of companies and assets.

Other operating income made up of certain smaller items such as income from acquisitions and income from contractual agreements, and amounted to kEUR 3,472 at Group level in the nine-month period 2014, compared with kEUR 2,134 in the previous year.

#### **EBITDA trends**

The pleasing earnings growth is due to the increase of the transaction volume processed by the Wirecard Group, economies of scale from the transaction-oriented business model and from the increased use of the banking services.

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) grew in the nine-month period 2014 by 34.7 percent, from kEUR 89,793 in the previous year to kEUR 120,954. The EBITDA margin amounted to 28.5 percent in the nine-month period 2014 (9M 2013: 26.3 percent).

The EBITDA of the segment Payment Processing & Risk Management stood at kEUR 96,795 in nine-month period 2014 and grew by 41.8 percent (9M 2013: kEUR 68,238). The Acquiring & Issuing segment accounted for kEUR 23,888 of EBITDA in the nine-month period 2014 (9M 2013: kEUR 21,380), and the Issuing segment generated kEUR 8,687 (9M 2013: kEUR 9,427) of EBITDA in the nine-month period 2014.

**Financial result**

The financial result amounted to kEUR – 3,810 in the nine-month period 2014 (9M 2013: kEUR – 3,311). Group financial expenses stood at kEUR 5,146 in the nine-month period 2014 (9M 2013: kEUR 4,464) and resulted primarily from loans taken out for past corporate acquisitions and the revaluation of financial assets. Financial income does not include interest income generated by the Wirecard Bank AG and Wirecard Card Solutions Ltd., which must be reported as revenue in accordance with IFRS accounting principles.

**Taxes**

Owing to the international orientation of the business, the cash tax rate (excluding deferred taxes) amounted to 13.8 percent in the nine-month period 2014 (9M 2013: 14.1 percent). Including deferred taxes, the tax rate came to 16.1 percent (9M 2013: 16.6 percent).

**Earnings after tax**

Earnings after tax in the nine-month period 2014 increased by 30.7 percent year-on-year, rising from kEUR 56,757 to kEUR 74,158.

**Earnings per share**

The average number of shares in issue on an undiluted basis amounted to 121,152,470 shares in the nine-month period 2014 (9M 2013: 112,192,241 shares). Basic (undiluted) earnings per share stood at EUR 0.61 in the nine-month period 2014 (9M 2013: EUR 0.51).

**Financial position and net assets****Principles and objectives of financial management**

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. The Treasury department is responsible for monitoring currency hedges. Following individual inspections, risks are restricted by additional deployment of financial derivatives. As in the previous year, currency options were deployed as financial derivatives to hedge revenues in foreign currencies in the period under review. It has been stipulated throughout the Group that financial derivatives should not be deployed for speculative purposes (see Annual report 2013 – Management report III. Report on outlook, opportunities and risks, Chapter 2.8 Financial risks).

### **Capital and financing analysis**

On 25 February 2014, Wirecard AG approved a capital increase of 11,198,345 new shares, which were successfully placed with institutional investors at a price of EUR 32.75 on 26 February 2014. The company received around kEUR 366,746 of gross issue proceeds from the capital increase. These are offset by directly attributable transaction costs of kEUR 5,688, which were reduced to reflect all related income tax benefits, leaving a total offsetting amount of kEUR 4,141. As a consequence, Wirecard AG reports equity of kEUR 1,038,449 (31 December 2013: kEUR 608,411).

Due to the nature of our business, the highest liabilities to merchants exist in the field of credit card acquiring and customer deposit-taking as part of banking operations. These have a substantial effect on the equity ratio. The commercial banks that granted Wirecard AG loans as at 30 September 2014 amounting to kEUR 99,024 do not include these items in the credit agreement concluded in 2013 in their equity capital calculations due to the circumstances surrounding this particular business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual position. These banks determine Wirecard AG's equity ratio by dividing the amount of liable equity capital by total assets. Liable equity capital is determined by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. Any receivables due from shareholders or planned dividend payments must also be deducted. Total assets are identified by subtracting customer deposits, the Acquiring funds of Wirecard Bank and the reduction in equity from the audited total assets, and leasing liabilities are added again to these total assets. This calculation gives an equity ratio of 78.6 percent for Wirecard AG (31 December 2013: 57.8 percent).

### **Capital expenditure analysis**

The criteria for investment decisions in the Wirecard Group generally comprise the capital employed position, the securing of a comfortable cash and cash equivalents position, 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 capital expenditure, the temporal course of investment return flows is taken fully into account. In the period under review, capital expenditure was essentially utilised for strategic transactions/ M&A totalling kEUR 55,771. Capital expenditure for externally developed software amounted to kEUR 8,681 and capital expenditure for internally developed software totalled kEUR 18,355.

### **Liquidity analysis**

Current customer deposits are fully due and payable on a daily basis, and are reported on the equity and liabilities side of the Wirecard consolidated financial statements among other liabilities (customer deposits). These customer funds are comparable in economic terms with short-term (bank) account loans or overdraft facilities. Separate accounts have been set up for customer

deposits on the assets side of the balance sheet (30 September 2014: kEUR 349,411; 30 September 2013: kEUR 255,866). These may not be used for any other business purposes. Given the total amount of the customer deposits, securities (so-called collared floaters and current interest-bearing securities) with a nominal value of kEUR 192,535 (30 September 2013: kEUR 115,407) are held, and deposits with the central bank, and sight and short-term time deposits with banks are maintained in an amount of kEUR 157,479 (30 September 2013: kEUR 135,953). These are reported in the Wirecard Group under the balance sheet items of "cash and cash equivalents", "non-current financial and other assets" and "current interest-bearing securities". They are not included in the financial resource fund. This amounted to kEUR 456,907 as of 30 September 2014 (30 September 2013: kEUR 215,412).

As far as the liquidity analysis is concerned, it should also be noted that liquidity is influenced by balance sheet date effects because of the company's particular business model. The liquidity which Wirecard receives from its merchants' credit card revenues and which it will pay out to the same merchants in future is available to the Group for a transitional period. It should be particularly noted in this context that a very sharp increase in the operational cash flow in the fourth quarter of 2013, which was essentially due to delayed payouts on account of the public holidays, a countervailing trend is faced in the 2014 cash flow.

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

The cash flow from operating activities (adjusted) amounting to kEUR 103,436 clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times.

Interest-bearing liabilities are mostly non-current, and were utilised for realised M&A transactions and for investments in Mobile Payment projects. In the period under review those were reduced with funds of the capital increase. As a result, the Group's interest-bearing bank borrowings decreased by kEUR 134,027 to kEUR 99,024 (31 December 2013: kEUR 233,051). Wirecard AG has EUR 364 million of lending commitments (previous year: EUR 364 million). Along with the loans recognised in the balance sheet, additional credit lines from commercial banks are available. Lines for guarantee credit facilities are also available in an amount of EUR 24.5 million (previous year: EUR 24.5 million), of which an unchanged amount of EUR 17 million has been utilised.



### **Net assets**

Assets reported in the balance sheet of Wirecard AG increased by kEUR 401,178 in the nine-month period 2014, rising from kEUR 1,430,520 to kEUR 1,831,698. In the period under review both non-current and current assets grew, with the latter increasing from kEUR 839,462 to kEUR 1,142,661. In addition to last year's investments in operating business growth, the changes are primarily due to the consolidation of the assets and liabilities acquired as part of the acquisition and the capital increase that was implemented. This has caused various balance sheet items to increase substantially. As a result, comparability is only possible to a limited extent. This particularly comprises the asset items of "intangible assets", "goodwill" and "customer relationships", as well as the "receivables" and "cash and cash equivalents" items, and, on the equity and liabilities side of the balance sheet, the item "trade payables".

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

## 5. RESEARCH AND DEVELOPMENT

The research and development (R&D) area comprises the core of the Wirecard technology group's activities. As result of its software engineering achievements in research and development, Wirecard can offer new and innovative products and services on both established and new markets, whether in terms of geography or application area.

The Wirecard Group's global presence enables the greatest possible degree of understanding of its dynamic market environment. Its local presence on strategic growth markets comprises the key to comprehending regional market particularities. As a consequence, Wirecard can not only identify trends at an early stage, but also take an active role in structuring them, and bring its stamp to bear on them.

Wirecard AG's modular and scalable platform allows it to offer its customers innovative solutions along the payment value chain that can be adapted flexibly to meet specific requirements. State-of-the-art technologies and agile development methods form the foundation for the efficient and effective utilisation of resources in a highly dynamic market environment.

The individual expenditure items are included in the personnel expenditure of the respective areas (Payment & Risk, Issuing Services, etc), among both advisory costs and intangible assets.

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

### Events of particular importance

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

Wirecard AG published an ad-hoc announcement on 7 October 2014 to announce that the Management Board of Wirecard has raised the guidance for the fiscal year 2014 due to a strong development of new customer gains as well as the overall very positive business performance. Until now earnings before interest, taxes and depreciation and amortisation (EBITDA) were expected in a range of EUR 163 million to EUR 175 million. Wirecard AG's Management Board is now forecasting EBITDA in a bandwidth of between EUR 170 million to EUR 177 million for the fiscal year 2014. This corresponds to an increase of 35 to 40 percent in comparison to the EBITDA of 2013 which amounted to EUR 126 million.

Wirecard AG published its preliminary financial results for the third quarter 2014 / the first nine month 2014 with an ad-hoc announcement on 22 October 2014.

Wirecard AG and Visa Inc. announced on 17 November 2014 their cooperation in prepaid card issuing, affirming their joint commitment to the growing prepaid markets in Asia-Pacific, Latin America and other regions.

As part of the partnership, Wirecard and Visa Inc. announced an agreement by which Wirecard will acquire certain assets of Visa Processing Service (VPS), headquartered in Singapore, and acquire all shares in Visa Processing Services (India) Private Limited for USD 16 million. The agreement is subject to certain closing conditions. The closing is expected for the end of the first quarter 2015.

Wirecard AG published an ad-hoc announcement on 18 November 2014 to announce that Wirecard AG's Management Board is forecasting earnings before interest, taxes and depreciation and amortisation (EBITDA) for the fiscal year 2015 in a bandwidth of between EUR 205 to EUR 225 million.

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

<b>Date of Publication</b>	<b>Reportings of the company after the end of the period</b>
2 October 2014	<p>Threshold of 3 percent exceeded on 21 August 2014 (Fell below the threshold of 3 percent on 10 September; cf. publication before the end of the reporting period as at 12 September 2014):</p> <p>The Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA: 3.04 percent</p>
7 November 2014*	<p>Threshold of 3 percent exceeded on 15 September 2014:</p> <p>Standard Life Investments Limited, Edingburgh, Great Britain: 3.03 percent</p>

Details can be found online: [ir.wirecard.com](http://ir.wirecard.com)

\* On 5 November 2014, Standard Life Investment Limited, Edinburgh, UK, informed the company that its voting right share had exceeded the threshold of 3 percent on 15 September 2014. See online: [ir.wirecard.com](http://ir.wirecard.com)

**Impact on the Group's financial position and results of operations**

On 5 November 2014 the Wirecard Group acquired control of the Turkish company Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş., headquartered in Istanbul, in November. Further details are provided in Condensed Consolidated Financial Statements, Explanatory Notes "1.1. Business activities and legal background – Business combinations in the current year".

## 7. REPORT ON OPPORTUNITIES AND RISKS

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

In the interests of securing the company's success and profitability on a long-term and sustainable basis, the identification, analysis, assessment and documentation of critical trends and emerging risks at an early stage is consequently indispensable. As long as it makes economic sense, the aim is to adopt corrective countermeasures, and to limit, avoid or transfer risks in order to optimise the company's risk position in relation to its earnings. The implementation and effectiveness of any adopted countermeasures must be reviewed continuously.

To minimise the financial impact of potential losses, Wirecard takes out insurance policies – to the extent that they are available and financially justifiable. Wirecard continuously monitors the level of cover that such insurance provides.

Equally, a company-wide policy is to identify, evaluate and exploit opportunities in order to sustain growth trends and secure the Group's earnings growth. Above and beyond this, such analysis also takes into account the risks that would arise from a failure to exploit the opportunities that arise.

As no changes have occurred during the intervening period, please refer to the risk report contained in the 2013 annual report for more details. We note that no going concern risks currently relate to the Group.

## 8. OUTLOOK

Wirecard's core business for online payment processing, risk management and acquiring has been recording disproportionately strong development in the current financial year. The end-to-end software solutions based on online technology for all sales channels offered by Wirecard have put it in the best-possible position for continuing its sales success over the next year.

In line with leading market research organisations, we are also expecting the share of purchases made using internet technology to increase in retail as a whole. With a steady increase in the number of new client relationships as well as a growing transaction volume in its core business, the Wirecard Group is expecting further economies of scale resulting from the transaction-oriented business model.

Internet technologies will be dominating the market in the field of payment processing across all sales channels in future: online, mobile and at the point of sale (POS). This strengthens the trend toward omnichannel sales. Wirecard is driving these developments forward with its payment innovations.

Near field communication technology is now supported by all major device manufacturers and mobile operating systems and, as Wirecard predicted, it has become established as a global transmission standard for mobile payments. This global technology standard has established a prerequisite for pioneering investment decisions by retailers and the financial industry in the field of mobile payment. The new trend from cash payment to electronic transactions is also beginning to gather momentum in Asia. Wirecard Asia Pacific is already successfully supporting companies and banks in this region in gaining access to millions of consumers.

The acquisition of one of the leading Turkish payment providers, Mikro Ödeme Sistemleri İletişim Sanayi ve Ticaret A.Ş., with its 3pay product, which is based in Istanbul, was completed on 5 November 2014. The service portfolio offered by the fast-growing company includes mobile payment, direct billing and own prepaid card platforms, among many others. In view of the fact that Turkey is considered to be one of the most dynamic growth markets for electronic payment, e-Commerce and prepaid products in the Middle East North Africa region, an expansion of the customer portfolio in this region is to be expected.

The strategy continues to focus on generating organic growth, in particular, complemented by acquisitions, above all of companies operating in emerging markets.

With the increase of its earnings before interest, tax, depreciation and amortisation (EBITDA) forecast in October 2014, the Management Board of Wirecard AG has confirmed the positive business development of the Group. For the 2014 financial year, the Management Board is now forecasting EBITDA ranging between EUR 170 million and EUR 177 million.

Wirecard AG's Management Board is forecasting earnings before interest, taxes and depreciation and amortisation (EBITDA) for the fiscal year 2015 in a bandwidth of between EUR 205 to EUR 225 million.

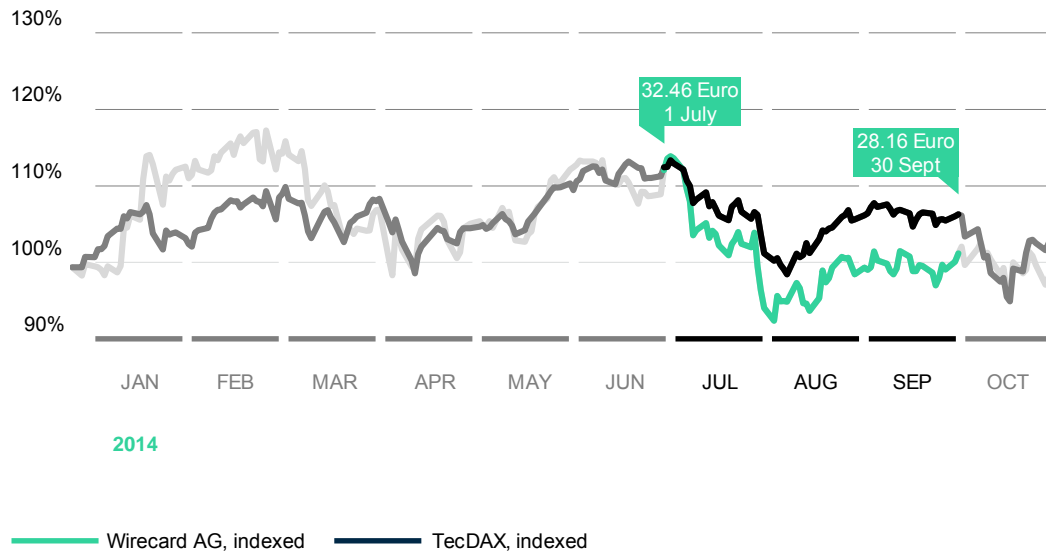
**Aschheim (Munich), November 2014**

**Wirecard AG**

**Management Board**

## 9. WIRECARD STOCK

The positive performance of the German benchmark DAX index over the year so far was not maintained in the third quarter of 2014. Following a fall of around 4 percent, the DAX closed the quarter ending 30 September at 9,474 points. Over the third quarter of the year, the TecDAX was down 4.55 percent to 1,249 points. Wirecard shares lost 7.2 percent over the course of the quarter, and closed at EUR 29.26 on the last trading day of the third quarter of 2014. The lowest daily closing rate of the shares was recorded on 4 August, when the shares dropped to EUR 26.65. On 3 July 2014, Wirecard shares reached a peak value of EUR 33.00 for the reporting period.



Over the course of the quarter, a total of approximately 33 million Wirecard shares were traded on the XETRA electronic trading platform, corresponding to an average trading volume of around 500,000 shares per day.



### Key figures 9M 2014

		9M 2014	9M 2013
Number of shares – all dividend-entitled		123,490,586	112,192,241
Share capital	kEUR	123,491	112,192
Market capitalization (30 September)	EUR billion	3,61	2,84
Share price (30 September)	EUR	29.26	25.29
High for the year as of 30 September	EUR	33.99	25.29
Low for the year as of 30 September	EUR	26.65	16.77

Price data: XETRA closing prices

### Annual general meeting/dividend resolution

Wirecard AG's Ordinary Annual General Meeting was held in Munich on 18 June 2014. The motions passed including disbursing an amount of EUR 14,818,870.32 as a dividend from the net retained profits for the 2013 fiscal year of EUR 54,338,289.52. This corresponds to an amount of EUR 0.12 per share for the 123,490,586 dividend-entitled shares.

All of the agenda items were passed with a majority. Information on the Ordinary Annual General Meeting and details on the results of voting are available online at:

[ir.wirecard.com/annual-general-meeting](http://ir.wirecard.com/annual-general-meeting)

### Investor relations

Wirecard AG's Management Board and investor relations department are in constant contact with institutional investors in one-on-one meetings, roadshows and investor conferences. At the end of the period under review, 18 analysts from renowned banks were covering the Wirecard share.

The Management and Supervisory boards of Wirecard AG obligate themselves to comply with the principles of the German Corporate Governance Code and endorse the principles of transparent and sustained corporate governance. Special measures in this regard include the listing on the Prime Standard and reporting according to IAS/IFRS.

Further information is available online at: [ir.wirecard.com](http://ir.wirecard.com)

### Basic information on Wirecard stock

Founded in:	1999
Market segment:	Prime Standard
Index:	TecDAX
Share class:	No par value common bearer shares
Ticker symbol:	WDI; Reuters: WDIG.DE; Bloomberg: WDI GY
German Securities Code (WKN):	747206
ISIN:	DE0007472060
Authorised capital, in number of shares:	123,490,586
Group accounting category:	Exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year:	31 December
Total share capital as at 30 September 2014	KEUR 123,491
Start of stock market listing:	25 October 2000
Management Board:	Dr. Markus Braun      CEO, CTO
	Burkhard Ley      CFO
	Jan Marsalek      COO
Supervisory Board:	Wulf Matthias      Chairman
	Alfons W. Henseler      Deputy Chairman
	Stefan Klestil      Member
Shareholder structure* on 30 September 2014	
(Shareholders with more than 3% of voting rights)	6.0% MB Beteiligungsgesellschaft mbH
	94.0% free float (according to Deutsche Börse's definition), thereof
	6.27% Jupiter Asset Management Ltd. (UK)
	5.04% The Capital Group Companies (US)
	4.94% Alken Luxembourg S.A. (LU)
	3.03% Standard Life Investment Limited (UK)

\* (rounded) according to last notification by investors (Section 26a of the German Securities Trading Act [WpHG])

## Consolidated balance sheet – assets

in kEUR	30.09.2014	31.12.2013
<b>ASSETS</b>		
<b>I. Non-current assets</b>		
1. Intangible assets		
Goodwill	171,118	145,795
Internally-generated intangible assets	57,555	44,308
Customer relationships	288,708	220,509
Other intangible assets	43,665	33,375
	561,046	443,987
2. Property, plant and equipment		
Other property, plant and equipment	15,458	14,220
3. Financial and other assets / interest-bearing securities	110,430	127,415
4. Tax credits		
Deferred tax assets	2,103	5,435
<b>Total non-current assets</b>	<b>689,037</b>	<b>591,057</b>
<b>II. Current assets</b>		
1. Inventories and work in progress	3,355	4,658
2. Trade and other receivables	353,774	278,989
3. Tax credits		
Tax refund entitlements	13,118	8,615
4. Interest-bearing securities and fixed deposits	157,718	68,104
5. Cash and cash equivalents	614,696	479,095
<b>Total current assets</b>	<b>1,142,661</b>	<b>839,462</b>
<b>Total assets</b>	<b>1,831,698</b>	<b>1,430,520</b>

## NOTES

### Consolidated balance sheet – equity and liabilities

in kEUR	30.09.2014	31.12.2013
<b>EQUITY AND LIABILITIES</b>		
<b>1. Equity attributable to Wirecard AG shareholders</b>		
1. Subscribed capital	123,491	112,292
2. Capital reserve	493,089	141,683
3. Retained earnings	419,473	360,134
4. Currency translation reserve	2,396	- 5,698
<b>Total equity</b>	<b>1,038,449</b>	<b>608,411</b>
<b>II. Liabilities</b>		
1. Non-current liabilities		
Non-current interest-bearing liabilities	91,059	217,389
Other non-current liabilities	11,166	12,375
Deferred tax liabilities	26,234	17,723
	<b>128,458</b>	<b>247,487</b>
2. Current liabilities		
Trade payables	254,884	259,334
Interest-bearing liabilities	7,966	15,662
Other provisions	1,197	1,225
Other current liabilities	40,875	31,588
Customer deposits from banking operations	349,411	260,231
Tax provisions	10,458	6,580
	<b>664,791</b>	<b>574,621</b>
<b>Total liabilities</b>	<b>793,249</b>	<b>822,108</b>
<b>Total equity and liabilities</b>	<b>1,831,698</b>	<b>1,430,520</b>

## Consolidated income statement

in kEUR	01.07.2014 – 30.09.2014		01.07.2013 – 30.09.2013	
<b>I. Revenues</b>		155,425		124,972
<b>II. Other own work capitalised</b>		6,568		6,046
1. Own work capitalised	6,568		6,046	
<b>III. Special operating expenses</b>		115,215		92,841
1. Cost of materials	88,601		74,367	
2. Personnel expenses	16,451		11,670	
3. Amortisation and depreciation	10,162		6,804	
<b>IV. Other operating income and expenses</b>		- 10,939		- 11,429
1. Other operating income	1,106		- 7	
2. Other operating expenses	12,045		11,422	
<b>Operating profit</b>		35,839		26,748
<b>V. Financial result</b>		- 1,014		- 1,132
1. Other financial income	313		252	
2. Financial expenses	1,327		1,384	
<b>VI. Earnings before tax *</b>		34,824		25,617
<b>VII. Income tax expense</b>		5,528		4,401
<b>VIII. Earnings after tax</b>		29,296		21,215
Earnings per share (basic) in EUR		0.24		0.19
Earnings per share (diluted) in EUR		0.24		0.19
Average shares in issue (basic)		123,490,586		112,192,241
Average shares in issue (diluted)		123,588,183		112,334,720

\* fully attributable to parent company shareholders

## Consolidated statement of comprehensive income

in kEUR	01.07.2014 – 30.09.2014	01.07.2013 – 30.09.2013
<b>Earnings after tax</b>	29,296	21,215
Change in amount reported in equity (currency translation)	5,952	- 942
<b>Consolidated statement of comprehensive income</b>	35,248	20,273

## NOTES

### Consolidated income statement

	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013	in kEUR
	424,240	341,119	<b>I. Revenues</b>
	18,355	14,781	<b>II. Other own work capitalised</b>
18,355		14,781	1. Own work capitalised
	317,784	255,414	<b>III. Special operating expenses</b>
241,835		202,540	1. Cost of materials
47,156		34,481	2. Personnel expenses
28,793		18,393	3. Amortisation and depreciation
	- 32,650	- 29,086	<b>IV. Other operating income and expenses</b>
3,472		2,134	1. Other operating income
36,123		31,219	2. Other operating expenses
	92,161	71,400	<b>Operating profit</b>
	- 3,810	- 3,311	<b>V. Financial result</b>
1,336		1,153	1. Other financial income
5,146		4,464	2. Financial expenses
	88,351	68,089	<b>VI. Earnings before tax *</b>
	14,193	11,332	<b>VII. Income tax expense</b>
	74,158	56,757	<b>VIII. Earnings after tax</b>
	0.61	0.51	Earnings per share (basic) in EUR
	0.61	0.51	Earnings per share (diluted) in EUR
	121,152,470	112,192,241	Average shares in issue (basic)
	121,250,067	112,334,720	Average shares in issue (diluted)

### Other comprehensive income

	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013	in kEUR
	74,158	56,757	<b>Earnings after tax</b>
	8,094	- 1,723	Change in amount reported in equity (currency translation)
	82,252	55,034	<b>Consolidated comprehensive income</b>

## Consolidated cash flow statement

in kEUR	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
<b>Earnings after interest and tax</b>	<b>74,158</b>	<b>56,757</b>
Financial result	3,810	3,311
Income tax expenses	14,193	11,332
Gain/loss from disposal of non-current assets	45	64
Amortisation/depreciation	28,793	18,393
Change from currency exchange-rate differences	- 3,709	2,413
Change in inventories	1,304	- 366
Change in trade and other receivables	- 67,871	- 66,965
Change in trade payables	- 576	- 4,475
Change in other assets and liabilities	- 5,037	- 5,760
Net cash outflow arising from income taxes	- 13,993	- 11,180
Interest paid excluding interest on loans	- 158	- 153
Interest received	529	428
<b>Cash flow from operating activities</b>	<b>31,488</b>	<b>8,175</b>
Cash outflows for investments in intangible assets and property, plant and equipment	- 50,220	- 40,867
Cash inflows from sale of intangible assets and property, plant and equipment	4	7
Cash outflows for investments in financial assets and interest-bearing securities	- 750	- 30,500
Cash outflows for acquisition of companies less acquired cash	- 40,771	- 2,456
<b>Cash flow from investing activities</b>	<b>- 91,737</b>	<b>- 73,816</b>
Cash outflows for previous years' acquisitions of companies	- 3,758	- 2,662
Drawdown/redemption of lease liabilities	- 3,187	- 2,600
Cash inflows from issuing of shares	366,746	0
Cash outflows for expenses from issuing of shares	- 5,688	0
Cash inflows from drawing down of financial liabilities	0	65,000
Cash outflows for expenses for drawing down of financial liabilities	- 949	- 604
Cash outflows for repayment of financial liabilities	- 131,427	- 1,250
Dividends paid	- 14,819	- 12,341
Interest paid on loans and finance leases	- 1,916	- 2,059
<b>Cash flow from financing activities</b>	<b>205,001</b>	<b>43,484</b>
<b>Net change in cash and cash equivalents</b>	<b>144,752</b>	<b>- 22,157</b>
Exchange-rate-related changes to cash and cash equivalents	1,082	- 2,127
<b>Cash and cash equivalents at start of period</b>	<b>311,073</b>	<b>239,696</b>
<b>Cash and cash equivalents at end of period</b>	<b>456,907</b>	<b>215,412</b>

**Consolidated cash flow from operating activities (adjusted)**

in kEUR	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
<b>Earnings after interest and tax</b>	<b>74,158</b>	<b>56,757</b>
Financial result	3,810	3,311
Income tax expenses	14,193	11,332
Gain/loss from disposal of non-current assets	45	64
Amortisation/depreciation	28,793	18,393
Change from currency exchange-rate differences	- 364	534
Change in inventories	1,304	- 366
Change in trade and other receivables	- 3,332	- 552
Change in trade payables	- 1,834	- 5,028
Change in other assets and liabilities	- 5,033	- 497
Net cash outflow arising from income taxes	- 8,674	- 6,322
Interest paid excluding interest on loans	- 158	- 153
Interest received	529	428
<b>Cash flow from operating activities (adjusted)</b>	<b>103,436</b>	<b>77,900</b>

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

Against this backdrop, Wirecard AG has decided to present a further statement in addition to the usual cash flows from operating activities in order to eliminate those items that are merely transitory in nature. This also eliminates the capital gains taxes on dividends that are refunded in the following year. This approach is intended to facilitate the identification and reporting of the cash-relevant portion of the company's results.



## Consolidated statement of changes in equity

Subscribed capital Nominal value/number of shares issued		Capital- reserves	Retained- earnings	Translation- reserve	Total consolidated equity
	kEUR / in '000 shares	kEUR	kEUR	kEUR	kEUR
Balance as of 31 December 2012	112,192	140,425	289,746	- 634	541,730
Earnings after tax			56,757		56,757
Currency translation differences				- 1,723	- 1,723
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>56,757</b>	<b>- 1,723</b>	<b>55,034</b>
Dividends paid			- 12,341		- 12,341
<b>Balance as of 30 September 2013</b>	<b>112,192</b>	<b>140,425</b>	<b>334,163</b>	<b>- 2,357</b>	<b>584,423</b>
<b>Balance as of 31 December 2013</b>	<b>112,292</b>	<b>141,683</b>	<b>360,134</b>	<b>- 5,698</b>	<b>608,411</b>
Earnings after tax			74,158		74,158
Currency translation differences				8,094	8,094
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>74,158</b>	<b>8,094</b>	<b>82,252</b>
Capital increase	11,198	351,407			362,605
Dividends paid			- 14,819		- 14,819
<b>Balance as of 30 September 2014</b>	<b>123,491</b>	<b>493,089</b>	<b>419,473</b>	<b>2,396</b>	<b>1,038,449</b>

Notes to the consolidated statement of changes in equity under (3.)

# Explanatory notes

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

### 1.1. Business activities and legal background

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

#### Corporate disposals

As in the previous year period, no companies were sold in the nine-month period 2014.

#### Business combinations in the current year

##### PT Aprisma Indonesia (closing in 2014)

PT Aprisma Indonesia, which was founded in 2000, and which has its headquarters in Jakarta, was sold by its founder and sole shareholder to Wirecard at the end of November 2013. The purchase price to be paid as part of the transaction amounts to around EUR 46 million, and to EUR 79 million when including the debt that is being assumed. Two earnout components also need to be paid that are measured in relation to the operating earnings of the acquired company in the years 2014 and 2015, and can amount to a total of up to EUR 14.5 million. The final purchase price is to be measured by calculations based on the balance sheet on acquisition, and can consequently still increase or decrease slightly.

A contribution to consolidated operating earnings before interest, tax, depreciation and amortisation (EBITDA) of around EUR 6.5 million is forecast for the 2014 year. Integration costs of EUR 1.0 million are also expected. The closing of this transaction required relevant Indonesian regulatory approval, which was granted on 3 February 2014.

With its solutions based on SOA infrastructure, PT Aprisma Indonesia ranks as one of the leading providers of payment services in the region. This transaction gives Wirecard access to Indonesia's twenty leading banks and telecommunications companies, as well as other customers in Malaysia, Singapore and Thailand.

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

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

As a result of the short period before preparation of the annual financial statements the amounts recognised are not final. Non-separable assets, such as specialist knowledge and the contacts of the employees and management, as well as the synergy effects within the Wirecard Group, are recognised in goodwill. The acquired assets and liabilities are currently as follows:

#### **Fair value per main category arising from acquisition of PT Aprisma Indonesia**

in kEUR	Fair value
Cash and cash equivalents	5,106
Goodwill	24,574
Customer relationships	59,154
Property, plant and equipment	229
Other non-current intangible assets	6,947
Trade and other receivables	3,574
Other assets	95
Deferred tax liabilities	10,025
Other liabilities	33,402
Purchase price	56,252

#### **Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş.**

The Wirecard Group agreed on the acquisition of all shares in the Turkish company Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş., headquartered in Istanbul, with the company's shareholders on 2 September 2014. The closing of the transaction was completed at the beginning of November 2014. Under its brand 3pay, the company is considered to be one of the leading payment providers in Turkey. The service spectrum ranges from mobile payment/direct carrier billing services to its own prepaid card platform. Among the company's customers and partners are all Turkish mobile communications companies as well as far-reaching partnerships in the field of games publishing and social networks.

The purchase price payable in connection with the transaction consists of cash payments in the amount of approx. EUR 12.0 million plus earn-out components of up to approx. EUR 14 million that depend on the operational profit of the acquired company in the years 2014 to 2017.

It is expected that in the fiscal year 2015 the acquisition will contribute an amount of approx. EUR 1.7 million to the consolidated operational earnings before interest, taxes, depreciation and amortization (EBITDA) of the Wirecard Group. Additional costs for integration will arise in 2014 and 2015 and presumably amount to EUR 1.0 million in total.

The sellers are the majority shareholder Mediterra Capital Partners I, LP and the CEO who will remain in the management team. Founded in 2008, 3pay is a rapidly growing company. Turkey is considered to be one of the most dynamic growth markets of the MENA region (Middle East and North Africa) with regard to electronic payments, e-commerce and prepaid products.

As this transaction was closed on 5 November, this company was not yet consolidated during the reporting period.

## Scope of consolidation

A total of 30 subsidiaries were fully consolidated as of 30 September 2014. On 30 September 2013 this figure totalled 26 companies.

## Subsidiaries of Wirecard AG

	Shareholdings
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%
Click2Pay GmbH, Aschheim (Germany)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Wirecard Sales International GmbH, Aschheim (Germany)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard UK and Ireland Ltd., Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria)	100%
Systems@Work Pte. Ltd. (Singapore)	100%
Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia)	100%
PT Prima Vista Solusi, Jakarta (Indonesia)	100%
Trans Infotech Pte. Ltd. (Singapore)	100%
Trans Infotech (Laos) Ltd. (Laos)	100%
Trans Infotech (Vietnam) Ltd (Vietnam)	100%
Card Techno Pte. Ltd. (Singapore)	100%
PaymentLink Pte. Ltd. (Singapore)	100%
Korvac (M) SDN BHD, Kuala Lumpur (Malaysia)	100%
Korvac Payment Services (S) Pte. Ltd. (Singapore)	100%
PT Aprisma Indonesia (Indonesia)	100%
Wirecard Asia Pte. Ltd. (Singapore)	100%
E-Credit Plus Corp., Las Pinas City (Philippines)	100%
Wirecard Malaysia SDN BHD, Petaling Jaya (Malaysia)	100%
E-Payments Singapore Pte. Ltd. (Singapore)	100%
Wirecard Processing FZ LLC, Dubai (United Arab Emirates)	100%
Wirecard Acquiring & Issuing GmbH, Aschheim (Germany)	100%
Wirecard Bank AG, Aschheim (Germany)	100%
Wirecard Card Solutions Ltd., Newcastle (United Kingdom)	100%

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

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

## **1.2. Principals and assumptions used in preparing the financial statement**

### **Principles**

The financial statements as at 30 September 2014 were prepared in accordance with IAS 34 (Interim Financial Reporting) with consideration of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by EU. The notes of the consolidated financial statements as at 31 December 2013 also apply accordingly to the present financial statements and should be taken into consideration in connection with the interim financial statements. Any variations from the above are explained below.

### **Presentation**

The presentation of the Group's Balance Sheet, Income Statement, Cash Flow Statement and Segment reporting was effected in accordance with the consolidated financial statements as at 31 December 2013. Wirecard AG generally publishes its figures in thousands of euros (kEUR). The use of rounding means that 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.

### **Accounting and valuation methods**

In the course of preparing the financial statements as at 30 September 2014, the same accounting and valuation principles were used as for the last consolidated financial statements (31 December 2013) and in the previous-year period (1 January 2013 through 30 September 2013) if no other information is provided in the report. For more details please refer to the Annual Report as at 31 December 2013.

## 2. Notes to the consolidated balance sheet – assets

### 2.1. Intangible assets

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

#### Goodwill

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments or whenever the need arises (most recently on 31 December 2013). The determination of the recoverable amount of a business segment (cash-generating unit) to which goodwill was assigned is based on estimates by management. These took account of the prevailing general economic conditions. The company determines these values using valuation methods based on discounted cash flows.

During the nine-month period 2014, the goodwill has changed as the result of the first-time consolidation of PT Aprisma Indonesia (Indonesia) by an amount of kEUR 24,574, and also primarily as a consequence of currency translation as of the balance sheet date, and amounts to kEUR 171,118 (31 December 2013: kEUR 145,795). It is reported among the following cash-generating units:

#### Goodwill

in kEUR	30.09.2014	31.12.2013
Payment Processing & Risk Management	135,980	111,233
Acquiring & Issuing	34,439	34,439
Call Center & Communication Services	288	288
<b>Total</b>	<b>170,707</b>	<b>145,960</b>
Less: impairment losses	0	0
A&I goodwill adjustment due to currency fluctuations	411	- 165
	<b>171,118</b>	<b>145,795</b>

Please refer to section 1.1 "Business combinations in the current year" for information about the changes in goodwill values.

### **Internally-generated intangible assets**

During the nine-month period 2014, as expected, this item increased by kEUR 13,247 to kEUR 57,555 (31 December 2013: kEUR 44,308). This relates to software for the payment platform and "Mobile Payment" projects. These will be amortized using the straight-line method. This amounts to ten years.

### **Other intangible assets**

Other intangible assets, in addition to the software for the individual workstations, essentially relate to software acquired for and used by the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments. These will be amortized using the straight-line method. The relevant period ranges from three to ten years. Mainly due to the first-time consolidation of PT Aprisma Indonesia, this item changed during the period under review from kEUR 33,375 to kEUR 43,665.

### **Customer relationships**

Customer relationships refer to acquired customer portfolios and those resulting from companies being consolidated. The acquisitions made by Wirecard focused on acquiring regional customer relationships in order to expand the market position with the acquisitions made. The increase in this item of kEUR 68,199 in the period under review is connected with the first-time consolidation during the period under review and the further expansion of strategic customer relationships. As a rule, amortisation starts together with the flow of benefits and is performed over the expected useful life. Further information on the business combinations can be found in 1.1. Business activities and legal background – business combinations.

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

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

The main increases in this item are due to investments in expanding the data centres and also to the first-time consolidation of the company acquired.

Any gains and losses on disposal of fixed assets are reported as other operating income and expenses, respectively. Maintenance and minor repairs are charged to other operating expenses.



### **Financing and leases**

The carrying amount of the technical equipment and operating and office equipment held as part of finance leases on 30 September 2014 totalled kEUR 5,505 (31 December 2013: kEUR 6,309). The leased items serve as security for the respective obligations from the finance leases agreements.

## **2.3. Financial and other assets / interest bearing securities**

Financial and other assets on 30 September 2014 totalled kEUR 110,430 (31 December 2013: kEUR 127,415). This fall primarily reflects the first-time consolidation of PT Aprisma Indonesia, whereby the advance payment of kEUR 26,000, which was included in this item as of 31 December 2013, no longer applied. Among other items, this includes medium-term financing agreements for sales partners (30 September 2014: kEUR 38,461; 31 December 2013: kEUR 38,054). This balance sheet item also contains various interest-bearing securities which are held to improve interest income, and whose interest rates depend mainly on money market rates. In part, minimum and maximum interest-rate are agreed (collared floaters). New securities in the amount of kEUR 15,005 had been subscribed for during the period under review. On the balance sheet date the interest-bearing securities totalled kEUR 34,979 (31 December 2013: kEUR 32,031). Securities worth kEUR 12,760 were reclassified to interest-bearing securities in the current asset due to their maturity date.

## **2.4. Tax credits**

### **Deferred tax assets**

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

Based on tax assessments up to 31 December 2013, tax notices issued up to the assessment year 2012 and the consolidated taxable earnings in the nine-month period 2014, the deferred tax assets as at 30 September 2014 amounted to kEUR 2,103 following a valuation allowance (31 December 2013: kEUR 5,435).

## **2.5. Inventories and work in progress**

As at 30 September 2014, the inventories and work in progress reported amounting to kEUR 3,355 (31 December 2013: kEUR 4,658) reflected merchandise such as terminals and debit cards, which are kept, in particular, for payments using mobile phones. Their value was measured in accordance with IAS 2.

Inventories and work in progress are measured at the lower of cost (of acquisition or manufacture) and their net realisable value. No value allowances were applied in the year under review and in the previous period. No reversals to value allowances occurred.

## **2.6. Trade and other receivables**

The transaction volume of the Wirecard Group is also reported under the trade receivables item as a receivable from credit card organizations and banks. At the same time, these business operations give rise to liabilities to our merchants, amounting to the transaction volume less our charges.

Receivables and liabilities (less commissions and charges) are mostly transitory in nature and subject to substantial fluctuations from one balance sheet date to another. The increase as at 30 September 2014 is mainly due to an increase in receivables in the acquiring segment as at that particular date, in addition to organic growth. Moreover, cooperation with other acquiring partners in the Asian region led to an increase in receivables year-on-year for accounting reasons. In addition, comparability is restricted due to the new company.

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

## **2.7. Tax credits**

Tax credits comprise as of 30 September 2014 tax reimbursement claims kEUR 11,846 (31 December 2013: kEUR 6,145), and VAT reimbursement claims of kEUR 1,272 (31 December 2013: kEUR 2,470).

## 2.8. Interest-bearing securities and fixed-term deposits

Apart from investing in various interest-bearing securities, the Wirecard Group has also invested in fixed-term deposits to improve its interest income. All investments were concluded only with banks or counterparties that meet the creditworthiness requirements from the Group's own risk evaluation and – to the extent that external ratings are available – are assessed as having a minimum creditworthiness risk by renowned ratings agencies. Fixed-term deposits with a term of more than three months are disclosed under "interest-bearing securities and fixed-term deposits", which reduces the cash and cash equivalents position. Fixed-term deposits of kEUR 6,167 (31 December 2013: kEUR 6,154) have been transferred as collateral for credit card business for the duration of the business relationship. Fixed-term deposits with a term of up to three months are reported under cash and cash equivalents.

## 2.9. Cash and cash equivalents

The cash and cash equivalents item (30 September 2014: kEUR 614,696; 31 December 2013: kEUR 479,095) includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight deposits). These also include resources from current customer deposits of Wirecard Bank AG and Wirecard Card Solutions Ltd. which are not placed in interest-bearing securities (30 September 2014: kEUR 157,479; 31 December 2013: kEUR 165,016) and funds derived from the acquiring business of Wirecard Bank AG. To improve its interest income, Wirecard Bank AG invested in various short, medium and long-term interest-bearing securities (so-called collared floaters and interest-bearing securities). These are reported under non-current financial and other assets and other current interest-bearing securities. Excluding the purchase of these securities and the fixed-term deposits with a term of more than three months, cash and cash equivalents would have been kEUR 192,535 higher (31 December 2013: kEUR 100,311).

The company received kEUR 361,069 of net issue proceeds from the capital increase, which led to an increase in positions "Cash and cash equivalents" and "Interest-bearing securities and fixed deposits". In the amount of kEUR 131,427 these have been used to repay borrowings.

### **3. Notes on consolidated balance sheet equity and liabilities**

As regards the development of Group equity for the nine-month period 2014, further particulars in addition to the following explanations are provided in the table "consolidated statement of changes in equity".

#### **3.1. Subscribed capital**

The company's subscribed capital increased by kEUR 11,198 following the capital increase that was implemented on 26 February 2014. On 30 September 2014, it totalled kEUR 123,491, and comprised 123,490,586 no-par value shares with a notional interest in the common stock of EUR 1.00 per share.

##### **Authorised capital**

According to the resolution by the General Meeting on 26 June 2012, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital up to 25 June 2017, once or on several occasions, by up to a maximum total of kEUR 30,000 against cash and/or non-cash capital contributions, including so-called "mixed non-cash capital contributions", by issuing up to 30 million new no-par value bearer shares (Authorised Capital 2012) and to determine that profit participation is to begin at a time other than that stipulated by legislation, to the extent that no resolution has been passed to date regarding the profits for this fiscal year elapsed.

Following the kEUR 11,198 capital increase that was implemented on 26 February 2014, authorised capital (Authorised Capital 2012) of kEUR 18,802 existed as of the balance sheet date (31 December 2013: kEUR 30,000).

##### **Contingent capital**

As no conversions were performed in the nine-month period 2014, the contingent capital (Contingent Capital 2004) continued to amount to kEUR 689 during the period under review (31 December 2013: kEUR 689).

In addition, the Annual General Meeting on 26 June 2012 authorised the Management Board, with the consent of the Supervisory Board, to issue, once or on several occasions, bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to kEUR 300,000, and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights to new bearer shares of the company with a proportionate amount in the share capital of up to kEUR 25,000, according to the details in the terms for the bonds with warrants or the convertible bonds.

### **Purchase of treasury shares**

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

Until 30 September 2014, the Management Board did not make use of its authority to acquire and utilise treasury shares in accordance with Section 71(1) No. 8 of the German Stock Corporation Act (AktG).

### **3.2. Capital reserves**

On 25 February 2014, Wirecard AG approved a capital increase of 11,198,345 new shares, which were successfully placed with institutional investors at a price of EUR 32.75 on 26 February 2014. The company received around kEUR 366,746 of gross issue proceeds from the capital increase. Wirecard consequently generated a premium from this issue of kEUR 355,547. This was offset by directly allocable transaction costs of kEUR 5,688, which were reduced by all of the associated income tax advantages, with the result that the premium is offset by kEUR 4,141. As a consequence, the capital reserves amount to kEUR 493,089 as of 30 September 2014.

### **3.3. Retained earnings**

It has been decided at the 2014 General Meeting on 18 June 2014, to pay a dividend of EUR 0.12 per dividend-entitled share to the shareholders, which corresponds to a total amount of kEUR 14,819. A dividend of kEUR 12,341 was paid out in the previous year.

### **3.4. Foreign currency translation reserve**

The foreign currency translation reserve changed in the nine-month period 2014 due to exchange rate factors and with no impact on profit or loss from kEUR – 5,698 in the previous year to kEUR 2,396. This change is due to a greater level of M&A transactions, resulting in a higher total level of assets denominated in foreign currencies. The fluctuation in the exchange rates for some local currencies also bolstered this effect. With regard to the foreign currency translation reserve, reference is made to the relevant passage under 2.1 Principles and assumptions used in preparing the annual financial statements in the financial report 2013.

### **3.5. 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**

Interest-bearing liabilities were repaid during the reporting period in the amount of kEUR 126,330. The non-current portion of the interest-bearing liabilities reduced from kEUR 217,389 on 31 December 2013 to kEUR 91,059.

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

Other non-current liabilities mostly comprise the non-current portion of earnout components in the amount of kEUR 6,986 on 30 September 2014 (31 December 2013: kEUR 6,822), which mostly comprise the earnout of PT Aprisma Indonesia. In addition, on 30 September 2014, this item included lease liabilities of kEUR 2,844 (31 December 2013: kEUR 4,402), liabilities for variable remuneration for members of the Management Board in the amount of kEUR 835 (31 December 2013: kEUR 835) and kEUR 134 (31 December 2013: kEUR 134) in (convertible) bonds.

The earnout components and current purchase price liabilities for corporate acquisitions in the amount of kEUR 16,494 that are due in the period of one year are carried under current liabilities.

#### **Deferred tax liabilities**

Deferred tax liabilities, amounting to kEUR 26,234 (31 December 2013: kEUR 17,723) relate to temporary differences between the tax accounts and the consolidated financial statements according to IFRS and are reported under non-current liabilities. This item increased by kEUR 10,025 as the result of the first-time consolidation of PT Aprisma Indonesia.

### **3.6. Current liabilities**

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

#### **Trade payables**

Trade payables are owed chiefly to merchants/online traders. Liabilities denominated in foreign currencies were revalued by kEUR 4 (31 December 2013: kEUR 32) at the exchange rate prevailing on the balance sheet date, with an impact on expenses. Compared with 31 December 2013, trade payables reduced from kEUR 259,334 to kEUR 254,884. Along with the effect from consolidating

of the new company for the first time, a significant effect is that trade payables reduced, as expected in first quarter, due to the vacation-related delays to outgoing payments at the end of the 2013 fiscal year. In the following these rose again by organic growth and the higher transaction volume.

### **Interest-bearing liabilities**

Interest-bearing liabilities of kEUR 7,966 (31 December 2013: kEUR 15,662) comprise mainly loans that are due within one year.

### **Other provisions**

Provisions are short-term in nature and will be utilised prospectively within the following year. The costs of preparing and auditing the financial statements of kEUR 1,197 (31 December 2013: kEUR 1,225) comprise the largest item among the other current provisions of kEUR 675 (31 December 2013: kEUR 680).

### **Other liabilities**

Other liabilities in the amount of kEUR 40,875 (31 December 2013: kEUR 31,588) comprised kEUR 9,961 (31 December 2013: kEUR 10,743) deferred liabilities in the amount of kEUR 3,619 (31 December 2013: kEUR 3,531) the current portion of lease liabilities. In addition, they include kEUR 16,494 (31 December 2013: kEUR 8,236) current purchase price liabilities for corporate acquisitions. This increase is the result of the takeover of PT Aprisma Indonesia and the reclassification of earnout liabilities that were previously treated as non-current. In addition, this item includes liabilities from payment transactions, wages and salaries, social security and the like.

### **Customer deposits from banking operations**

This item includes customer deposits in the amount of kEUR 349,411 (31 December 2013: kEUR 260,231) with Wirecard Bank AG and Wirecard Card Solutions Ltd.

Along with growth in the operating business, the increase in deposits is due to factors including seasonal fluctuations for the use of prepaid cards and distributions of acquiring funds to customer accounts.

### **Tax provisions**

Tax provisions relate mainly to provisions formed for corporation income taxes for Wirecard Bank AG (kEUR 1,843; 31 December 2013: kEUR 902), Wirecard (Gibraltar) Ltd. (kEUR 3,672; 31 December 2013: kEUR 3,672), Wirecard Asia Pte. Ltd. (kEUR 726; 31 December 2013: kEUR 650) and Wirecard UK & Ireland Ltd. (kEUR 3,791; 31 December 2013: kEUR 582).

## **4. Notes to the consolidated income statement**

### **4.1. Revenues**

Consolidated revenues (kEUR 424,240) in the nine-month period 2014 are generated in the "Call Center & Communication Services", "Payment Processing & Risk Management" divisions as well as the proceeds generated from commission payments of the "Acquiring & Issuing" division. In addition, in the period under review the interest income generated by the Acquiring & Issuing segment (kEUR 2,438) according to IAS 18.5(a) is carried under revenues. A detailed breakdown of revenues is shown under segment reporting.

### **4.2. Cost of materials**

The cost of materials mainly comprises charges of the credit card issuing banks (Interchange), charges 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 field of Risk Management services and Acquiring). It also includes expenses for payment guarantees and factoring. In the field of acquiring it comprises commission costs for external distributions.

At the segment of Acquiring & Issuing, the cost of materials comprises expenses incurred by the Acquiring, Issuing and Payment divisions such as Interchange, and primarily processing costs for external services providers, production, personalisation and transaction costs for prepaid cards and the payment transactions effected with them, and account management and transaction charges for keeping customer accounts.

### **4.3. Personnel expenses**

Personnel expenses in the nine-month period 2014 totalled kEUR 47,156 (9M 2013: kEUR 34,481), comprising salaries amounting to kEUR 41,755 (9M 2013: kEUR 30,446), and social security contributions in the amount of kEUR 5,401 (9M 2013: kEUR 4,035).

In the nine-month period 2014, the Wirecard Group employed an average of 1,601 employees (9M 2013: 973) (excluding the Management Board and apprentices), 165 of whom (9M 2013: 146) worked on a part-time basis. Of the 1,601 employees, 38 (9M 2013: 30) were employed as management board members or as general managers at subsidiaries.

Besides the increase as the result of hiring in the Mobile Payment area, the rise in personnel expenses is due to the acquisitions made in this year and last year, which also restrict the comparability of this item.



These employees were engaged in the following functions:

### Employees

	9M 2014	9M 2013
Sales	187	160
Administration	216	153
Customer service	511	373
Research/Development and IT	688	287
<b>Total</b>	<b>1,601</b>	<b>973</b>
of which part-time	165	146

### 4.4. Other operating income

Other operating income of kEUR 3,472 (9M 2013: kEUR 2,134) arises from various smaller items, including income from corporate acquisitions, and income from contracts.

### 4.5. Other operating expenses

Breakdown of other operating expenses:

### Other operating expenses

in kEUR	9M 2014	9M 2013
Legal and financial statement costs	2,407	2,846
Consulting expenses and consulting-related expenses	11,424	11,571
Office expenses	4,967	4,302
Equipment and leasing	3,060	2,519
Sales and marketing	5,507	4,558
Other	8,758	5,423
<b>Total</b>	<b>36,123</b>	<b>31,219</b>

## 4.6. Financial result

The financial result amounted to kEUR – 3,810 in the period under review (9M 2013: kEUR – 3,311). Expenses in the amount of kEUR 5,146 (9M 2013: kEUR 4,464) include interest in the amount of kEUR 4,801 (9M 2013: kEUR 3,574) write offs of financial investments in the amount of kEUR 290 (9M 2013: kEUR 863) and currency-related expenses of kEUR 55 (9M 2013: kEUR 27), which were offset by currency-related income in the amount of kEUR 3. In addition, interest income of kEUR 1,054 (9M 2013: kEUR 1,092) and kEUR 279 (9M 2013: kEUR 24) from income from securities and loans, with the result that financial income of kEUR 1,336 (9M 2013: kEUR 1,153) was reported. Interest income in the Acquiring & Issuing segment in the amount of kEUR 2,438 (9M 2013: kEUR 2,339) is not reported under the financial result according to IAS 18.5 (a), but under revenues. Please refer to Chapter 4.1. Sales Revenues and 6.1. Segment Reporting.

## 4.7. Income tax expense and deferred taxes

The consolidated income statement for the nine-month period 2014 includes income tax expenses of kEUR 14,193. Essentially, these related to the income tax burdens determined for the Group member companies on the basis of the tax calculations for nine-month period 2014. In addition, these related to the change in deferred tax liabilities and deferred tax assets in the amount of kEUR 2,024.

The cash-relevant tax rate (excluding deferred taxes) amounted to 13.8 percent (9M 2013: 14.1 percent). Including deferred taxes, the tax rate came to 16.1 percent (9M 2013: 16.6 percent).

## 5. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Statement of Cash Flows). It discloses the cash flows in order to show the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in cash flows from operating, investing and financing activities. As in the 2013 annual report, the statement of cash flows was restructured to provide greater transparency. It starts with earnings after interest and tax. A new structure has also been prepared within operating cash flow accordingly. The previous year's figures have been restated to make them comparable.

### Method used to measure cash and cash equivalents

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

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

As at 30 September 2014 and 30 September 2013 the company held both cash and cash equivalents.

### Reconciliation to cash and cash equivalents according to IAS 7.45

The balance of financial resources at the end of the period includes cash in hand and bank balances included in the line item cash and cash equivalents (30 September 2014: kEUR 614,696; 30 September 2013: kEUR 351,917), less current (immediately due and payable) liabilities to banks (30 September 2014: kEUR – 310; 30 September 2013: kEUR – 552) included in the line item current, interest-bearing liabilities. In addition, corresponding financial resources of current customer deposits from banking operations (30 September 2014: kEUR – 157,479; 30 September 2013: kEUR – 135,953) were deducted or reported as a reduction of the financial resources fund in the consolidated cash flow statement (IAS 7.22).

Current customer deposits are fully due and payable on a daily basis, and are reported on the equity and liabilities side of the Wirecard consolidated financial statements among other liabilities (customer deposits). These customer funds are comparable in economic terms with short-term (bank) account loans or overdraft facilities. On the assets side, separate accounts have been set up for these funds, which may not be used for any other business purposes. Given the total amount of the customer deposits, securities (collared floaters and short-term and medium-term interest-bearing securities) with a nominal value of kEUR 192,535 (30 September 2013: kEUR 115,407) are held, and deposits with the central bank, and sight and short-term time

deposits with banks, are held in an amount of kEUR 157,479 (30 September 2013: kEUR 135,953). These are reported in the Wirecard Group under the balance sheet item cash and cash equivalents, under non-current financial and other assets and under current interest-bearing securities.

The first-time consolidations resulted in an addition to cash and cash equivalents of kEUR 5,106 (9M 2013: kEUR 855).

Cash flows arising from business transactions denominated in foreign currencies are reported in the company's functional currency by translating the foreign-currency amount into the functional currency at the exchange rate prevailing on the payment dates between the functional currency and the foreign currency.

Cash flows from foreign subsidiaries are translated into the functional currency with the exchange rate prevailing on the payment date between the functional currency and the foreign currency.

### Cash and cash equivalents

in kEUR	30.09.2014	30.09.2013
Cash and cash equivalents	614,696	351,917
Current interest-bearing liabilities	- 7,966	- 15,581
of which current bank borrowings	- 310	- 552
	614,386	351,365
of which current customer deposits from banking operations	- 157,479	- 135,953
of which, Acquiring deposits in Wirecard Bank AG	- 186,467	- 85,576
<b>Cash and cash equivalents at end of period</b>	<b>456,907</b>	<b>215,412</b>

## 5.1. Cash flow from operating activities

Due to the special system used in Acquiring, which is mainly characterised by balance sheet date effects inherent in the business model, Wirecard decided to present a further statement in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory in nature. These addenda help to identify and present the cash-relevant portion of the Company's 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, deferrals or provisions relating to past or future cash receipts or payments as well as income and expense items to be allocated to the field of investments or finance. After taking the changes to net current assets into account, this results in an inflow/outflow of funds from current business operations. The inflow/outflow of funds from operating activities is determined by adding the company's interest and tax payments.

The cash flow increased during the reporting period by kEUR 25.536 (adjusted) and kEUR 23.313 (unadjusted). The principal reasons for the changes in relation to the previous year are as follows:

The unadjusted cash flow from operating activities in the nine-month period 2014 changed from kEUR 8,175 in the previous year period to kEUR 31,488, mainly due to the special system used in the Acquiring division, which is impacted by cut-off date effects of a transitory nature inherent in the company's business model. It should be especially noted in this context that a very sharp increase in the operational cash flow in the fourth quarter of 2013, which was mainly due to delayed payouts on account of the public holidays, is offset by a countervailing cash flow trend in 2014. The cash flow from operating activities (adjusted) amounts to kEUR 103,436 (9M 2013: kEUR 77,900). In line with the business model, the transaction volumes generated by the Acquiring business were reported under Trade receivables from credit card organizations and banks. At the same time, these business transactions give rise to liabilities to merchants, amounting to the transaction volume (less our commissions and charges). Receivables and liabilities (less commissions and charges) are mostly transitory in nature and subject to substantial fluctuations from one balance sheet date to another.

#### **Interest received/paid in accordance with IAS 7.31**

Interest received in the nine-month period 2014 amounted to kEUR 529 (9M 2013: kEUR 428). The interest excluding loan interest paid in the nine-month period 2014 amounted to kEUR – 158 (9M 2013: kEUR – 153), and is reported under cash flow from operating activities.

The respective cash flows from such interest received and interest paid were each classified as operating activities.

Interest paid on loans in the nine-month period 2014 came to kEUR – 1,916 (9M 2013: kEUR – 2,059) and was included in the cash flow from financing activities.

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

The cash-effective balance of income taxes in the nine-month period 2014 (cash flow from income taxes) totalled kEUR – 13,993 (9M 2013: kEUR – 11,180) and was constantly classified as operating activities.

## 5.2. Cash flow from investing activities

The cash flow from investing activities is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The cash flow from investing activities totalled kEUR – 91,737 in the year under review (9M 2013: kEUR – 73,816).

This mainly affects:

### Substantial cash outflows for investments

in kEUR

Strategic transactions/M&A	<b>55,771</b>
Internally-generated intangible assets	<b>18,355</b>
Medium-term financing-agreements i.a. with sales partners	<b>750</b>
Other intangible assets (software)	<b>8,681</b>
Investments from prior period	<b>3,254</b>
Property, plant and equipment	<b>4,926</b>

Disclosures pursuant to IAS 7.40 are as follows:

### Investments to acquire companies

in kEUR	<b>9M 2014</b>	<b>9M 2013</b>
Purchase prices paid	45,877	3,311
Acquired cash and cash equivalents	5,106	855
Net investment	40,771	2,456

### **5.3. Cash flow from financing activities**

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

On 25 February 2014, Wirecard AG approved a capital increase of 11,198,345 new shares, which were successfully placed with institutional investors at a price of EUR 32.75 on 26 February 2014. The company received kEUR 366,746 of net issue proceeds from the capital increase.

Cash flow from financing activities in the nine-month period 2014 concerns the cash inflow from the drawing down of financial liabilities in an amount of kEUR 0 (9M 2013: kEUR 65,000), and the cash outflow for the redemption of financial liabilities in an amount of kEUR 131,427 (9M 2013: kEUR 1,250). In addition, financing was performed as part of finance leases, which resulted in a net cash flow of kEUR – 3,187 (9M 2013: kEUR – 2,600). Cash flow from financing activities also reports outgoing cash flows for the acquisition of companies in previous years in an amount of kEUR 3,758 (9M 2013: kEUR 2,662), and the dividend payment of kEUR 14,819 (9M 2013: kEUR 12,341)

### **5.4. Cash and cash equivalents at end of period**

After taking into account these reported cash inflows and cash outflows (9M 2014: kEUR 144,752; 9M 2013: kEUR – 22,157), exchange-rate-related changes (9M 2014: kEUR 1,082; 9M 2013: kEUR – 2,127), and the cash and cash equivalents position at the start of the period (9M 2014: kEUR 311,073; 9M 2013: kEUR 239,696), the cash and cash equivalents position at the end of the period amounted to kEUR 456,907 (30 September 2013: kEUR 215,412).

## 6. Other notes

### 6.1. Segment reporting

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

Sales revenues are segmented into the following operating divisions: Distinctions are drawn here between the Payment Processing & Risk Management, Acquiring & Issuing and Call Centre & Communication Services divisions. The "Acquiring & Issuing" segment comprises all of the business divisions of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH and Wirecard Card Solutions Ltd.

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

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

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

The Issuing area issues prepaid cards to private and business customers. Private customers are also offered current accounts combined with prepaid cards and ec/Maestro cards.

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



In addition, information is provided on geographical regions according to production locations. These are split into three segments. The "Europe" segment contains Wirecard (Gibraltar) Ltd., and the companies Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland), along with its subsidiaries, Wirecard Card Solutions Ltd., Newcastle (United Kingdom) and Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria). The segment "Other foreign countries" includes the companies cardSystems Middle East FZ-LLC, Dubai (United Arab Emirates), Wirecard Processing FZ LLC, Dubai (United Arab Emirates), Wirecard Asia Pte. Ltd. (Singapore), Systems@Work Pte. Ltd. (Singapore) with its respective subsidiaries, PT Prima Vista Solusi (Indonesia) and Trans Infotech Pte. Ltd. (Singapore) with its respective subsidiaries, PT Aprisma Indonesia (Indonesia) and PaymentLink Pte. Ltd. (Singapore) with its respective subsidiaries. The segment "Germany" includes all other companies within the Wirecard Group.

As part of the homogenisation of the Wirecard Group's various technical platforms, various merchants and merchants that were previously included in the Europe region are now processed using Asian platforms, which has had a corresponding impact on the geographic distribution. Consolidating and centralising technical functions on platforms at locations in Europe and Asia serves to boost internal efficiency, harmonise the product landscape for all of the subsidiaries and to optimise the processing time for regional payment transactions.

## Revenues by operating divisions

in kEUR	9M 2014	9M 2013	Q3 2014	Q3 2013
Payment Processing & Risk Management (PP&RM)	311,581	244,344	117,492	91,325
Acquiring & Issuing (A&I)	147,432	123,926	50,659	40,687
Call Center & Communication Services (CC&CS)	3,923	3,568	1,361	1,189
	462,936	371,839	169,512	133,200
Consolidation PP&RM	- 33,344	- 28,398	- 12,165	- 10,017
Consolidation A&I	- 2,771	- 321	- 984	2,501
Consolidation CC&CS	- 2,581	- 2,001	- 939	- 713
<b>Total</b>	<b>424,240</b>	<b>341,119</b>	<b>155,425</b>	<b>124,972</b>

## EBITDA by operating divisions

in kEUR	9M 2014	9M 2013	Q3 2014	Q3 2013
Payment Processing & Risk Management	96,795	68,238	37,967	27,339
Acquiring & Issuing	23,888	21,380	7,892	6,158
Call Center & Communication Services	272	174	142	55
	120,955	89,792	46,001	33,552
Consolidations	- 1	1	0	- 1
<b>Total</b>	<b>120,954</b>	<b>89,793</b>	<b>46,001</b>	<b>33,552</b>

## Regional revenue breakdown

in kEUR	9M 2014	9M 2013	Q3 2014	Q3 2013
Germany	196,844	170,358	67,754	58,038
Europe	125,759	89,606	42,522	36,309
Other countries	117,247	92,174	50,457	34,314
	439,851	352,137	160,732	128,661
Consolidation Germany	- 3,872	- 2,391	- 1,268	- 542
Consolidation Europe	- 10,001	- 7,752	- 3,514	- 2,936
Consolidation Other countries	- 1,737	- 875	- 525	- 212
<b>Total</b>	<b>424,240</b>	<b>341,119</b>	<b>155,425</b>	<b>124,972</b>

## EBITDA by regions

in kEUR	9M 2014	9M 2013	Q3 2014	Q3 2013
Germany	38,279	32,767	16,576	11,410
Europe	48,129	29,465	16,150	14,097
Other countries	34,534	27,557	13,264	8,043
	120,942	89,790	45,989	33,550
Consolidations	11	3	11	1
<b>Total</b>	<b>120,954</b>	<b>89,793</b>	<b>46,001</b>	<b>33,552</b>

## 6.2. Obligations from finance leases agreements

The Group has concluded finance leases agreements for IT- components, terminals and cars. The liabilities from finance leases in the amount of kEUR 6,463 are carried under both current and non-current other liabilities. The obligations from operating leases on 30 September 2014 amounted to kEUR 995.

## 7. Additional mandatory disclosures

### 7.1. Management Board

The following persons comprised the Management Board at Wirecard AG.

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

**Burkhard Ley**, banker, member of the Management Board since 1 January 2006  
Chief Financial Officer  
Other supervisory board mandates: Backbone Technology AG, Hamburg (Germany)

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

### 7.2. Supervisory Board

The following persons comprised the Supervisory Board at Wirecard AG.

**Wulf Matthias (Chairman), self-employed management consultant**

Other supervisory mandates or mandates on other boards:

- Wirecard Bank AG, Aschheim (Germany)
- Deufol AG, Hofheim (Germany)

**Alfons W. Henseler (Deputy Chairman), self-employed management consultant**

Other supervisory mandates or mandates on other boards:

- Wirecard Bank AG, Aschheim (Germany)
- Diamos AG, Sulzbach (Germany)

**Stefan Klestil Managing director and owner of Belview Partners GmbH**

Other supervisory mandates or mandates on other boards:

- Wirecard Bank AG, Aschheim (Germany)
- İyzi Teknoloji ve Ödeme Sistemleri A.Ş., Istanbul (Turkey)

### 7.3. Events after the balance sheet date

Events after the balance-sheet date, providing additional information on the company's position as at the balance-sheet date (events required to be taken into account) have been included in the consolidated financial statements. Events not to be taken into account after the balance-sheet date are reported in the notes if material in nature. These are as follows:

The Wirecard Group acquired control of the Turkish company Mikro Ödeme Sistemleri İletişim San.ve Tic. A.Ş., headquartered in Istanbul, at the 5. November. Further details are provided in "1.1. Business activities and legal background – Business combinations in the current year".

Wirecard AG and Visa Inc. announced on 17 November 2014 their cooperation in prepaid card issuing, affirming their joint commitment to the growing prepaid markets in Asia-Pacific, Latin America, and other regions.

As part of the partnership, Wirecard and Visa Inc. announced an agreement by which Wirecard will acquire certain assets of Visa Processing Service (VPS), headquartered in Singapore, and acquire all shares in Visa Processing Services (India) Private Limited for US \$16 million. The agreement is subject to certain closing conditions. The closing is expected for the end of the first quarter 2015.

Wirecard AG published an ad-hoc announcement on 18 November 2014 to announce that Wirecard AG's Management Board is forecasting earnings before interest, taxes and depreciation and amortisation (EBITDA) for the fiscal year 2015 in a bandwidth of between EUR 205 to EUR 225 million.

Aschheim, 18 November 2014

#### Wirecard AG



Dr. Markus Braun



Burkhard Ley



Jan Marsalek

# Imprint

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## **Financial calendar**

Please visit our website to find news and events in the Investor Relations section:  
[ir.wirecard.com](http://ir.wirecard.com)

## **Wirecard AG**

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