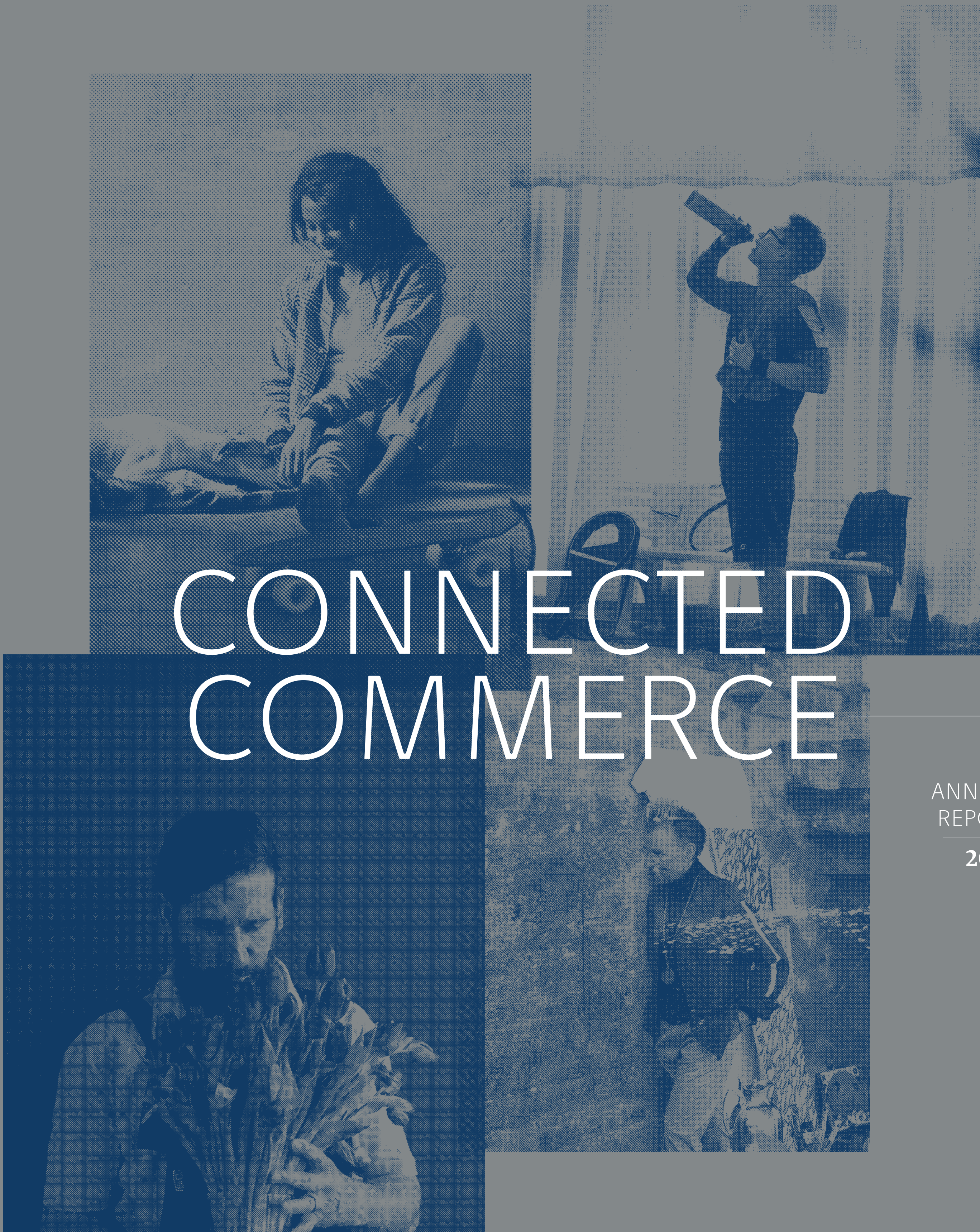


CONNECTED COMMERCE

ANNUAL REPORT

2016

wirecard

KEY FIGURES

WIRECARD GROUP	2016	2015	
Revenues	**1,028,358**	771,340	kEUR
EBITDA	**307,363**	227,315	kEUR
EBIT	**235,188**	172,844	kEUR
Earnings after taxes	**266,749**	142,646	kEUR
Earnings per share (undiluted)	**2.16**	1.16	EUR
Shareholders´equity	**1,474,963**	1,280,513	kEUR
Total assets	**3,482,062**	2,935,501	kEUR
Cash flow on ordinary transactions (adjusted)	**283,030**	199,685	kEUR
Employees (average)	**3,766**	2,300	
of which part time	**296**	236	

SEGMENTS		2016	2015	
Payment Processing & Risk Management	Revenues	**782,420**	579,900	kEUR
	EBITDA	**251,335**	189,201	kEUR
Acquiring & Issuing	Revenues	**304,064**	252,957	kEUR
	EBITDA	**55,262**	37,591	kEUR
Call Center & Communication Services	Revenues	**8,506**	6,766	kEUR
	EBITDA	**775**	482	kEUR
Consolidation	Revenues	**−66,632**	−68,284	kEUR
	EBITDA	**−9**	41	kEUR
Total	Revenues	**1,028,358**	771,340	kEUR
	EBITDA	**307,363**	227,315	kEUR

Dr. Markus Braun, CEO

“Wirecard is a global driver of innovation in the digitalisation of payments.”

CONTENT

Letter from the CEO

Dear Ladies and Gentlemen,

Dear Shareholders,

Wirecard AG is successfully pushing forward the digitalisation of payment processes using Internet technologies on a global scale. This sustainable strategy is reflected in the strong growth figures achieved in the 2016 fiscal year. The report shows that consolidated revenue thus increased to EUR 1.02 billion. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 35.2 percent to EUR 307.4 million. The transaction volume processed through the Wirecard platform – an important indicator of the successful growth of the company – rose by 36.5 percent to EUR 61.7 billion.

Business performance 2016

We have greatly expanded our fully digitalised platform for integrated acquiring and issuing solutions and enhanced it to include important value added services. In addition, the globalisation of the Wirecard platform has been advanced on a huge scale.

It has been possible to significantly increase the European and non-European transaction volumes through our existing customer business and also through the acquisition of new customers.

Alongside the continuously strong growth of e-commerce, we identify additional stimulus for growth in the area of omnichannel solutions and connected commerce due to the advancing digitalisation of the bricks and mortar trade. Internet technologies are increasingly driving the convergence of all sales channels. As a leader for innovation in the digitalisation of payment processes, Wirecard AG has taken up an ideal position to further benefit from this trend. Value added services such as options for big data analysis mean retailers are able to conduct and evaluate campaigns in a targeted manner. At the same time, this allows them to gain a better understanding of the purchasing behaviour of their customers and the correlation between product groups. We want to support companies to fundamentally benefit from integrated and digitalised payment solutions and value added services.

DR. MARKUS BRAUN
CEO, CTO

Geographic expansion

In the past few months, we were able to resolutely push forward the globalisation of the Wirecard Group with our entry into the Indian, North American, Australian, Brazilian, Mexican, Hong Kong, Polish and Rumanian markets. We will greatly strengthen our Asian presence due to our recently announced acquisition of the acquiring customer portfolio of Citigroup in 11 countries in the Asian-Pacific (APAC) region – in Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand.

Outlook

All aspects of digital payment require cutting-edge technological performance. Today, a retailer in Malaysia has similar requirements to one in Germany. Unlike previously, globalisation is taking place today simultaneously. We are thus able to exploit substantial synergies. Furthermore, we anticipate sustainable growth due to the geographical expansion and networking of our business and our payment innovations.

Data-driven commerce

While Internet retailers have utilised digital customer data for years to directly address online shoppers and encourage them to make another purchase, bricks and mortar retailers have not yet utilised the potential of this data to anywhere near the same extent. The ConnectedPOS platform developed by Wirecard now also makes it possible to collect all useable data from checkout systems, transactions, customer loyalty programmes, beacon platforms or social media applications at the bricks and mortar point-of-sale and to evaluate it in a variety of ways, thus creating real added value. We start working together with retailers at their current stage of development and then accompany them step by step along the path towards connected commerce. In the area of consumer goods, an increasing number of large, traditional point-of-sale companies are already opening up to software-based solutions that enable digital payment via all sales channels.

Financial outlook

My Management Board colleagues and I expect strong business performance in the current fiscal year and confirm our forecast for operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 382 million and EUR 400 million. This growth forecast is based, amongst other things, on the market growth of digital payment transactions across all sales channels.

Wirecard AG has now been listed on the stock market for twelve years and has been able to expand its core business year after year during this period. We have always seen our role as a driver of innovation for digital payment as motivation to continuously improve.

The Management Board wishes to thank all employees worldwide that have made this business success possible. They continue to write Wirecard's success story through their tireless commitment, creativity and expertise in many specialist areas.

We thank our shareholders, customers and partners for the trust they have placed in us and for the good cooperation.

We will propose to the Annual General Meeting the approval of a dividend of EUR 0.16 per share this year.

Yours sincerely,

Dr. Markus Braun
CEO of Wirecard AG

April 2017

BURKHARD LEY
CFO

JAN MARSALEK
COO

WULF MATTHIAS
CHAIRMAN OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

2016 was one of the most successful years in the history of the company from an operational perspective. We increased our revenues quite significantly both inside and outside Europe. The acquisitions in the past few years, especially in the Asia-Pacific region, provided the impetus for achieving the strategic goal of becoming a global payment provider. Following acquisitions in India, Brazil and Romania, Wirecard AG achieved its goal of having a global presence after entering the North American market in the first quarter of 2017. The products and solutions offered by Wirecard AG can thus help multinational companies to effectively manage their payment flows on an even greater scale in the future. At the same time, growth markets such as India will play a prominent role in the growth dynamics of the Wirecard Group in future.

In the following report, we want to inform you about the main focus of the Supervisory Board's activities over the last fiscal year. The Supervisory Board of Wirecard also kept itself continuously and intensively informed about the development, position and perspectives of the Wirecard Group in the 2016 fiscal year. We have performed the tasks incumbent upon us pursuant to the law, the Group's Articles of Incorporation and the rules of business procedure, and consulted with and supervised the Management Board on an ongoing basis in compliance with the German Corporate Governance Code and applicable laws. The Management Board always directly involved the Supervisory Board in considering the company's strategic orientation at an early stage and promptly submitted to them any significant corporate decisions, specific transactions, corporate acquisitions and significant cooperation ventures that require Supervisory Board approval due to legal regulations, the Articles of Incorporation or the Management Board's rules of business procedure. In the reporting year, the acquisition of the prepaid card portfolio of the Citigroup is particularly worthy of note.

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

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

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

The Supervisory Board of Wirecard AG did not form committees due to its small size.

Focal points of consultations

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

At its meeting on 2 March 2016, the Supervisory Board discussed the budget for the 2016 fiscal year on the basis of the plans submitted by the Management Board following agreements already made on the telephone. The performance of the company in the context of the manipulated publications in February 2016 was also discussed in detail at this meeting, as well as the next steps that were being planned. In addition, the ongoing business performance, especially the collaborations with important companies in the FinTech sector, and the strategic development of Wirecard Bank were discussed. Furthermore, especially important partnerships and ongoing acquisitions abroad were reviewed.

At the balance sheet meeting on 6 April 2016, the Supervisory Board checked and approved the separate financial statements and consolidated financial statements as of 31 December 2015, as well as the management report of Wirecard AG and the Group. In addition, the Supervisory Board also examined and concurred with the Management Board's proposal for the appropriation of profit. The external auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft participated in the consultations. Furthermore, the Report of the Supervisory Board and the Corporate Governance Report were also approved. Finally, there were discussions on the forthcoming Annual General Meeting and the planned election of two additional members to the Supervisory Board.

On 4 May 2016, the Supervisory Board approved the resolutions proposed by the Supervisory Board to the Annual General Meeting for the ordinary Annual General Meeting 2016 during a telephone conference.

On 16 June 2016, a meeting of the Supervisory Board was held at the conclusion of the Annual General Meeting where Mr. Wulf Matthias was re-elected as the Chairman of the Supervisory Board.

At the meeting of the Supervisory Board on 8 September, Mrs. Tina Kleingarn and Mrs. Vuyiswa M'Cwabeni, who had been newly elected by the Annual General Meeting as part of the expansion of the Supervisory Board, participated for the first time. One of the main focuses of this meeting was the current business performance, especially in the area of M&A. Furthermore, the Internal Audit department reported to the Supervisory Board on their activities in the current fiscal year.

The main focus of the meeting on 22 November 2016 was the current business performance, as well as the development of the Group in the 3rd quarter of 2016. In addition, discussions were held on the ongoing M&A projects.

In the meeting held on 8 December 2016, the D&O insurance for members of the Supervisory Board and the possible revision of the rules of business procedure for the Management Board and the Supervisory Board and the Articles of Incorporation of Wirecard AG were discussed.

In the meeting on 14 December 2016, discussions primarily focussed on the post merger integration of the companies and groups of companies acquired in the past few years. Moreover, the Supervisory Board discussed the business performance in the first three quarters of the 2016 fiscal year and the expected trends for the full 2016 fiscal year.

Corporate governance

Prior to the compliance statement being published on 30 March 2016, the Supervisory Board conducted intensive consultations on corporate governance within the Group after having previously discussed it in detail with the Management Board and dealt in depth with the recommendations contained in the German Corporate Governance Code in the version dated 5 May 2015. As a result of these consultations, the Supervisory Board considers it appropriate to initially continue to observe the deviations declared in the previous year.

At the start of the 2017 fiscal year, the Supervisory Board also concerned itself – by way of preparation for the issuing of the compliance statement pursuant to Section 161 of the German Stock Corporation Act (AktG) – with the German Corporate Governance Code. Following in-depth discussions, the Management Board and the Supervisory Board passed a resolution to issue the current compliance statement pursuant to Section 161 of the AktG on 30 March 2017.

The current compliance statement, as well as all previous compliance statements since 2009, can be found on the company's website.

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

Separate and consolidated financial statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, audited the separate financial statements of Wirecard AG as of 31 December 2016, the consolidated financial statements as of 31 December 2016 and the management report for the company and the Group, and issued unqualified audit opinions thereon. The separate financial statements and the management report of Wirecard AG were prepared according to German Commercial Code (HGB), while the consolidated financial statements and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the additional requirements of German law pursuant to Section 315a (1) of the HGB.

The aforementioned financial statements and reports, as well as the Management Board's proposal for the appropriation of profit and the auditor's audit reports were submitted to all members of the Supervisory Board in good time before the meeting of the Supervisory Board meeting on 5 April 2017. The members of the Supervisory Board carefully and intensively discussed and checked these financial statements and the reports from the auditor at this meeting. The auditor participated at this meeting of the Supervisory Board, reported on key audit results and was available to the members of the Supervisory Board to provide supplementary information. The auditor also explained his findings on the company's control and risk management system relating to the financial accounting process. The auditor stated his independence and provided information about services that had been rendered in addition to the auditing services in the 2016 fiscal year.

The Supervisory Board approved the results of the audit carried out by the auditor and concluded that no objections needed to be raised based on the final results of its examination. With a resolution dated 5 April 2017, the Supervisory Board approved both the separate financial statements of Wirecard AG prepared according to the HGB and the consolidated financial statements prepared according to IFRS for the 2016 fiscal year. The annual financial statements have consequently been adopted in the sense of Section 172 of the AktG.

The Management Board plans to propose to the Annual General Meeting the distribution of a dividend of EUR 0.16 per share to shareholders and to carry forward Wirecard AG's remaining unappropriated retained earnings of EUR 44,632,668.87 to a new account. The Supervisory Board concurs with this proposal. Furthermore, the Supervisory Board approved the Report of the Supervisory Board and the Corporate Governance Report.

Personnel-related details and conflicts of interest

The Annual General Meeting passed a resolution on 16 June 2016 to enlarge the Supervisory Board of Wirecard AG from three to five members and elected Mrs. Tina Kleingarn and Mrs. Vuyiswa M'Cwabeni as members of the Supervisory Board. Their terms of office began when the change to the Articles of Incorporation for the enlargement of the Supervisory Board came into effect on 23 June 2016 and ends with the conclusion of the Annual General Meeting responsible for discharging members of the Supervisory Board for the 2020 fiscal year. In addition, the Annual General Meeting re-elected Mr. Wulf Matthias until the conclusion of the Annual General Meeting responsible for discharging members of the Supervisory Board for the 2020 fiscal year. At the meeting of the Supervisory Board held at the conclusion of the Annual General Meeting, Mr. Wulf Matthias was also re-elected as Chairman of the Supervisory Board.

There were no changes to the Management Board in the 2016 fiscal year.

No conflicts of interest relating to members of the Supervisory Board, which must be disclosed immediately to the Supervisory Board and included in the Report of the Supervisory Board for the Annual General Meeting, arose during the 2016 fiscal year.

Outlook

In the current fiscal year, the opportunities for a technology and innovation-driven company such as Wirecard AG to transform the dynamic development of the digital payment market and advancing global digitalisation into sustainable growth remain very good. We anticipate that the company will continue to experience strong growth.

The Supervisory Board thanks the Management Board and employees and recognises their high level of commitment and above-average performance in the 2016 fiscal year.

Aschheim, April 2017

On behalf of the Supervisory Board

Wulf Matthias

Chairman of the Supervisory Board

Corporate governance report

Corporate governance statement

Pursuant to Section 3.10 of the German Corporate Governance Code in its version dated 5 May 2015, the Management Board – also on behalf of the Supervisory Board – issues the following statement concerning the corporate governance and, pursuant to Section 289a (1) 315 (5) of the German Commercial Code (HGB), the corporate management of Wirecard AG and the Wirecard Group. Accordingly, the following statements apply to Wirecard AG and the Wirecard Group, unless otherwise stated. In addition, this Corporate Governance Report will also report on the remuneration of the Management Board and the Supervisory Board.

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

Detailed information on corporate governance in the Wirecard Group can be found on our website, where the current compliance statement in accordance with Section 161 of the German Stock Corporation Act (AktG) is available along with those issued in previous years.

1. Service and website information for our shareholders

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

The way the Annual General Meeting is organised and held has the aim of effectively providing all shareholders with comprehensive information prior to and during the meeting. To simplify registration for the Annual General Meeting and the exercising of shareholder voting rights, in the period leading up to the meeting the shareholders are informed about the respective fiscal year and the items on the agenda by the annual report and the invitation to the Annual General Meeting.

2. Working methodologies of the Management and Supervisory Boards

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

The Management Board of Wirecard AG comprises three members. The Management Board manages Wirecard AG and the Wirecard Group and is thus bound to uphold the interests of the company. The Management Board develops the company's strategic orientation, agrees it with the Supervisory Board and ensures its implementation. The members of the Management Board hold joint responsibility for the overall management of the company. The Supervisory Board has issued rules of procedure for the work of the Management Board, which govern, amongst other things, the division of duties between the members of the Management Board. The members of the Management Board generally have individual responsibility for their specific areas. Insofar as a measure will affect multiple areas of responsibility, agreement with the other members of the Management Board should be sought, with the Supervisory Board taking any necessary decisions in the event of a difference of opinion. Certain matters of fundamental or significant importance, which are specified in more detail in the rules of procedure, require a resolution by the entire Management Board. The Supervisory Board must approve significant business transactions. The Management Board makes regular, comprehensive and timely reports to the Supervisory Board on all relevant questions of corporate planning and further strategic development, on the course of business and the Group's position, as well as on questions relating to its risk situation and risk management. Reporting by the Management Board also extends to include compliance, in other words, the activities instituted by Wirecard AG or the Wirecard Group to observe legal and regulatory parameters, as well as internal corporate guidelines.

The Supervisory Board of Wirecard AG was expanded from three to five members with effect from 23 June 2016 following a resolution by the Annual General Meeting on 16 June 2016 to change the Articles of Incorporation. To guarantee that the Supervisory Board can independently provide advice and monitor the Management Board, the number of members of the Supervisory Board who are former Management Board members is restricted in principle to a maximum of one. There are currently no former members of the Management Board on the Supervisory Board. In the assessment of the Supervisory Board, all members of the Supervisory Board are independent in the sense of the German Corporate Governance Code. The Supervisory Board has created rules of procedure to govern its own activities. The Supervisory Board advises the Management Board on its management of the company and monitors its management activities. In addition, the Supervisory Board regularly reviews the efficiency and productivity of its cooperation. Due to its size, the Supervisory Board has dispensed with creating an audit committee or other Supervisory Board committees. The Chairman of the Supervisory Board is in constant contact with the Management Board. The Chairman visits the company on a regular basis in order to obtain information on-site concerning business performance and to consult with the Management Board on its decisions.

The company has taken out D&O (directors and officers) liability insurance including a deductible in accordance with legal regulations for members of the Management Board and Supervisory Board of Wirecard AG, as well as for management members of affiliates.

3. Remuneration report

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

The following persons were employed as members of the Management Board at Wirecard AG in the 2016 fiscal year:

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

CEO

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

CFO

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

COO

3.1 Remuneration scheme for the Management Board

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

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

3.2 Remuneration for the Management Board in the 2016 fiscal year

The members of the Management Board received a total of kEUR 3,250 in the year under review as a fixed salary (2015: kEUR 3,250). The remainder of the remuneration paid to the Management Board in the 2016 fiscal year was as follows:

Variable remuneration has two components, Variable Remuneration I and Variable Remuneration II; it is calculated in each case on the basis of Wirecard AG's share price performance. In this regard, the basis price is the average price in the month of December, weighted for revenues, for Wirecard AG shares traded on the regulated market of the Frankfurt Stock Exchange (Xetra trading, ISIN DE0007472060), as registered by the stock market information service Bloomberg. The contracts set maximum limits for the basis price in 2015, 2016 and 2017 (the basis price 2015 is limited to EUR 41,00, the basis price 2016 is limited to EUR 45.00 and the basis price 2017 is limited to EUR 49.00). If the basis price should fall during the bonus years, the respective part of the bonus lapses and no (return) claim exists against the member of the Management Board.

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

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

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

The sustainability bonus for 2014/2015 was due in January 2016. The sustainability bonus for 2015/2016 was due in January 2017, but was partially already paid in the 2016 fiscal year.

Furthermore, the Management Board can also receive an extraordinary bonus in individual cases for sustainable and particularly extraordinary performance. The company's Supervisory Board has discretionary powers to decide on the granting and the level of the extraordinary bonus. These types of sustainable and particularly extraordinary performance include, above all, extraordinary contributions in the area of customer relations, contributions from corporate acquisitions and/or further advances in technology. No extraordinary bonuses were approved or awarded in the 2016 fiscal year.

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

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

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

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

In addition to the life insurance policy with retirement benefits, the company has taken out the following for the members of the Management Board: (i) accident insurance in the event of death and invalidity and (ii) D&O insurance for the activities of the members of the company's Management Board including a deductible in accordance with legal regulations. The amount of the insurance premiums for these insurance policies totalled kEUR 121 in the 2016 fiscal year.

There were no loans, advances or other contingent liabilities entered into in favour of the members of the Management Board by the company or the subsidiaries in the 2016 fiscal year. In the 2016 fiscal year, the total emoluments of all members of the company's Management Board – in other words, the total remuneration during the fiscal year for the duration of the individual person's tenure on the Management Board, including amounts not yet disbursed for Variable Remuneration I, Variable Remuneration II and other payments – amounted to kEUR 7,188 (2015: kEUR 9,041).

The following remuneration was set for the individual members of the Management Board for the 2016 fiscal year (individualised):

Benefits

	Dr. Markus Braun				Burkhard Ley				Jan Marsalek			
in kEUR	2016	2016 (Min.)	2016 (Max.)	2015	2016	2016 (Min.)	2016 (Max.)	2015	2016	2016 (Min.)	2016 (Max.)	2015
Non-performancebased components												
Fixed remuneration	1,350	1,350	1,350	1,350	1,000	1,000	1,000	1,000	900	900	900	900
Fringe benefits	476	476	476	478	1,399	1,399	1,399	1,406	300	300	300	303
	1,826	1,826	1,826	1,828	2,399	2,399	2,399	2,406	1,200	1,200	1,200	1,203
Performance-based remuneration												
One-year variable compensation	196	0	539	539	256	0	739	739	214	0	588	588
Multi-year variable compensation												
2015/2016	53	–508	53	508	85	–676	85	676	58	–554	58	554
2016/2017	265	0	561		347	0	761		289	0	612	
	515	–508	1,153	1,047	688	–676	1,585	1,415	561	–554	1,258	1,142
Total	2,341	1,318	2,979	2,875	3,087	1,723	3,984	3,821	1,761	646	2,458	2,345

Allocation

	Dr. Markus Braun		Burkhard Ley		Jan Marsalek	
in kEUR	2016	2015	2016	2015	2016	2015
Non-performancebased components						
Fixed remuneration	1,350	1,350	1,000	1,000	900	900
Fringe benefits	476	478	27	28	300	303
	1,826	**1,828**	**1,027**	**1,028**	**1,200**	**1,203**
Performance-based remuneration						
One-year variable compensation	539	270	739	368	588	196
Multi-year variable compensation						
2013/2014	0	280	0	382	0	205
2014/2015	561	0	761	0	612	0
	1,100	**550**	**1,500**	**750**	**1,200**	**401**
Total	**2,926**	**2,378**	**2,527**	**1,778**	**2,400**	**1,604**

3.3 Remuneration for the Supervisory Board in the 2016 fiscal year

The system used to remunerate the Supervisory Board that had remained unchanged since 2008 was fundamentally reviewed in the 2016 fiscal year with the involvement of an independent remuneration expert and was revised based on a proposal submitted by the Management Board and the Supervisory Board at the Annual General Meeting on 16 June 2016 with (retroactive) effect from 1 January 2016. The aim of the revision was to eliminate the previous variable remuneration component and to remunerate the Supervisory Board in future in accordance with the observed national and international trend for a system of purely fixed remuneration. Due to the elimination of the variable remuneration component, the revised rules included the simultaneous increase in the amount of the fixed remuneration to a level appropriate to that seen on the market. The new system proposed by the Management Board and Supervisory Board was passed by a large majority at the Annual General Meeting.

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Incorporation. A revision of the rules was resolved by the Annual General Meeting 2016. According to the new rules, the members of the Supervisory Board will now receive fixed remuneration of EUR 120,000 for every full fiscal year serving on the Supervisory Board. The Chairman of the Supervisory Board will receive double and the Deputy Chairman of the Supervisory Board will receive one-and-a-half times this amount; an additional fee for activities on committees is not foreseen in the rules because the Supervisory Board has not currently formed any committees due to its relatively small size. The remuneration is payable in four equal instalments and is due in each case at the conclusion of a calendar quarter. Members of the Supervisory Board that are not part of the Supervisory Board for a full fiscal year or do not hold the positions of Chairman or Deputy Chairman for the full fiscal year receive pro rata remuneration after rounding up to the next full month of service. In addition, the members of the Supervisory Board receive an attendance fee of EUR 1,250 per day for plenary meetings of the Supervisory Board, which is payable after the conclusion of the calendar quarter in which the corresponding meeting took place.

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

The members of the Supervisory Board Mr. Wulf Matthias, Mr. Alfons W. Henseler and Mr. Stefan Klestil are also members of the Supervisory Board of the subsidiary Wirecard Bank AG. No other remuneration or benefits for personally rendered services, in particular consulting and agency services, were paid in the 2016 fiscal year.

As of 31 December 2016, no loans have been granted to members of the Supervisory Board.

The total remuneration (including the remuneration for the supervisory activities for subsidiaries) paid to the members of the Supervisory Board comprises the following (whereby value added tax of 19 percent is not included):

Supervisory Board remuneration 2016

in kEUR	Function	from	up to	Fixed	Meeting fee	perfor-mance-based	Long-term incentive effect	from sub-sidiaries	Total
Wulf Matthias	Chairman	1.1.2016	31.12.2016	240	9	0	0	65	314
Alfons W. Henseler	Deputy	1.1.2016	31.12.2016	180	9	0	0	60	249
Stefan Klestil	Member	1.1.2016	31.12.2016	120	9	0	0	55	184
Tina Kleingarn	Member	23.6.2016	31.12.2016	70	5	0	0	0	75
Vuyiswa V. M‘Cwabeni	Member	23.6.2016	31.12.2016	70	5	0	0	0	75
Total remuneration				**680**	**36**	**0**	**0**	**180**	**896**

Supervisory Board remuneration 2015

in kEUR	Function	from	up to	Fixed	Meeting fee	per-formance -based	Long-term incentive effect	from sub-sidiaries	Total
Wulf Matthias	Chairman	1 Jan 2015	31 Dec 2015	110	8	228	0	65	411
Alfons W. Henseler	Deputy	1 Jan 2015	31 Dec 2015	83	8	171	0	60	321
Stefan Klestil	Member	1 Jan 2015	31 Dec 2015	55	8	114	0	55	232
Total remuneration				**248**	**23**	**512**	**0**	**180**	**963**

In the fiscal year 2016, remuneration for the Supervisory Board totalled kEUR 896 (2015: kEUR 963). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries of kEUR 180 (2015: kEUR 180). An amount of kEUR 180 was recognised as a provision for the remuneration and will be paid in 2017.

4. Directors' dealings

Persons who carry out management tasks (at Wirecard AG this means the members of the Management Board and Supervisory Board), as well as persons closely related to them, are obligated in accordance with Article 17 of the Market Abuse Directive to report to the Federal Financial Supervisory Authority and the company their own dealings in the shares of the company or the debt instruments of the company or any associated derivatives or other associated financial instruments within three business days. However, this reporting obligation only applies if the total volume of the business dealings carried out by the affected person exceeds EUR 5,000 within one calendar year.

The transactions reported to Wirecard AG in the 2016 fiscal year can be found on the website: ir.wirecard.de/corporate-governance.

In total, the members of the Management Board directly or indirectly held a 7.0 percent equity interest in the company as of 31 December 2016. Members of the Supervisory Board held no shares in the company as of 31 December 2016.

5. Responsible risk management

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

6. Transparency and communication

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

7. Audit of the financial statements and financial accounting

Since the 2005 fiscal year, Wirecard AG has applied International Financial Reporting Standards (IFRS) as the basis for its financial accounting. At the Annual General Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor for Wirecard AG. Interim reports were made accessible to the public within two months of the end of the quarter and the consolidated financial statements and Group management report within four months of the end of the fiscal year. The Supervisory Board discusses six-monthly and quarterly financial reports with the Management Board before they are published.

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

8. Corporate social responsibility

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

9. Sustainability strategy and management

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

10. Responsibility for fundamental social rights and principles

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

11. Leadership culture and cooperation

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

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

12. Management of resources

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

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

13. Equal opportunities and mutual respect

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

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

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

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

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

In September 2015, the Supervisory Board set a target for the proportion of women on the Supervisory Board of at least one female member with a deadline of 30 June 2017. As part of the enlargement of the Supervisory Board from three to five members, Mrs. Tina Kleingarn and Mrs. Vuyiswa M’Cwabeni were elected to the Supervisory Board at the Annual General Meeting so that the Supervisory Board currently comprises three men and two women. The defined target has thus currently been achieved.

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

In accordance with the legal regulations, the Management Board also defined targets for the proportion of women in the two management levels below the Management Board in September 2015. The Management Board has set targets at Wirecard AG for the proportion of women at the first management level below the Management Board of at least 30 percent and for the second management level below the Management Board of at least 30 percent.

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

15. Corporate governance outlook

Upholding our corporate governance principles will remain one of our key management tasks in 2017. We will continue to base our activities on the requirements of the German Corporate Governance Code and implement them accordingly. The Management and Supervisory Boards will continue to cooperate closely in a spirit of mutual trust and will undertake to deal jointly with all significant business transactions. We will provide our shareholders with the usual service regarding proxies and exercising of voting rights at the Annual General Meeting scheduled for 20 June 2017. Implementing and improving our Group-wide compliance programme comprises another permanent managerial function that we are determined to pursue.

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

The Management Board and the Supervisory Board declare that since the submission of the last statement of compliance dated 30 March 2016, the Company has complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code (Code). This statement refers to the recommendations of the Code in its version dated 5 May 2015.

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

1. Section 5.3.1 – 5.3.3 of the Code contain individual recommendations on committees of the Supervisory Board. Due to the size of the Supervisory Board (three members up to the end of June 2016 and five members since then), the Supervisory Board has dispensed with the setting up of committees. All transactions subject to approval have always been dealt with by the plenary Supervisory Board.

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

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

The Supervisory Board of Wirecard AG welcomes the intention of the Code to also counteract any form of discrimination and to promote diversity to an appropriate degree. The Wirecard Group is a modern, globally active company with a diverse personnel structure. It is an absolutely fundamental principle of corporate governance at Wirecard, both at the level of the topmost corporate bodies and below this first management level, to select candidates for vacant positions in accordance with their specialist and personal qualifications, irrespective of their gender, irrespective of their religion, irrespective of their nationality, their beliefs, their skin colour, etc. and, in the case of candidates for the Supervisory Board, to propose their selection to the Annual General Meeting. In doing so, the Company's international activities are taken into account as a matter of course, as well as potential conflicts of interest. The Supervisory Board will ensure that it has the number of independent members it considers appropriate. Above and beyond the previously mentioned targets for the proportion of women, Wirecard AG believes that it has not been necessary up to now to set further concrete targets for the composition of the Supervisory Board. In particular, no maximum time limit for serving on the Supervisory Board has been defined because the Supervisory Board believes that such a time limit could be in conflict with the benefits of having continuity and retention of long-standing expertise on the Supervisory Board that is in the best interests of the company. Therefore, a divergence from

Section 5.4.1 (2) Clause 1 of the Code is currently declared. The Company has consequently diverged, and will diverge from, Sections 5.4.1 (3) Clauses 1 and 2 of the Code. Nevertheless, the Supervisory Board has based its election proposals to the competent election bodies on the recommendations of the Code and will also continue to do so in future.

3. Section 5.4.6 (2) Clause 2 of the Code recommends that any performance-based remuneration of Supervisory Board members should be commensurate with the Company's sustainable development and growth, to the extent any commitment to any such remuneration is made. The previously valid remuneration system for the members of the Supervisory Board that was resolved in 2008 included a variable remuneration component without a multi-year comparison, which is why a deviation to this recommendation was declared. This deviation is no longer relevant when the new rules for the remuneration system for the Supervisory Board resolved at the ordinary Annual General Meeting 2016 and the change to a purely fixed remuneration system come into force.

4. Section 7.1.2 Clause 2 of the Code recommends that the Management Board discusses six-monthly and any quarterly financial reports with the Supervisory Board or its Audit Committee before they are published. As the Supervisory Board is continuously informed about the current developments and business figures of Wirecard AG, there is no additional discussion held on the six-monthly and quarterly financial reports.

5. Section 7.1.2 Clause 4 of the Code recommends that the consolidated financial statements be made accessible to the public within 90 days of the end of a fiscal year and the interim reports within 45 days of the end of the reporting period.

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

Takeover law disclosures
(pursuant to Sections 289 (4), 315 (4) of the HGB) and explanatory report

Composition of the subscribed capital

The subscribed capital of Wirecard AG as of 31 December 2016 amounted to EUR 123,565,586.00 and was divided into 123,565,586 no-par value bearer shares based on a notional capital share of EUR 1.00 per share. All shares confer the same rights and obligations. Each share confers one vote at the Annual General Meeting of Wirecard AG and is entitled to an equal share in the profits.

Restrictions relating to voting rights or the transfer of shares

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

Shareholdings that exceed 10 percent of the voting rights

According to the notifications of voting rights received by the company as of 31 December 2016 in accordance with Sections 21 and 22 of the WpHG, there are no direct or indirect shareholdings in the company that exceed 10 percent of the voting rights.

Shares with special rights that grant controlling powers

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

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

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

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

The statutory rules and regulations apply to the appointment and recall from office of the members of the Management Board. Accordingly, the Supervisory Board is generally responsible for such appointments and recalls from office.

Changes to the Articles of Incorporation require a resolution by the Annual General Meeting in accordance with Section 179 of the AktG. Insofar as the statutory regulations do not specify anything mandatory to the contrary, resolutions by the Annual General Meeting in accordance with Section 20 (1) of the Articles of Incorporation are passed with a simple majority of votes cast and, if applicable, with a simple majority of the share capital represented at the time the resolution is passed. According to Section 179 (2) of the AktG, a majority of 75 percent of the share capital represented is required for a change to the purpose of the company set out in the Articles of Incorporation. Changes to the Articles of Incorporation that only affect the wording can be approved by the Supervisory Board in accordance with Section 15 of the Articles of Incorporation. Furthermore, the Supervisory Board is authorised by resolutions passed by the Annual General Meeting to change Section 4 of the Articles of Incorporation (share capital) according to the respective use of the authorised and conditional capital after the expiry of the respective authorisation or utilisation deadline.

Authority of the Management Board to issue or buy back shares

The authorisation issued by the Annual General Meeting on 26 June 2012 to issue convertible bonds and/or bonds with warrants, which the company has not utilised, and the corresponding Authorised Capital 2012 was revoked by a resolution of the Annual General Meeting on 16 June 2016 and replaced by a new authorisation. Accordingly, the Management Board is authorised with the consent of the Supervisory Board to issue registered and/or bearer convertible bonds and/or option bonds, participating rights and/or profit participation bonds or a combination of these instruments (hereinafter referred to jointly as bonds) with a total nominal amount of up to EUR 300,000,000.00 with or without restriction on their maturity up to 15 June 2021 and to grant the holders or creditors of these bonds conversion or option rights to new bearer shares of the company with a proportionate amount in the share capital of up to EUR 12,356,558.00, according to the details in the terms for the bonds. The bonds can be issued against cash payment but also against contributions in kind, particularly against shareholdings in other companies. The respective terms of the bonds can also include a conversion or option obligation, as well as a right of a put option for the issuer to supply shares in the company at the end of the term or at another point in time (in any combination). The authorisation also includes the possibility to grant shares in the company, insofar as the holders or creditors of these bonds exercise their conversion or option rights, fulfil their conversion or option obligations or exercise their put options for the shares. The bonds may be issued once or several times, in whole or in part, or simultaneously in different tranches. The convertible bonds (partial debentures) can be issued in euro and also – as long as the corresponding value in euro is not exceeded – in an official currency of an OECD member country. They can also be issued by companies affiliated with Wirecard AG in the sense of Section 15 ff. of the AktG. In this case, the Management Board is authorised, with the consent of the Supervisory Board of the issuing company, to provide the guarantee for the bonds and to grant the holders or creditors of such bonds shares in Wirecard AG for the settlement of the conversion or option rights and conversion or option obligations conferred by these bonds, as well as to provide the required statements and take the necessary action for the successful issuing of the bonds.

The Management Board is with the consent of the Supervisory Board, amongst other things, also authorised under certain circumstances and within defined limits to exclude the subscription rights of the shareholders of Wirecard AG to the bonds. No use was made of this new authorisation to issue bonds in the fiscal year. In order to exercise the conversion and/or option rights issued under the aforementioned authorisation and to fulfil the corresponding conversion and/or option obligations or put option, the Annual General Meeting also resolved on 16 June 2016 to conditionally increase the share capital by up to EUR 12,356,558.00 by issuing up to 12.356.558 new no-par value bearer shares (Conditional Capital 2016). The specific details of the authorisation, especially the limit on the possibility of excluding subscription rights and the calculation modalities, can be found in the resolution passed by the Annual General Meeting and Section 4 (4) of the Articles of Incorporation.

According to the resolution made by the Annual General Meeting on 17 June 2015, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital on one or more occasions up until 17 June 2020 by up to a total of EUR 30,000,000.00 in consideration for contributions in cash and/or kind (including so-called mixed contributions in kind) by issuing up to 30 million new no-par value bearer shares (Authorised Capital 2015) and in so doing to stipulate a commencement of the profit participation in derogation from the statutory provisions, also retrospectively to a fiscal year that has already expired, provided that no resolution on the profit of said expired fiscal year has yet been adopted. The shareholders must as a general rule be granted a subscription right. The new shares can also be assumed by one or more banks designated by the Management Board with the obligation of offering them to the shareholders (indirect subscription right).

However, the Management Board is authorised with the consent of the Supervisory Board to exclude shareholders' statutory subscription rights in special cases. The specific details of the authorisation, especially the limit on the possibility of excluding subscription rights and the calculation modalities, can be found in Section 4 (2) of the Articles of Incorporation. No use was made of the Authorised Capital 2015 in the fiscal year. For further details on capital, please refer to the Notes.

Significant agreements in the event of a change of control

In the event of a change of control, each member of the Management Board is entitled to receive a special bonus, which is dependent on the company's value. A change of control of the company, for purposes of employment contracts, shall apply at the point in time at which a notice pursuant to Sections 21, 22 of the WpHG is received or should have been received by the company to the effect that 30 percent or more of the company's voting rights in the meaning of Sections 21, 22 of the WpHG are assigned by way of entitlement or attributed to a natural or legal person or a body of persons. The amount of the special bonus for Dr. Markus Braun and Mr. Burkhard Ley is 0.4 percent of the Company's value and for Mr. Jan Marsalek 0.25 percent of the Company's value. The company's value is defined as the offer for the company in euros per share, multiplied by the total number of all shares issued at the time of publication of the offer. In the event of such a change of control, the Management Board shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a special bonus shall apply only if (i) the change of control is effected on the basis of an offer to all shareholders of the company, or if such change of control is followed by an offer to all shareholders, (ii) the company's value determined in this manner reaches at least EUR 500 million, whereby a company value in excess of EUR 2 billion shall not be taken into account in calculating the special bonus, and (iii) the offer becomes effective due to its acceptance by some of the shareholders. Such special bonus payments are payable in three equal instalments.

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

Wirecard AG has concluded a contract for a fixed credit line with a total volume of EUR 725 million with a banking consortium. Each member of the banking consortium has the right, under certain circumstances, to cancel its share of the credit line as well as its share of the outstanding consortium loan and demand repayment if a shareholder, or shareholders acting together with respect to Wirecard AG, acquire the control of the company and/or more than 50 percent of the share capital voting rights in Wirecard AG. Control is defined as the possibility of exercising decisive influence over the management of the company through shareholdings, cooperation or by any other manner.

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

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

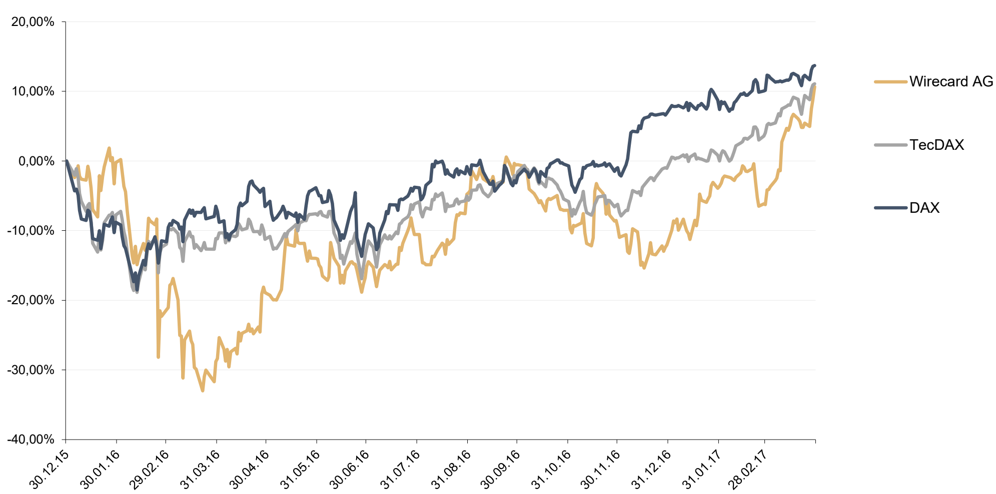
Wirecard stock

The German stock market experienced a mixed year in 2016. While the leading German DAX index was able to continue to grow and rose by 6.9 percent (2015: 9.6 percent), the TecDax fell by 1.0 percent (2015: 33.5 percent).

The Wirecard share fell by 12.1 percent in the 2016 fiscal year but was already able to turn around this trend at the beginning of 2017 and reached an all-time high of EUR 51.47 when the stock market closed on 30 March 2017. After taking into account the dividends paid out at the end of June for the 2015 fiscal year of EUR 0.14 per share (2014: EUR 0.13), the resulting total shareholder return is minus 11.8 percent (2015: 28.0 percent).

Furthermore, the liquidity of the stock, measured by its trading volume, also increased in comparison to the previous year. Around 175 million (2015: 133 million) shares were traded in total on the electronic XETRA trading platform. This corresponds to an average trading volume of 685 thousand (2015: 527 thousand) shares per day.

Annual development of the Wirecard stock



Performance in percent

	1 year 2016	5 years 2012 – 2016	10 years 2007 – 2016
Wirecard AG (excluding dividend)	-12,1	+229,2	+551,1
DAX (performance-index)	+6,9	+94,6	+142,1
TecDAX (performance-index)	-1,0	+164,5	+74,0

Dividends

The Management and Supervisory Boards will propose to this year's Annual General Meeting that a dividend of EUR 0.16 per share is paid to shareholders (2015: EUR 0.14). This corresponds to EUR 19,770,494 (2015: EUR 17,299,182).

Annual General Meeting/dividend resolution

Wirecard AG's ordinary Annual General Meeting was held on 16 June 2016 in the Conference Centre of the Hanns Seidel Foundation in Munich. Around 335 (2015: around 230) shareholders, shareholder representatives and guests participated in the Annual General Meeting. The share capital represented was 62.23 percent, which was around the same level as the previous year (2015: 66.12 percent).

All of the agenda items were passed with a large majority. Amongst other things, Wirecard AG expanded the Supervisory Board from three to five members to reflect the strong growth of the company. Furthermore, the Annual General Meeting resolved to distribute an amount of EUR 17,299,182.04 as dividends from the profit of EUR 58,239,543.50 for the 2015 fiscal year included in retained earnings. This corresponds to an amount of EUR 0.14 per share on the basis of the 123,565,586 dividend-entitled shares. In order to ensure that the Company can continue to respond flexibly to short-term funding requirements in connection with strategic decisions, the Annual General Meeting resolved the creation of new Conditional Capital in 2016.

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

KPIs for Wirecard's shares

		2016	2015
Number of shares (31.12.) – all dividend-entitledt		**123.565.586**	**123.565.586**
Share capital (31.12.)	kEUR	**123.566**	123.566
Market capitalisation (31.12.)	bnEUR	**5,05**	5,75
Year-end price (31.12.)	EUR	**40,89**	46,50
Year-high	EUR	**48,10**	47,38
Year-low	EUR	**29,40**	34,36
Earnings per share (basic)	EUR	**1,43***	1,16
Shareholder's equity per share (basic)	EUR	**11,95**	10,36
Dividend per share	EUR	**0,14**	0,13
Total dividend payout	kEUR	**17.299**	16.054

*Adjusted for Visa Europe

Price data: XETRA closing prices

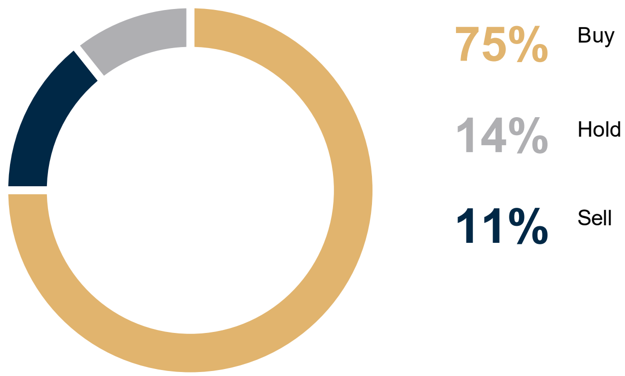
Investor Relations

In 2016, the main topics of communication with the capital markets included Wirecard's innovation and growth strategies. Alongside the organic growth of the Wirecard Group and the M&A activities in the past fiscal year, the focus was placed in particular on the company's entry onto the North American market with the acquisition of Citi Prepaid Card Services.

The core business of the company, as well as the mobile payment and connected POS business areas, continued to be the focus of numerous discussions with analysts and investors. The Management Board and the Investor Relations department of Wirecard AG took part in numerous conferences and roadshows in both Germany and abroad during the year under review.

At the end of the period under review, a total of 28 analysts from renowned banks and independent research institutions were closely observing the Wirecard share.

Analyst recommendations as of year-end 2016



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

Shareholder structure

Most of the 93.0 percent free float as of 31/12/2016 continues to comprise institutional investors from the Anglo-American region and Europe.

Other information

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

Basic information on Wirecard stock

Year established:	1999	
Market segment:	Prime Standard	
Index:	TecDAX	
Type of equity:	No-par-value common bearer shares	
Stock exchange ticker:	WDI; Reuters: WDIG.DE; Bloomberg: WDI GY	
WKN:	747206	
ISIN:	DE0007472060	
Authorised capital, in number of shares:	123,565,586	
Group accounting category:	exempting consolidated financial statements in accordance with IAS/IFRS	
End of fiscal year:	31 December	
Total share capital as of 31 December 2016	kEUR 123,566	
Beginning of stock market listing:	25 October 2000	
Management Board:	Dr. Markus Braun	CEO, CTO
	Burkhard Ley	CFO
	Jan Marsalek	COO
Supervisory Board:	Wulf Matthias	Chairman
	Alfons W. Henseler	Deputy Chairman
	Tina Kleingarn	Member
	Stefan Klestil	Member
	Vuyiswa V. M'Cwabeni	Member
Shareholder structure* as of 31 December 2016		
Shareholders holding more than 3% of voting rights*	7.0% MB Beteiligungsgesellschaft mbH	
	93.0% free float (according to Deutsche Börse's definition) of which	
	6.27% Jupiter Asset Management Ltd. (UK)	
	5.44% Alken Luxembourg S.A. (LU)	
	5.06% Citigroup Inc (US)	
	5.01% Artisan Partners LP (US)	
	3.15% T. Rowe Price Group, Inc. (US)	
	3.049% Comgest Global Investors S.A.S. (FR)	

CONTENT MANAGEMENT REPORT

III. FORECAST AND REPORT ON OPPORTUNITIES AND RISKS 114


Bought for a favourable
price thanks to social
shopping with friends
Seen online,
purchased in-store.

Paid with smartcard and
taken home immediately
Shipped home after being
discovered and ordered in-store

I. Foundations of the Group

1. GROUP STRUCTURE, ORGANISATION AND EMPLOYEES

1.1 Group structure

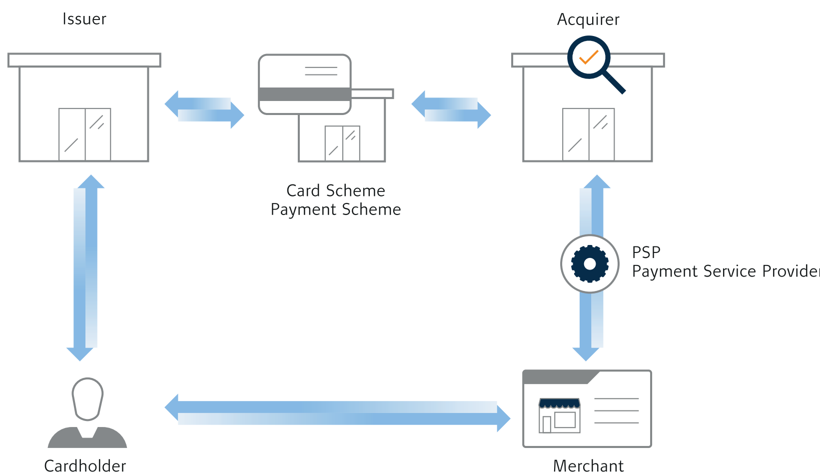
Wirecard AG is a global technology group (hereinafter also referred to as Wirecard Group, or Wirecard) that supports companies in accepting electronic payments from all sales channels. As a leading independent supplier, the Wirecard Group offers outsourcing and white label solutions for electronic payments.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

Payment industry

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

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

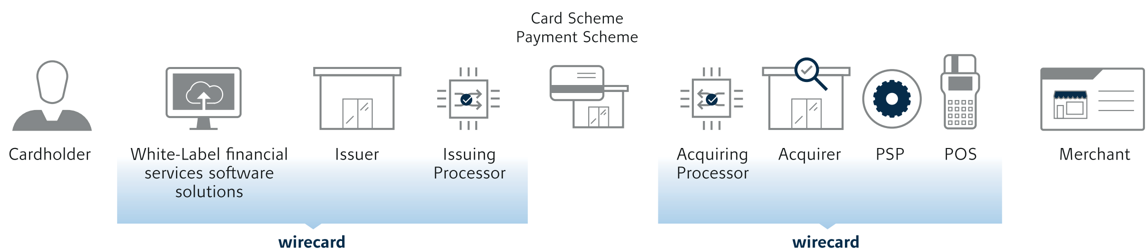
Four-party model



Competitive position

Wirecard offers services across all areas of electronic payments to its customers and partners. While there are numerous local and regional competitors around the world who cover individual subsections of the value added chain, Wirecard stands out on the market due to its provision of a full portfolio of services. International customers with complex business models can be supported in all areas of electronic payment transactions. Wirecard enables retailers to reduce the complexity of electronic payment to a minimum and to optimise sales processes by integrating all services from payment processing through to risk management and fraud prevention, value added services and card acceptance via its own and third party financial institutions through to banking services such as treasury and currency management.

Furthermore, Wirecard offers physical and virtual issuing products to, amongst others, financial services providers, retailers, mobile telephone providers or consumers. The range of services is rounded off with technical processing services for credit card networks and banks, as well as with software solutions for mobile banking applications and mobile and bricks and mortar card acceptance, especially in Asia. Products, services and value added services in the area of payment issuing and payment acceptance can be combined to reduce the complexity of the electronic payment process and all downstream processes to a minimum for retailers.



Wirecard's products and services in the area of electronic payment processing, risk management and additional value added services are made available via a global software platform. Wirecard's unique selling point is its combination of innovative payment technology and licenced financial services. The company has its own financial services licences within the Group (including a full German banking licence and a British e-money licence) and also third party licences for the issuing and acceptance of credit cards and card-based payments. In addition, Wirecard has acceptance contracts for numerous alternative payment processes. The modular and flexible software platform covers the complete value added chain in the areas of both issuing and acquiring. In combination with modular and globally available technology services and the available licences, Wirecard can offer its customers a tailor-made range of products and services from one source.

Software platform

Mobile frontend solutions	SMS/USSD	SIM TOOLKIT/ J2ME	SMARTPHONE APPS	SMARTPHONE SDK	
Value added services	CONTEXTUAL ADVERTISING	LOYALITY PROGRAMS	COUPONING SERVICES		
Multi-channel wallet platform	CUSTOMER DATA MANAGEMENT	KNOW-YOUR CUSTOMER	WALLET CONTENT MANAGEMENT	CREDIT FACILITY MANAGEMENT	PEER-TO-PEER
Issuing processing platform	TRANSACTION AUTH./CLEARING	FRAUD/AML MANAGEMENT	BALANCE MGMT. (STORED VALUE ACCOUNT)	PERSONALISATION	TRUSTED SERVICE MANAGER

ISSUING LICENCE

and many more

FINANCIAL SERVICES LICENCE

ACQUIRING LICENCE

and many more

Acquiring processing platform	TRANSACTION AUTH./CLEARING	FRAUD/AML MANAGEMENT	CUSTOMER DATA MANAGEMENT	TERMINAL MANAGEMENT	NETWORK OPERATIONS
Multi-channel PSP platform	TRANSACTION ROUTING	RISK MANAGEMENT	FRAUD PREVENTION	MERCHANT ANALYTICS	MERCHANT RECONCILIATION
Value added services	CONTEXTUAL ADVERTISING	LOYALTY PROGRAMS	COUPONING SERVICES	TRUST EVALUATION SUITE	MINI ATM
Multi-channel frontend	HARDWARE	ONLINE API	SMARTPHONE SDK	BATCH API	VALUE ADDED SERVICES

Reporting segments

Wirecard AG reports on its business performance in three segments. The three segments and their services are highly interconnected at an operational level.

Payment Processing & Risk Management (PP&RM)

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

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

Acquiring & Issuing (A&I)

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

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

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

Call Center & Communication Services (CC&CS)

The complete scope of the value added services offered by our call centre activities is reported in the **Call Center & Communication Services** (CC&CS) segment. In addition, Call Center & Communication Services are also included in the range of cardholder services offered for Wirecard solutions such as boon, mycard2go, Orange Cash, etc. and also for after sales care of our customers or for mailing activities.

Organisational structure

The organisational structure of the Wirecard Group reflects the interconnection of technology and financial services and can be subdivided into the core areas of technology (including processing) including sales and financial services. The three segments are closely interconnected with one another due to the modular design of the Wirecard platform and the integrated sales approach. Subsidiaries can handle several operational tasks if required.

The Group parent company Wirecard AG, Aschheim (Germany) assumes responsibility for strategic corporate planning and central tasks involved with corporate management, as well as the strategic guidance and control of the subsidiaries.

The operation and further development of the Internet technology-based platform is a core task within the Group and is handled by the technology-oriented subsidiaries. The global availability of Internet technology makes it possible to operate and further develop the technology services to customer and market requirements in a decentralised and modular manner with no or minimal adjustments to the core platform.

In combination with the Group's own licences or in partnership with financial institutions and card networks, Wirecard processes credit card payments (acquiring processing) and handles the technical processing of issuing services (issuing processing). Processing services are a modular component of the software platform and are also handled by the technology-oriented subsidiaries.

These technology services are closely linked to the acceptance of card payments, the issuing of card products and additional financial services. As an innovative partner for global credit card companies, Wirecard possesses the required licences from Visa, MasterCard and others including Unionpay, Amex, DinersClub, JCB, Discover International and UATP. This enables it to issue physical and virtual card products (issuing) and accept card payments for retailers and companies (acquiring). In addition to numerous local licences such as a licence for incoming and domestic money transfers in India (Authorized Dealer, Cat. II), a Turkish e-money licence and an issuing licence in Singapore, Wirecard also possesses within the Group an e-money licence from the British Financial Conduct Authority (FCA) and a full German banking licence and can offer customers other banking services in addition to acquiring and issuing.

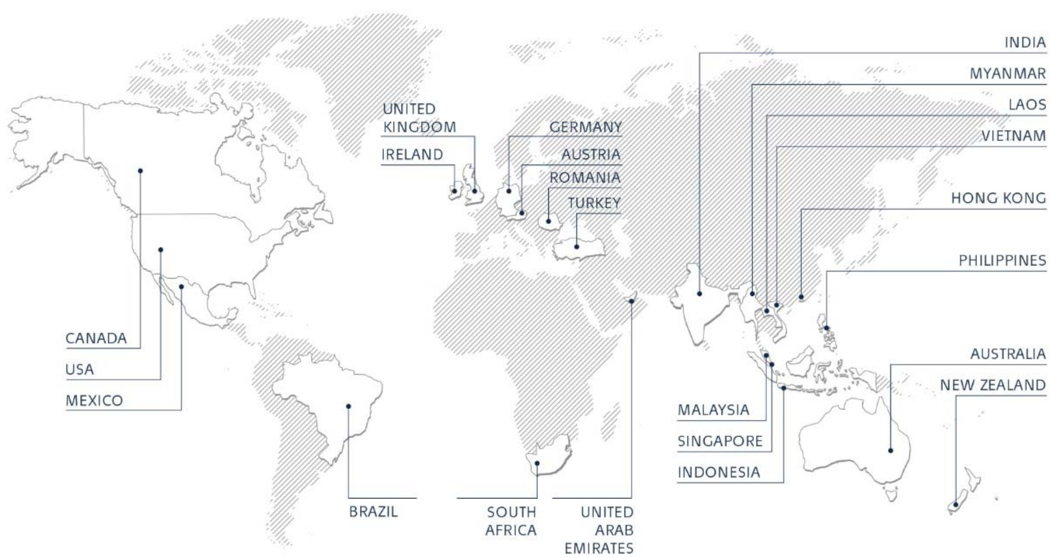
Wirecard markets its products and solutions via its locations worldwide, whereby the sales and technology-oriented subsidiaries are closely interconnected with the subsidiaries specialising in financial services. The sales activities are structured around the target sectors of consumer goods, digital goods and travel and mobility. Experts in each sector are based at the Group headquarters in Aschheim and provide support to their colleagues at the globally distributed branches during the sales process. Due to the combination of sector and market expertise, the sales structure makes it possible to directly address customers in a targeted manner and thus increases sales success. The local subsidiaries give access to important regions and markets around the world.

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

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

Global presence:

Wirecard has a global presence so that it can provide its international customers and partners who are active around the world with regional locations for technology, services and sales, as well as with globally accessible technology services. Germany, the United Kingdom/Ireland and Austria serve as the base locations for the European and global market. In Asia, the operational units in the region are managed above all from the United Arab Emirates, Singapore and Jakarta. Other relevant markets are addressed via subsidiaries in New Zealand, India, South Africa, Brazil and the United States of America.



Changes to the Group structure

During the course of the 2016 fiscal year, the group structure changed mainly as a result of corporate acquisitions. A 60 percent shareholding in GI Technology Private Limited, Chennai (India), a licenced issuer of prepaid payment instruments (PPI) in India, was acquired in the reporting year, closely connected to the earlier takeover of the payment business of the GI Retail Group in India at the end of the 2015 fiscal year. Due to the conditions in the shareholders agreement, which are particularly associated with the Indian regulations for financial services companies, the company will be accounted for using the equity method. This is because Wirecard exercises a significant influence on the company with this 60 percent shareholding but does not have full control.

Wirecard's business in Eastern Europe was strengthened by the acquisition of the Romanian payment service provider Provus Group, Bucharest (Romania).

The company entered the Brazilian and Latin American markets with the acquisition of the Brazilian payment service provider Moip Pagamentos S.A., São Paulo (Brazil) (now called Wirecard Brasil S.A).

Wirecard also announced its entry onto the US market in 2016 with the acquisition of Citi Prepaid Card Services, Conshohocken (USA). The closing of the transaction took place after the reporting period at the beginning of 2017. For this purpose, Kestrel Mergers Acquisitions Corp., Delaware (USA) was founded as an acquisition vehicle. It merged with Wirecard North America Inc., Delaware (USA) following the closing of the transaction. Citi Prepaid Card Services is a leading issuer and programme manager in the area of institutional prepaid credit cards. Alongside a renowned customer portfolio, Wirecard has also acquired an existing sales network and a company in the USA as part of the transaction.

In order to optimise the organisational structure, the two companies Trans Infotech Pte Ltd (Singapore) and Card Techno Pte Ltd (Singapore) were merged with Wirecard Singapore Pte Ltd (Singapore) in the reporting period.

As part of the organic expansion of the company's global presence and the additional strengthening of the sales activities of the Wirecard Group, the companies Wirecard Australia A&I Pte. Ltd., Melbourne (Australia), Wirecard Hong Kong Ltd. (Hong Kong), Wirecard Payment Solutions Hong Kong (Hong Kong), Wirecard Mexico S.A. De C.V, Mexico City (Mexico) and Wirecard Polen Sp.Zo.o., Warsaw (Poland) were founded.

Further information on changes to the Group structure after the reporting period can be found in the Management Report, Chapter II. 3. Report on events after the balance sheet date. The notes to the consolidated financial statements contain a full list of all consolidated subsidiaries in the Group.

1.2 Organisation

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

The Management Board of Wirecard AG remained unchanged as of 31 December 2016, consisting of three members:

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

Two new members of the Supervisory Board of Wirecard AG were elected at the Annual General Meeting on 16 June 2016. The Chairman of the Supervisory Board Mr. Matthias was elected for a further term of office. The Supervisory Board comprised the following members as of 31 December 2016:

- Wulf Matthias, Chairman
- Alfons Henseler, Deputy Chairman
- Tina Kleingarn, Member
- Stefan Klestil, Member
- Vuyiswa V. M'Cwabeni, Member

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

1.3 Employees

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

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

Wirecard as an attractive employer

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

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

Human resources strategy

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

Human resources marketing

To ensure the sustainable growth of Wirecard AG, the future availability of qualified employees and talent must be guaranteed, especially in the areas of research and development and IT. Alongside graduates and young professionals, it is also very important to attract experienced specialists. To ensure the quality of new employees is up to the high standards required and also to cover the great need for personnel, Wirecard works closely together with recruitment agencies and service agencies that focus on the placement of IT specialists.

Selection and integration of personnel

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

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

Human resources development

The HR department supports management to help employees develop optimally based on their skills and qualifications.

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

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

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

Diversity

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

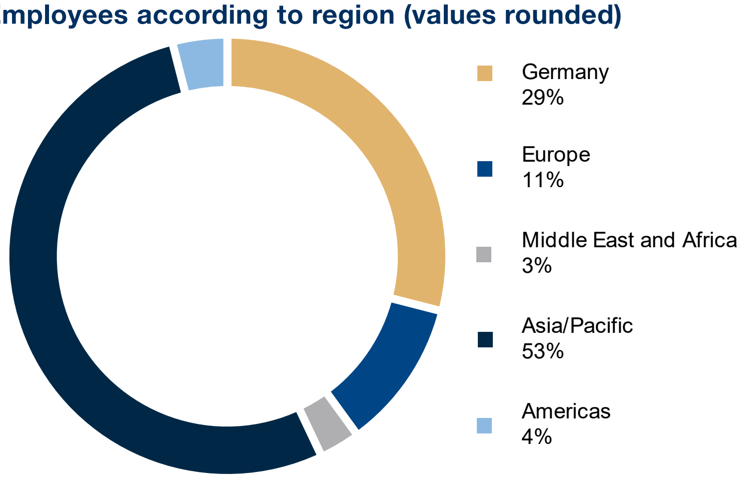
Wirecard deploys specific employer branding activities to position itself as an attractive employer, in order to recruit specialists from all areas worldwide. Due to the dynamic growth in the year under review and the expected level of demand in the future, the activities associated with resource planning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

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

The Wirecard Group employed an average of 3,766 employees (2015: 2,300) excluding members of the Management Board of Wirecard AG and trainees during the course of the 2016 fiscal year, of which 61 (2015: 55) were employed by a subsidiary as members of the Management Board or as managing directors. The increase in the average number of employees is due to corporate acquisitions in Asia, Europe and South America, as well as to the organic growth of the Wirecard Group. The employees of the Wirecard Group were distributed across the following regions on the balance sheet date of 31 December 2016:

- Germany: 1,145 (previous year: 948)
- Europe excluding Germany: 452 (previous year: 220)
- Middle East and Africa (MEA): 118 (previous year: 55)
- Asia Pacific (APAC): 2,106 (previous year: 1,870)
- Americas (AMER): 181 (previous year: 3)

Employees according to region (values rounded)



In Germany, the number of female staff at the Wirecard Group was 520 as of 31 December 2016, comprising around 41 percent of the total employees (31 December 2015: 441 female staff, around 43 percent). At the first management level (directly reporting to the Management Board), 5 women and 10 men were employed in Germany in the year 2016 as of the balance sheet date (2015: women: 5, men: 8). At the second management level, a total of 13 female and 25 male managers were employed in Germany (2015: women: 14, men: 17).

2. BUSINESS ACTIVITIES AND PRODUCTS

2.1 Business activities

Financial technology for 27 thousand customers.

Overview

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

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

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

Business model

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

USPs

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

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

As well as the core business in the area of e-commerce, coverage of the entire payment value chain within the Group makes it possible to address additional business fields. Wirecard AG is in an ideal position to enter into strategic partnerships and business relationships with banks and FinTech companies due to the Group's two licenced financial services providers Wirecard Bank and Wirecard Card Solutions. Alongside the relevant licences and legal framework, Wirecard also offers in particular products and solutions from the areas of electronic payment solutions, Internet-based banking services, risk management and technological expertise.

Alongside the core services from the transaction-oriented business model, Wirecard also finances loans in individual cases. The lenders are generally external third parties, i.e. private consumers or companies, but not FinTech companies themselves. The loans are issued according to strict rules and internal bank guidelines. The risk of default is minimised using loan collateral such as guarantees.

Core sectors

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

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

2.2 Products and solutions

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

Multi-Channel Payment Gateway – global payment processing

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

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

Thanks to modular, service-oriented technology architecture, Wirecard can flexibly adapt its business processes to fit the market conditions at any time and hence respond quickly to new customer requirements. In particular, the omnichannel approach is being continuously implemented in the platform. Transactions will be processed via the software-based platform irrespective of the location of the payment (retail store, Internet shop, mobile application, telephone, e-mail, etc.). Retailers can thus flexibly design all of their business processes from the various sales channels and monitor and optimise them with the help of real-time reporting and business intelligence tools. As the platform architecture is Internet-based, it is possible to carry out individual process steps centrally at a single location or, alternatively, to distribute them across the various subsidiaries and process them at different locations around the world.

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

Payment acceptance solutions – payment acceptance/credit card acquiring

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

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

Issuing solutions

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

Mobile solutions

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

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

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

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

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

Value added services/card linked offers/couponing and loyalty

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

Risk/fraud management solutions – risk management

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

WIRECARD PLATFORM

END-TO-END SERVICES FOR ALL INDUSTRY VERTICALS

- Online, POS, Mobile, MoTo

MULTI-CHANNEL PAYMENT GATEWAY

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

PAYMENT ACCEPTANCE SOLUTIONS

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

ISSUING SOLUTIONS

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

SERVICES

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

MOBILE SOLUTIONS

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

VALUE-ADDED-SERVICES

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

RISK MANAGEMENT

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

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

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

3. CORPORATE MANAGEMENT, OBJECTIVES AND STRATEGY

3.1 Financial and non-financial targets

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

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

In the 2017 fiscal year, we expect an EBITDA of between EUR 382 million and EUR 400 million. This forecast is based on the continued dynamic growth of the global e-commerce market, constant acquisition of new customers, cross-selling effects with existing customers and earnings contributions from acquisitions realised in the previous year. As the result of the continuously rising number of customer relationships and growing transaction volumes, we expect further economies of scale from our transaction-oriented business model and substantial synergies with our banking services.

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

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

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

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

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

Sustainability

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

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

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

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

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

3.2 Group strategy

Strategic developments in the 2016 fiscal year

With operating earnings before interest, tax, depreciation and amortisation of EUR 307.4 million, Wirecard AG achieved its targets. The strategy based principally on organic growth, as well as targeted expansion in global growth markets, was successfully implemented. The Management Board and employees have exploited the scaling potential, maximised value added services and pushed forward the internationalisation of the company. As a result it was possible to increase the EBITDA margin in the 2016 fiscal year. The EBITDA margin shows EBITDA in relation to revenues and stood at 29.9 percent for the full 2016 fiscal year (2015: 29.5 percent).

As part of the global growth strategy, Wirecard is striving to establish a worldwide network of service and technology locations. Through the acquisition of the prepaid card business in the USA and the customer portfolio for card acceptance in APAC of the Citigroup, Wirecard AG has come a significant step closer to realising this vision. These two transactions significantly extend the company's geographical scope and also the available licensing framework. In future, the goal is to further expand the existing licences for the issuing of card instruments and payment acceptance in selected countries.

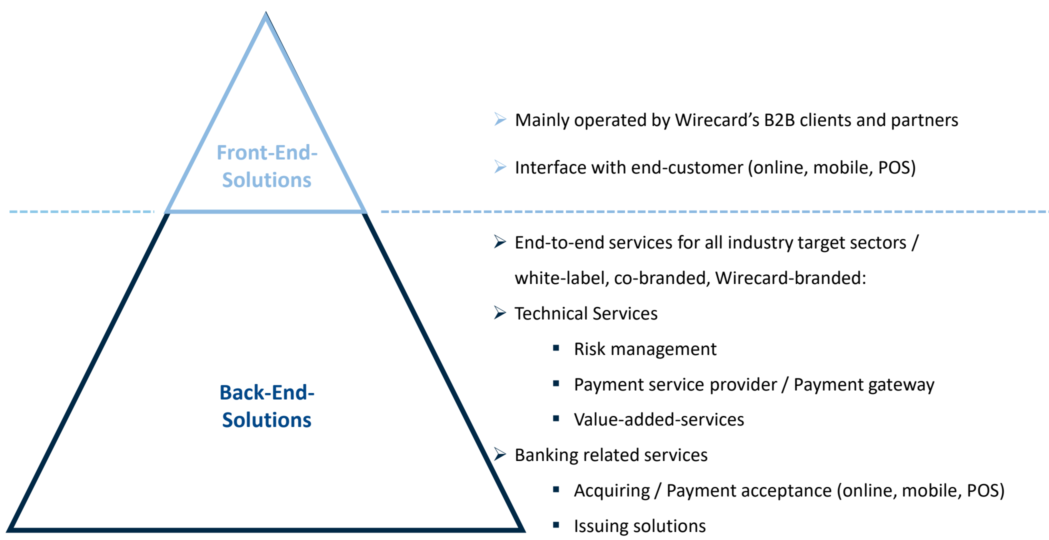
Strategic orientation of the Group and further development of the business model

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

Integration of the full value added payment chain

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

End-to-end services



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

Convergence of the sales channels

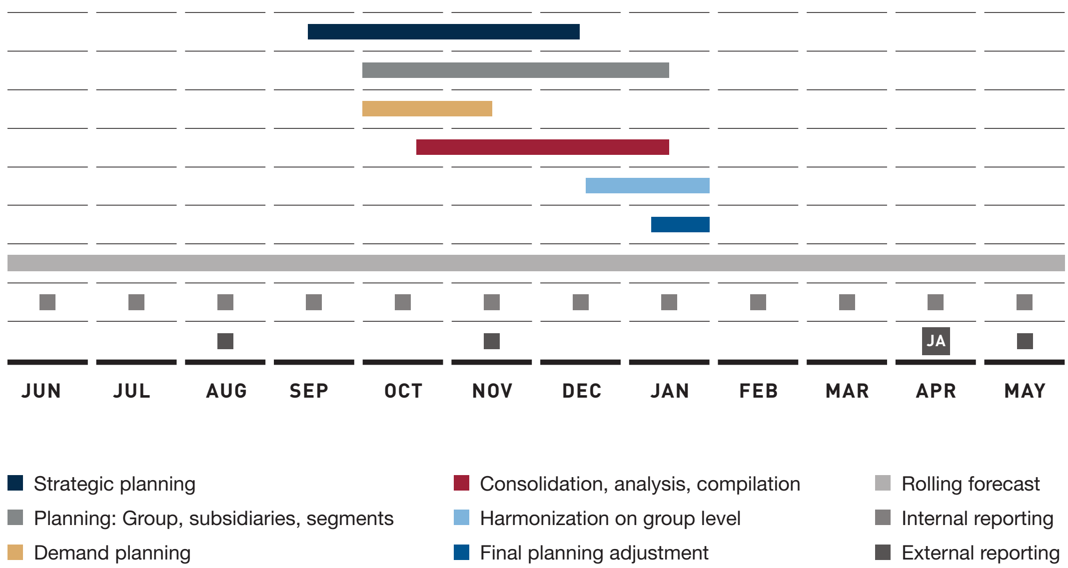
As a technology company whose products and services are fully based on Internet technology, Wirecard participates to a disproportionate level in the described development. Due to the strategic course set in previous years and followed since then, Wirecard can today offer its customers integrated solutions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

Globalisation of the business model

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

Wirecard enjoys an international presence with locally networked units and integrates all relevant payment methods into its global platform. The geographical growth strategy is closely linked with the objectives of supporting customers and partners globally in the best way possible through secure payment processing and acceptance and further increasing Wirecard's expertise in the area of risk management. The Wirecard Group will continue to pursue primarily organic growth in its core markets. In the past, acquisitions were used to develop a global network of service and technical locations. Following the company's entry onto the US market completed in early 2017, Wirecard now has a global presence. Alongside the continued organic development of Wirecard's global presence, selected acquisitions will form part of the Growth strategy in future in order to also strengthen some international markets and complete the existing regional payment value chain. Acquisition opportunities will be reviewed according to a conservative M&A strategy. In particular, acquisitions could serve to achieve the goal of processing significant additional transaction volumes via the Wirecard platform. One example of the future M&A strategy is the acquisition of the APAC acquiring business of Citigroup announced at the beginning of 2017 (see Management Report, II Economic Report, 3. Report on events after the balance sheet date). The strategy envisages providing customers of Wirecard AG with excellent quality and access to technology and services that can be readily provided through the company's presence on all continents.

3.3 Corporate management



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

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

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

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

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

Monthly reporting and ongoing analyses are the central steering elements used in controlling. Changes to business trends are identified at an early stage through continuous monthly reconciliation of reported key indicators with business planning. This allows corresponding countermeasures to be adopted at an early stage for any deviations from the plan. The Management Board and business area managers are constantly informed of the status of the key performance indicators as part of Company-wide reporting.

The internal management system enables management to respond flexibly to changes within a dynamic market environment. It is thus an important component underlying Wirecard AG's sustainable growth.

4. RESEARCH AND DEVELOPMENT

Wirecard's technology-driven payment services enable retailers to benefit from the digitalisation of the payment process. Our goal is to be at the forefront of technological developments, supporting customers with innovative solutions. The customer-oriented and innovative research and development activities – a central operational component of the Wirecard Group – ensure Wirecard's success and lay the foundations for the future growth of the Group.

The customer portfolio of the Wirecard Group comprises a cross-section of all industries relevant for e-commerce. A deep understanding of the requirements of customers, as well as of the respective market environment, enables us to further develop products and services based on these requirements and use innovation to push forward the markets. A global presence guarantees a special understanding of the characteristics particular to local regions and their market-specific requirements.

Wirecard resolutely relies on decentralised, networked research and development structures with development centres distributed worldwide to carry out and further develop technology services in a modular manner so that solutions can be implemented to satisfy customer and market requirements with no or minimal adjustments to the core platform.

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

4.1 Research and development results

In the 2016 fiscal year, R&D activities focused on enhancing and implementing innovative solutions in the mobile payment area and on expanding the fully automated activation of small and medium-sized customers through to large customers.

In addition, the company also pushed forward with the technical consolidation of Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş. and Wirecard India Private Limited in the 2016 fiscal year. Furthermore, it also started the technical consolidation of the new subsidiaries in India (payment business of Great Indian (GI) Retail Group), Wirecard Brasil S.A. (formerly Moip Pagamentos) and Romania (Provus Group). As in the previous fiscal year, the integration and consolidation of technical platforms plays an important role in the leveraging of synergies. As a consequence, Wirecard customers worldwide have access to an extensive, constantly growing and standardised portfolio of products and solutions.

Payment acceptance

The core area of payment acceptance is being continuously expanded in order to provide customers with a homogeneous payment infrastructure. In the reporting period, alternative payment methods such as Paydirekt, AndroidPay and ApplePay were integrated into the global product portfolio. The range of payment methods in India were expanded to include the possibility of accepting the national debit card network Rupay. This means Indian retailers are able to accept Rupay at the POS. In addition, it was possible to realise local acquiring connections on international markets. In order to keep the complexity of processes for retailers as low as possible, an automated solution for integrating local acquirers into the backoffice systems of customers was developed.

Wirecard's platform was expanded to include the option of carrying out one payment process with more than one payment method. This means consumers are able to make a partial payment for a product or service with a credit card and pay the remaining sum with a gift voucher or an alternative payment method.

Wirecard has further reinforced its portfolio of point-of-sale solutions. Based on its own terminal software, end-to-end solutions can be integrated into the terminals supplied by a variety of external manufacturers, while terminal management can offered in combination with processing via the Wirecard Multi-Channel Gateway. The use of Internet technology, also in the area of payment processing at the point-of-sale, enables the seamless integration of backend processes and creates the prerequisites for retailers to implement an omnichannel strategy.

In the context of an omnichannel strategy, mobile payment SDKs for Android and iOS were implemented in the 2016 fiscal year that allow retailers to quickly and easily integrate payment acceptance and processing for in-app payments and thus expand the range of interfaces in the area of PSP.

Due to the growing internationalisation of mPOS – mobile payment acceptance via smartphone and tablet – the platform was expanded and enhanced to include new types of products such as intelligent value added functions. One example particularly worth noting is that checkout systems can now be equipped with integrated functions that notify tax authorities about transactions, while another is the acceptance of AliPay payment at bricks and mortar retailers. The latter is an example of the continued trend of convergence between the various sales channels used by retailers and the increasing expectation of consumers to be able to use the same payment methods both online and offline. Internet technology offers the possibility of also accepting innovative, alternative payment processes at the point-of-sale in order to respond to the requirements of customers and increase revenue. In the reporting period, among other examples, the existing AliPay integration was extended to include AliPay-Spot-Payment (QR code-based payment). In addition, we have laid the technical foundations for activating other similar POS-oriented alternative payment processes.

Value added services

In the area of value added services, solutions relating to big data analysis were expanded to enable retailers to carry out targeted campaigns and evaluate the results. The solution was expanded to include analysis options at the shopping basket level so that retailers have the possibility of understanding the purchasing behaviour of their customers and the correlation between product groups. Moreover, it was also possible to successively expand the application of big data technologies. Improved retailer reporting and fast, efficient management and analysis of transactions is thus now guaranteed.

The ConnectedPOS platform for value added services ensures these services can be efficiently developed, distributed and carried out along the entire payment value chain. The use of Internet technologies at the POS offers bricks and mortar retailers the benefits of using digital data.

Issuing

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

Wirecard's issuing solutions support the personalisation and provision of digital credit cards on a suitable mobile device. As a consequence, this mobile end-device can become a fully fledged payment card that can be used at all NFC-enabled acceptance points. Wirecard supports secure element-based solutions through their direct integration or integration via MDES (MasterCard Digital Enablement Service) and VTS (Visa Tokenisation Service) as the basis for integration in Applepay and other wallets such as Androidpay and SamsungPay, and also by implementing them for MasterCard and Visa with the help of host card emulation (HCE). Here, sensitive payment data is stored on the secure servers operated by the card issuers. The aim is to make all processes for consumers individually configurable and automated without there being any need for a change in media.

The issuing portfolio was expanded to include the Payoutcard product that focuses on business customers. It enables the easy issuing of cards for wage and salary payments, brokerage and commission payments, employee discounts and company credit cards. The issuing solutions are all fully combinable with mobile innovations. In the consumer segment, the functions were expanded to enable the use of family accounts. This enhancement allows children to become accustomed to handling money responsibly without parents having to give up control and management of prepaid card accounts.

Wirecard's mobile payment solution boon was launched onto the market in numerous European countries in the past year and is now available in Germany, England, Ireland, Spain, the Netherlands, France and Switzerland. Boon is being constantly enhanced to include value added services that improve the user experience.

Research and development expenditure

Expenditure on research and development was increased to EUR 52.9 million in the 2016 fiscal year (2015: EUR 41.9 million). The ratio of research and development costs to total revenues (R&D ratio) was 5.1 percent in the period under review (2015: 5.5 percent). The share of total research and development costs (capitalisation rate) accounted for by capitalised development costs was 57.1 percent (2015: 67.5 percent).

These expenses are included in the personnel expenses of the respective departments (Payment & Risk Services, Issuing Services, Mobile Services, etc.) as consultancy costs and other costs. The regular amortisation and depreciation of capitalised development costs was kEUR 12,391 in the year under review (2015: kEUR 9,798).

Employees in research and development

The contribution made by the employees in research and development forms one of the key pillars of the business success of the Wirecard Group. The Group employed an average of 1,786 employees during the year (2015: 947 employees). They are responsible for product and project management, architecture, development and quality assurance. Expressed as a proportion of the total number of employees, this corresponds to 47 percent (2015: 45 percent). Alongside organic growth, the increase in the number of employees in the area of research and development is also due to acquisitions.

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

4.2 Outlook

In the 2017 and 2018 fiscal years, research and development activities will also focus on improving existing products and services and using innovative new products to implement the corporate strategy of expanding the value added chain and growing the company's global technological footprint. In issuing, the focus will continue to be placed on the application of technologies such as HCE and the integration of MDES and VTS, which will greatly propagate mobile payment solutions due to their easy availability for consumers. In this fiscal year, Wirecard in cooperation with Visa will launch an enterprise solution onto the market based on VISA Fleet in the areas of fleet and fuel cards (VISA Linked) with integrated fleet management functionalities.

In the area of payment processing, the focus in 2017 will be on expanding the supported and relevant payment processes in different markets and also on delivering innovative solutions to support retailers in optimising their processes and making payment transactions as efficient as possible. Supplementing existing payment methods at the POS with additional local methods will enhance Internet technology-based POS payment processing. As part of the global expansion of card acceptance and issuing under our own licences or by partner banks, the functionalities of our own processing services will also be greatly expanded. In this context, instalment payments made via card and other additional payment options for retailers are particularly noteworthy. In the area of issuing, the focus will be placed on integration into local networks in the USA, the UAE and the Philippines.

The start of the technical consolidation of the acquired Citi Prepaid Card Services will also represent another key focus in the area of issuing. The acquired customers will have seamless access to innovative Wirecard solutions as a result. The acquisition of the Citi acquiring portfolio in APAC was announced after the reporting period (see Management report, II. Economic report, 3. Report on events after the balance sheet date). As soon as the first partial closing has been completed, the migration of the corresponding customers to the Wirecard platform will begin.

In the area of value added services, the focus will continue to be the data-driven automation of campaigns and services. The platform for value added services will be gradually opened up to external services to allow the potential offered by the dynamic market in this area to be exploited even better than before. Furthermore, self-service reporting functionalities will be expanded to include business intelligence and merchant analytics. Other data-driven services will be developed to provide added value for retailers, particularly in the core area of payment processing. In particular, the area dealing with alternative payment processes at the POS will be intensively expanded, including the development of retailer-specific (closed-loop) solutions.

The security of all processed customer and payment data will continue to be the central theme during all product developments and the application of all solutions.

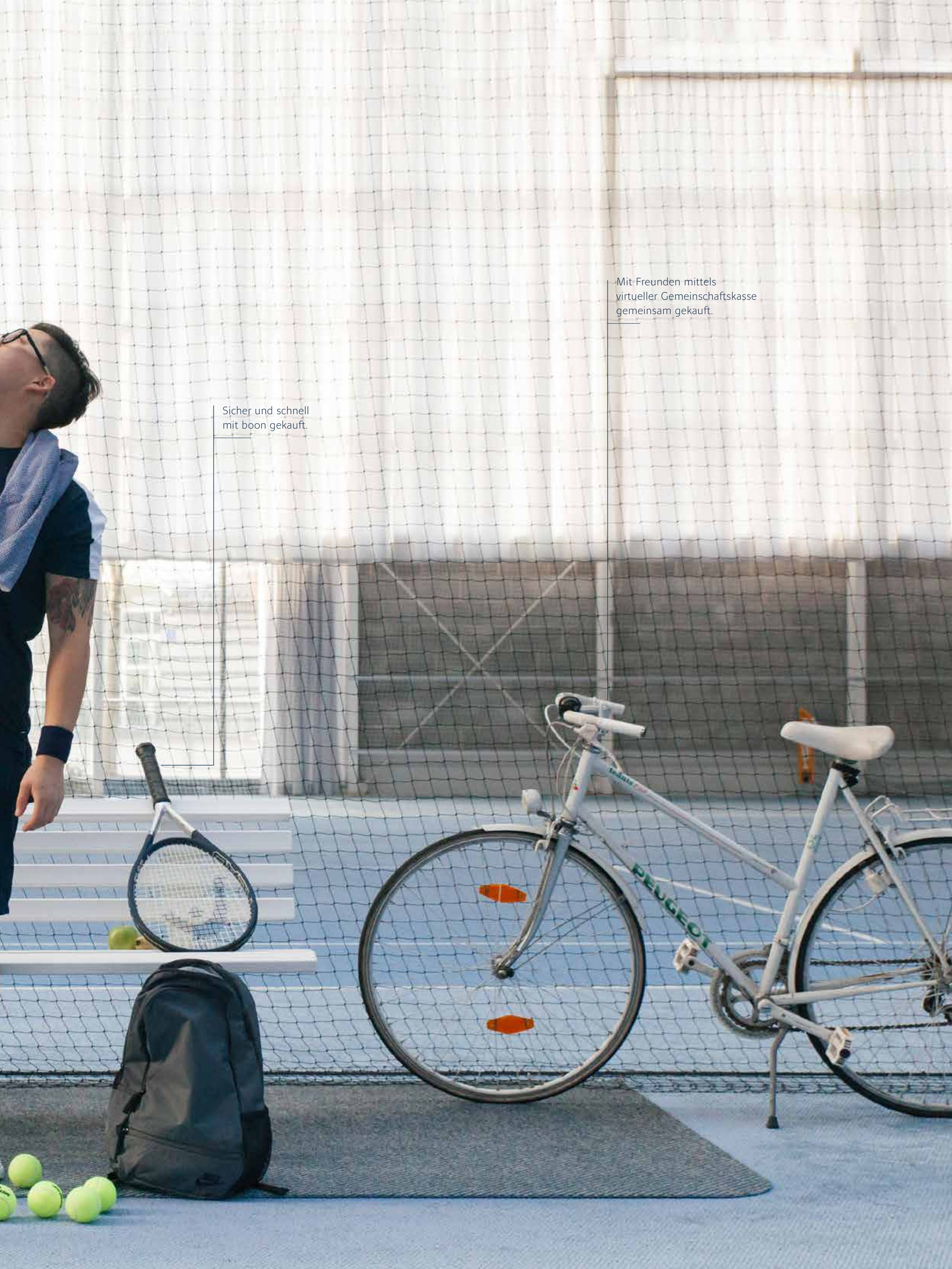
5. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB), REMUNERATION REPORT AND TAKEOVER LAW DISCLOSURES

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

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

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

Dank Orange Cash mit
dem Handy bezahlt.


Mit Freunden mittels virtueller Gemeinschaftskasse gemeinsam gekauft.
Sicher und schnell mit boon gekauft.

II. Economic Report

1. GENERAL CONDITIONS AND BUSINESS PERFORMANCE

1.1 Macroeconomic conditions

Global economic conditions

The International Monetary Fund (IMF) forecasts global economic growth of 3.4 percent in 2016. In the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam), the IMF expects growth of 4.8 percent. The forecast for India is growth of 6.6 percent. The Brazilian economy will shrink by 3.5 percent according to the IMF, while it forecasts growth of 0.3 percent for South Africa. The IMF forecasts growth within the eurozone of 1.7 percent in 2016. According to estimates made by the European Commission in February 2016, gross domestic product in the European Union grew in the year under review by 1.9 percent and in the eurozone by 1.7 percent.

Sector-specific conditions

The European e-commerce market grew by around 12 percent in 2016. Wirecard calculates this figure from the percentage growth figures of the Statista market research institute and the sector association Ecommerce Europe.

1.2 Business performance in the period under review

Due to its portfolio of 27,000 large and medium-sized and almost 150,000 small customers, Wirecard reported a successful business year in 2016 both in its core business and also due to constant expansion within the area of issuing, including virtual card products and a comprehensive range of mobile payment products.

In the first quarter of 2016, the acquisitions of the Brazilian payment service provider Moip Pagamentos (today Wirecard Brasil S.A.), based in São Paulo, and the Romanian payment service provider Provus Group, based in Bucharest, were announced. The integration and technical migration of both companies went according to plan and the fundamental success of both new subsidiaries is more than satisfactory.

India

In the first quarter of 2016, we completed the final stages of the closing of the Indian transaction. Wirecard has since then held 60 percent of GI Technology Private Limited (India) and had already held economically 100 percent of the shares in Hermes i Tickets Pte Ltd, Chennai (India) including its subsidiary and Star Global Currency Exchange Pte Ltd, Bangalore (India) since the end of 2015. (Further information: ir.wirecard.com/2015acquisition-India). Cross-selling measures in India were carried out in the area of mobile POS solutions and Mini-ATMs, which enable the withdrawal of cash in areas without the necessary banking infrastructures. At the beginning of the 4th quarter, measures taken by the Indian government to reduce cash transactions led to a reduction in cash payments being made in our smartshops for several weeks. At the same time, the temporary shortage of cash in India contributed to a five-fold increase in our electronic POS volume and a good development in our Internet payment volume in the 4th quarter. This positive trend also continued in the first months of the new fiscal year.

GI Technology Pte. Ltd., Chennai (India) already received an MTSS (Money Transfer Service Scheme) licence from the Reserve Bank of India in March 2016. We have been able to offer money transfer functions (money remittance) from abroad into India since then. India is the world's largest recipient country in this area. The scope of the MTSS licence allows Indians living abroad to send sums of up to USD 2,500 to their families in India. Tourists who want to receive money for their expenses in India will also be able to benefit from this service in the future. In order to offer this service, GI Technology is working together with the company Transfast (Globe Foreign Exchange). Transfast is a leading provider for money remittance in India. The partnership with GI Technology enables customers of Transfast to send money to their families across the whole of India at affordable prices.

General business performance 2016

In terms of the acquisition of new customers, 2016 was an extremely successful fiscal year. We were able to acquire new customers from all industries and sectors. In particular, high volume deals were made in the large customer segment. It was possible to significantly expand cooperation with numerous existing customers in all areas of activity. Supplementing existing payment methods and risk management solutions provides a good example of how business relationships can be expanded and innovative Wirecard solutions integrated.

The trend toward internationalisation continued in the core e-commerce business. Wirecard offers a fully automated solution for the rapid configuration and acceptance of all common international payment methods with the Wirecard Checkout Portal, enabling small and medium-sized retailers to also participate in international e-commerce. To provide them with even more support, the cooperation partners Wirecard and Commerzbank have developed a new online payment method: purchase on account with pre-financing. This means that when a customer makes a purchase using the payment method "purchase on account with pre-financing", the online retailer is credited immediately after the order and does not have to wait for the goods to be delivered and the subsequent payment by the consumer. Retailers who previously offered the payment method "purchase on account" were often faced with the problem that they had to wait at least 14 days for their money and thus had to prefinance the sale for this period of time themselves. In addition, there was the risk of default and the complex management of accounts receivable. The new payment method can now be booked by online retailers as an extra for an already existing software solution or is offered in a complete package with all other standard payment methods. This is supported through the Wirecard Checkout Portal, a tool for the uncomplicated integration of payment methods into online shops.

In order to expand the Wirecard Checkout Portal to include further value added services in the area of omnichannel sales, the start-up Supr was acquired in the reporting period. The 20 employees at Supr, an e-commerce platform for retailers and start-ups, are working on the vision of decentralised e-commerce to enable retailers to sell their goods via so-called widgets directly on blogs and social networks independently of an online shop. The innovative Supr solutions will be integrated into the Wirecard Checkout Portal and rolled out Europe-wide as part of a complete ecosystem. The purchase price comprised cash payments of EUR 1 million. Additionally potential earnout payments of up to EUR 2 million were agreed.

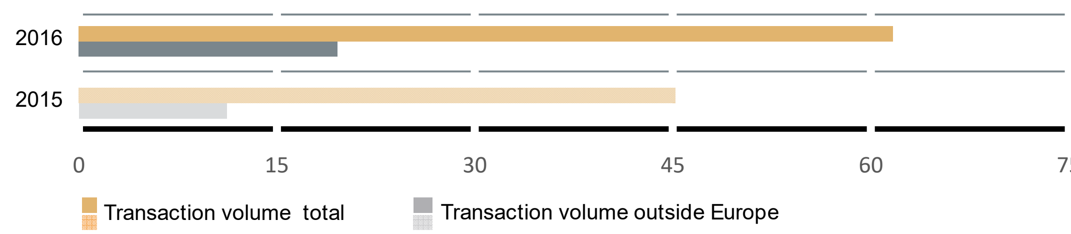
Wirecard's key unique selling points include its combination of software technology and banking products, the global orientation of the payment platform and innovative solutions that allow electronic payments to be processed efficiently and securely.

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

Inherent to the technical platform are scaling effects due to the growing share of business customers who increase the transaction volume through acquiring-related bank services and who use new products.

Fee income from the core business of Wirecard AG, namely the acceptance and issuing of means of payment along with associated value added services, is generally proportionate to the transaction volumes processed. The transaction volume in the 2016 fiscal year was EUR 61.7 billion (2015: EUR 45.2 billion). This corresponds to growth of 36.5 percent. The proportion of the overall transaction volume generated outside Europe was 31.8 percent (2015: 24.8 percent) at EUR 19.6 billion (2015: EUR 11.2 billion), which corresponds to growth of around 75.0 percent.

Transaction volumes 2015/2016 (in EUR billion)



Business performance by segment

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

Payment Processing & Risk Management

The PP&RM segment accounts for all products and services for electronic payment processing and risk management. The dynamic business growth in this segment is due to both an increase in European and also non-European transaction volumes. In line with this growth in transaction volume, the proportion of Wirecard's transaction volume processed in the technical acquiring model via third-party banks, which are also allocated under the PP&RM segment, has also increased. Outside of its European licence area in particular, so-called BIN sponsorship models with third party banks can be used to offer fully integrated acquiring solutions. The business with existing and new customers developed very positively during the period under review.

Business performance in acquiring, financial services and issuing

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

Wirecard Bank generates most of its revenues within the Group through the sales structures of its sister companies. This comprises financial services for companies via card acceptance contracts, business accounts and foreign currency accounts. The collaborations with FinTech companies have enabled Wirecard Bank, as well as Wirecard Card Solutions Ltd. in Great Britain, to exploit new potential for revenue by providing payment services in addition to its banking licence or e-money licence.

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

Revenues in the issuing business area comprise B2B product lines such as the Supplier and Commission Payments solution, as well as B2C prepaid card products.

In the period under review both the acquiring business and the issuing business delivered a very satisfactory performance.

Business performance in Call Center & Communication Services

The services Wirecard Communication Services GmbH offers in this segment are mostly performed for the Wirecard Group but also for third party customers. The expansion of customer service and backoffice services for the Group has been pushed forward and new third party customers have been acquired. It has thus been possible, for example, to set up successful projects for Travelex, savedroid and also internal merchant support. The hybrid service centre structure – meaning the bundling of a bricks and mortar service centre with a virtual one – enables this area of the company to focus on third party customers who have very demanding requirements in terms of languages and skills and makes the targeted outsourcing of operations at peak times possible – a key area of expertise of Wirecard Communication Services GmbH.

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

Target sectors

With direct sales distributed across the company's target sectors – and thanks to its technological expertise and broad spectrum of services – Wirecard AG continued its operational growth in the 2016 fiscal year, while at the same time further broadening its customer base and extending its international network of cooperation and distribution partners.

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

Transaction volumes 2016

46.9% **Consumer goods**
Distance trade (mail order) and brick and mortar shops
All sales channels – in each case physical products

18.8% **Travel and mobility**
Airlines, hotel chains, travel portals, tour operators, cruise lines, ferries, car rental companies, transport and logistic companies

34.3% **Digital goods**
Internet portals, download sites, app-software companies, career portals, dating portals, gaming providers, telecommunications providers, internet telephony, sports betting, gambling (poker)

Distribution of revenue by target sector

51.2 percent of consolidated revenues in the year under review was generated in the consumer goods segment (2015: 50.9 percent). Digital goods accounted for 33.6 percent of consolidated revenues (2015: 33.5 percent), while travel and mobility accounted for 15.2 percent of consolidated revenues (2015: 15.6 percent).

Consumer goods

The acquisition of numerous new customers and the expansion of existing customer relationships demonstrate Wirecard's business success in all sales channels. Some examples of these customers are given below.

In the consumer goods area, an increasing number of large, traditional point-of-sale companies are opening up to software-based solutions that enable digital payment via all sales channels. For example, WMF, a German manufacturer of high-quality kitchenware operating in 40 international locations, not only utilises e-commerce solutions but also full omnichannel sales platforms. Since October 2016, the jointly developed solution has enabled WMF customers to decide on products in the store, order them directly online in the store and have them delivered to their homes. For this purpose, the WMF Group is equipping its stores with tablets on which the corresponding app is installed.

Wirecard has acquired some renowned customers above all in cooperation with Alipay. Since the middle of 2016, the associated businesses at eurotrade Flughafen München Handels-GmbH have, for example, expanded their range of payment processes: Chinese tourists can now conveniently pay for all purchases at participating shops in the arrivals and departures areas of

Munich Airport via their mobile Alipay app. Wirecard has integrated Alipay Barcode Payment into eurotrade's central checkout system for this purpose.

Printemps has been working together with Wirecard since November 2016 and is thus able to offer Alipay as a new payment method to its customers. Printemps Haussmann has become the first department store in France to accept this payment solution, which is already used by more than 450 million Chinese. The Body Shop, one of Britain's best-known and biggest cosmetics and skin care companies, has launched the service in three major London stores using the Scan Alipay App provided by Wirecard.

Wirecard AG has also been supporting Tamaris, a company in the Detmolder Wortmann Group (the largest shoe manufacturer in Europe and the market leader for fashionable ladies shoes), since the fourth quarter of 2016 in the e-commerce payment process in more than 16 European countries. TÜV NORD has also been placing its trust in Wirecard's payment services since December 2016.

New customers also include Holz-Richter GmbH, one of the largest timber merchants in Europe, which was represented on the TOP 100 list of online shops with the highest turnover in 2015 in Germany with its shop Casando. Since its entry into online trade in 2004, the company is considered an e-commerce pioneer in the timber industry.

Since August 2016, Wirecard has been working with O2 in the Czech Republic to prepare a uniform solution for retailers. As part of the new cooperation, O2 is, as the largest telecommunications provider in the Czech Republic, offering its local retail partners the product eKasa: an online and tablet-based till system with the option of credit card payments. Every retailer is thus able to comply with the new government standards and at the same time benefit from greater added value.

Awinta, the market leader for pharmacy software in the German healthcare industry, is relying on Wirecard for its payment solutions at the POS (point-of-sale).

The integration of value added services such as tax free services or alternative payment processes at the point-of-sale (e.g. Alipay, WeChat) is becoming increasingly important for retailers. In order to offer them even more alternatives and flexibility in the future, Wirecard and Premier Tax Free, a company in the Fintrax Group and a leading provider of tax free services, have agreed to cooperate. In addition, Wirecard will integrate Premier Tax Free's services into its value added service portfolio. The mutual acquisition of customers for integrated payment processing services is also part of the cooperation.

Digital goods

In the area of digital goods, we were also able to continuously expand our customer portfolio. Alongside the acquisition of new customers, another driver of growth is the expansion of existing business and customer relationships. Both Goodgame Studios, Germany's market leader in games software, and the online video library maxdome, a ProSiebenSat.1 SE company, are placing their trust in Wirecard's payment solutions.

Examples of new customer acquisitions in the area of digital goods:

Wirecard has been supporting TeamViewer, the largest German software company for remote support and online meetings, in the payment area since June 2016. Wirecard provides credit card acceptance in more than 30 different countries for TeamViewer, handling payment processing and international risk management in its role as an acquirer.

In the gaming sector, Wargaming.net – a relevant supplier of strategy games – has been acquired as a customer. The cooperation will initially start in several selected countries.

SumUp utilises Wirecard as a payment service provider for its e-commerce transactions. Even after its merger with Payleven, Wirecard will continue to be a partner of the company. In addition, Taxi.de was also acquired as a new customer in 2016 for card-based payment on the Taxi.de app.

In cooperation with the IT consultancy group CGI, Wirecard has developed a paid content platform with integrated payment model for Handelsblatt, the leading publishing house for economic and financial information in Germany.

The Turkish subsidiary of the Wirecard Group, Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş, announced a strategic partnership with Logo Yazilim San. Ve Tic A.Ş at the end of March 2016. Logo, a leading software provider in Turkey, is integrating the payment services from Wirecard into its websites. Companies from numerous sectors already use applications from Logo, such as those from the retail trade, distribution or production trades and the tourism, technology and marine sectors.

Travel and mobility

The target sector travel and mobility was able to report just as many new customer acquisitions during the course of the year, such as the contract with Siemens Mobility. The companies want to jointly take a step towards the future of transportation: Using a combination of innovative mobility and secure payment services, the aim is develop new solutions in the area of intermodal mobility. Customers should benefit from an intuitive and seamless user experience because different modes of transport together with their direct payment are combined into one solution.

The ÖBB (Austrian Federal Railways) has also found a strong partner in Wirecard for the integration of innovative new payment systems and the joint development of new, tailor-made solutions. The cooperation with ÖBB will make payment even quicker and easier for customers in the future – via all sales channels and with the same familiar level of security.

Wirecard and Sabre Corporation, a leading technology partner for the global travel sector based in Texas, are also cooperating in the area of payment services. As part of the collaboration, Sabre is integrating Wirecard payment services into its payment platform. Sabre processes all kinds of payment transaction from all areas of the travel sector incl. airlines, hotels, rental cars, etc. from this platform.

In September 2016, Wirecard was able to announce the acquisition of Wizz Air, the largest low-cost airline in Central and Eastern Europe (CEE) based in Budapest, as a new customer.

The Turkish subsidiary Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş has been working together with Otelz.com, one of the largest booking platforms on the Turkish domestic market who offer their customers the opportunity to travel the world, since August 2016. As part of this collaboration, Wirecard is handling the processing of all credit card payments received via the online platform, as well as acquiring services.

After the reporting period, RwandAir decided to place its trust in Wirecard AG, who will now handle all payment services in the area of card acceptance (acquiring) for the state airline with immediate effect.

All of the customers named from the area of travel and mobility provide examples of the positive development in the acquisition of new customers.

Deals in APAC

Wirecard AG and Cuscal, one of the leading payment service providers in Australia, have been cooperating since last year to provide Wirecard's acquiring services across the whole of Australia, whereby Cuscal will assume the role of acquiring BIN sponsor. This cooperation includes the use of Wirecard's omnichannel payment processing platform for credit and debit card transactions in Australia.

The spectrum of services in Asia now ranges from payment transactions, network operating and technology services through multi-channel payment solutions to contactless and mobile payment transaction solutions, as well as issuing processing (technical processing of card transactions). The positive trend in business is also characterised by technology transfers that enable our new subsidiaries in Southeast Asia to operate with an expanded portfolio of solutions on the Asian markets.

Some examples are given below:

In January 2016, Wirecard Singapore Pte Ltd announced its cooperation with ComfortDelGro Taxi. The main feature of the services provided are digital payments via MasterPass, a payment service from MasterCard. ComfortDelGro is an international transport company based in Singapore that has a fleet of 46,500 vehicles in seven different countries and is also the largest taxi operator in Singapore.

In the mobile point-of-sale business field (mPOS), Wirecard secured a new cooperation partner from Singapore in 2016: The software company and cash till manufacturer Eleos Web Pte Ltd is placing its trust in Wirecard's white label solution. The collaboration will expand Eleos' cash till functionality to include mobile card acceptance. Wirecard is supplying the entire mPOS technology to Eleos for the launch in Singapore, including the technical integration into the cash till systems. For credit card acceptance (acquiring) and online banking, Wirecard is working together with its local partner CIMB Bank.

Wirecard Payment Solutions Malaysia Sdn Bhd has been working together with BLoyalty Sdh Bhd, a wholly-owned subsidiary of the Malaysian Berjaya Group, since the beginning of 2016. As part of the partnership, Wirecard has developed an innovative loyalty programme based on a mobile app. Berjaya is one of the largest conglomerates in Malaysia and bundles together various different business segments under one roof. The group company BLoyalty operates a card-based bonus programme under the name BCARD, which is one of the largest local programmes with more than five million card holders.

In June 2016, Wirecard AG and Verifone announced a strategic alliance to expand the point-of-sale market in the Asia Pacific region – beginning with Indonesia. As the fourth most populous country in the world, Indonesia is considered one of the largest and fastest growing markets for payment solutions.

In July 2016, a cooperation between Ingenico and Wirecard via their respective subsidiaries PT Ingenico International Indonesia and PT Prima Vista Solusi in Indonesia was announced. As part of the partnership, Wirecard is able to provide its payment solutions and services via Ingenico's point-of-sale terminals in Indonesia. Customers such as financial institutions and retailers will benefit from a comprehensive range of value added services including the acceptance of multiple payment methods – e.g. EMV, NFC and payment by invoice – as well as a platform for retailer management, transaction processing and risk management that should promote rapid and secure business growth.

Wirecard Indonesia PT Prima Vista Solusi, a subsidiary of Wirecard AG, launched a new point-of-sale payment gateway in 2016 that allows retailers to process card transactions via multiple acquiring banks. At the same time, Wirecard provides the latest Internet technologies at the point-of-sale: The infrastructure comprises a multi-brand POS software and supports payment with international cards such as Visa, MasterCard and CUP, as well as national debit cards. In addition, propriety NFC wallets and payment by invoice are supported while a POS gateway that is hosted in Wirecard's PCI-DSS certified data centres offers switching, terminal management, transaction monitoring and retailer reporting functions.

The DCB Bank, an innovative private bank in India, announced the introduction of mVisa in September 2016. The mobile payment solution mVisa has been designed to significantly simplify payment in retail stores using QR codes. DCB Bank is cooperating with GI Technology, a subsidiary of Wirecard AG, to implement mVisa. As part of this collaboration, GI Technology is supporting retailers in accepting payments via mVisa and offering cash withdrawals at the till.

RBL Bank and the Wirecard subsidiary GI Technology – India's largest company for the nationwide transfer of money – are cooperating on the introduction of the open-loop RuPay prepaid card ICashCard for RBL-ICASH. GI Technology's ICashCard holders thus have the option of an additional prepaid card. This open-loop wallet can be used to make payments offline at retailers and on online portals, as well as to make withdrawals from cash machines.

Deals in the area of issuing, mobile and FinTech

Prepaid cards

The announcement of the acquisition of Citi Prepaid Card Services was an important highlight in the last fiscal year. The transaction has now been successfully concluded and Wirecard has successfully entered the US market. Citi Prepaid Card Services is a leading issuer and programme manager in the area of institutional prepaid credit cards.

In January 2016, Wirecard Technologies GmbH announced a partnership with Visa Europe Collab, an initiative of Visa Europe with innovation labs in Berlin, London and Tel Aviv. As a strategic development partner, Wirecard will provide Visa Europe Collab with its software technology and banking services as well as its market expertise. The collaboration offers FinTech start-ups and technology providers direct access to the partner network, technical platforms and interfaces so that they can develop solutions to revolutionise the payment experience.

A new prepaid Visa card from Wirecard has been available to consumers since March 2016: The mycard2go is easy to top up and flexible to use for a variety of applications – whether online, at bricks and mortar retailers or abroad. Issued by Wirecard Bank AG, it is the first Visa Simply One combined card that brings together the functions of a traditional credit card with those of a debit card (V PAY). The solution combines a high level of security via a PIN number with high global acceptance. In this way, users of the mycard2go prepaid card can make cashless payments at over 24 million Visa acceptance points.

The cooperation with Lidl, part of the Schwarz Group and operator of around 10,000 stores in 27 countries, has been expanded. The Wirecard Group is responsible with immediate effect for the issuing and technical processing of Lidl e-money gift cards in Croatia. The gift cards are issued in the national currency of Kuna. Wirecard has already been supplying almost 3,200 German Lidl branches with e-money gift cards for around two years.

As the licenced card issuer, Wirecard Card Solutions Ltd, UK, is supporting the Mondo card, part of a new MasterCard prepaid debit card programme in England. The programme manager Mondo is a FinTech start-up from London and offers its customers a new mobile banking app that also bears the same name.

Wirecard Card Solutions Ltd has been the issuer for the prepaid card programme from Paygoo since the middle of 2016. The Norwegian company Paygoo recently launched a prepaid MasterCard that can be topped up and a new MasterCard gift card. These cards can be directly purchased and topped up via the chain of stores Reitan Convenience at nationwide sales outlets and online. Reitan Convenience is one of Europe's largest convenience store chains including the retail brands 7-Eleven, Shell and Narvesan.

Wirecard has been cooperating with the start-up company Curve from London since May 2016. Curve allows users to connect up all kinds of bank cards into one physical payment card that is accepted everywhere – both online and at the point-of-sale. This card solution is supplemented by a mobile app that provides users with a overview of all payments. Wirecard is supporting Curve with both the card and the app solution to guarantee the global acceptance of the Curve card and provide users with risk coverage protection.

Wirecard and Travelex, the world's largest foreign exchange company, announced the market launch of the Supercard in May 2016. The combination of a MasterCard® card and an app has since enabled British travellers to pay abroad without incurring international service fees for debit and credit card payments.

The Wirecard Group has also been supporting MyOrder B.V. (a Rabobank company) with the payment function in the GRPPY (Grouppay) app since 2016. GRPPY is a start-up from Rabobank and utilises the MyOrder platform for which Wirecard already provides the complete wallet infrastructure as a technical service provider.

In cooperation with 3V Benelux B.V., Wirecard is issuing the pay2d Visa card – the first virtual prepaid card for online payments in the Netherlands. With this new prepaid card solution, users in the Netherlands can pay online everywhere where Visa is accepted as a payment method.

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

boon.

Wirecard's digital HCE payment solution boon – which was initially launched on the German market for Android devices in November 2015 – combines innovative and secure payment functionalities, loyalty and couponing and numerous services in the area of personal finance. The mobile software solution boon has already been successfully launched for Android users in Germany, Austria, Spain, Belgium, Ireland, France, Switzerland and the Netherlands. Boon has been successfully launched as a full digital credit card for Apple Pay in Great Britain, France, Switzerland and Ireland since May last year.

The payment app boon can be provided as a Wirecard or co-branding solution in collaboration with sales and cooperation partners. In this way, Wirecard can provide, for example, telecommunications providers, banks or retailers with direct access to markets through a mobile payment solution. The insurance solution from Credit Life International is being integrated into the mobile payment solution boon. Users can thus insure purchases made via the mobile payment app during the checkout process at the touch of a button. The combination of payment and insurance is particularly convenient for users.

Wirecard will introduce the Pay by Bank app from VocaLink into its mobile payment solution boon to allow customers to make contactless payments via NFC using their smartphones at bricks and mortar retailers. In addition, Wirecard will incorporate the Pay by Bank app into its British online retailer acquiring suite as an alternative payment option.

The mobile phone provider Orange, a strategic partner of Wirecard in the area of mobile payment, has now launched its payment service Orange Cash in France and Spain. More than 60,000 retailers are now participating in campaigns for this Visa card-based product. Wirecard will provide the e-money and issuing licences, as well as the technical platform for the mobile payment application. It is also responsible for the design, implementation and handling of all technical and financial processes for the payment application. Wirecard and Orange, a global telecommunications provider, are expanding the functionality of the Orange Wallet App "Orange Cash" in France. The mobile payment solution, which is supported by the German payment specialist Wirecard, is now being expanded to include "Orange Cash Jeune". This new function makes it possible for teenagers under 18 years old to make mobile payments under the supervision of their parents.

Carrefour Romania selected the Romcard e-wallet, a product offered by the Wirecard subsidiary Provus Group, as the basis for the new app Carrefour Pay in 2016, which has since been available via all network operators. Carrefour Pay can be used with both Android and iOS. The application enables fast and secure payment at the cash till by simply scanning a QR code. In addition, the app can also be used to check the price of any product by scanning the barcode and to send invoices via e-mail.

Fintech

FinTech companies combine banking products with the latest technologies to address customers with innovative business models in the financial sector, often optimised for use on mobile end devices. Alongside the relevant licences and legal framework, Wirecard also offers, in particular, products and solutions from the areas of electronic payment processing, Internet-based banking services, risk management and technological expertise.

The Wirecard Group has been working together with the FinTech company savedroid from Frankfurt since July 2016. The app of the same name enables users to automatically save money during their everyday activities. Wirecard implemented a virtual MasterCard in the savedroid app and also processes payments via an e-money account – thereby providing the necessary licence and technical platform.

In the summer of 2016, the cooperation with Future Finance, an Irish finance technology company, was announced. Future Finance has launched a new financing model for student loans onto the German market to provide loans of between 1,000 and 40,000 euros for tuition fees and living costs. Wirecard Bank, as a wholly-owned subsidiary of Wirecard AG, is the partner bank for Future Finance and will provide its German banking licences and handle account management as part of the cooperation.

The ADAC truck service subsidiary Europe Net has been offering its customers the Europe Net Service Card in cooperation with Wirecard since October 2016. The new prepaid card can be used for breakdown and workshop services, as well as at filling stations in Germany and abroad. The card enables fleet managers to top up credit in real time and thus enable their professional drivers to make payments directly on-site in the event of an emergency.

Since October 2016, Wirecard has been cooperating with Conferma, a specialist in virtual card technology with a large network comprising numerous travel suppliers. As part of the cooperation, the Virtual Supplier Payment Card from Wirecard will be introduced for business travel via Conferma's integration network. Through this partnership, Wirecard is also able to reach customers – in line with the company's strategic orientation – in the travel sector by providing them with virtual card services in a variety of currencies (e.g. HKD, SGD, AUD, JPY, USD, EUR and GBP), as well as travel management companies by supporting them in account reconciliation and data management so that they can in turn implement the travel programmes of their customers more efficiently.

2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

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

Results of operations

In the fiscal year 2016, Wirecard AG achieved further significant growth in both revenues and operating profit.

Revenue trends

In the fiscal year 2016, consolidated revenues grew by 33.3 percent from kEUR 771,340 to kEUR 1,028,358.

Revenues generated in the fiscal year 2016 in the core segment of Payment Processing & Risk Management, arising from risk management services and the processing of online payment transactions, increased by 34.9 percent from kEUR 579,900 to kEUR 782,420.

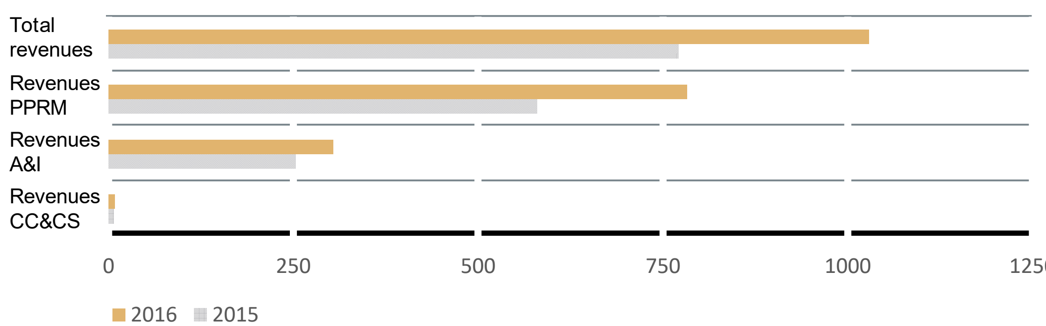
The share of the total consolidated revenues accounted for by the Acquiring & Issuing segment grew by 20.2 percent in the fiscal year 2016 to reach kEUR 304,064 (2015: kEUR 252,957), of which the share accounted for by issuing amounted to kEUR 70,831 in the fiscal year 2016 (2015: kEUR 56,490).

Revenue from Acquiring & Issuing in the fiscal year 2016 primarily comprised commissions, interest, financial investments and revenues from processing payments, as well as exchange rate gains from processing transactions in foreign currencies. The cooperation with so-called FinTech companies e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector has assumed rapidly growing strategic importance for Wirecard last year. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income. Against this background, a significantly higher proportion of the customer deposits (31 December 2016: kEUR 734,003; 31 December 2015: kEUR 582,464) were invested in corresponding financing activities – as well as in continued deposits held with the central bank, demand and fixed-term deposits and collared floaters.

The interest income generated by the Acquiring & Issuing segment in the fiscal year 2016 totalled kEUR 9,689 (2015: kEUR 4,156) and is recognised as revenues. Accordingly, it is not included in the Group's financial result but is reported here also as revenues. It comprises interest income on the investments of own as well as customer deposits (deposits and acquiring money) with external banks.

The Call Center & Communication Services segment generated revenues of kEUR 8,506 in the period under review, compared with kEUR 6,766 in the fiscal year 2015.

Trends in total/segment revenue in EUR mn



Trends in key expense items

The item own work capitalised primarily comprises the continued development of the core system for payment processing activities as well as investments in mobile payment projects. In this regard, own work is only capitalised if it is subject to mandatory capitalisation in accordance with IFRS accounting principles. Capitalisations amounted to a total of kEUR 30,201 in the fiscal year 2016 (2015: kEUR 28,293). 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 2016 to kEUR 530,761, compared to kEUR 418,935 in the previous year. The cost of materials mainly comprises charges by the credit card issuing banks (interchange), fees to credit card companies (for example, MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (for example, in the area of risk management and acquiring). Expenses for payment guarantees and purchases of receivables are also included in the area of risk management. The area of acquiring also includes commission costs for external sales.

In the Acquiring & Issuing segment, the cost of materials relating to the areas of acquiring, issuing and payment transactions primarily comprises, besides interchanges, the processing costs of external service providers, production, personalisation and transaction costs for prepaid cards and the payment transactions realised with them, as well as account management and transaction charges for managing customer accounts.

Group gross profit (revenues including other own work capitalised less cost of materials) increased by 38.6 percent to kEUR 527,799 in the fiscal year 2016 (2015: kEUR 380,698).

Group personnel expenses rose to kEUR 129,852 in the fiscal year 2016, up by 34.7 percent year on year (2015: kEUR 96,378). The consolidated personnel expense ratio increased by 0.1 percentage points year on year to 12.6 percent. The growth in personnel expenses is due to corporate acquisitions and new appointments in connection with mobile payment projects, which also render this item difficult to compare with previous years.

Other operating expenses mainly comprise the cost of legal advice, expenses related to the preparation of financial statements, business equipment and leasing, office costs, sales and marketing expenses, and personnel-related expenses. These amounted to kEUR 97,888 within the Wirecard Group in the fiscal year 2016 (2015: kEUR 62,665), which corresponds to 9.5 percent of revenue (2015: 8.1 percent). This also includes costs for the further development of the multi-channel platform and mobile payment projects.

Amortisation and depreciation is broken down into two positions. It is broken down so that the amortisation and depreciation of assets which result from business combinations and acquired customer relationships (M&A-related) can be presented separately. In the fiscal year 2016, M&A adjusted amortisation and depreciation amounted to kEUR 39,042 (2015: kEUR 29,895). The M&A-related amortisation and depreciation in the fiscal year 2016 was kEUR 33,133 (2015: kEUR 24,576). As the company has a high level of M&A activity, this differentiation makes it easier to compare this item. Amortisation and depreciation rose year on year in the fiscal year 2016, mainly due to investments realised in property, plant and equipment, the further development of the multi-channel platform, mobile payment projects and as a result of the acquisitions of companies and assets.

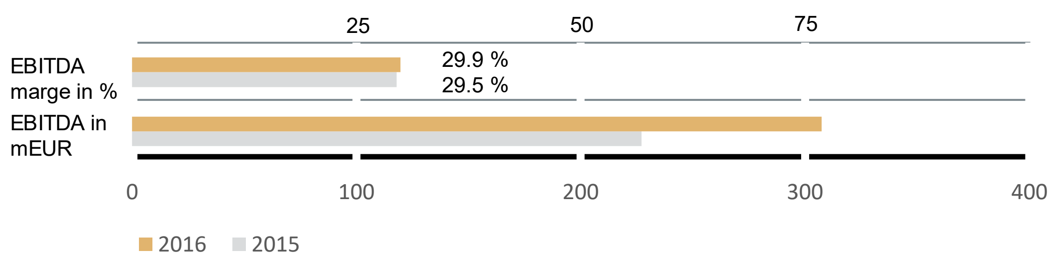
Other operating income of kEUR 7,502 (2015: kEUR 5,659) resulted from various smaller items, including income from the reversals of value adjustments and receivables, release of provisions, income from the revaluation of receivables and liabilities and income related to acquisitions.

EBITDA trends

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

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) grew in the fiscal year 2016 by 35.2 percent, from kEUR 227,315 in the previous year to kEUR 307,363. The EBITDA margin improved to 29.9 percent in the fiscal year 2016 (2015: 29.5 percent).

Trends in EBITDA/margin



The EBITDA of the Payment Processing & Risk Management segment stood at kEUR 251,335 in the fiscal year 2016 and grew by 32.8 percent (2015: kEUR 189,201). The share of the EBITDA accounted for by the Acquiring & Issuing segment in the fiscal year 2016 stood at kEUR 55,262 (2015: kEUR 37,591), of which the share of the EBITDA accounted for by issuing in the fiscal year 2016 amounted to kEUR 14,723 (2015: kEUR 12,715).

Financial result

The financial result stood at kEUR 67,651 in the fiscal year 2016 (2015: kEUR −7,175). Group financial expenses stood at kEUR 26.218 in the fiscal year 2016 (2015: kEUR 9,338) and resulted primarily from the accounting-related unwinding of a discount on liabilities particularly in relation to the earnouts for corporate acquisitions and the interest expenses from loans and leasing.

The financial income mainly resulted from the sale of Visa Europe Ltd. to Visa Inc. The transaction was closed on 21 June 2016. As a result of this transaction, Wirecard Bank AG and Wirecard Card Solutions Ltd., as members of Visa Europe Limited, received a consideration of kEUR 91,575. Please refer to the notes to financial statements, 3.3 Financial and other assets / interest-bearing securities for further information.

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

Taxes

Owing to the international orientation of the business, the cash tax rate (excluding deferred taxes) amounted to 12.5 percent in the fiscal year 2016 (2015: 13.2 percent). Including deferred taxes, the tax rate came to 11.9 percent (2015: 13.9 percent). In Germany, only 5 percent of the income from the sale of Visa Europe Ltd. is subject to tax. Therefore, the tax rate is not comparable with the previous periods. Excluding the income from the sale of Visa Europe Ltd., the cash-relevant tax rate (excluding deferred taxes) would have been 17.1 percent (2015: 13.2 percent). Including deferred taxes, the tax rate came to 16.3 percent (2015: 13.9 percent).

Earnings after tax

Earnings after tax in the fiscal year 2016 increased by 87.0 percent year on year, rising from kEUR 142,646 to kEUR 266,749. Excluding the Visa effect, earnings after tax would have been kEUR 176,888 and thus the increase in earnings after tax in comparison to the previous year would have been 24.0 percent.

Earnings per share

The average number of issued shares on an undiluted basis amounted to 123,565,586 shares in the fiscal year 2016 (2015: 123,496,956 shares). Basic (undiluted) earnings per share stood at EUR 2.16 in the fiscal year 2016 (2015: EUR 1.16). As in the previous year, no (convertible) bonds existed (2015: EUR 0) as of the 31 December 2016. This was also influenced by the effect of the sale of Visa Europe Ltd. Excluding this effect, basic (undiluted) earnings per share would have been EUR 1.43.

Financial position and net assets

Principles and objectives of financial management

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

Capital and financing analysis

Changes of financial position

in kEUR	31 Dec 2016	31 Dec 2015	Changes in percent
EQUITY AND LIABILITIES			
I. Equity			
1. Subscribed capital	123,566	123,566	0%
2. Capital reserve	494,682	494,682	0%
3. Retained earnings	829,286	579,837	43%
4. Other components of equity	27,429	82,429	–67%
Total equity	1,474,963	1,280,513	15%
II. Liabilities			
1. Non-current liabilities			
Non-current interest-bearing liabilities	579,475	358,146	62%
Other non-current liabilities	31,425	71,912	–56%
Deferred tax liabilities	59,747	53,266	12%
	670,648	**483,325**	**39%**
2. Current liabilities			
Liabilities of the acquiring business	404,767	333,924	21%
Trade payables	34,920	25,988	34%
Interest-bearing liabilities	15,066	12,579	20%
Other provisions	3,914	1,421	175%
Other liabilities	119,505	201,201	–41%
Customer deposits from banking operations	734,003	582,464	26%
Tax provisions	24,276	14,087	72%
	1,336,452	**1,171,663**	**14%**
Total liabilities	2,007,099	**1,654,988**	**21%**
Total equity and liabilities	3,482,062	**2,935,501**	**19%**

Wirecard AG reports equity of kEUR 1,474,963 (31 December 2015: kEUR 1,280,513). Due to the nature of our business, the highest liabilities lie with retailers in the area of credit card acquiring and customer deposits in the banking business. These have a substantial effect on the equity ratio. The commercial banks that granted Wirecard AG loans as of the 31 December 2016 amounting to kEUR 594,541 at interest rates of between 0.85 and 3.1 percent did not take these items into account in their equity capital calculations for the credit agreements concluded due to the nature of the business model. According to Wirecard AG, this calculation reflects a true and fair view of the company's actual position. These banks determine Wirecard AG's equity ratio by dividing the amount of liable equity capital by total assets. Liable equity capital is determined by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. Any receivables due from shareholders or planned dividend payments must also be deducted. Total assets are identified by subtracting the customer deposits of Wirecard Bank and Wirecard Card Solutions Ltd., the acquiring funds of Wirecard Bank (31 December 2016: kEUR 233,956; 31 December 2015: kEUR 281,837) and the reduction in equity from the audited total assets, while leasing liabilities are added back to these total assets. This calculation gives an equity ratio of 53.0 percent for Wirecard AG (31 December 2015: 56.2 percent).

The increase in interest-bearing liabilities of kEUR 223,816 is related to acquisitions made by the company.

Investment analysis

Alongside the payment of the purchase price for the payment business of the Great Indian Retail Group, the investments in strategic transactions/M&A also included the acquisitions of the Provus Group and Moip Pagamentos. The securities reported under investments relate to securities that were not acquired by Wirecard Bank but by other Group companies. Fixed-term deposits held by Wirecard Bank are related to customer deposits that should not be included in cash and cash equivalents reported in the cash flow statement with IAS 7.22.

This mainly affects:

Substantial cash outflows for investments

in kEUR	2016	2015
Strategic transactions/M&A	69,650	144,545
Customer relationships	0	9,534
Securities and medium-term financing agreements	3,305	13,799
Internally-generated intangible assets	30,201	28,293
Other intangible assets (software)	20,957	13,037
Property, plant and equipment	22,002	13,147

Liquidity analysis

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

The cooperation with so-called FinTech companies e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector has assumed rapidly growing strategic importance for Wirecard last year. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

Against this background, a significantly higher proportion of the cash and cash equivalents from customer deposits was invested in 2016 in corresponding financing activities – as well as in continued deposits held with the central bank, demand and fixed-term deposits and collared floaters.

Therefore, it is appropriate to no longer carry out deductions but instead to present the cash flows arising from banking business and to expand the presentation of the cash flow from operating activities by the following items:

- Change in non-current assets from the banking business (primarily: shares and FinTech receivables)
- Change in current receivables from the banking business (primarily: shares and FinTech receivables)
- Change in the customer deposits from the banking business

The previous year was adjusted accordingly.

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

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

Receivables and liabilities from acquiring are transitory in nature and subject to substantial fluctuations from one balance sheet date to another as, inherent to the business model, these balance sheet items are significantly influenced by the overall transaction volume and the security reserves. Receivables from acquiring mainly comprise receivables from credit card organisations, banks and acquiring partners and liabilities exist to retailers. The customer deposits from the banking business and corresponding securities or receivables from the banking business likewise constitute items that can be eliminated for the Cash flow (adjusted). 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 supplements help to identify and present the cash-relevant portion of the company earnings.

The cash flow from operating activities (adjusted) amounting to kEUR 283,030 clearly shows that Wirecard AG had a comfortable volume of own liquidity to meet its payment obligations at all times.

Interest-bearing liabilities are mainly non-current and were utilised for realised M&A transactions. The Group's interest-bearing liabilities to banks increased by kEUR 223,816 to kEUR 594,541 (31 December 2015: kEUR 370,725). Wirecard AG has EUR 991 million of lending commitments (31 December 2015: EUR 661 million). Along with the loans recognised in the balance sheet, additional credit lines from commercial banks totalling EUR 395 million are consequently available (31 December 2015: EUR 290 million). Lines for guarantee credit facilities are also available totalling EUR 28 million (31 December 2015: EUR 22.5 million), of which an unchanged amount of EUR 18 million has been utilised.

The lending commitments to Wirecard increased significantly on 15 February 2017. The commitments increased by kEUR 275,000 from this point in time. These commitments not only confirm the solid financial position of the Wirecard Group but also enable Wirecard to continue to pursue the company's strategy of strong organic growth in combination with selected acquisitions in the future.

Net assets

Changes in net assets

in kEUR	31 Dec 2016	31 Dec 2015	Changes in percent
I. Non-current assets			
1. Intangible assets			
Goodwill	**534,892**	489,301	9%
Customer relationships	**392,329**	385,451	2%
Internally-generated intangible assets	**99,224**	80,639	23%
Other intangible assets	**81,682**	65,869	24%
	1,108,127	**1,021,259**	**9%**
2. Property, plant and equipment	**44,656**	30,987	44%
3. Investments accounted for using the equity method	**14,803**	0	n/a
4. Financial and other assets / interest-bearing securities	**216,196**	227,152	–5%
5. Tax credits			
Deferred tax assets	**2,657**	862	208%
Total non-current assets	**1,386,438**	**1,280,261**	**8%**
II. Current assets			
1. Inventories and work in progress	**4,540**	3,599	26%
2. Receivables of acquiring business	**402,423**	334,055	20%
3. Trade and other receivables	**190,185**	113,204	68%
4. Tax credits			
Tax refund entitlements	**9,353**	8,286	13%
5. Interest-bearing securities and fixed-term deposits	**156,493**	133,128	18%
6. Cash and cash equivalents	**1,332,631**	1,062,968	25%
Total current assets	**2,095,624**	**1,655,240**	**27%**
Total assets	**3,482,062**	**2,935,501**	**19%**

Assets reported in the balance sheet of Wirecard AG increased by kEUR 546,561 in the fiscal year 2016, rising from kEUR 2,935,501 to kEUR 3,482,062. In the period under review, both non-current and current assets grew, with the latter increasing from kEUR 1,655,240 to kEUR 2,095,624. In addition to the investments and growth in the operating business, these changes are primarily due to the consolidation of the assets acquired and liabilities assumed as part of the acquisitions in the year under review. This has caused various balance sheet items to increase substantially. As a result, comparisons can only be made to a limited extent. This comprises particularly the asset items of “intangible assets”, “goodwill” and “customer relationships”, as well as the “receivables” and “cash and cash equivalents” items, and, on the equity and liabilities side of the balance sheet, the item “trade payables”.

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

Overall statement on the business situation

Wirecard AG met its intended objective of achieving profitable growth in the fiscal year 2016. With after-tax earnings of kEUR 266,749, earnings per share of EUR 2.16 (basic and diluted) and an equity ratio of 42.4 percent, the Wirecard Group has a solid financial and accounting basis for the current fiscal year. The forecast made at the beginning of the year for operating earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2016 fiscal year of between EUR 280 million and EUR 300 million was adjusted by the Management Board on 30 March 2016 to an EBITDA of between EUR 290 million and EUR 310 million. The forecast was achieved with kEUR 307,363.

In 2017, the Wirecard Group plans to continue its return-oriented growth path. With a growing number of customer relationships and rising transaction volumes, additional economies of scale are expected to arise from the transaction-oriented business model, along with substantial synergies with our banking services. As a consequence, the company is forecasting operating earnings before interest, tax, depreciation and amortisation (EBITDA) of between EUR 382 million and EUR 400 million for the 2017 fiscal year.

3. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The acquisition of the business of Citi Prepaid Card Services announced by Wirecard AG on 29 June 2016 was successfully concluded on 9 March 2017 as part of a combined share and asset deal. Wirecard acquired with the company Ecount Inc., which was renamed as Wirecard North America Inc. following the acquisition, more than 100 new employees in Conshohocken, Pennsylvania, and 20 other employees in various international locations. At the same time, Wirecard AG has expanded its global presence in its core business of payment processing into the North American market. Wirecard anticipates a contribution of more than USD 20 million (EUR 19 million) to the consolidated operating earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2017 fiscal year.

On 13 March 2017, Wirecard AG agreed the acquisition of the customer portfolio of Citi's credit card acquiring business in 11 Asian-Pacific markets with the Citigroup subsidiaries Citibank, N.A. and Citibank Overseas Investment Corporation. The transaction comprises a customer portfolio of more than 20,000 retailers, especially from the travel and mobility sectors, financial services sector, luxury goods, retail trade and technology and telecommunications in the countries Singapore, Hong Kong, Macau, Malaysia, Taiwan, Indonesia, the Philippines, Thailand, India, Australia and New Zealand. The closing of the transaction is due to take place in several stages up to June 2018. In the first year of full consolidation in the Wirecard Group (2019 fiscal year), the acquisition is expected to contribute operative earnings before interest, tax, depreciation and amortisation (EBITDA) of more than EUR 20 million.

Wirecard AG acquired all shares in MyGate Communications (Pty) based in Cape Town, South Africa, on 6 March 2017 and the company was consolidated at this point in time. MyGate is a leading payment service provider (PSP) in Africa. The company currently has 21 employees. The agreed purchase price of EUR 13.1 million consists of a cash payment of EUR 9.9 million and further earnout payments of up to EUR 4.9 million. MyGate should generate an EBITDA of EUR 2.0 million in the 2017 calendar year.

Please refer to the notes to the consolidated financial statements for further details.

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

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

Date of Announcement	Announcements by the company after the end of the period under review. Threshold disclosures: Sum of voting rights (Sections 21, 22 of the WpHG) and instruments (in accordance with Section 25 (1) Sentence 1 and Sentence 2 of the WpHG)
13 January 2017	Fell below the 5 percent threshold on 5 January 2017: Citigroup Inc, USA: 4.93 percent
20 January 2017	Fell below the 5 percent threshold on 13 January 2017: Artisan Partners Funds, Inc., USA: 4.99 percent
22 February 2017	Exceeded the 5 percent threshold on 15 February 2017: Citigroup Inc, USA: 5.07percent
3 March 2017	Change in the total number of voting rights on 20 November 2007: Mrs. Tanja Rehnig: 2.95 percent
17 March 2017	Announcement on voting rights from 7 December 2005: MB Beteiligungsgesellschaft mbH: 8.04 percent
22 March 2017	Exceeded the 5 percent threshold on 14 March 2017: Artisan Partners Funds, Inc., USA: 5.03 percent
29 March 2017	Exceeded the 3 percent threshold on 22 March 2017: Harris Associates L.P., USA: 3.18 percent
30 March 2017	Fell below the 5 percent threshold on 23 March 2017: Citigroup Inc, USA: 4.93 percent
30 March 2017	Fell below the 5 percent threshold on 23 March 2017: Artisan Partners Funds, Inc., USA: 4.99 percent
Details on the website:	ir.wirecard.com


Seen, purchased and ordered via credit card online
Selected at the florist and paid via debit card
Seen at a retailer, ordered online and picked up later in-store and paid via mobile phone


Paid online and
collected points

III. Forecast and report on opportunities and risks

1. FORECAST

1.1 Underlying economic conditions in the next two fiscal years

In its world economic outlook published on 16 January 2017, the International Monetary Fund (IMF) forecasted a rise in global economic growth from 3.1 percent in the previous year to 3.4 percent in 2017 (2018: 3.6 percent). This growth will be driven above all by emerging markets in Asia such as India and the Asia-5 states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) – countries that are also important sales markets for Wirecard. In 2017, the IMF forecasts growth of 7.2 percent in India (2018: 7.7 percent) and growth of 4.9 percent in the Asia-5 states (2018: 5.2 percent).

In the case of India, the IMF slightly lowered its original forecast made in October 2016 due to demonetisation. The Indian government is promoting the development of a cashless society and by introducing disruptive measures has created the ideal breeding ground for the implementation of electronic payment solutions.

The vote by the United Kingdom (UK) to leave the European Union and the concrete implementation of its exit are creating economic uncertainty and will play an important role for the development of both regions. In 2017, the IMF forecasts growth of 1.6 percent for the eurozone (2018: 1.6 percent) and growth of 1.5 percent for the UK (2018: 1.4 percent).

Economic development in the United States of America (USA) is also being affected by a level of uncertainty due to potential political measures that could be implemented by the new government. The IMF estimates that the USA will experience economic growth of 2.3 percent in 2017 (2018: 2.5 percent).

Overall and despite the geopolitical uncertainties, this represents a positive growth forecast for macroeconomic development in the sales markets relevant to the Wirecard Group.

1.2 Future sector situation

As a global leader for innovation in the payment industry and a supplier of solutions for electronic payment transactions, the growth of the global digital payment market is crucially important to the Wirecard Group. The core sales markets are Europe and Asia. The global market will be addressed following entry onto the US and Brazilian markets in 2016 and via the existing branches in the United Arab Emirates and South Africa.

Due to its global diversification in sectors and customers, a variety of growth indicators are important for the Wirecard Group. This high level of diversification has resulted in stable growth prospects on the one hand and resilience to downturns in individual sectors or regions as well as macroeconomic changes on the other. Furthermore, the acquisition of multinational companies as customers in all business segments is also important with respect to processing higher transaction volumes in order to realise scaling effects.

Forrester Research has forecast that online trade in Western Europe will grow by 12 percent annually up to 2020.

In 2017 and 2018, E-Marketer expects an increase in global online retail sales of 22.9 percent and 21.6 percent respectively.

Market growth of Wirecard

To calculate a forecast for the organic market growth of Wirecard AG, growth forecasts from Statista have been weighted in accordance with target branches. On the basis of these forecasts and taking into account the geographical and sector-specific orientation of Wirecard AG, the management anticipates market growth of 16-17 percent in the sectors relevant for Wirecard, which are described below, both for the core European market and the global market.

Growth indicators

The sales of Wirecard's products and solutions are structured around the target sectors of consumer goods, digital goods and travel and mobility. The diversified customer portfolio covers a cross-section of the following digital business areas:

- Digital payments
- E-commerce
- Fintech
- Digital media
- E-services
- E-travel

Digitalisation as a driver of growth

- Convergence of sales channels (omnichannel)
- Real-time payments
- Decline in the use of cash in comparison to electronic payments
- Virtual card products

Forecasts by Statista

The following market forecasts have been published by Statista (statista.com). Those forecasts for the sectors relevant to Wirecard have been selected. All of the growth figures refer to the global market, even if Wirecard has not generated any significant transaction volumes to date in some parts of the world, such as China and large sections of South America. However, the payment solutions offered by Wirecard already contribute today to the fact that a large number of Chinese can pay with their preferred domestic service such as Alipay in many countries.

Digital payments

This market segment includes payment processes triggered online, mobile payments at the point-of-sale triggered on a smart device, international peer-to-peer (P2P) money transfers and online payments (ePayments) that comprise all payment processes and payment systems on the Internet. The transaction figures are recorded for each year.

According to Statista, there will be a total transaction volume in 2021 of EUR 4,184,004 million, which corresponds to annual growth of 14.8 percent worldwide (CAGR – Compound Annual Growth Rate 2017-2021).

E-commerce (excluding airline tickets, digital goods and B2B)

This market segment includes the sale of physical goods to private customers (B2C) via a digital channel, purchases via desktop computers, laptops and mobile end devices (e.g. smartphones).

According to Statista, global revenue in the "e-Commerce" market will be around EUR 1,227,062 million in 2017. In 2021, a market volume of around EUR 1,899,185 million will be achieved, which corresponds to an annual growth rate of 11.5 percent (CAGR 2017-2021). "Fashion" is the largest segment with a volume of EUR 352,482 million in 2017.

FinTech (digital financial services and alternative forms of financing)

This includes, amongst other things, digital payments, mobile payment, cross-border P2P money transfers and digital commerce transactions, online marketplaces for loans (P2P loans) for private and commercial purposes.

The transaction volume in the "FinTech" market will be around EUR 2,973,833 million in 2017. According to Statista, there will be a total transaction volume in 2021 of EUR 6,272,268 million, which corresponds to annual growth of 20.5 percent (CAGR 2017-2021).

Digital media

In this segment, Statista includes audiovisual media sold to end users in a digital format via the Internet, digital videos in the form of downloads or streaming, music downloads and music streaming, digital games for various end devices and digital versions of books, magazines and newspapers.

Revenue of around EUR 87,264 million is forecast in the "Digital Media" market for 2017. The largest market segment is the "Video Games" segment with a volume of EUR 47,176 million in 2017. At a global level, the forecast shows the most revenue being generated in the USA (EUR 30,902 million in 2017).

E-services

This segment includes online ticket bookings for sporting and music events and the cinema, fitness wearables and apps for recording/tracking/analysing and sharing vitality and fitness values, dating services booked online such as dating agencies, singles sites and casual dating, and food delivery services (online takeaways and restaurant deliveries).

Statista forecasts revenue of around EUR 126,330 million for "E-Services" in the current year. According to the forecast, there will be a total transaction volume in 2021 of EUR 249,234 million, which corresponds to annual growth of 18.5 percent (CAGR 2017-2021).

E-travel (excluding the standard booking of holidays/travel agents)

This segment includes holidays booked online i.e. hotels, private and holiday flats and package tours, mobility services and travel tickets booked online i.e. flight bookings, rental cars, coach travel and rail travel, and ride sharing services.

According to Statista, global revenue in the "etravel" market will be around EUR 569,451 million in 2017. In 2021, a market volume of around EUR 861,049 million will be achieved, which corresponds to an annual growth rate of 10.9 percent (CAGR 2017-2021).

Due to Wirecard's global acquisitions and globally active customer portfolio, a significant increase in the volumes in Asia, especially in India, and on the global market is expected in the next two years.

1.3 Prospects in target sectors

Consumer goods

The area of consumer goods comprises the sale of physical goods to end consumers and other companies (B2C, B2B). Steady growth is also expected in future, especially in the area of online trade, which will continue to be driven by the convergence of the markets (online/offline) and also increasingly by the need to switch all sales channels to the omnichannel. Wirecard, with its diversified customer portfolio benefits from these factors.

Due to the acquisition of a start-up company at the beginning of 2017 that has developed the "Software as a Service" shop system SUPR, the services offered by the Wirecard Checkout Portal have been expanded. SUPR widgets enable retailers to address their target groups wherever they are on the Internet: on popular websites, blogs, all common social media platforms and apps. Operating an online shop is thus no longer necessary for social shopping.

The widgets are integrated into the sites using a code snippet that can be placed wherever desired on any website. A widget comprises a product description and a "buy" button that triggers the direct checkout process with just one click. On social networks such as Facebook or Pinterest, sharing a previously generated link is all that is required to make potential customers aware of the product. They can then purchase it directly on the current website they are visiting, without being transferred to an online shop – a process that significantly increases the purchasing rate.

The international "Total Retail Survey 2016" published by the auditing company PricewaterhouseCoopers clearly shows that the influence of social media in growth markets such as Malaysia, India or Turkey is significantly higher at 56 percent than in established markets like Germany, the United Kingdom and the USA (36 percent).

Digital goods

Wirecard brings together all purely digital business models under the digital goods sector such as e.g. video streaming providers, suppliers of online games, Internet portals, apps and online gambling. In the area of software and gaming, the switch to exclusively digital business models, online downloads and "Software-as-a-Service" is continuing.

Wirecard can generate growth perspectives and new customers in this area due to the constant global expansion of its solution portfolio.

For example, the long-standing customer MyTaxi is expanding its cooperation with Wirecard to include England and Ireland through the acquisition of Hailo.

Travel and mobility

The area of travel and mobility includes, in particular, airlines, hotels, travel agents, public transport, rental cars and travel portals. The omnichannel approach is increasingly establishing itself in the global travel industry. Services offered during the trip are, for example, an important factor for increasing customer satisfaction on the one hand and exploiting additional potential for revenue on the other. This includes, for example, the possibility of directly booking an upgrade when checking in at the airport. The CUSS (customer self-service) terminal solution from Wirecard supports airline check in services with a self-service baggage drop for passengers. The core feature of the solution is its airline-independent application and payment.

Phocuswright, one of the leading market research companies for the travel industry, emphasised in its brief analysis "The Fastest Growing Online Travel Markets" in January 2017 that the shift to booking via online channels is happening worldwide. However, numerous factors alongside the relevant macroeconomic situation are influencing the pace of growth. They include, for example, the technological infrastructure or access to card products. The Asian-Pacific region is one of the fastest growing online travel markets.

Due to its diversified mix of customers from around 80 airlines – primarily operators of scheduled flights – and a mix of suppliers in the business and leisure travel segment, Wirecard will be able to exploit growth and scaling potential regardless of the forecasts for the online tourism market.

Risk management: Increased security leads to higher revenue

Effective risk management is indispensable when it comes to both protecting against fraudulent transactions and also analysing and approving what had appeared to be suspicious transactions.

Correctly balancing opportunities and risks holds great potential for additional revenue. Wirecard supports the business success of its customers with the continuous development of fraud patterns and a unique portfolio of products and measures.

As a significant part of our value added chain, risk management should also contribute to the positive growth of the company and in the coming fiscal years differentiate us from the competition.

E-commerce trends

Companies are increasingly placing their trust in omnichannel strategies and opening up to digitalisation at the point-of-sale. Omnichannel means the merging of all sales channels (online, mobile, POS, etc.) to guarantee customers the most seamless purchasing experience. Consumers will therefore no longer have to choose between making a purchase online or in a retail outlet in future but can expect to be addressed personally and offered a corresponding range of products and services by retailers that is adapted to today's technology.

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

Growing out of this trend towards the even greater networking of technologies is connected commerce, which Wirecard uses to support retailers analyse their data, derive marketing and customer loyalty tools and thus operate successfully.

Wirecard has successfully positioned itself – better than almost any other company – through its global locations so that it will be able to push forward the advancing digitalisation with its innovative products and solutions in future.

FinTech trends

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

As one of the earliest FinTech companies, Wirecard today already provides numerous FinTech companies with licences, products and solutions to reduce the complexity of digital payment and the issuing of card products.

The consumer-friendly frontend solutions offered by FinTech companies are extremely popular with consumers. Through its bank and infrastructure, Wirecard can provide the necessary licence and legal framework and also a broad spectrum of additional services. Banks and financial institutions are strictly regulated in order to protect their customers' investments. Many FinTech companies do not have the necessary licences to actively operate on the financial services market. In this context, Wirecard Bank and Wirecard Card Solutions play a decisive role. They are well-positioned as licenced and regulated financial services institutions under the supervision of the German Federal Financial Supervisory Authority and the British FCA.

We are not only convinced that the already existing projects with numerous FinTech companies will continue to develop positively but also that we will be able to enter into new partnerships in the next few years.

1.4 Prospects for selected product categories

Electronic cards

Cashless, contactless payment is being promoted around the world, whether by governments, such as in India, or by credit card organisations. Virtual card products (also known as digital cards or mobile cards) for companies in the form of corporate funded cards – products that can be topped up at any time – are more secure and practical then plastic cards.

Consumers will use virtual cards as a matter of course in future to pay with smartphones. The successes achieved in this area by Wirecard with the mobile apps Orange Cash and its own product boon, as well as through the partnership with Alipay, clearly demonstrate the direction in which developments are currently headed.

Not only is the Wirecard Group very well-positioned with its highly developed solutions for the issuing of innovative card products but, following its acquisition in the USA, it is also well-equipped for the global market and can deliver highly scalable solutions using existing technology.

Mobile payment

Mobile payment generally describes cashless payment via a mobile telephone. The customer can initiate the payment process at the POS using an NFC-enabled smartphone. -

On the basis of both technologies, Wirecard has developed the payment app boon for end customers. The mobile software solution boon has already been successfully launched for Android users in Germany, Austria, Spain, Belgium, Ireland, France, Switzerland and the Netherlands. Boon has been successfully launched as a full digital credit card for Apple Pay in Great Britain, France, Switzerland and Ireland. In cooperation with Apple, we are also striving to enter into other European markets at the same time. Boon for Apple Pay serves all iPhone users whose credit card issuer does not support Apple Pay. Also available as an individually adapted white label variant, the intuitive-to-use application provides companies and retailers with immediate access to mobile payment. Alongside coverage of the various boon countries with both solutions, the aim is to secure partnerships with other leading wallet suppliers. Furthermore, boon will be continuously enhanced to include further value added services.

The payment function embedded in value added services

Other trends in the area of mobile payment are moving towards financial services such as micro loans and insurance services associated with the purchasing process that are linked into the payment product. These supplement personalised services such as coupons, location-based services or products linked to customer loyalty programmes, and provide persuasive added value for consumers. Wirecard is planning to supplement its product boon payment to include various other services that utilise our entire technology and licence portfolio.

Prospects in the call centre and communications areas

The services Wirecard Communication Services GmbH offers in this segment are mostly performed for the Wirecard Group but also for third party customers.

The area of customer service and backoffice solutions for the Group was expanded in the past few years to include customer service solutions, delivery services, etc. so that new Group products can be supported at all times.

The hybrid service centre structure – meaning the bundling of a bricks and mortar service centre with a virtual one – enables this area of the company to focus on third party customers who have very demanding requirements in terms of languages and skills and makes the targeted outsourcing of operations at peak times possible – a key area of expertise of Wirecard Communication Services GmbH. Wirecard Communication Services is excellently positioned particularly in the area of international projects, with its foreign language services and round-the-clock availability seven days a week helping it to acquire additional new customers.

1.5 Prospects for expansion

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

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

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

1.6 Future Group orientation

Group orientation in the next two fiscal years

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

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

Planned changes to business policy

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

Future sales markets

Although a large proportion of the growth of Wirecard AG will be generated in its core European market in 2017 and 2018, dynamic growth is expected, in particular, in the Asia-Pacific region. Furthermore, the now attained global market position will also be substantially expanded. Due to the acquisition of the institutional prepaid card business of the Citigroup in the USA that was completed at the beginning of 2017, Wirecard has gained access to the largest e-commerce market in the world. Once existing customers have directly benefited from Wirecard's innovative issuing services, payment processing and acquiring solutions will be made available to US retailers in the medium term.

The strategy of achieving an international presence through locally networked entities and providing multinational card and payment acceptance agreements is the key to securing further globally active retailers as customers. The Wirecard platform offers locally and globally relevant payment methods. This product range will also be continuously extended. Due to the acquisition of the Asia-Pacific acquiring portfolio of the Citigroup announced at the beginning of 2017, Wirecard will homogenise and expand its range of products and services for the entire APAC region. Regionally active and international retailers will be able to benefit from the full payment value added chain offered by Wirecard following the conclusion of the transaction.

Future application of new methods, products and services

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

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

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

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

1.7 Expected financial position and results of operations

Financial position

The financial position of Wirecard should continue to remain solid over the next two years. This includes an equity ratio that remains at a comfortable level. The dividend payout of EUR 0.16 per share that is to be proposed to this year's Annual General Meeting has been taken into account in this statement.

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

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

Results of operations

Earnings before interest, tax, depreciation and amortisation (EBITDA) is the central financial performance indicator for the operating business of Wirecard AG. This sets benchmarks across the entire company, from financial controlling through to assessing the profitability of individual divisions. For this reason, the 2017 earnings forecast is also based on the key performance indicator of EBITDA.

We forecast an EBITDA of between EUR 382 million and EUR 400 million for the 2017 fiscal year.

This forecast is based on:

- the market growth in European e-commerce and the additional dynamic of global growth markets
- the increase in the transaction volume processed by the Wirecard Group for both existing and new customers
- economies of scale from the transaction-oriented business model
- cross-selling effects with existing customers
- the expansion of issuing and banking services

The forecast does not include possible effects from further potential corporate acquisitions. We also forecast that revenues and the results of operations will continue to remain positive in 2017.

As a result of the high demand for international solutions, our competitive advantage due to the combination of technology and innovative banking services and our current customer projects, as well as our ongoing expansion, we are convinced that the Wirecard Group will grow faster than the overall market in both 2017 and 2018.

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

2. REPORT ON OPPORTUNITIES AND RISKS

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

2.1 Risk-oriented corporate governance

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

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

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

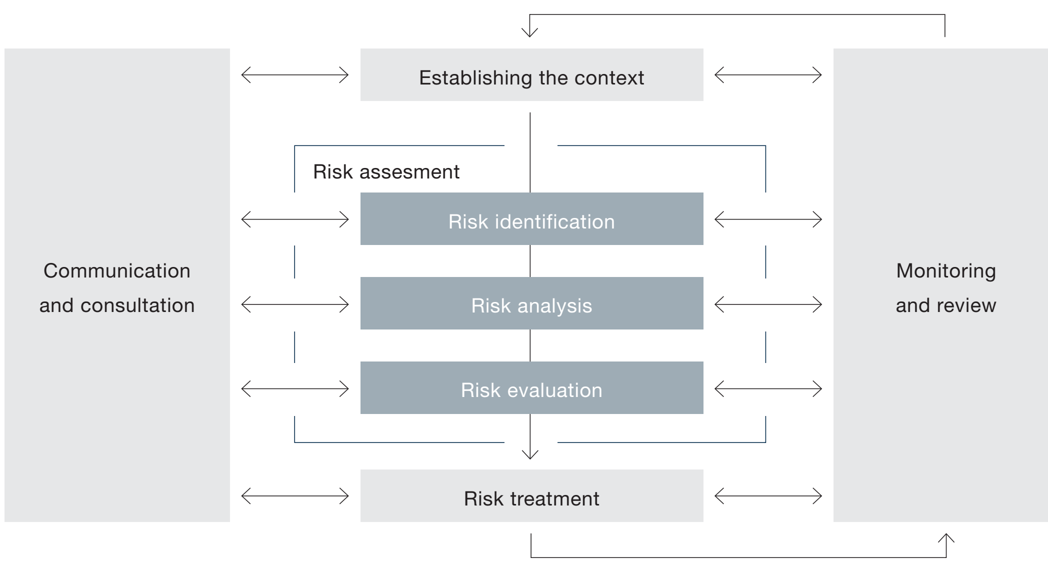
Equally, it is a company-wide policy to identify, evaluate and exploit opportunities in order to sustain growth trends and secure the Group's earnings growth. Moreover, this analysis also reveals those risks that would result from a failure to exploit any opportunities that arise.

2.2 Efficiently organised risk management system

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

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

Risk management system



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

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

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

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

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

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

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

2.3 Risk evaluation

In order to evaluate the relevance of risks to Wirecard AG, risks are assessed in the dimensions of "estimated probability of occurrence" and "potential impact on the net assets, financial position and results of operations, as well as reputation". Both assessments classify the risks at one of five levels, which are shown below.

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

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

Impact	Description	from (TEUR)	to (TEUR)
Immaterial	Negligible effect on the net assets, financial position and results of operations	0,00	19,999
Low	Limited effect on the net assets, financial position and results of operations	20,000	37,499
Moderate	Tangible effect on the net assets, financial position and results of operations	37,500	64,999
Considerable	Substantial effect on the net assets, financial position and results of operations	65,000	119,999
Significant	Up to critical effect on the net assets, financial position and results of operations	120,000+	---

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

Impact	Event probability				
	Very unlikely	Unlikely	Likely	Very likely	Certain
Significant	Medium	High	Very high	Very high	Very high
Considerable	Medium	Medium	High	High	Very high
Moderate	Low	Medium	Medium	High	High
Low	Very low	Low	Medium	Medium	High
Immaterial	Very low	Very low	Very low	Low	Medium

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

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

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

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

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

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

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

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

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

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

2.5 Risk areas

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

Overall risk	Description
Business risks	Market risk, risks arising from the general competitive situation for the Wirecard Group and its customers
Operational risks	Personnel risks, risks of product innovations and risks arising from the use of third-party services
Information and IT risks	Risks arising from the operation and design of IT systems as well as risk in connection with the confidentiality, availability and integrity of data
Financial risks	Exchange-rate, interest-rate and liquidity risks
Debtor risks	Risks of return debits, risks arising from default in payment obligations of customers of the Wirecard Group as well as of card holders
Legal and regulatory risks	Risks arising from changes to the legal and regulatory framework as well as risks arising from litigation, license rights and liability
Other risks	Reputation risks and risks arising from emergencies

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

2.6 Business risks

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

Business strategy risks

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

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

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

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

Market risk

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

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

The vote by the United Kingdom (UK) to leave the European Union and the concrete implementation of its exit are creating economic uncertainty and will play an important role for the development of both regions. As a result of the EU passporting model, banks based in an EU member state can provide cross-border financial services within all EU countries. Even in the event of a hard exit from the EU by Great Britain and the simultaneous loss of the passporting model for institutions based in Great Britain, the Wirecard Group does not expect any significant negative impact. Due to the Group's own full German banking licence and a British e-money licence, Wirecard is prepared for corresponding regulatory risks and still expects to be able to provide payment services at the current level in future both within Great Britain and also the EU. Opportunities could arise if competitors of the Wirecard Group do not possess an appropriate licensing network and are thus only able to conduct their business to a limited extent in the future within the EU or Great Britain. The current growth of trade and services on the Internet compared with traditional bricks and mortar stores could weaken or be reversed and thus lead to a decline in the Wirecard Group's business.

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

The Wirecard Group constantly monitors national and international developments in the political, economic and regulatory environments, as well as economic trends, so that if these factors should change in the short term it can take immediate measures to counter these risks and reduce any negative impact as far as possible.

For this reason, the Management Board gauges the occurrence of this risk as unlikely for the 2017 fiscal year. Nevertheless, a considerable impact on the net assets, financial position and results of operations of Wirecard AG, as well as an increase in the other risks described in this report, cannot be completely excluded. For this reason, the Management Board gauges this risk as medium.

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

Risks arising from existing customer business

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

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

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

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

Given the high level of stability of the existing customer business over recent fiscal years and the range of competitive products and services, the Management Board gauges the occurrence of this risk, which would have a low impact on the net assets, financial position and results of operations, as being very unlikely in the 2017 fiscal year. As a consequence, and by way of summary, the Management Board assumes the existence of a very low associated risk.

Product development risks

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

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

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

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

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

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

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

Risks arising from intensified competition

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

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

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

The Wirecard Group is convinced that it can retain its leadership position on the market through the further successful implementation of its innovation strategy, the further growth of the Wirecard Group and the targeted acquisition of competitors. The probability of occurrence for this risk, which may – should it materialise – have a moderate impact on the net assets, financial position and results of operations, is gauged by the Management Board as unlikely in the 2017 fiscal year. As a consequence, the Management Board assumes a medium risk in this instance.

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

2.7 Operational risks

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

Personnel risk

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

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

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

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

The positioning of the Wirecard Group as an attractive employer will continue to help foster the loyalty of qualified employees and attract new personnel. Over the past years, Wirecard AG has experienced only very low employee turnover amongst its managers. Due to the measures that have been adopted, the Wirecard Group gauges the occurrence of this risk as very unlikely. However, a low impact on the net assets, financial position and results of operations cannot be excluded. For this reason, the Management Board gauges the risk for the 2017 fiscal year as very low.

Project risks

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

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

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

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

Although customer-specific solutions are implemented for some projects, the majority of customer projects involve standardised integration methods. For this reason, the Management Board gauges the occurrence of this risk as unlikely for the 2017 fiscal year given the overall risk structure of the project portfolio. However, a low impact on the Wirecard Group's net assets, financial position and results of operations cannot be completely excluded. As a consequence, the Management Board assumes a low risk overall.

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

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

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

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

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

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

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

Given the protective measures and safeguards described above, the Management Board gauges the occurrence of this risk as unlikely for the 2017 fiscal year. If this risk should materialise, it could have a low impact on the net assets, financial position and results of operations. As a consequence, the Management Board assumes a low overall risk in this instance.

Risks arising from acquisitions

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

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

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

Based on the experience of the successful integration of past acquisitions, the Management Board gauges the occurrence of this risk in the 2017 fiscal year as very unlikely. Nevertheless, a significant impact on the net assets, financial position and results of operations due to the volume of transactions cannot be excluded. As a consequence, Wirecard AG's Management Board gauges this risk as medium.

2.8 Information and IT risks

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

Risk arising from impermissible publication and modification of data

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

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

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

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

Due to the security measures that have been implemented, the Management Board gauges the occurrence of this risk in the 2017 fiscal year as unlikely. However, Wirecard AG cannot fully exclude a moderate impact on its reputation, as well as on its net assets, financial position and results of operations, and thus assumes a medium risk in this instance.

Risks arising from the structure and operation of information systems

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

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

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

Even though successful attacks on IT systems or mistakes by employees cannot be excluded in principle, the Management Board gauges the occurrence of this risk in the 2017 fiscal year as unlikely. For this reason, Wirecard AG cannot fully exclude a moderate impact on its reputation, as well as on its net assets, financial position and results of operations. Overall, the Management Board assumes a medium risk in this instance.

2.9 Financial risks

Exchange rate risk

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

Currency risks exist, in particular, where assets, liabilities and revenues exist or arise in a currency other than the local currency of the company. This increasingly impacts the "Payment Processing & Risk Management" and "Acquiring & Issuing" segments, which transact a substantial part of their revenues in foreign currencies (mainly USD and GBP). A general risk exists with respect to the earnings of Wirecard AG that are to be reported in euros if there is a weakening in the relevant foreign currency exchange rates. Equally, an increase in such exchange rates represents an opportunity.

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

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

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

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

Interest rate risks

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

The Wirecard Group has substantial liquidity at its disposal that is invested in demand and fixed-term deposits and/or overnight (call money) deposits with selected banks. The interest receivable on these investments is based on the interbank money market interest rate of the respective investment currency, less a standard banking margin. The interbank money market interest rate is subject to fluctuations that may impact realised earnings. As a result of the negative interest on deposits for banking in euros (as of 31 December 2016: -0.40 percent p.a.) introduced by the European Central Bank (ECB), minor costs for the holding of liquidity in euros in bank accounts may be incurred.

In order to optimise interest income from Wirecard Bank AG's base liquidity, the Wirecard Group has decided to enter into selective short or medium-term securities investments with maturities of up to five years. These investments are carried out as both collared floaters (variable rate bearer bonds and borrower's note loans from various banks fundamentally with a minimum (A-) investment-grade rating and with a minimum interest rate) and also as individual, selected investments in portfolios of fixed-interest commercial and consumer loans as part of cooperation by Wirecard Bank AG with individual FinTech companies that are sometimes simultaneously covered by "first loss protection".

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

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

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

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

Liquidity risk

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

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

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

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

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

2.10 Debtor risks

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

Risks from receivables

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

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

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

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

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

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

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

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

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

The Wirecard Group takes account of such risks by stipulating the applicable law and place of jurisdiction in contracts wherever possible. Moreover, receivables are also consistently collected in the international environment using the required measures and appropriate securities are agreed with contractual partners. There is nevertheless no guarantee that the measures that have been taken will prove successful in all instances and thus a low impact on the Wirecard Group's net assets, financial position and results of operations could arise. Due to the monitoring and control measures that have been adopted, the Management Board gauges the occurrence of this risk as very unlikely. Overall, the Management Board of Wirecard AG assumes a very low risk in this instance.

2.11 Legal and regulatory risks

Regulatory risks

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

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

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

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

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

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

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

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

Risks from contractual violations

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

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

The Wirecard Group has, in some cases, used borrowing to finance the acquisition of companies or parts of companies. The Management Board has concluded credit agreements for the realisation of this strategy. In these agreements, the Wirecard Group has made standard undertakings to meet certain covenants. In addition, as part of the standard contractual conditions applied by the banks, a restriction has been imposed on the Wirecard Group's ability to encumber or sell assets, acquire other companies or participating interests, or perform conversions. The Wirecard Group fully complies with these contractual terms. The Management

Board does not believe that these contractual conditions will have a negative impact on the Wirecard Group's business activities.

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

Litigation risks

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

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

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

In June 2016, a lawsuit was brought against the company, and against a specific Group company, for the payment of damages in connection with an outsourcing contract. As Wirecard AG has accumulated corresponding provisions to the amount of the calculated risk, the Management Board assumes a low potential impact on the Wirecard Group's net assets, financial position and results of operations.

In July 2016, a lawsuit was brought against the company, and against a specific Group company, for the payment of security reserves, as well as for the payment of damages. It is considered likely that, irrespective of the court proceedings, the retained collateral will have been paid in full to the plaintiff by the end of the lawsuit. As Wirecard AG has secured corresponding assets of the claimant to the amount of the calculated risk, the Management Board assumes a low potential impact on the Wirecard Group's net assets, financial position and results of operations. At this point in time, Wirecard AG believes that losing this case is unlikely.

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

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

2.12 Other risks

Reputation risk

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

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

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

Due to the multitude of potential loss scenarios, the quantification of reputation risk is difficult. If Wirecard AG were to fail to rapidly counter the communication of erroneous information or misguided information, for example, there is a risk of a moderate impact on Wirecard AG's net assets, financial position and results of operations, as well as a danger that other risks described in this report will be exacerbated. Despite the numerous preventative measures that have been taken, Wirecard AG's Management Board cannot exclude the occurrence of this risk and assesses the overall reputation risk as medium.

2.13 Summary of overall risk

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

As far as the total number of identified risks is concerned, 63 percent (2015: 63 percent) of all risks were classified as “low” or “very low”, while 37 percent (2015: 37 percent) of all risks were classified as “medium”. No risk was classified as “high” or “very high”.

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

In the area of risk management, the Wirecard Group thus considers itself well prepared to meet the challenges it will face in the 2017 fiscal year.

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

The ubiquitous nature of the digital transformation encompasses all areas of people's lives, including payment processing for goods and services. This is the key driver of growth for the Wirecard Group.

As a global payment company, we rely on our Group-wide value added chain via a global technical platform and local retailer services. As a result, we expect strong synergy effects in the next few years. In contrast to highly developed nations, emerging countries will significantly bypass some developmental stages in the digitalisation process. Due to our positioning on the market, this dynamic can be utilised by Wirecard AG and translated into sustainable organic growth. The availability of mobile access to the Internet will also accelerate this development. New business models will be created, familiar structures modernised and markets will converge.

We enable bricks and mortar retailers to offer consumers completely new services via our Internet-based technology solutions for connected commerce. This generates added value across all sales channels that at the same time creates other new sources of value, whether through fully integrated payment solutions or data-driven analyses. Payment data can be meaningfully abstracted in line with data privacy laws – to provide invaluable statistical information. Data-driven services are ultimately a further development of what we have been doing in the area of risk management for many years to protect against fraud.

Wirecard will also continue to concentrate on the further internationalisation of the Group in the future and respond to the needs of its customers and partners. The combination of profitable acquisitions and their integration into one of the leading global technology platforms for payment transactions and processing will make it possible for Wirecard to increase its profitability at a Group level.

We are the right partner not only for internationally active companies and can offer secure payment processing and risk management worldwide from one source and provide access to all relevant payment and banking networks. We also offer smaller companies an attractive overall package via our standardised software products.

The developments in the current 2017 fiscal year make us very optimistic. We confirm our expectation that operating earnings before interest, tax, depreciation and amortisation (EBITDA) will reach between EUR 382 million and EUR 400 million.

Aschheim (Munich), 5 April 2017

Wirecard AG

Dr. Markus Braun   Burkhard Ley   Jan Marsalek

CONTENT CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet – assets

in kEUR	Notes	31 Dec 2016	31 Dec 2015
ASSETS	**(3.1.), (2.2.)**		
I. Non-current assets			
1. Intangible assets	(3.1.), (2.3.)		
Goodwill		**534,892**	489,301
Customer relationships		**392,329**	385,451
Internally-generated intangible assets		**99,224**	80,639
Other intangible assets		**81,682**	65,869
		1,108,127	1,021,259
2. Property, plant and equipment	(3.2.), (2.3.)	**44,656**	30,987
3. Investments accounted for using the equity method	(3.3.)	**14,803**	0
4. Financial and other assets / interest-bearing securities	(3.4.), (2.2.)	**216,196**	227,152
4. Tax credits			
Deferred tax assets	(3.5.), (2.4.)	**2,657**	862
Total non-current assets		**1,386,438**	**1,280,261**
II. Current assets			
1. Inventories and work in progress	(3.6.), (2.3.)	**4,540**	3,599
2. Receivables of acquiring business	(3.7.), (2.2.)	**402,423**	334,055
3. Trade and other receivables	(3.8.), (2.2.)	**190,185**	113,204
4. Tax credits	(3.9.), (2.4.)		
Tax refund entitlements	(3.9.)	**9,353**	8,286
5. Interest-bearing securities and fixed-term deposits	(3.10.)	**156,493**	133,128
6. Cash and cash equivalents	(3.11.), (6.)	**1,332,631**	1,062,968
Total current assets		**2,095,624**	**1,655,240**
Total assets		**3,482,062**	**2,935,501**

Consolidated balance sheet – equity and liabilities

in kEUR	Notes	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
I. Equity	**(4.)**		
1. Subscribed capital	(4.1.)	**123,566**	123,566
2. Capital reserve	(4.2.)	**494,682**	494,682
3. Retained earnings	(4.3.)	**829,286**	579,837
4. Other components of equity	(4.4.)	**27,429**	82,429
Total equity		**1,474,963**	**1,280,513**
II. Liabilities	**(4.), (2.2.)**		
1. Non-current liabilities	(4.5.), (2.3.)		
Non-current interest-bearing liabilities		**579,475**	358,146
Other non-current liabilities		**31,425**	71,912
Deferred tax liabilities		**59,747**	53,266
		670,648	**483,325**
2. Current liabilities	(4.6.), (2.3.)		
Liabilities of the acquiring business		**404,767**	333,924
Trade payables		**34,920**	25,988
Interest-bearing liabilities		**15,066**	12,579
Other provisions		**3,914**	1,421
Other liabilities		**119,505**	201,201
Customer deposits from banking operations		**734,003**	582,464
Tax provisions	(2.4.)	**24,276**	14,087
		1,336,452	**1,171,663**
Total liabilities		**2,007,099**	**1,654,988**
Total equity and liabilities		**3,482,062**	**2,935,501**

Consolidated income statement

in kEUR	Notes	1 Jan 2016 – 31 Dec 2016		1 Jan 2015 – 31 Dec 2015	
Revenues	**(5.1.), (2.3.)**		**1,028,358**		**771,340**
Own work capitalised	(5.2.)		**30,201**		28,293
Cost of materials	(5.3.)		**530,761**		418,935
Gross profit			**527,799**		**380,698**
Personnel expenses	(5.4.)		**129,852**		96,378
Other operating expenses	(5.5.)		**97,888**		62,665
Other operating income	(5.6.)		**7,502**		5,659
Share of profit or loss from associates (at equity)	(1.1.), (3.3.)		**–197**		0
EBITDA			**307,363**		**227,315**
Amortisation and depreciation (M&A adjusted)*	(5.7.)		**39,042**		29,895
EBIT adjusted*			**268,322**		**197,420**
Amortisation and depreciation (M&A-related)	(5.7.)		**33,133**		24,576
EBIT			**235,188**		**172,844**
Financial result	**(5.8.)**		**67,651**		**–7,175**
Other financial income		**93,869**		2,163	
Financial expenses		**26,218**		9,338	
**Earnings before tax ** **			**302,840**		**165,669**
Income tax expense	**(5.9.)**		**36,091**		**23,023**
**Earnings after tax ** **	**(5.10.)**		**266,749**		**142,646**
Earnings per share (basic and diluted) in EUR	(5.10.)		**2.16**		1.16
Average shares outstanding (basic)	(5.10.), (4.1.)		**123,565,586**		123,496,956
Average shares outstanding (diluted)	(5.10.), (4.1.)		**123,565,586**		123,496,956

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

Consolidated statement of comprehensive income

in kEUR	1 Jan 2016 – 31 Dec 2016	1 Jan 2015 – 31 Dec 2015
Earnings after tax	**266,749**	**142,646**
Items to be reclassified to profit or loss		
Change from currency translation differences	17,742	552
Revaluation of available-for-sale financial assets with no effect on profit or loss	12,283	78,799
therein: tax effects	138	1,576
Cash flow hedge	4,837	0
therein: tax effects	1,791	0
Recycled to the income statement	–89,861	0
Change in amount reported in equity	–55,000	79,351
Total comprehensive income	**211,748**	**221,997**

Consolidated statement of changes in equity

	Subscribed capital Nominal value/number of shares issued	Capital reserve	Retained earnings	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Total consolidated equity
	kEUR / in ’000 shares	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 31 December 2014	123,491	493,073	453,244	0	3,078	0	1,072,886
Earnings after tax			142,646				142,646
Other comprehensive income, net of income taxes				78,799	552		79,351
Total comprehensive income	**0**	**0**	**142,646**	**78,799**	**552**	**0**	**221,997**
Dividends paid			–16,054				–16,054
Capital increase	75	1,609					1,684
Balance as of 31 December 2015	**123,566**	**494,682**	**579,837**	**78,799**	**3,630**	**0**	**1,280,513**
Earnings after tax			266,749				266,749
Other comprehensive income, net of income taxes				–77,579	17,742	4,837	–55,000
Total comprehensive income	**0**	**0**	**266,749**	**–77,579**	**17,742**	**4,837**	**211,748**
Dividends paid			–17,299				–17,299
Balance as of 31 December 2016	**123,566**	**494,682**	**829,286**	**1,221**	**21,371**	**4,837**	**1,474,963**

Notes on equity under (3.)

Consolidated cash flow statement

in kEUR	Notes	1 Jan 2016 – 31 Dec 2016	1 Jan 2015 – 31 Dec 2015
Earnings after tax	**(5.)**	**266.749**	**142.646**
Financial result		24.000	7.175
Income tax expense		34.440	23.023
Gain/loss from disposal of non-current assets		616	471
Amortisation/depreciation		72.175	54.470
Gain/loss from disposal of available-for-sale non-current assets		-89.861	0
Change from currency exchange-rate differences		-536	-2.916
Change in inventories		-509	-286
Change in receivables		-77.887	-70.233
Change in liabilities of the acquiring business and trade payables		53.788	56.401
Change in other assets and liabilities		9.661	18.647
Net cash outflow arising from income tax		-24.544	-21.892
Interest paid excluding interest on loans		-1.936	-260
Interest received		343	580
Cash flow from operating business before banking operations	**(6.)**	**266.498**	**207.826**
Change in non-current assets of banking operations		-64.174	-21.145
Change in current assets of banking operations		-56.810	-16.746
Change in customer deposits of banking operations		148.837	187.991
Cash flow from operating business of banking operations		**27.853**	**150.100**
Cash flow from operating activities	(6.1.)	294.351	357.926
Cash outflows for investments in intangible assets		-51.158	-50.865
Cash outflows for investments in property, plant and equipment		-22.002	-13.147
Cash inflows from sale of intangible assets and property, plant and equipment		0	15
Cash outflows for investments in financial assets and interest-bearing securities		-3.305	-13.798
Cash inflows from sale of financial assets		94.055	15.000
Cash outflows for acquisition of consolidated companies less acquired cash	(1.1., 6.2.)	-54.650	-144.545
Cash outflows for acquisition of associates		-15.000	0
Cash flow from investing activities	**(6.2.)**	**-52.060**	**-207.340**
Cash outflows for previous years' acquisitions of companies		-157.600	-24.274
Redemption of lease liabilities		-6.590	-6.080
Cash inflows from issuing of shares		0	1.684
Cash inflows from drawing down of financial liabilities		463.758	271.779
Cash outflows for expenses for drawing down of financial liabilities		-5.595	-2.294
Cash outflows for repayment of financial liabilities		-231.371	-8.206
Dividends paid		-17.299	-16.054
Interest paid on loans and finance leases		-6.094	-2.633
Cash flow from financing activities	**(6.3.)**	**39.210**	**213.922**
Net change in cash and cash equivalents		**281.501**	**364.507**
Exchange-rate-related changes to cash and cash equivalents		-3.215	-5.172
Cash and cash equivalents at start of period		**1.053.228**	**693.893**
Cash and cash equivalents at end of period	**(6.4.)**	**1.331.514**	**1.053.228**

The presentation of the Group consolidated cash flow was changed. For further details please refer to chapter 6. in the explanatory notes.

Consolidated cash flow from operating activities (adjusted)

in kEUR	1 Jan 2016 – 31 Dec 2016	1 Jan 2015 – 31 Dec 2015
Earnings after tax	**266,749**	**142,646**
Financial result	**24,000**	7,175
Income tax expense	**34,440**	23,023
Gain/loss from disposal of non-current assets	**616**	471
Amortisation/depreciation	**72,175**	54,470
Gain/loss from disposal of available-for-sale non-current assets	**–89,861**	0
Change from currency exchange-rate differences	**–536**	–1,644
Change in inventories	**–509**	–286
Change in receivables	**511**	–37,368
Change in liabilities of the acquiring business and trade payables	**–2,715**	14,124
Change in other assets and liabilities	**9,661**	18,647
Net cash outflow arising from income tax	**–29,907**	–21,892
Interest paid excluding interest on loans	**–1,936**	–260
Interest received	**343**	580
Cash flow from operating activities (adjusted)	**283,030**	**199,685**

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

Change in non-current assets

2016 in kEUR	Cost						
	1 Jan 2016	Currency translation adjustments	Addition due to first-time consolidation	Additions	Disposals	Reclassi-fication	31 Dec 2016
Non-current assets*							
1. Intangible assets							
Goodwill	494,046	13,060	32,531	0	0	0	539,637
Internally-generated intangible assets	113,990	259	465	30,201	–245	353	145,023
Other intangible assets	106,715	1,011	4,318	29,142	-2	–353	140,830
Customer relationships	442,476	4,030	29,850	1,329	0	0	477,685
	1,157,228	18,360	67,163	60,672	–248	0	1,303,176
2. Property, plant and equipment	60,060	1,674	1,815	24,947	–3,222	0	85,273
	1,217,288	20,034	68,978	85,619	–3,470	0	1,388,448

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

* Excluding deferred tax assets and other non-current assets

Cumulative amortisation/depreciation						Carrying amount	Carrying amount	
1 Jan 2016	Currency translation adjustments	Additions	Disposals	Reclassi-fication	31 Dec 2016	31 Dec 2016	31 Dec 2015	Amortisation/ depreciation 2016
4,746	0	0	0	0	4,746	534,892	489,301	0
33,352	56	12,391	0	0	45,799	99,224	80,639	12,391
40,846	197	18,108	-2	0	59,148	81,682	65,869	18,108
57,026	560	27,770	0	0	85,356	392,329	385,451	27,770
135,969	813	58,269	-2	0	195,049	1,108,127	1,021,259	58,269
29,072	490	13,906	–2,851	0	40,617	44,656	30,987	13,906
165,041	1,303	72,175	–2,853	0	235,666	1,152,782	1,052,247	72,175

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

Explanatory notes

1. Disclosures relating to the Company and the measurement principles applied

1.1 Business activities and legal background

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

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

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

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

These technology services are closely linked to the acceptance of card payments, the issuing of card products and additional financial services. As an innovative partner for global credit card companies, Wirecard possesses the required licences from Visa Europe (in future Visa Inc.), MasterCard and others including Unionpay, Amex, DinersClub, JCB, Discover International and UATP. This enables it to issue physical and virtual card products and accept card payments for retailers and companies. Wirecard Bank AG has a full German banking licence and can also offer banking services to customers in addition to acquiring and issuing services. Wirecard Card Solutions Ltd., based in Newcastle (United Kingdom), holds an e-money licence from the UK's Financial Conduct Authority (FCA) and issuing and acquiring licences from Visa and MasterCard. Wirecard Ödeme Ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey), obtained an e-money licence from the Turkish regulatory authority BRSA (Banking Regulation and Supervision Agency) in 2016. The Indian company GI Technologies, Chennai (India), which only joined the Group after the closing of the transaction on 1 March 2016, holds a licence for the issuing of prepaid payment instruments. The Wirecard Group, especially Wirecard UK & Ireland, Wirecard Brasil S.A., Card Systems (Middle East) and many of the East Asian subsidiaries works together internationally with various banks and financial services providers to offer acquiring and issuing services in those areas where Wirecard does not have its own licence. Cooperation with local banks will be expanded in future to offer retailers acquiring and issuing services. In particular, the closing of the acquisition of Citi Card Services in the USA as well as the acquisition of the portfolios of Citigroup, which were concluded after the balance sheet date, will greatly expand this international network of acquiring partners.

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

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

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

Changes to the Group structure

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

The acquisition of the Brazilian payment service provider Moip Pagamentos S.A. based in São Paulo was finalised on 22 February 2016. Moip Pagamentos S.A. was renamed as Wirecard Brasil S.A. in the reporting year. Other markets in Latin America will be addressed via this market entry into Brazil.

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

On 29 February 2016, GFG Group Limited was renamed as Wirecard NZ Limited and its subsidiary GFG Group (Aust) Pty. Ltd. was renamed as Wirecard Australia Pty Ltd.

In order to optimise the organisational structure, the two companies Trans Infotech Pte Ltd (Singapore) and Card Techno Pte Ltd (Singapore) were merged with Wirecard Singapore Pte Ltd (Singapore) in the reporting period.

The acquisition of the business of Citi Prepaid Card Services announced by Wirecard AG on 29 June 2016 as part of a combined share and asset deal was successfully concluded on 9 March 2017 with the receipt of control over the assets. Citi Prepaid Card Services is a leading issuer and programme manager in the area of institutional prepaid credit cards with headquarters in Conshohocken, Pennsylvania (USA).

For this purpose, Kestrel Mergers Acquisitions Corp., Delaware (USA) was founded as an acquisition vehicle. It merged with Wirecard North America Inc., Delaware (USA) following the closing of the transaction.

As part of the organic expansion of Wirecard's presence and its sales activities, the following companies were newly founded:

- Wirecard Australia A&I Pte. Ltd. (Australia)
- Wirecard Poland Sp.Zo.o. (Warsaw, Poland)
- Wirecard Mexico S.A. De C.V, Mexico City (Mexico)
- Wirecard Hong Kong Ltd. (Hong Kong)
- Wirecard Payment Solutions Hong Kong (Hong Kong).

These companies were not yet operationally active in the 2016 fiscal year and will also be used for activities connected to the acquisition of Citi Prepaid Services in the USA and the planned acquisition of the customer portfolio for card acceptance in the Asia-Pacific region of the Citigroup.

Scope of consolidation

Shareholdings of Wirecard AG

Wirecard Sales International Holding GmbH, Aschheim (Germany) (before: Wirecard Sales International GmbH)	100%
Wirecard Payment Solutions Holdings Ltd., Dublin (Ireland)	100%
Wirecard UK and Ireland Ltd., Dublin (Ireland)	100%
Herview Ltd., Dublin (Ireland)	100%
Wirecard Central Eastern Europe GmbH, Klagenfurt (Austria)	100%
Wirecard Asia Holding Pte. Ltd., (Singapore)	100%
Wirecard Singapore Pte. Ltd. (Singapore) (before: Systems@Work Pte. Ltd.)	100%
Systems@Work (M) SDN BHD, Kuala Lumpur (Malaysia)	100%
Trans Infotech (Laos) Ltd. (Laos)	100%
Trans Infotech (Vietnam) Ltd (Vietnam)	100%
Wirecard Payment Solutions Malaysia SDN BHD, Kuala Lumpur (Malaysia)	100%
PT Prima Vista Solusi, Jakarta (Indonesia)	100%
PT Aprisma Indonesia, Jakarta (Indonesia)	100%
Wirecard Myanmar Ltd., Yangon (Myanmar)	100%
Wirecard India Private Ltd., Chennai (India)	100%
American Payment Holding Inc., Toronto (Canada)	100%
Payment Technologies Ltd., Wilmington (United States)	100%
Hermes I Tickets Pte Ltd, Chennai (India)	100%
GI Philippines Corp, Manila (Philippines)	100%
Star Global Currency Exchange Pte Ltd, Bangalore (India)	100%
Provus Service Provider S.A., Bucharest (Romania)	100%
Romcard S.A., Bucharest (Romania)	100%
Supercard Solutions & Services S.R.L., Bucharest (Romania)	100%
Wirecard Global Sales GmbH, Aschheim (Germany) (before: Wirecard Sales Europe GmbH)	100%
Wirecard Poland Sp.Zo.o.,Warsaw (Poland)	100%
Wirecard Mexico S.A. De C.V, Mexico City (Mexico)	100%

Shareholdings of Wirecard AG – continued

Wirecard Technologies GmbH, Aschheim (Germany)	100%
Wirecard Communication Services GmbH, Leipzig (Germany)	100%
Wirecard Retail Services GmbH, Aschheim (Germany)	100%
cardSystems Middle East FZ-LLC, Dubai (United Arab Emirates)	100%
Wirecard NZ Ltd., Auckland (New Zealand)	100%
Wirecard Australia Pty Ltd, Melbourne (Australia)	100%
Wirecard Africa Holding Proprietary Ltd., Cape Town (South Africa)	100%
Wirecard South Africa Proprietary Ltd., Cape Town (South Africa)	100%
Click2Pay GmbH, Aschheim (Germany)	100%
Wirecard (Gibraltar) Ltd. (Gibraltar)	100%
Wirecard Processing FZ LLC, Dubai (United Arab Emirates)	100%
Wirecard Acquiring & Issuing GmbH, Aschheim (Germany)	100%
Wirecard Bank AG, Aschheim (Germany)	100%
Wirecard Brasil S.A., Sao Paulo (Brazil) (before: Moip Pagamentos)	100%
Wirecard Card Solutions Ltd., Newcastle (United Kingdom)	100%
Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul (Turkey)	100%
GI Technology Pte. Ltd., Chennai (India)	60%
Kestrel Mergers Acquisitions Corp., Delaware (USA)	100%
Wirecard Australia A&I Pte. Ltd. (Australia)	100%
Wirecard Hong Kong Ltd. (Hong Kong)	100%
Wirecard Payment Solutions Hong Kong (Hong Kong).	100%

A total of 46 subsidiaries were fully consolidated as of 31 December 2016. As of 31 December 2015, this figure totalled 37 companies. Uniform accounting and valuation policies apply to the scope of consolidated subsidiaries. The shareholdings and percentages of voting rights of the subsidiaries are identical.

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

GI Technology Pte. Ltd. will not be consolidated. Due to the conditions relating to approval requirements of minority shareholders on decisions about significant activities of the company in the shareholder agreement, which are particularly associated with the Indian regulations for financial services companies, the company will be accounted for using the equity method. This is because Wirecard exercises a significant influence on the company with a shareholding of 60 percent but does not have full control.

Business combinations in the fiscal year

Great Indian Retail Group

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

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

The total cash consideration for the overall transaction including a capital contribution to GI Technology will amount to EUR 230 million, payable in cash and using approved lines of credit. Further payments of up to a total of EUR 110 million are linked to the achievement of certain financial results in the calendar years 2015 to 2017. Revenue of more than EUR 73.5 million was generated in the 2016 calendar year. An EBITDA of EUR 14.9 million was generated in 2016.

Acquisitions in 2015

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

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

The assets and liabilities are currently as follows:

Acquisition of Hermes and Star Global

in kEUR	Fair value
Cash	1,092
Goodwill	265,483
Customer relationships	50,705
Property, plant and equipment	443
Other non-current intangible assets	16,311
Trade and other receivables	22,150
Other assets	2,124
Deferred tax assets	4
Deferred tax liabilities	22,094
Current liabilities	20,719
Non-current liabilities	1,174
Purchase price	314,325

Acquisitions in 2016

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

Provus Group

Wirecard AG acquired all shares in the Provus Group based in Bucharest on 29 February 2016 and the company was consolidated at this point in time.

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

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

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

The considerations in connection with this transaction include cash payments of EUR 34.162 million without further earnout components.

EBITDA of EUR 2.4 million was generated in the consolidation period. Revenue for the consolidation period stood at EUR 8.5 million and annual net profit at kEUR 318. For the full 2016 fiscal year, there was an annual net profit of kEUR 622 with revenue of kEUR 10,149.

The seller was the Polish private equity company Innova Capital via its affiliated company ICPCE, Luxembourg. The current management team will remain at the company. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, are recognised under goodwill. The assets and liabilities are currently as follows:

Acquisition of Provus Service Provider S.A.

in kEUR	Fair value
Cash	2,697
Goodwill	8,819
Customer relationships	22,865
Property, plant and equipment	1,709
Other non-current intangible assets	1,617
Trade and other receivables	1,574
Other assets	432
Deferred tax liabilities	3,868
Current liabilities	1,048
Non-current interest-bearing liabilities	566
Non-current liabilities	69
Purchase price	34,162

Moip Pagamentos S.A.

Wirecard AG acquired all shares in the Brazilian company Moip Pagamentos S.A. (MOIP) on 22 February 2016 and the company was consolidated at this point in time.

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

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

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

The considerations in connection with this transaction include cash payments of EUR 22.9 million. Further earnout payments totalling up to EUR 13.5 million are connected to the achievement of certain financial results by Moip Pagamentos S.A. in the 2016, 2017 and 2018 fiscal years. kEUR 4,086 was reported as a liability.

An EBITDA of EUR 1.2 million was generated in the consolidation period. Revenue stood at EUR 16.2 million and the annual net profit at kEUR 172. For the full 2016 fiscal year, there was an annual net profit of kEUR 308 with revenue of kEUR 18.7.

The sellers were the majority shareholder Ideiasnet S.A., a Venture Capital fund, via their affiliated company Ideiasnet Fundo du Investimento em Participacoes I (FIP), which invests in Brazilian technology companies, as well as a number of founders and managers who will remain as part of the management team in the future.

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

The assets and liabilities are currently as follows:

Acquisition of Moip Pagamentos S.A.

in kEUR	Fair value
Cash	179
Goodwill	22,190
Customer relationships	6,182
Property, plant and equipment	92
Other non-current intangible assets	1,897
Trade and other receivables	21,217
Other assets	2,540
Deferred tax liabilities	2,706
Current liabilities	24,554
Non-current liabilities	90
Purchase price	26,947

Supr

In order to expand the Wirecard Checkout Portal to include further value added services in the area of omnichannel sales, the start-up Supr was acquired in the reporting period. The 20 employees at Supr, an e-commerce platform for retailers and start-ups, are working on the vision of decentralised e-commerce to enable retailers to sell their goods via so-called widgets directly on blogs and social networks independently of an online shop. The innovative Supr solutions will be integrated into the Wirecard Checkout Portal and rolled out Europe-wide as part of a complete ecosystem. The purchase price comprised a cash payment of EUR 1 million, while further potential earnout payments of up to EUR 2 million were also agreed. The purchase price recognised in the financial statements was EUR 2.4 million. Significant assets included the customer relationships and software. Non-separable assets, such as the specialist knowledge and contacts held by the employees and management, as well as the synergy effects within the Wirecard Group, of kEUR 1,522 are recognised under goodwill.

Business combinations in the previous year

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

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

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

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

The assets and liabilities break down as follows:

Acquisition of Wirecard India Private Ltd., Mumbai (India) (formerly: Visa Processing Services Pte. Ltd.)

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

Great Indian Retail Group

The companies Hermes I Tickets Pte. Ltd., Chennai (India), GI Philippines Corp., Manila (Philippines), and Star Global Currency Exchange Pte. Ltd., Bangalore (India), were newly included in the consolidated financial statements with effect from 30 December 2015 because Wirecard had already gained control at this point in time over these companies through a trust agreement in the sense of IFRS 10.7 and held economic ownership of all shares. The transaction was closed at the beginning of 2016. Due to the fact that part of the transaction was not concluded until the 2016 fiscal year, please refer to the section “Business combinations in the fiscal year”.

Business combinations after the balance sheet date

Acquisition of Citi Prepaid Card Services

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

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

The entire purchase price was due in cash at the closing. The parties agreed not to disclose the precise purchase price. Wirecard anticipates a contribution of more than USD 20 million (EUR 19 million) to the consolidated operating earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2017 fiscal year.

The acquired prepaid card business itself will benefit from its integration into Wirecard’s global payments platform. The same is true for the company’s international customers, who will be able to expand the services they currently receive to include additional functions and thus generate added value.

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

The assets and liabilities are currently as follows:

Acquisition of Citi Prepaid Services

in kEUR	Fair value
Goodwill	94,618
Customer relationships	102,109
Property, plant and equipment	790
Other non-current intangible assets	3,571
Deferred tax assets	9,573
Trade and other receivables	19,321
Other assets	5,985
Deferred tax liabilities	40,844
Current liabilities	12,433

MyGate Communications (Pty)

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

MyGate is a leading payment service provider (PSP) in Africa. The company currently has 21 employees. The agreed purchase price of EUR 13.1 million consists of a cash payment of EUR 9.9 million and further earnout payments of up to EUR 4.9 million, of which EUR 3.2 million will be recorded as liability. MyGate should generate EBITDA of EUR 2.0 million in the 2017 calendar year.

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

The assets and liabilities are currently as follows:

Acquisition of Mygate

in kEUR	Fair value
Cash	548
Goodwill	8,097
Customer relationships	14,033
Property, plant and equipment	23
Other non-current intangible assets	817
Trade and other receivables	202
Deferred tax liabilities	1,778
Current liabilities	8,712
Non-current liabilities	87
Purchase price	13,142

Exemption from the duty to prepare consolidated financial statements

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

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

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

Exemption pursuant to Section 264 (3) of the HGB

The following companies will make use of the exemption pursuant to Section 264 (3) of the HGB:
- Click2Pay GmbH, Aschheim (Germany)
- Wirecard Technologies GmbH, Aschheim (Germany)
- Wirecard Acquiring & Issuing GmbH, Aschheim (Germany)
- Wirecard Sales International Holding GmbH, Aschheim (Germany)

The necessary requirements of German commercial law will be fulfilled.

2. Basis of preparation

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

- EBIT: Earnings Before Interest and Taxes
- EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation
- PP&RM: Payment Processing & Risk Management
- A&I: Acquiring & Issuing
- CC&CS: Call Center & Communication Services

2.1 Principles and assumptions used in preparing the financial statements

Operational environment and going concern assumption

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

Accounting in accordance with International Financial Reporting Standards (IFRS)

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

All interpretations valid for the fiscal year 2016 by the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

Currency translation

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

Discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires management to make discretionary decisions, estimates and assumptions that have an effect on the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. The uncertainty inherent in these assumptions and estimates, however, could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following discretionary decisions which have a significant effect on the amounts recognised in the consolidated financial statements. The most important forward-looking assumptions, discretionary decisions as well as other substantial sources of uncertainties that relate to estimates as of the balance sheet date are explained below. These give rise to a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be necessary within the following fiscal year. Additonally the presentation is shown in Chapter 2.3.

Classification

In the balance sheet, a distinction is made between non-current and current assets and liabilities. Assets and liabilities are regarded as being current if they are due for payment or sale within one year. Accordingly, assets and liabilities are classified as non-current if they remain within the Company for longer than one year. The consolidated income statement was prepared in accordance with the nature of expense method.

Consolidation principles

These consolidated financial statements comprise the financial statements of Wirecard AG and its subsidiaries as of 31 December 2016. Subsidiaries are fully consolidated from the acquisition date, in other words, from the date on which the Group obtains control. The Group is deemed to control a company if it has risk exposure, or rights, to variable returns from its involvement with the investee and if it can also use its power over the investee to affect these returns. Specifically, the Group controls an investee if, and only if, it has:

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

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

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

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

2.2 Accounting for financial assets and liabilities

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

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

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

Financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Financial derivatives such as forward exchange transactions are recognised by Wirecard at fair value and classified as held for trading, unless they are designated as hedging instruments as part of hedge accounting. A change in the fair value of derivatives is reported by the Company either in the consolidated income statement or, in the case of a cash flow hedge, under the item other comprehensive income after tax after taking into account deferred taxes.

Cash flow hedges: The effective portion of the changes in the fair value of derivatives which are defined as cash flow hedges is reported by Wirecard in the statement of comprehensive income after taking deferred taxes into account. The ineffective portion is reported immediately in the consolidated income statement. The amounts accumulated in equity are reported in the consolidated income statement in the same period in which the underlying transaction is reflected in the consolidated income statement. In the event of currency hedging of a purchase price as part of a company acquisition, the amounts accumulated in equity are included in the calculation of the purchase price at the time the company acquisition is concluded.

Loans and receivables

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

Held-to-maturity financial investments

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

Available-for-sale financial assets

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

Financial liabilities

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

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated as measured at fair value through profit or loss at initial recognition (fair value option), as well as financial derivatives concluded by the Group that do not meet the criteria for hedge accounting in accordance with IAS 39. Financial liabilities recognised at fair value through profit or loss are recognised in the balance sheet at fair value, with gains and losses being recognised in profit or loss. Due to amendments to the accounting policies since the 2016 fiscal year, financial liabilities at fair value through profit or loss also include the fair value of earnout liabilities for business combinations concluded on or after 1 July 2014.

In addition, fair value adjustments to earnout liabilities are reported under the financial result. Please also refer here to Sections 2.5 and 7.4. For business combinations carried out before this point in time, earnout liabilities are still accounted for at their amortised cost, whereby effects on earnings due to the settlement of the liabilities are reported under other operating expenses/income.

Liabilities measured at amortised cost

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement if the financial investments are derecognised, or within the scope of amortisation.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are contracts that require the issuer to make a payment to reimburse the holder for a loss, which incurs because a specified debtor fails to make a payment when due, according to the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the provision of the guarantee. Subsequently, the liability is measured at the higher of either the best estimate of the expenditure required to settle the present obligation at the reporting date, or the amount at which it was initially recognised less cumulative amortisation. Such circumstances did not exist either as of the balance sheet date nor in the comparative period.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only if a currently legally enforceable right exists to offset the recognised amounts, and the intention exists to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

Financial liabilities are derecognised if the obligation on which this liability is based has been fulfilled, waived or has expired. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

Pursuant to IFRS 13, fair value is defined as the price that would, in a normal transaction between market participants on the measurement date, be received for the sale of an asset, or be paid for the transfer of a liability.

The fair value of financial instruments that are traded on organised financial markets at each reporting date is determined by reference to a quoted market price (Level 1 of the fair value hierarchy).

For instruments for which there are no market quotations on active markets, fair value is calculated using observable market prices for comparable instruments, or using standard market valuation methods. This entails applying measurement parameters that are observable either directly or indirectly on active markets (Level 2 of the fair value hierarchy). Such techniques may include using recent arm’s length transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

In the case of some financial instruments, fair value cannot be calculated either directly using market quotations, or indirectly through valuation models that are based on observable measurement parameters or other market quotations. These comprise instruments relating to Level 3 of the fair value hierarchy.

Discretionary decisions, estimates and assumptions in connection with financial instruments

If the fair value of financial assets and financial liabilities reported in the balance sheet cannot be determined with the aid of data from an active market, it can be measured using other methods including the discounted cash flow method. The input parameters included in the model are based on observable market data as far as possible. If this is not possible then the determination of fair values represents a discretionary decision to a certain degree. Discretionary decisions relate to input parameters such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors may have an impact on the fair value recognised for financial instruments.

2.3 Significant accounting and measurement policies

Measurement uncertainties

Discretionary decisions are required in applying the accounting and measurement policies. The most important forward-looking assumptions, as well as other substantial sources of uncertainty relating to estimates as of the balance sheet date, which create a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be needed within the following fiscal year, are explained below:

- The measurement of fair values of assets and liabilities as well as the useful lives of assets is based on assessments made by management. This also applies to the measurement of impairments property, plant and equipment, of intangible assets as well as of financial assets. Valuation adjustments are made to doubtful receivables in order to take account of estimated losses arising from insolvency or unwillingness of customers to pay.
- In accounting for and valuing provisions, expected obligations represent the key sources of estimates.
- The costs of granting equity instruments to employees are measured at fair value of such equity instruments in the Group at the time when granted. In order to measure the value of share-based remuneration, the best method of measurement must be determined; this depends on the terms and conditions at which the share-based remuneration is granted. In addition, this estimate calls for the determination of suitable input parameters to be included in this measurement process, including the foreseeable term of the option, volatility and dividend yield in particular, along with associated assumptions.

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

Goodwill accounting

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

For impairment testing, goodwill is to be distributed across all cash-generating units of the Group that are expected to draw a benefit from the synergies of the business combination. Cash-generating units to which part of goodwill has been allocated are to be subjected to annual impairment testing. In the event of any evidence of impairment to a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit in question, the impairment expense must initially be assigned to the carrying amount of any goodwill assigned to the unit and then allocated pro-rata to the other assets based on the carrying amounts of any such asset within the unit in question. Any impairment expense recognised for goodwill cannot be reversed in subsequent periods. When a subsidiary is sold, the amount of goodwill accounted for it is taken into consideration within the scope of determining the profit or loss generated by the sale in question.

In accordance with the Group's accounting policies, goodwill is assessed at least once a year for possible impairments. The recoverable amount of a business segment to which goodwill was assigned is determined on the basis of estimates by management. These are effected on the basis of the various products, distribution areas and regions. Past experience is taken into account in the cash flow forecast or the forecasts for the financial surplus and are based on the best estimate by management of future trends, which are compared with the assessment of external market research companies.

The most important assumptions entailed in calculating value in use are the following for all cash-generating units:

- Risk-free interest rate: 1.00 percent (previous year: 1.50 percent)
- Market risk premium: 7.0 percent (previous year: 6.75 percent)

Important assumptions entailed in calculating value in use 2016

	PP&RM	*A&I	CC&CS
unlevered beta	**0.94**	**1.11**	**0.94**
Weighted average cost of capital (WACC) after taxes	**9.94**	**9.78**	**7.46**
Long-term revenues growth rate	**2.00**	**2.00**	**1.00**
Compound Annual Growth Rate of forecasting horizon	**21.71**	**16.41**	**13.50**

* for A&I: levered Beta, capital cost are based on equity

Important assumptions entailed in calculating value in use 2015

	PP&RM	A&I	CC&CS
unlevered beta	0.94	0.94	0.94
Weighted average cost of capital (WACC) after taxes	9.89	8.29	7.78
Long-term revenues growth rate	2.00	2.00	1.00
Compound Annual Growth Rate of forecasting horizon	16.55	14.74	24.64

In order to determine the basic interest rate, the yields of hypothetical zero coupon German government bonds published by Deutsche Bundesbank for the months of October until December 2016 were used. A yield curve was derived from these yields using the Svensson method and converted into a base interest rate equivalent to the present value and uniform for all periods. On the basis of the data from Deutsche Bundesbank, as of 31 December 2016 the base interest rate (rounded) was 1.00 percent. The market risk premium represents the difference between the market yield and a risk-free interest rate. In line with the recommendation of the Corporate Valuation and Management Committee of the Institute of Public Auditors in Germany (FAUB / IDW), a market risk premium of 7.0 percent was applied. The beta factor is derived from peer group comparisons and external assessments, as well as being verified by our own calculations. These assumptions and the underlying methods applied may have a substantial influence on the respective values and, ultimately, on the extent of a potential goodwill impairment.

The company determines these values using valuation methods based on cash flow forecasts and discounted financial surpluses. These discounted cash flows and financial surpluses are based on forecasts in the form of detailed planning across one year and rough planning activities that span four years, established on the basis of finance plans approved by management. Cash flows and financial surpluses beyond the planning or budget period are extrapolated using a growth rate.

In addition to the impairment test, three sensitivity analyses are performed for each group of cash-generating units. In the first sensitivity analysis, a one percentage point lower growth rate is imputed. In the second sensitivity analysis, the capitalisation rate is increased by 10.0 percent for each group of cash-generating units. In the third sensitivity analysis, a blanket 10.0 percent discount is applied to the EBIT assumed for the last planning period. These changes to the underlying assumptions do not result in impairments for any of the groups of cash-generating units.

Please refer to section 3.1 “Intangible assets – goodwill” for the composition, change and distribution of goodwill items.

Accounting for intangible assets

Acquired customer relationships are recognised at cost and amortised using the straight line method over their expected useful life of mostly 10 or 20 years. In addition, these are subject to regular impairment testing, at least once per year. As regarding the procedure and essential assumptions, please refer to the explanatory notes on accounting for goodwill. Purchased software is stated at cost and amortised using the straight line method over the estimated useful life of the software, generally between three and ten years. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the fiscal year 2016, as was the case in the previous year. The software constituting the Group’s core operations, most of which was internally developed, has a longer estimated useful life and is amortised over a period of ten years. The useful life and depreciation/amortisation methods are reviewed annually.

Research costs are reported as expenses through profit or loss on the date on which they occur. The costs of development activities are capitalised if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. Initial capitalisation of costs is based on the assessment by management that technical and commercial viability has been established; as a rule this will be the case where a product development project has reached a certain milestone in an existing project management model. Moreover, Wirecard must have the intention and adequate resources to conclude such development and either to use or sell the asset in question. Development costs are capitalised in accordance with the accounting method shown and amortised accordingly over time from the moment the product is ready for use. During the development phase, an annual impairment test is carried out and assumptions of management are reviewed. The development costs capitalised in the fiscal year totalled kEUR 30,201 (2015: kEUR 28,293).

Accounting for property, plant and equipment

The original costs of acquisition or manufacture of property, plant and equipment comprise the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the item of property, plant and equipment was deployed, such as maintenance or repair costs, are recognised as expenses in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the fiscal year 2016, as was the case in the previous year.

Office equipment is stated at cost and depreciated using the straight line method over its estimated useful life. For computer hardware this period is three to five years and, as a rule, eight to thirteen years for office equipment and furniture.

Any gains and losses from the disposal of fixed assets are reported as other operating income and expenses. Maintenance work and minor repairs are charged to profit or loss as incurred.

Impairment and reversals of impairment of intangible assets as well as property, plant and equipment

The useful life and depreciation/amortisation methods are reviewed annually. An impairment is made if, due to changed circumstances, a permanent impairment is probable. At each balance sheet date, an analysis is made as to whether indications exist that the value of an asset may be impaired. If such indications exist, the Company estimates the recoverable value of the respective asset. The recoverable amount corresponds to the higher of either the value in use of the asset or its fair value less costs to sell. To determine the value in use, the estimated future cash flows are discounted to their present value using a discount rate before taxes reflecting current market expectations about the time value of money and the specific risks of the asset. In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset will be treated as impaired and written down to its recoverable amount. Impairment expenses are reported in a separate expense line item.

The necessity of a partial or full reversal is reviewed as soon as evidence exist that the reasons for impairments effected in previous years no longer apply. Any impairment expense previously recognised must be reversed if, since the last impairment expense was reported, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognised after taking account of amortisation or depreciation if no impairment expense had been recognised in previous years. Such a reversal of impairment losses is immediately recognised in the profit or loss of the fiscal year. Once a reversal of impairment losses has been made, the impairment expense is adjusted in future reporting periods in order to distribute the adjusted carrying amount of the asset, less any residual carrying amounts, systematically over its residual useful life.

No significant impairments and no reversals of impairment losses arose in either the year under review or the previous year.

Inventories and work in progress

Products and merchandise are valued at cost of acquisition. If the costs of acquisition of inventories and work in progress exceed the value determined on the assumption of sales prices capable of being realised, less any costs arising until the time of sale, the lower net realisable value is recognised.

Cash and cash equivalents

Cash in hand and demand deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments (in particular, fixed-term deposits) that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. The actual intention of cash management is taken into account in this context and only such items are reported that are directly related to the availability of liquidity for short-term, operational payment obligations. Accounts in the acquiring business, which are in part not held directly but instead held on account of Wirecard, are reported under cash if Wirecard has access to these funds in the short term. Cash and cash equivalents from lease guarantees which are not freely available amounted to kEUR 2,398 (previous year: kEUR 568) and were classified as trade and other receivables.

Provisions

Provisions are carried if the Group has a current (legal or constructive) obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfil the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions reported separately on the one hand and to other current provisions on the other.

Expenditure incurred in forming provisions is reported under other operating expenses. Gains resulting from the reversal of provisions are recognised under other operating income.

Leases with the Group acting as lessee

According to IAS 17 for leases, the economic ownership of the leased assets is to be assigned to the party who is subject to the principal risks and opportunities associated with the lease. If the lessor is required to account for (operating) leases, the expense is reported using the straight line method throughout the duration of the lease relationship. If economic ownership is assigned to the Group (finance leasing), capitalisation will be effected at the time the use begins, either at fair value or at the present value of the minimum lease payments, whichever is lower.

Leases with the Group acting as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset to the lessee are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and the conclusion of an operating lease are added to the carrying amount of the leased asset and expensed over the lease term in line with the rental income. Contingent rents are recognised as revenues in the period in which they are earned.

Contingent liabilities and assets

Contingent liabilities are not recognised. These are listed in the Notes unless the likelihood of an outflow of resources with an economic benefit is very remote. Contingent assets are not recognised in the financial statements either. They are reported in the Notes if the inflow of an economic benefit is likely to occur. Reference is also made to the risk report under Chapter 7 in the management report.

Revenue recognition

Most of the revenues relate to transaction fees that are reported as realised if the transaction has been processed. This applies both when the transactions are processed via the Company's own platform and/or bank and also when acquiring partners and/or other platforms are used. When acquiring partners and/or other platforms are used for processing transactions, Wirecard is subject to the significant opportunities and risks associated with the transactions. As a result, Wirecard assesses itself as the principal in these transactions in the sense of IAS 18. The acquiring partner is assessed only as a service provider (agent) of Wirecard in this case. Expenses for the provision of these services by the acquiring partner are included in the cost of materials. Otherwise, revenues are recognised when there is sufficient evidence that a sales arrangement exists, the service has been rendered, the price for the service is fixed or determinable, and it is probable that payment will be received. Interest is recognised pro rata temporis, using the accrual basis of accounting. Operating expenses are recognised with an impact on profit or loss once the service is utilised or at the time the cost is incurred.

Reporting of revenues from programming orders

A programming order is a contract relating to the customer-specific programming of individual software components, or a number of software components, which are mutually coordinated or mutually dependent in terms of their application or their design, technology and function. If the result of a programming order can be reliably estimated, Wirecard reports the revenues according to the percentage of completion method and specifically according to the ratio of the already incurred costs to the estimated total order costs. An expected loss on a programming order is reported as an expense immediately. If the result of a programming order cannot be reliably estimated, revenues are reported only to the level of the incurred order costs that can probably be covered and the order costs are reported as an expense in the period in which they are incurred. As of the end of the year and the end of the previous year, no significant orders were outstanding.

Reporting of revenues from multi-component orders:

Sales of software products and services can contain several supply and service components. In such cases, Wirecard determines whether more than one accounting unit exists. If certain criteria are satisfied, especially if the delivered components comprise an independent benefit for the customer, the transaction is split and the relevant accounting regulation relating to the recognition of revenues is applied to account for the respective separate unit. Generally, the agreed total remuneration is allocated to the individual separate units for accounting in line with their relevant fair values. In rare cases, however, if reliable fair values are available for the outstanding components, but not for one or several of the delivered components, the value attributable to the delivered components is derived from the difference between the agreed total remuneration and the total fair value of the outstanding components (residual method). If the criteria for splitting are not satisfied, the revenues are deferred until such criteria are satisfied, or until the period in which the last outstanding component is delivered. Customer-specific software developments as part of projects to render mobile payment solutions and services are regarded as separate units for accounting and reported in compliance with the accounting and valuation principles for revenue from programming orders.

2.4 Accounting and measurement of tax items

Actual income taxes

Current tax assets and liabilities for the current or earlier periods are measured to the amount in which a refund is expected from the tax authorities or a payment is expected to be made to the tax authorities. The prevailing tax rates and tax laws as of the balance sheet date are used to calculate the amount in question.

Current taxes relating to items recognised directly in equity are not recognised through profit or loss but in equity.

Deferred tax liabilities and assets

In accordance with IAS 12 (Income Taxes), deferred tax liabilities and assets are set up accordingly for all temporary differences between the value of the assets and liabilities in the tax balance sheet and the values in the consolidated balance sheet as well as between the assets of a subsidiary recognised in the consolidated financial statements and the tax balance sheet value of the shares in the subsidiary held by the parent company. Exceptions from this include differences arising in accordance with IAS 12.15 from the initial recognition of goodwill or initial recognition of an asset or liability in the case of a transaction that is not a business combination and, at the time of the transaction, has no influence on net profit or loss for the period under commercial law (before income tax) nor on the taxable result (the tax-related loss). Deferred tax assets are recognised to the extent that it is probable that taxable income will be available with which the deductible temporary difference can be offset. The assessment and measurement of deferred tax assets is reviewed at each balance sheet date, taking account of current estimates in accordance with IAS 12.37 and IAS 12.56.

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

Deferred taxes are determined in line with IAS 12.47 on the basis of the tax rates applicable at the time of realisation or in the future. Deferred taxes 2016 are recognised as tax income or tax expenses in the income statement, unless they relate to items directly recognised under equity with no impact on profit or loss; in this case, deferred taxes are recognised under equity, without impacting the income statement.

The calculation of deferred taxes was based on a German corporation tax rate of 15.0 percent (2015: 15.0 percent) plus the solidarity surcharge of 5.5 percent (2015: 5.5 percent) on corporation tax and a flat rate German trade tax rate of 11.20 percent (2015: 11.20 percent), which takes into account the municipal factor for the respective location from 2016 and the corresponding tax rates of the foreign companies (India 34.6 percent; Ireland 12.5 percent; Austria 25 percent; Singapore 17 percent; Gibraltar 10 percent; United Kingdom 20 percent; Indonesia 25 percent, Turkey 20 percent, New Zealand 28 percent, South Africa 28 percent).

Value added tax

Revenues, expenses and assets are recognised after deducting value added tax. An exception in this regard is value added tax incurred when purchasing assets or services that cannot be claimed from the tax authorities. Such value added tax is recognised as part of manufacturing costs of the asset or as part of expenses. Receivables and liabilities are likewise recognised including the amount of value added tax.

The amount of value added tax refunded by or paid to the tax authorities is offset in the consolidated balance sheet under receivables and liabilities. Tax assets and liabilities are offset if they are imposed by the same tax authority for the same company and if the Group intends to settle its current tax assets and tax liabilities on a net basis.

Essential discretionary decisions, estimates and assumptions in connection with taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already reported. The Group forms provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective country of domicile of the Group company.

Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that taxable profit will be available against which the tax loss carryforwards can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

2.5 Changes to accounting and measurement policies in relation to the previous year

The accounting policies are unchanged compared to those applied in the previous year. An exception in this regard are changes to the presentation that have been made to improve readability and to expand the explanations on the corresponding items. This includes providing information that was previously in text form in tabular form or an additional further breakdown of items. Furthermore, the following amendments to the standards listed below were applied for the first time in the 2016 fiscal year:

Yearly Improvements to IFRS (2010-2012)

The improvements to IFRS 2010-2012 relate to an omnibus of standards published in December 2013 and containing amendments to various IFRS.

IFRS 3: Clarification on the classification and measurement of contingent consideration in business combinations.

Accordingly, the classification of the obligation to pay contingent consideration as a liability or as equity is based solely on the rules in IAS 32.11. Measurement of contingent consideration must be at fair value and changes must be recognised in profit or loss. This amendment must be applied prospectively. In addition, fair value adjustments to earnout liabilities are reported under the financial result for all acquisitions as of 1 July 2014. Before this point in time, they were accounted for at amortised cost and the realised items were recognised under other operating expenses/income. As a result of the business combinations in the last few years and the contingent consideration reported as a liability, there was a revaluation of this item at fair value under the financial result in the 2016 fiscal year. For further details, please refer to Section 7.4.

Further yearly Improvements to IFRS (2010–2012)

The Group has applied the following amendments. The improvements have no significant impact for Wirecard. In general, they relate to presentation themes and themes that do not apply to these financial statements.

- IFRS 8: Information on the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
- IFRS 13: Explanation of the amendment to IFRS 9 with regard to the measurement of short-term receivables and payables as a result of the publication of IFRS 13;
- IAS 16: Changes to the treatment of accumulated amortisation using the revaluation method;
- IAS 24: Clarification that a company which provides decisive planning, management and monitoring services (key management personnel services) to an entity is a related party of the recipient as defined by IAS 24 and inclusion of a simplification for disclosures on the remuneration paid for these management services by the external company to its employees;
- IAS 38: Changes to the treatment of accumulated amortisation using the revaluation method.

Amendments to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. These amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. This amendment must be applied prospectively. Earlier application is permissible. There is no significant impact on the Wirecard's net assets, financial position and results of operations because no transactions of this type existed in the 2016 fiscal year.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of generation of economic benefits that arise from operating a business (of which the asset is part) rather than the consumption of an asset's future economic benefits. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used – in very limited circumstances – to amortise intangible assets. The amendments must be applied prospectively. Earlier application is permissible. This amendment does not require any adaptation of the basis for depreciation and amortisation and did not affect depreciation and amortisation.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:

- The materiality requirements in IAS 1.
- Specific items in the income statement, statement of comprehensive income and balance sheet may be disaggregated.
- Entities are free to choose the order in which they present the notes to financial statements.

The share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item and subdivided between those items that will or will not be reclassified in the income statement in subsequent reporting periods. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the balance sheet, income statement and other comprehensive income. These amendments principally relate to clarifications of conceptual issues and thus had no impact on the consolidated financial statements.

Improvements to IFRS (2012-2014)

These amendments principally relate to clarifications of conceptual issues and thus had no impact on the consolidated financial statements. The improvements comprise the following:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. Therefore, there is no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the fiscal year in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the requirements regarding additional disclosure on offsetting financial assets do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the bonds are denominated, rather than the country where the bond is issued. When there is no sufficiently liquid market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that obligatory interim disclosures must either be made in the interim financial statements or incorporated by cross-reference to wherever they are included within the interim financial report (e.g. in the management report or report on risks). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 was published in November 2013 and is to be applied for the first time in the fiscal year that commences on or after 1 February 2015. This amendment regulates the accounting of contributions from employees or third parties to defined benefit plans as a reduction of the service cost, insofar as they reflect the services rendered in the reporting period. This amendment is to be applied retrospectively. Earlier application is permissible. There are no effects due to the application of this amendment because there are no employee contributions to defined benefit plans.

Further standards and interpretations

The IASB and the IFRIC have published additional standards and interpretations which were mandatory as of 2016 fiscal year. They have any significant impact on the consolidated financial statements of Wirecard.

- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

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

The IASB and the IFRIC have published the following standards and interpretations that have already been endorsed by the EU within the scope of the comitology procedure but their application was not yet mandatory in the 2016 fiscal year. The Group has not adopted these standards and interpretations early. The IASB also newly approved or revised a number of further accounting standards and interpretations that Wirecard AG has not yet implemented in the 2016 fiscal year as their application was not yet mandatory or they were not yet approved by the European Union.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three phases of the accounting for financial instruments project: “classification and measurement”, “impairment” and “hedge accounting”. IFRS 9 is effective for fiscal years beginning on or after 1 January 2018. Earlier application is permissible. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. During the fiscal year 2016, the Group performed a preliminary assessment of all three phases of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group does not anticipate a significant impact on its balance sheet and equity due to the application of the classification and measurement policies in IFRS 9. It anticipates that it will still measure all of the financial assets held at fair value at their fair value. Trade loans and receivables are held to take into account the contractual cash flow that exclusively represents the redemption payments and interest payments on the outstanding nominal amount. Therefore, the Group anticipates that these items will continue to be measured at their fair value after the application of IFRS 9.

The Group plans to adopt the simplified approach to impairment and report the expected credit loss for the entire term (ECL) of all trade receivables. Due to the historic default rates for its loans and receivables, the Group does not anticipate a significant impact on its equity. However, there is still a need for a detailed analysis of all relevant and reliable information, including the forward-looking elements, to determine the level of impact. Furthermore, no significant impact on hedge accounting is expected due to the new accounting policies because the Group does not conclude material hedges on an ongoing basis.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenues arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenues. The new regulation is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for fiscal years beginning on or after 1 January 2018 with early adoption permitted. Wirecard will pursue a modified retrospective application. The IASB published the final clarifications on IFRS 15 in the middle of April 2016, which have not yet been adopted in EU law.

These issues relate to the identification of performance obligations, the application guidelines for principal-agent relationships, licences for intellectual property and transitional provisions. Earlier application is permissible. In the 2016 fiscal year, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis, and focused on the Group’s significant revenue streams. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

In the case of contracts with customers with whom software licence agreements are the only contractual obligation, the new rules will probably not have any impact on the consolidated financial statements. The Group expects that revenue recognition will continue to occur at a point in time when control of the asset is transferred to the customer. This is generally the case on delivery of the goods. Therefore, the new standard will probably have no effect on the amount nor lead to a deferment of the date at which the revenue is recognised.

Wirecard offers transaction-based services in many areas of issuing and acquiring, as well as in the area of banking services. In this regard, it is in principle not the processed transaction that is recognised as revenue but rather always only the fees for the retailer or private customer. The fees for the credit card companies, payment service providers and external technical operators are included under the cost of materials. This is still the case even if external acquiring partners are used for processing transactions because Wirecard is subject to the significant opportunities and risks associated with the transactions and is thus considered to be the principal in these transactions in the sense of IAS 18. A change in the amount or date at which the revenue is recognised is not expected because there is no requirement to treat transaction-based acquiring and issuing business differently even according to the new standard. Further analysis is necessary to judge whether Wirecard is considered to be the principal in accordance with the new rules in IFRS 15 if external acquiring partners are used for the processing of the transactions. An amendment to the previous presentation of revenues from a gross presentation method (reporting the fees from retailers under revenues and the expenses for the acquiring partner under cost of materials) to a net presentation method (reporting the fees from retailers less the expenses for the acquiring partners as revenues) would merely reduce the revenue figure but would not, however, change the gross profit and the subsequent items in the consolidated income statement (including, for example, EBITDA, EBIT and annual net profit). The analysis of the impact of the new standard has not yet currently been concluded. The presentation and disclosure requirements in IFRS 15 extend beyond the rules contained in the current standard. The new presentation requirements represent a substantial change compared to current practice and will require significantly more information in the consolidated financial statements in the future. IFRS 15 requires the quantitative and qualitative disclosure of information on the breakdown of revenues, performance obligations and contractual balances, as well as significant discretionary decisions. In the 2016 fiscal year, the Group started to develop appropriate systems, guidelines and processes, as well as internal controls.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 (Leases). IFRS 16 is the new standard for lease accounting. It introduces a uniform lease accounting model for lessees, requiring recognition of assets and liabilities for all leases with a term of more than 12 months unless such leases are immaterial. It will eliminate the current requirement for lessees to classify leases as either operating leases, where the respective assets or liabilities are not recognised, or as finance leases. The new standard is to be applied for fiscal years beginning on or after 1 January 2019. Earlier application is permissible but may only take place if a company also applies

IFRS 15.

The standard has not yet been incorporated into European law. Based on an initial analysis, the effects listed below were identified. In addition, it is also expected that the disclosure requirements will be considerably expanded in comparison to IAS 17. However, the analysis has not yet been concluded and will be continuously updated by the Group as the interpretation of IFRS 16 develops. The Group has mainly concluded operating leases for moveable assets (primarily motor vehicles) and immovable assets up to now.

Payment obligations for operating leases have only been reported up to now in the notes to the financial statements. However, it will be mandatory to report the rights and obligations arising from these leases as assets (right to use the leased asset) and liabilities (lease obligation) on the balance sheet. The Group anticipates that this will lead to a significant increase in the total assets upon initial application.

Please refer to 7.6 Other obligations and contingent liabilities for the scope of the leases held by the lessee that are to be reported on the balance sheet in future periods. In the income statement, the expenses from operating leases has been reported under cost of materials up to now. In future, the depreciation of the right to use the leased asset and the interest expenses on lease obligations will be reported instead.

In the cash flow statement, payments for operating leases have been reported up to now under cash flow from operating activities. In future, payments for operating leases will be split between interest payments and redemption payments. While interest payments will still be reported under cash flow from operating activities, redemption payments will be allocated to cash flow from financing activities.

Amendments to IAS 7: Disclosure Initiative

In January 2016, the IASB published amendments to IAS 7: Disclosure Initiative. The following changes in liabilities arising from financing activities must be disclosed in the future: changes from financing cash flows; the effect of changes in foreign exchange rates; changes in fair value; other changes. According to the IASB, the amendments are to be applied for fiscal years beginning on or after 1 January 2017. However, the standard has not yet been incorporated into European law. If the amendments are applied, the Group will disclose the additional information required.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The IASB published the interpretation “IFRIC 22 Foreign Currency Transactions and Advance Consideration” on 8 December 2016. IFRIC 22 addresses an application issue in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. It clarifies what date should be used for the exchange rate for converting receipts or payments in advance for transactions in a foreign currency. According to the interpretation, the decisive factor for determining the exchange rate for the underlying assets, income or expenses is the date of initial recognition of the resulting asset or liability for the advance consideration. The interpretation is to be applied from 1 January 2018. Earlier application is permissible. The amendment will have no significant impact on the consolidated financial statements of Wirecard because no significant payments in advance are made by Wirecard in foreign currencies.

Further standards and interpretations

The IASB and the IFRIC have published additional standards and interpretations for which application was not yet mandatory in the 2016 fiscal year, as those are not endorsed by the European Commission within the scope of the comitology procedure. They are not used by the Group and would not have any significant impact on the consolidated financial statements of Wirecard.

- Amendments to IFRS 2: Clarification on the definition of vesting conditions with a separate definition of service and performance conditions;
- Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 40: Transfers of investment property
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Improvements to IFRS (2014-2016): Amendments to IFRS 1, IFRS 12 (clarification of scope of application) and IAS 28 (valuation of venture capital organisations or other qualifying entity)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (adaption in EU-Law is postponed for undefined time)
- IFRS 14: Regulatory Deferral Accounts: Financial reporting standards for regulatory deferral accounts for first-time adopters of IFRS (adaption in EU-Law in this version will not occur, as it is an interim standard)

3. Notes to the consolidated balance sheet – assets

For a breakdown of non-current assets relating to intangible assets, property, plant and equipment and financial assets (historical acquisition costs, adjustments based on foreign currency translations, additions and disposals due to initial consolidation, additions, disposals, cumulative amortisation and depreciation, write-downs in the year under review and carrying amounts), please refer to the attached schedule of developments in non-current assets from 1 January 2016 to 31 December 2016 (including the previous period).

3.1 Intangible assets

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

Goodwill and customer relationships

The balance sheet items of goodwill and customer relationships are exclusively attributable to acquired companies, parts of companies or customer relationships. New, organically acquired customer relationships at Wirecard are not capitalised. As part of corporate acquisitions, a purchase price allocation is carried out in accordance with IFRS 3, which identifies and measures the fair value of all assets irrespective of whether they are reported on the balance sheet for the acquired entity or not. In general, the acquisitions made by Wirecard focus on acquiring regional customer relationships in order to expand the Company's market position. Therefore, these customer relationships represent a significant part of the assets of the acquired entity. The assessment of whether these assets are classified as customer relationships in the sense of IAS 38.16 or reported on the balance sheet under the item goodwill is based on which future economic benefits can be derived from these relationships by Wirecard. If customer relationships are identified, these are amortised over their expected useful life of usually 10 or 20 years. Goodwill is not subject to any amortisation.

Goodwill is assessed at least once a year by the Group (most recently on 31 December 2016) or in the event of possible impairments in accordance with the Group's accounting policies. Customer relationships are analysed at least once a year or additionally if a triggering event occurs. If a triggering event occurs, an assessment based on discounted cash flows is carried out in order to determine any potential need for impairment.

In the fiscal year 2016, goodwill changed primarily as a result of the first-time consolidation of the new companies Provus and Service Provider S.A., Bucharest (Rumania) and Wirecard Brasil S.A., Sao Paulo (Brazil) (formerly: Moip Pagamentos). and as a result of currency-related valuations as of the balance sheet date of kEUR 13,060 and stood at kEUR 534,892 (31 December 2015: kEUR 489,301) and is reported in the following cash-generating units:

Goodwill

in kEUR	31 Dec 2016	31 Dec 2015
Payment Processing & Risk Management	**462,526**	442,242
Acquiring & Issuing	**72,078**	46,771
Call Center & Communication Services	**288**	288
Total	**534,892**	**489,301**
Less: impairment losses	**0**	0
	534,892	**489,301**

The change in the item customer relationships of kEUR 6,879 in the period under review is related, on the one hand, to exchange rate fluctuations and, on the other hand, to amortisation, which was offset by an increase of kEUR 31,179 connected primarily with the first-time consolidation of the new companies. Amortisation starts together with the flow of benefits and is performed over the expected length of useful life.

Further information on business combinations and the acquisition of customer relationships can be found in Section 1.1 Business activities and legal background – business combinations and significant acquisitions of customer relationships.

The customer bases are subject to the following amortisation rules:

Amortisation of customer relationships

Useful life	Remaining useful life	Remaining carrying amount in kEUR
20	19	46,955
20	18	42,803
20	17	100,848
20	16	87,715
20	15	43,878
20	8	1,468
15	14	7,415
10	10	423
10	9	46,235
10	7	1,830
10	6	3,083
10	5	6,799
10	4	966
10	3	699
10	1	1,212
		392,329

For information on changes to goodwill and customer relationships, please refer to the statement of changes in non-current assets.

Internally-generated intangible assets

In the fiscal year 2016, internally-generated software was developed and capitalised for kEUR 30,201 (31 December 2015: kEUR 28,293) Compared to the previous year, this item has increased in particular as a result of the growth in development activities at Wirecard Processing FZ LLC and Wirecard Technologies GmbH. This relates especially to software for the payment platform, mobile payment projects and M&A-related enhancements to the IT infrastructure.

Other intangible assets

Besides software for individual workstations, other intangible assets relate to software acquired for and used by the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments. In the period under review, this item also changed alongside the operative investment due to the first-time consolidation of the acquired companies from kEUR 65,869 to kEUR 81,682.

3.2 Property, plant and equipment

The main increases in this item are due to investments in the expansion of the computer centres, the expansion of the terminal business and also to the first-time consolidation of the companies acquired.

Any gains and losses from the disposal of fixed assets are reported as other operating income and expenses respectively. Maintenance and minor repairs are charged to profit or loss as incurred.

The carrying amount of technical equipment and operating and office equipment held as part of finance leases as of 31 December 2016 was kEUR 10,156 (31 December 2015: kEUR 11,642) and is reported under property, plant and equipment. The leased items serve as security for the respective obligations from the finance leasing agreements.

3.3 Shares in associated companies/shareholdings accounted for using the equity method

Shares in associated companies of kEUR 14,803 (31 December 2015: kEUR 0). were entirely attributable to GI Technology Pte. Ltd. Due to the conditions in the shareholder agreement, which are particularly associated with the Indian regulations for financial services companies, the company is accounted for using the equity method. This is because Wirecard exercises a significant influence on the company but does not have full control. For further information, please refer to Section 1.1.

3.4 Financial and other assets / interest bearing securities

Financial and other assets and interest bearing securities as of 31 December 2016 totalled kEUR 216,196 (31 December 2015: kEUR 227,152). These break down as follows:

Breakdown of financial and other assets / interest-bearing securities

in kEUR		31 Dec 2016	31 Dec 2015
Shares of not consolidated companies		0	80,405
Visa preferred stock		15,256	0
Financing agreements (amongst others sales partner)		28,534	40,293
convertible bonds		32,735	31,700
Securities		2,805	10,005
Securities/collared floaters		42,558	38,895
Receivables from bank business (mostly from FinTech business)		85,035	23,962
Other		9,274	1,892
		216,196	**227,152**

In the previous year, the shares of not consolidated companies mainly comprised the shares held by Wirecard Bank AG and Wirecard Card Solutions Ltd. in Visa Europe Ltd. The shares were reclassified as financial assets in the category "Available-for-sale financial assets" and sold on 21 June 2016.

In return, Wirecard received on 21 June 2016 a cash payment of kEUR 71,821 plus preferred stock that is disclosed under "Visa preferred stock" valued at kEUR 14,028 (nominal value: kEUR 25,614) that is convertible into Visa Inc. class A common stock. Furthermore, an additional deferred cash consideration of kEUR 5,799 (nominal value: kEUR 6,245) was agreed, which is disclosed under "Others". This is to be paid in three years. The amount of preferred stock is contingent upon certain factors and could subsequently change. The calculation of the fair value is based on the market quotations for Visa A shares and takes estimations by the management, the calculations of the appraisers and external information about Visa Europe Ltd. or Visa Inc. into account. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties and is subject to a required holding period, was discounted due to uncertainties and the inability to trade the stock. An accumulated valuation result within the revaluation reserve of kEUR 89,861 (after income tax) was successfully released to income on the disposal date.

The preferred stock was allocated as a financial asset in the category "Available-for-sale financial assets" and was revaluated against the item "Revaluation reserve".

The convertible bonds partially comprise a derivative component. These embedded derivatives are generally measured at fair value with changes in their fair value being recognised as profit or loss. If it is impossible to separately measure the embedded derivative, the entire financial instrument is to be measured at fair value through profit or loss, as long as fair value can be calculated reliably. Please also refer here to Section 7.4.

Furthermore, this balance sheet item also contains various securities/collared floaters which are held to improve interest income and whose interest rates mainly depend on money market rates. In part, minimum and maximum interest rates are agreed (collared floaters).

The assets reported under “Receivables from bank business (mostly from FinTech business)” exist, amongst other things, mainly as a result of activities related to Wirecard Bank AG cooperating with different companies in the so-called FinTech sector. As a technology company with its own financial institution, Wirecard supports different companies through e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector. Alongside services in the areas of technology and risk management, Wirecard also sometimes provides financing, particularly in the area of hire purchase agreements and the provision of small loans. In this context, receivables arise primarily in relation to individual transactions that are reported here due to their terms to maturity. The reason for this was also the response to the prevailing low-interest phase which has enabled Wirecard to utilise these business fields. The basis for these items are the cash and cash equivalents from the banking business (customer deposits).

3.5 Tax credits

Deferred tax assets

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

Based on tax assessments up to 31 December 2015, tax notices issued up to the assessment year 2014 and the consolidated taxable profit in the fiscal year 2016, the deferred tax assets as of 31 December 2016 amounted to kEUR 2,657 following a valuation adjustment (31 December 2015: kEUR 862). With regard to further details on the tax reconciliation account and the trend relating to deferred taxes, please refer to the further details under 5.8. Income tax expense and deferred taxes.

3.6 Inventories and work in progress

As of 31 December 2016, the reported inventories and work in progress amounted to kEUR 4,540 (31 December 2015: kEUR 3,599) and relate to merchandise such as terminals and debit cards, which are kept for, amongst other things, payments using mobile phones. Their value was measured in accordance with IAS 2.

Inventories and work in progress are measured at whichever is the lower of either their cost (of acquisition or manufacture) and their net realisable value. No value deductions were made in the year under review or in the previous period. There were also no reversals of impairment losses.

3.7 Trade receivables of the acquiring business

The transaction volume of the Wirecard Group is reported under trade receivables from credit card organisations, banks and acquiring partners on the Wirecard balance sheet. Therefore, Wirecard has decided to report the receivables in this area separately.

The items receivables of the acquiring business and liabilities of the acquiring business of Wirecard are mainly characterised by the transaction volume of retailers that utilise Wirecard's payment services. Due in particular to the legal guidelines for the licensing agreements depending on the region and sector in which the retailer and acquiring partner operate, as well as to the business relationship between the retailer and Wirecard, different business models are utilised that result in varying accounting methods being applied. In all cases, however, the transaction volume significantly influences the item trade receivables.

From a financial reporting perspective, it is particularly important to differentiate whether the transaction volume is processed via licenced acquirers belonging to the Wirecard Group or whether Wirecard is using an external acquiring partner. If the transaction volumes are processed via Wirecard, they remain under receivables until the incoming payment is received. Depending on the currency and means of payment, as well as on the respective card organisation, payment is generally received between one day and one week after the transaction.

If another bank is involved in the process, Wirecard is not permitted to receive and report the transaction volumes on the balance sheet due to the EU Payments Services Directive (PSD). In this case, the acquiring partner accounts for these items on their balance sheet. Wirecard then reports any charges and commissions, as well as the rolling security reserves for the retailers' general risk of default, as receivables of acquiring business. In this context, please refer to Section 7.2 of the Annual Report.

Depending on the balance sheet date and the payment cycle, the item receivables of the acquiring business and also the item liabilities of the acquiring business (less commissions and charges) is subject to considerable fluctuations from one balance sheet date to another. These fluctuations occur in particular due to delayed payouts on account of the public holidays between the reporting periods.

Here, only our charges included in the revenues have an impact on profit or loss and not the entire receivable amount. The increase as of 31 December 2016 thus corresponds to the increase in the transaction volume processed via Wirecard.

3.8 Trade and other receivables

Trade and other receivables arose as a result of, amongst other things, activities related to Wirecard Bank AG cooperating with different companies in the FinTech sector. These are reported under "Receivables from bank business". As a technology company with its own financial institution, Wirecard supports different companies through e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector. Alongside services in the areas of technology and risk management, Wirecard also sometimes provides financing, particularly in the area of hire purchase agreements and the provision of small loans in cooperation with FinTech companies. The reasons for this were, on the one hand, the transformation of the financing industry towards Internet-based, technology-oriented solutions and, on the other hand, the response to the prevailing low-interest phase which has enabled Wirecard to utilise these business fields. The basis for these items are the cash and cash equivalents from the banking business (customer deposits). In this context, receivables arise primarily in relation to individual transactions with private customers, for which collateral is regularly provided by the FinTech companies. Furthermore, this balance sheet item also contains business relating to short-term customer and current accounts loans, which are held to improve interest income and which interest rates depend on market rates.

“Other trade receivables” comprise all receivables from the other business fields of the Wirecard Group. This item also increased due to the first-time consolidation of the new companies and the increased business volumes of the Wirecard Group.

“Other receivables” comprise rent, insurances and other services that due to their contractual terms are accrued after the balance sheet date. In addition, this item comprises deposits, receivables from employees and other assets. Furthermore, the fair value of the currency forward transactions concluded in the 2016 fiscal year of kEUR 6,821 (2015: kEUR 0) is disclosed under “Other receivables”. For further details, please refer to Section 7.4.of the annual report.

Trade receivables

in kEUR	31 Dec 2016	31 Dec 2015
Receivables from bank business (mostly from FinTech business)	89,892	68,470
Other trade receivables	72,239	23,886
Other receivables	28,053	20,848
	190,185	**113,204**

3.9 Tax credits

As of 31 December 2016, tax credits comprised tax reimbursement claims of kEUR 757 (31 December 2015: kEUR 6,119) and VAT reimbursement claims of kEUR 8,596 (31 December 2015: kEUR 2,166).

3.10 Interest-bearing securities and fixed-term deposits

Apart from investing in various interest-bearing securities, the Wirecard Group has also invested in fixed-term deposits in order to improve its interest income. All investments are only concluded with banks or counterparties that meet the creditworthiness requirements from the Group's own risk evaluation and – to the extent that external ratings are available – are assessed as having a minimum creditworthiness risk by renowned ratings agencies. Fixed-term deposits with a term of more than three months are reported under "Interest-bearing securities and fixed-term deposits", which reduces the cash and cash equivalents position. Fixed-term deposits of kEUR 3,626 (31 December 2015: kEUR 6,114) have been placed as collateral for credit card business for the duration of the business relationship. Fixed-term deposits with a term of up to three months are reported under "Cash and cash equivalents".

3.11 Cash and cash equivalents

The cash and cash equivalents item (31 December 2016: kEUR 1,332,631; 31 December 2015: kEUR 1,062,968) includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight (call money) deposits). These also include resources from current customer deposits of Wirecard Bank AG and Wirecard Card Solutions Ltd. which are not placed in interest-bearing securities (31 December 2016: kEUR 476,386; 31 December 2015: kEUR 419,539) and funds derived from the acquiring business of Wirecard Bank AG (31 December 2016: kEUR 233,956; 31 December 2015: kEUR 281,837). To improve its interest income, Wirecard Bank AG invested some of the customer deposits in various short, medium and long-term interest bearing securities (collared floaters and interest-bearing securities). These are reported under non-current financial and other assets and current interest-bearing securities. Excluding the purchase of these securities and the fixed-term deposits with a term of more than three months across the whole Group, cash and cash equivalents would have been kEUR 201,855 (31 December 2015: kEUR 182,272) higher. It should also be noted that as a result of delayed payments due to public holidays at the end of the fiscal year, the cash item was very high due to these effects at the balance sheet date.

4. Notes to the consolidated balance sheet – equity and liabilities

With regards to the development of Group equity in the fiscal year 2016, further particulars in addition to the following explanations are provided in the table "Consolidated statement of changes in equity".

4.1 Subscribed capital

As of 31 December 2016, the subscribed capital was kEUR 123,566 (31 December 2015: kEUR 123,566) and comprised 123,565,586 (31 December 2015: 123,565,586) no-par value shares with a notional interest in the common stock of EUR 1.00 per share.

Authorised capital

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

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases:

- in order to avoid fractional amounts;
- when the capital increase is made against cash capital contributions and the issue price, excluding subscription rights pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), of the new shares is not significantly below the Company's stock market price and the number of new shares issued under the exclusion of subscription rights pursuant to Section 186 (3) Clause 4 of the AktG does not exceed 10 percent of the share capital, neither at the time the authorisation takes effect, nor when this authorisation is exercised. Shares must be included in this limit that were sold, issued or are to be issued during the term of this authorisation as a result of other authorisations in direct or corresponding application of Section 186 (3) Clause 4 of the AktG under the exclusion of subscription rights;
- in the event of a capital increase against non-cash contributions, in particular for the purpose of acquiring a company, parts of a company, a participating interest in a company or other material operating equipment;
- in order to grant the holders of options or convertible bonds or bonds with warrants subscription rights to the extent that these would be due to them in the event that a conversion right or option is exercised, or in fulfilment of a conversion obligation as a shareholder; as well as

- in the event of a capital increase to issue staff shares pursuant to Section 204 (3) of the AktG if the issue price, excluding subscription rights, of the new shares is no more than a maximum of 30 percent below the Company's stock market price and the new shares issued under the exclusion of subscription rights do not exceed 5 percent of the share capital, neither at the time the authorisation takes effect, nor at the time when this authorisation is exercised. All shares are included in the above 5 percent threshold that are issued during the term of this authorisation, which as a result of other authorisations excluding shareholders' subscription rights as staff shares to employees of the Company and members of management and employees of companies associated with the Company, are issued at a price which is lower than the stock market price. The 5 percent threshold does not apply if the price is not materially lower than the stock market price in the meaning of Section 186 (3) Clause 4 of the AktG;
- when the total number of shares to be issued and that have been issued excluding subscription rights as a result of one of these authorisations may not exceed 20 percent on the date the authorisation is exercised; shares must be included that were sold, issued or are to be issued during the term of this authorisation as a result of other authorisations.

The Management Board is authorised, with the approval of the Supervisory Board, to decide on the further details of the capital increase and its execution, in particular the content of the share rights and the conditions of issue including the issue amount. The Supervisory Board is authorised to change the wording of the Articles of Incorporation accordingly to the extent of the respective capital increase from authorised capital.

As of the balance sheet date, there was authorised capital (Authorised Capital 2015) of kEUR 30,000 (31 December 2015: kEUR 30,000).

Conditional capital

According to the resolution made by the Annual General Meeting on 26 June 2012, the Management Board was authorised, with the consent of the Supervisory Board, to issue up to 25 June 2017, once or on several occasions, bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to kEUR 300,000, and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights to new bearer shares of the Company with a proportionate amount in the share capital of up to kEUR 25,000, according to the details in the terms for the bonds with warrants or the convertible bonds. No use has yet been made of the 2012 authorisation. The Annual General Meeting on 16 June 2016 revoked the Conditional Capital 2012.

In order to also give the Company the required flexibility to issue convertible bonds in the future, the Management Board was authorised with the consent of the Supervisory Board to issue registered and/or bearer convertible bonds and/or option bonds, participating rights and/or profit participation bonds or a combination of these instruments (hereinafter referred to jointly as "convertible bonds") with a total nominal amount of up to EUR 300 million with or without restrictions on their maturity up to 15 June 2021 and to grant the holders or creditors of these convertible bonds conversion or option rights to new bearer shares of the company with a proportionate amount in the share capital of up to EUR 12,356,558.00, according to the details in the terms for the bonds (Conditional capital 2016). No use has yet been made of this new authorisation to issue bonds.

In 2016, conditional capital (Conditional Capital 2004/I) did not change and continues to stand at kEUR 614 (31 December 2015: kEUR 614). The program has been closed. Further issues are no longer possible.

4.2 Capital reserve

The capital reserve as of 31 December 2016 was kEUR 494,682 (31 December 2015: kEUR 494,682).

4.3 Retained earnings

A dividend of EUR 0.14 per dividend-entitled ordinary share was approved at the Annual General Meeting 2016 on 16 June 2016, which corresponds to a total amount of kEUR 17,299. In the previous year, the dividend payment was EUR 0.13 per dividend-entitled ordinary share, which corresponded to a total amount of kEUR 16,054.

A proposal will be made at the 2017 Annual General Meeting to pay a dividend of EUR 0.16 per share to the shareholders, which corresponds to a total amount of kEUR 19,770.

4.4 Other components of equity

Cash flow hedge reserve

The reserve for financial derivatives comprises the effective portion of the changes in the fair value of derivatives, which are designated as cash flow hedges in the fiscal year 2016 (31 December 2016 kEUR 4,837; 31 December 2015: kEUR 0). The ineffective portion in the amount of kEUR 319 is reported immediately in the consolidated income statement. Please refer to 7.4 Additional information about financial instruments for further information on the hedging relationships entered into in the fiscal year 2016.

Revaluation reserve

Wirecard sold its shares in Visa Europe Ltd, which were allocated as a financial asset in the category "Available-for-sale financial assets", on 21 June 2016. The accumulated valuation result within the revaluation reserve of kEUR 89,861 was successfully released through profit or loss on the disposal date.

The preferred stock in Visa Inc. received as a consideration for the sale of the shares in Visa Europe Ltd. was allocated as financial assets in the category "Available-for-sale financial assets". Accordingly, the fair value was revalued and disclosed in the revaluation reserve (31 December 2016: kEUR 1,221)

For further information, please refer to 3.4 Financial and other assets / interest-bearing securities.

Translation reserve

The foreign currency translation reserve changed in the fiscal year 2016 due to exchange rate factors and with no impact on profit or loss from kEUR 3,630 in the previous year to kEUR 21,371. This change is mainly attributable to net assets denominated in foreign currencies due to further company acquisitions in the fiscal year and the fluctuation in the exchange rates for some local currencies. With regard to the foreign currency translation reserve, please refer to details in 2.1 Principles and assumptions used in preparing the financial statements.

4.5 Non-current liabilities

Non-current liabilities are split into non-current interest-bearing liabilities, other non-current liabilities and deferred tax liabilities.

Non-current interest-bearing liabilities

The interest-bearing liabilities are related to the financing of acquisitions, whereby the largest proportion was attributable to the acquisition made in India. In addition, there was also financing of the acquisitions in Brazil and Romania. This item thus increased by kEUR 221,329 from kEUR 358,146 as of 31 December 2015 to kEUR 579,475. Wirecard AG has EUR 991 million of credit lines (31 December 2015: EUR 661 million). Along with the loans recognised in the balance sheet, additional credit lines from commercial banks totalling EUR 395 million are consequently (31 December 2015: EUR 290 million).

Other non-current liabilities

This item is broken down as follows:

Other non-current liabilities

in kEUR	31 Dec 2016	31 Dec 2015
Earnout liabilities	16,796	58,138
Lease liabilities	10,983	7,938
Variable remuneration and pension benefits	1,341	3,117
Other non-current liabilities	2,306	2,719
	31,425	**71,912**

The earnout components and current purchase price liabilities of kEUR 60,405 (31 December 2015: kEUR KEUR 161,974) that are due within the period of one year are carried under current liabilities.

Deferred tax liabilities

Deferred tax liabilities, amounting to kEUR 59,747 (31 December 2015: kEUR 53,266), related to temporary differences between the tax accounts and the consolidated financial statements according to IFRS and are reported under non-current liabilities. This item increased due to the first-time consolidation of the new corporate entities. With regard to further details on the tax reconciliation account and the trend relating to deferred taxes, please refer to the further details under 5.9. Income tax expense and deferred taxes.

4.6 Current liabilities

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

Liabilities of the acquiring business

The items liabilities of the acquiring business and receivables of acquiring business of Wirecard are mainly characterised by the transaction volume of retailers that utilise Wirecard's payment services. If the transactions are processed via licenced acquirers that belong to the Wirecard Group, the amount of the transaction volume remains under trade payables to retailers until the payment is made. Depending on the means of payment and the contractual provisions, this takes place daily, weekly or monthly, whereby a security reserve is generally held for a longer period of time. In individual cases, particularly when dealing with large customers who want to optimise their own cash management, Wirecard agrees to replace these security reserves with bank guarantees, government-backed guarantees or similar sureties, as well as to dispose with a security reserve if dealing with state-owned retailers. This reduces the item trade payables and also slows the increase in this item.

Depending on the balance sheet date and the payment cycle, the item liabilities of acquiring business and also the item receivables of acquiring business (less commissions and charges) can be subject to considerable fluctuations from one balance sheet date to another. In particular, these substantial fluctuations between reporting periods result from public holidays. Delayed payments due to public holidays at the end of the 2016 fiscal year were offset by corresponding payments in the following quarter, which is expected to result in a reduction to this item.

Trade payables

Trade payables comprise payables from the operating business that are not allocated to the acquiring business.

Interest-bearing liabilities

Interest-bearing liabilities of kEUR 15,066 (31 December 2015: kEUR 12,579) mainly comprise loans that are due in 2017.

Other provisions

Provisions are short-term in nature and will be utilised prospectively within the following year. Other current provisions of kEUR 3,914 (31 December 2015: kEUR 1,421) contains provisions for litigation risks of kEUR 1,826 (31 December 2015: kEUR 64) as the largest item, as well as the costs of preparing and auditing the financial statements of kEUR 809 (31 December 2015: kEUR 845).

The individual provisions changed as follows during the fiscal year:

Statement of changes in provisions

in kEUR	1 Jan 2016	Consumption	Reversal	Addition	31 Dec 2016
Litigation risks	64	-7	0	1,769	**1,826**
Archiving	65	–60	0	60	**65**
Annual General Meeting	135	–135	0	135	**135**
Financial statement and other audit costs	845	–470	–65	500	**809**
Other provisions	312	–164	–74	1,004	**1,079**
Other current provisions	**1,421**	**–836**	**–139**	**3,468**	**3,914**

Other liabilities

This item is broken down as follows:

Other liabilities

in kEUR	31 Dec 2016	31 Dec 2015
Accruals	**28,558**	19,258
Lease liabilities	**8,524**	4,730
Purchase price liabilities	**60,405**	161,974
Other	**22,019**	15,238
	119,505	**201,201**

The purchase price liabilities fell due to the payment of the purchase price for the Great Indian Retail Group. Furthermore, the measurement of contingent consideration was carried out at fair value for the first time in the fiscal year 2016 due to the amendments to IFRS 3. The fair value measurement of the earnout liabilities must be applied prospectively for all business combinations with an acquisition date on or after 1 July 2014. The item “Other” includes liabilities from payment transactions, wages and salaries, social security contributions, taxes and similar.

Customer deposits from banking operations

This item includes customer deposits of kEUR 734,003 (31 December 2015: kEUR 582,464) with Wirecard Bank AG and Wirecard Card Solutions Ltd..

Alongside the expansion of the prepaid card business, the increase in deposits is due to various factors including fluctuations relating to prepaid card usage and the payment of acquiring funds to customer accounts.

Tax provisions

Tax provisions in fiscal year 2016 related mainly to provisions formed for taxes for Wirecard AG (kEUR 1,654; 31 December 2015: kEUR 658), Wirecard Bank AG (kEUR 4,183; 31 December 2015: kEUR 1,037), Wirecard (Gibraltar) Ltd. (kEUR 3,672; 31 December 2015: kEUR 3,672), PT Aprisma Indonesia (kEUR 1,776; 31 December 2015: kEUR 191), Wirecard UK & Ireland Ltd. (kEUR 1,139; 31 December 2015: kEUR 1,954), Hermes I-Tickets Pte. (kEUR 7,502; 31 December 2015: kEUR 4,574) as well as Wirecard Solutions Ltd. (kEUR 1,597; 31 December 2015: kEUR 54).

Maturities

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

Maturity 2016

in kEUR	up to 1 year	1 to 5 years	more than 5 years
Interest-bearing liabilities	**15,066**	**579,475**	**0**
Liabilities of the acquiring business and trade payables	**439,686**	**0**	**0**
Customer deposits from banking operations	**734,003**	**0**	**0**
Other liabilities and provisions	**147,696**	**31,349**	**76**
Total	**1,336,452**	**610,824**	**76**

Maturity 2015

in kEUR	up to 1 year	1 to 5 years	more than 5 years
Interest-bearing liabilities	12,579	358,146	0
Liabilities of the acquiring business and trade payables	359,912	0	0
Customer deposits from banking operations	582,464	0	0
Other liabilities and provisions	216,709	71,912	0
Total	**1,171,663**	**430,059**	**0**

5. Notes to the consolidated income statement

5.1 Revenues

The Group's principal products and services are structured as follows:

Revenues by operating segment

in kEUR	2016	2015
Payment Processing & Risk Management (PP&RM)	782,420	579,900
Acquiring & Issuing (A&I)	304,064	252,957
Call Center & Communication Services (CC&CS)	8,506	6,766
	1,094,990	**839,623**
Consolidation PP&RM	–49,893	–50,719
Consolidation A&I	–11,040	–12,962
Consolidation CC&CS	–5,699	–4,603
Total	**1,028,358**	**771,340**

In the "Payment Processing & Risk Management" segment, the Wirecard Group generates revenues from services in the field of payment processing, particularly from services rendered via the multi-channel platform.

Regarding the multi-channel platform and also platforms of partners, a substantial share of revenues is realised from the settlement of electronic payment transactions – particularly on the Internet – by conventional payment processes such as credit card payments or electronic direct debits. As a rule, revenues are generated by transaction-related charges billed as a percentage discount of the payment volumes processed, as well as per transaction. The extent of the transaction-related charge varies according to the product range provided as well as the risk distribution amongst retailers, banks and the Wirecard Group. Transaction-related charges and revenues from purchases of receivables and from payment guarantees are generated in the course of risk management activities. In addition to these volume-dependent revenues, monthly and annual flat fees and non-recurring connection services and rentals are generated from the utilisation of the multi-channel platform and POS terminals. In addition, the Wirecard Group generates revenues through its consultancy services.

The bulk of revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. On the balance sheet date, more than 27,000 companies were connected to the multi-channel platform.

In terms of sales of card products by Wirecard Bank AG and Wirecard Card Solutions Ltd., revenues were generated not only in the B2B segment, but also with consumers (B2C). These consumers are partly required to pay discount charges, transaction charges or fees for cash payments and for resubmission of transactions. In addition, annual charges are payable on card products.

Furthermore, revenues are generated in the “Payment Processing & Risk Management” segment from the sale of affiliate products, as well as by providing services and by licensing software directly associated with the sale of these products.

Revenues are generated in the “Acquiring & Issuing” segment particularly through the acquiring business for retailers, corporate banking services and in the issuing area. In corporate banking, item or volume-based fees are generated. In the issuing area, interchanges are generated for which Wirecard receives a volume-dependent fee from credit card organisations. Moreover, Wirecard offers sales partners in the area of B2B co-branding programmes relating to the card issuing area for which it not only earns a fixed charge, but also generates revenues through concluded card contracts. The interest income generated in the Acquiring & Issuing segment of kEUR 9,689 (2015: kEUR 4,156) is reported as revenues in accordance with IAS 18.5(a). This includes interest income from collared floaters.

The “Call Center & Communication Services” segment generates revenues from operating telephone-based advisory services and by providing conventional call centre services. For the most part, revenues from third parties are accounted for by companies such as publishing houses, software firms, hardware producers and trading enterprises. Two business models are used here in which either the business customer bears the costs or the person seeking advice pays for the services rendered. Companies operating in this segment generate their sales both directly with business clients (B2B) as well as with private customers (B2C), with the telephone companies being responsible for invoicing private customers and for transferring the amounts in question.

5.2 Own work capitalised

Expenditure on research and development was increased to EUR 52.9 million in the 2016 fiscal year (2015: EUR 41.9 million). The ratio of research and development expenses to total revenues (R&D ratio) was 5.1 percent in the period under review (2015: 5.5 percent). The share of total research and development costs accounted for by capitalised development costs (capitalisation ratio) amounted to 57.1 percent (2015: 67.5 percent).

If costs cannot be capitalised, the individual expenditure items are included in the personnel expenses of the relevant departments (Product and Project Management, Development, Quality Assurance, etc.) under advisory costs and in other expenses. Of this amount, kEUR 30,201 (2015: kEUR 28,293) was taken into account as own work capitalised in the period under review. The regular amortisation and depreciation of capitalised development costs amounted to kEUR 12,391 in the year under review (2015: kEUR 9,798).

5.3 Cost of materials

The cost of materials mainly comprises charges by the credit card issuing banks (interchange), fees to credit card companies (for example, MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers (for example, in the area of risk management and acquiring). Expenses for payment guarantees and purchases of receivables are also included in the area of risk management. while commission costs for external sales are included in acquiring.

In the Acquiring & Issuing segment, the cost of materials relating to the areas of acquiring, issuing and payment transactions primarily comprises, besides interchanges, the processing costs of external service providers, production, personalisation and transaction costs for prepaid cards and the payment transactions realised with them, as well as account management and transaction charges for managing customer accounts.

5.4 Personnel expenses

Personnel expenses in the fiscal year 2016 totalled kEUR 129,852 (2015: kEUR 96,378), comprising salaries of kEUR 113,604 (2015: kEUR 84,128) and social security contributions of kEUR 16,249 (2015: kEUR 12,250).

In the fiscal year 2016, the Wirecard Group employed an average of 3,766 employees (2015: 2,300) (excluding the Management Board and apprentices), of whom 296 (2015: 236) worked on a part-time basis. Of the 3,766 employees 61 (2015: 55) were employed as management board members/general managers at subsidiaries.

Alongside the rise in pension entitlements, the increase in personnel expenses is also due to the acquisitions made in this year and the last year. This means the comparability of this item is restricted.

These employees were engaged in the following functions:

Employees

	2016	2015
Sales	873	401
Administration	421	274
Customer service	686	678
Research/Development and IT	1,786	947
Total	**3,766**	**2,300**
of which part-time	296	236

In the event of a change of control in the Company, the Management and Supervisory Boards have granted approval for special bonuses to be awarded to employees of Wirecard AG and its subsidiaries on terms similar to those applicable to the Management Board. To this end, a total of 0.8 percent of the Company's value has been made available. The Management Board can grant special bonus awards to employees in the event of a change of control with the consent of the Supervisory Board in each instance. A precondition for a special bonus payment is that an employment relationship exists with the employee at the time the change of control occurs. Such special bonus payments shall be made in three instalments. The exact terms and conditions are specified in the legal notes on take-overs in the management report.

5.5 Other operating expenses

The breakdown of other operating expenses is as follows:

Other operating expenses

in kEUR	2016	2015
Legal and financial statement costs	10,583	8,336
Consulting expenses and consulting-related expenses	15,614	3,634
Office expenses	11,432	8,542
Equipment and leasing	12,242	8,160
Travel, sales and marketing	16,430	11,387
Personnel-related expenses	12,208	10,805
Insurance payments, contributions and levies	2,735	1,659
Other	16,645	10,142
Total	**97,888**	**62,665**

The item Other includes, amongst other things, valuation allowances to receivables. For further details, please refer to 2.2 Accounting for financial assets and liabilities, Impairment of financial assets and 7.2 Risk reporting.

5.6 Other operating income

Other operating income is broken down as follows:

Other operating income

in kEUR	2016	2015
Income from release of provisions/accruals	1,183	341
Income connected with acquisitions	1,553	1,990
Income from currency translation differences	411	785
Income from reversal ofbad debt allowances applied to receivables	1,807	210
Income from offset benefits in kind	537	448
Other income	2,011	1,884
Total	**7,502**	**5,659**

Other operating income of kEUR 7,502 (2015: kEUR 5,659) resulted from various smaller items, including income from the reversals of bad debt allowances applied to receivables, release of provisions, income from the revaluation of receivables and liabilities and income related to acquisitions.

5.7 Amortisation and depreciation

Amortisation and depreciation is broken down into two items so that the amortisation and depreciation of assets which result from business combinations and acquired customer relationships (M&A-related) can be presented separately. In the fiscal year 2016, M&A adjusted amortisation and depreciation amounted to kEUR 39,042 (2015: kEUR 29,895). The M&A-related amortisation and depreciation in the fiscal year 2016 was kEUR 33,133 (2015: kEUR 24,576). As the Company has a high level of M&A activity, this differentiation makes it easier to compare this item.

5.8 Financial result

Financial result

in kEUR	2016	2015
Unwinding the discount on liabilities	2,679	3,925
Interest expenses from loans and leasing	13,221	4,893
Losses from fair value valuation	9,705	0
Impairment of financial assets	520	453
Currency-related expenses	93	67
Financial expenses	**26,218**	**9,338**
Currency-related income	0	100
Interest income	347	1,978
Gains from fair value valuation	1,447	0
Income from sale of Visa Europe Ltd.	91,576	0
Income from securities and loans	499	85
Financial income	**93,869**	**2,163**

The most important effect on the financial result arose from the sale of Visa Europe Ltd. to Visa Inc. The transaction was closed on 21 June 2016. As a result of this transaction, the financial result increased by kEUR 91,575. For further information, please refer to 3.4 Financial and other assets / interest-bearing securities.

Interest income in the Acquiring & Issuing segment of kEUR 9,689 (2015: kEUR 4,156) is not reported under the financial result but under revenues in accordance with IAS 18.5 (a). Please refer to Chapters 5.1 Revenues and 7.1 Segment reporting.

5.9 Income tax expense and deferred taxes

Tax reconciliation account

in kEUR	2016	2015
Earnings before tax	**302,840**	**165,669**
Expected expense arising from 27.025% income taxes on consolidated earnings before tax (prev. yr.: 27.025%)	**–81,842**	–44,772
Divergent effective tax rates abroad	**35,909**	24,028
Non-recognised deferred tax assets	**–4,006**	–100
Tax increase due to non-tax-deductible expenses	**–8,058**	–1,918
Prior years' tax effects	**–851**	–229
Tax reduction due to tax-free income	**22,727**	0
Other tax effects	**30**	–32
Income tax expense reported	**–36,091**	**–23,023**
Thereof: effective tax expenses	**–37,785**	**–21,914**
Thereof: deferred tax income/expense	**1,694**	**–1,109**

The basis of the tax reconciliation account was the tax rate applicable to the tax group of Wirecard AG, amounting to 27.025 percent (previous year: 27.025 percent).

The following deferred tax assets and liabilities are accounted for and are due to recognition and measurement differences in the individual balance sheet items and the tax loss carryforwards:

Deferred taxes

	Deferred tax assets		Deferred tax liabilities	
in kEUR	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Internally-generated intangible assets	0	0	21,135	17,101
Other intangible assets	0	0	7,856	8,724
Customer relationships	0	0	40,249	36,026
Financial assets	33	25	3,024	2,093
Other property, plant and equipment	579	391	47	191
Trade and other receivables	260	471	607	1,357
Other equity and liabilities	1,957	1,490	6	165
	2,829	**2,377**	**72,924**	**65,657**
Tax loss carryforwards	13,005	10,876		
Offsetting of deferred tax assets	–13,177	–12,391	–13,177	–12,391
Recognised deferred taxes	**2,657**	**862**	**59,747**	**53,266**

Deferred tax assets are offset against deferred tax liabilities when the Group has an enforceable right to offset the current tax assets against the current tax liabilities and these relate to income taxes on the same taxable entity that are levied by the same tax authority.

The offsetting of deferred tax assets against deferred tax liabilities (kEUR 13,177) is based largely on netting in the tax group of Wirecard AG.

Reconcilation of deferred taxes

in kEUR	31 Dec 2016	31 Dec 2015
Opening balance deferred taxes net deferred tax liabilities	**52,404**	**27,827**
Deferred tax income/expense from the change in temporary differences, which is recognised in profit or loss in the reporting period	436	2,909
Deferred tax income/expense from the change in capitalised tax losses, which is recognised in profit or loss in the reporting period	–2,129	–1,801
Deferred taxes acquired through business combinations	7,367	22,559
Change in deferred taxes due to exchange rate change	–1,430	–666
Other deferred taxes recognized with no effect on profit or loss	2,019	1,576
Other deducted deferred taxes with no effect on profit or loss	–1,576	0
Closing balance deferred taxes net deferred tax liabilities)	**57,091**	**52,404**

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

The calculation of deferred taxes as of 31 December 2016 and in the previous year is performed on the basis of the tax rates valid at that time and on the basis of the tax rates abroad.

Due to the acquisition of a hedge, kEUR 1,791 of deferred tax liabilities were formed for Wirecard AG in the cash flow hedge reserve with no effect on profit or loss. Due to the sale of VISA shares, kEUR 1,714 of deferred tax liabilities was released for Wirecard Bank and Wirecard Card Solutions Ltd. from the capital reserve where they were accounted for with no effect on profit or loss.

The temporary differences in connection with holdings in subsidiaries amount to kEUR 848,061 as of the balance sheet date (previous year: kEUR 724,126). The Group has decided that the profits of its subsidiaries that have not yet been distributed will not be distributed in the foreseeable future. The Group has agreed with its associated companies that the profits of the associated companies will only be distributed once the Group has given its consent. As of the balance sheet date, the parent company does not intend to issue such consent.

On 31 December 2016, the Group reports corporation tax loss carryforwards of around kEUR 68,988, which are attributable to Wirecard AG (kEUR 56,476), Wirecard Singapore Pte. Ltd. (kEUR 4,582), Wirecard Retail Services GmbH (kEUR 3,411), Wirecard Asia Holding Pte. Ltd (kEUR 3,290) and Wirecard Gibraltar Ltd. (kEUR 1,230). The trade tax loss carryforwards as of 31 December 2016 amount to kEUR 60,491 and are distributed between Wirecard AG (kEUR 57,098) and Wirecard Retail Services GmbH (kEUR 3,393).

The loss carryforwards can be used for an unlimited period according to current tax law and can generally be offset against future taxable income of the companies that incurred the losses.

Insofar as the Company identifies a risk that tax-related losses cannot be offset against taxable income in the foreseeable future, the Company does not recognise any deferred tax assets. With regard to the feasibility of realising these loss carryforwards, the Company made a valuation adjustment to deferred tax assets as of 31 December 2016 from kEUR 17,976 (previous year: kEUR 11,860) by the amount of kEUR 4,971 to kEUR 13,005 (previous year: kEUR 10,876). The deferred tax assets formed on remaining loss carryforwards result from the company

Wirecard AG (kEUR 12,226) and Wirecard Singapore Pte. Ltd. (kEUR 779). The tax-related earnings planning differed considerably from the earnings planning due to the different recognition and measurement policies issued by IFRS on tax law so that a valuation adjustment was carried out on the tax-related loss of Wirecard AG.

With regard to deferred taxes, reference is also made to 3.5. Tax credits – deferred tax assets.

5.10 Earnings per share

Earnings per share were calculated in accordance with IAS 33.10 as the quotient of consolidated profit or loss for the year and the weighted average number of shares outstanding during the fiscal year. In calculating diluted earnings per share, the convertible bonds issued by Wirecard AG were taken into account in accordance with IAS 33.30-60. As in the previous year, no (convertible) bonds existed (2015: EUR 0) as of 31 December 2016.

The development of the number of no-par value shares issued is presented in the "Consolidated statement of changes in equity for fiscal year 2016".

Earnings per share

Description	Unit	2016	2015
Earnings after taxes	kEUR	266,749	142,646
Weighted average number of ordinary shares – basic	Number in thousands	123,566	123,497
Potential bonus shares resulting from dilutive effect of convertible bonds	Number in thousands	0	0
Weighted average number of ordinary shares – diluted	Number in thousands	123,566	123,497
Earnings per share – basic	**EUR**	**2.16**	**1.16**
Earnings per share – diluted	**EUR**	**2.16**	**1.16**

6. Notes to the consolidated cash flow statement

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

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

The cooperation with so-called FinTech companies e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector has assumed rapidly growing strategic importance for Wirecard last year. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

Against this background, a significantly higher proportion of the cash and cash equivalents from customer deposits was invested in 2016 in corresponding financing activities – as well as in continued deposits held with the central bank, demand and fixed-term deposits and collared floaters.

Therefore, it is appropriate to no longer carry out deductions but instead to present the cash flows arising from banking business and to expand the presentation of the cash flow from operating activities by the following items:

- Change in non-current assets of banking operations (primarily: shares and FinTech receivables)
- Change in current receivables of banking operations (primarily: shares and FinTech receivables)
- Change in the customer deposits of banking operations

The previous year was adjusted accordingly.

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

Method used to measure cash and cash equivalents

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

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

As of 31 December 2016 and 31 December 2015, the Company held both cash and cash equivalents.

Reconciliation to cash and cash equivalents according to IAS 7.45

The balance of cash and cash equivalents reported in the cash flow statement at the end of the period includes cash in hand and bank balances disclosed under cash and cash equivalents in the balance sheet (31 December 2016: kEUR 1,332,631; 31 December 2015: kEUR 1,062,968), less current (immediately due and payable) liabilities to banks (31 December 2016: kEUR –1,117 ; 31 December 2015: kEUR –9,740), disclosed under current, interest-bearing liabilities.

First-time consolidations resulted in an increase in cash and cash equivalents of kEUR 2,876 (2015: reduction of kEUR 5,383).

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

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

Cash and cash equivalents

in kEUR	31 Dec 2016		31 Dec 2015	
Cash and cash equivalents		**1,332,631**		1,062,968
Current interest-bearing liabilities	**–15,066**		–12,579	
of which current bank borrowings		**–1,117**		–9,740
Cash and cash equivalents at end of period		**1,331,514**		**1,053,228**

6.1 Cash flow from operating activities

Through the sale of Visa Europe Ltd. to Visa Inc., Wirecard achieved an earnings effect (before income taxes) of kEUR 91,575, which is reported under the financial result. In the cash flow statement, the cash-relevant effect is reported under cash flow from investing activities. The operating cash flow is not influenced by this effect. Due to the special system used in acquiring, which is heavily characterised by balance sheet date effects inherent in the business model, Wirecard decided to present a further statement of cash flows from operating activities in addition to the usual presentation of cash flows from operating activities to eliminate those items that are merely transitory or rolling in nature. These supplements help to identify and present the cash-relevant portion of the Company earnings.

The cash flow from operating activities is determined according to the indirect method by initially adjusting Group earnings to eliminate non-cash transactions, accruals or provisions relating to past or future cash receipts or payments as well as income and expense items to be allocated to the areas of investments or finance. Taking the changes to the working capital into account results in the inflow/outflow of funds from business operations. The inflow/outflow of funds from operating activities is determined by including the interest and tax payments.

The cooperation with so-called FinTech companies e.g. peer-to-peer loan platforms for private borrowers and SMEs, mobile banking solutions or solutions for payment by instalment in the online shopping sector has assumed rapidly growing strategic importance for Wirecard last year. Wirecard does not only provide risk management, technology and banking services here but also sometimes provides the financing based on detailed individual assessments and suitable security measures – often in the form of cash securities. This enables Wirecard, on the one hand, to increase the added value from its cooperation with FinTech companies and, on the other, to also significantly increase interest income.

Against this background, a significantly higher proportion of the cash and cash equivalents from customer deposits was invested in 2016 in corresponding financing activities – as well as in continued deposits held with the central bank, demand and fixed-term deposits and collared floaters.

Therefore, it is appropriate to no longer carry out deductions but instead to present the cash flows arising from banking business and to expand the presentation of the cash flow from operating activities by the following items:

- Change in non-current assets of banking operations (primarily: shares and FinTech receivables)
- Change in current receivables of banking operations (primarily: shares and FinTech receivables)
- Change in the customer deposits of banking operations

The previous year was adjusted accordingly.

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

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

The cash flow from operating activities before the changes from banking operations in the fiscal year 2016 changed from kEUR 207,826 in the previous year to kEUR 266,498, mainly due to the special system used in acquiring, which is impacted by cut-off date effects of a transitory nature inherent in the business model. It should be especially noted in this context that because of a very sharp increase in the cash flow from operating activities in the fourth quarter, which is mainly due to delayed payouts on account of the public holidays, an oppositecash flow trend is expected in the first half of 2017.

In the fiscal year 2016 the cash flow from operating business of banking operations came to kEUR 27,853. In the previous year the cash flow from operating business of banking operations of kEUR 150,100 was achieved. Therefore the unadjusted cash flow from operating activities in the fiscal year 2016 fell from kEUR 357,926 in the previous year to kEUR 294,351.

Receivables and liabilities from acquiring are transitory in nature and subject to substantial fluctuations from one balance sheet date to another as, inherent to the business model, these balance sheet items are significantly influenced by the overall transaction volume and the security reserves. Receivables from acquiring mainly comprise receivables from credit card organisations, banks and acquiring partners and liabilities exist to retailers. The customer deposits from the banking business and corresponding securities or receivables from the banking business likewise constitute items that can be eliminated for the Cash flow (adjusted). To simplify the identification and reporting of the cash-relevant portion of the Company’s own earnings, Wirecard AG has decided to present a further statement in addition to the usual statement of cash flow from operating activities with those items eliminated. The cash flow from operating activities (adjusted) stood at kEUR 283,030 (2015: kEUR 199,685).

Interest received/paid in accordance with IAS 7.31

Interest received in the fiscal year 2016 amounted to kEUR 343 (2015: kEUR 580). Interest paid excluding interest on loans in the fiscal year 2016 came to kEUR –1,936 (2015: kEUR –260) and is reported under cash flow from operating activities.

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

Interest paid on loans and finance leases in the fiscal year 2016 came to kEUR –6,094 (2015: kEUR –2,633) and is reported under cash flow from financing activities.

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

The cash-effective balance of income taxes (cash flow from income taxes) in the fiscal year 2016 totalled kEUR –24,544 (2015: kEUR –21,892) and was consistently classified as operating activities.

6.2 Cash flow from investing activities

The cash flow from investing activities is the result of the inflow of funds from non-current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes). The cash flow from investing activities totalled kEUR –52,060 in the reporting year (2015: kEUR –207,340).

Through the sale of Visa Europe Ltd. to Visa Inc., Wirecard achieved an earnings effect (before income taxes) of kEUR 91,575, which is reported under the financial result. In the cash flow statement, the cash-relevant effect of kEUR 71,821 is reported under cash flow from investing activities. Alongside the payment of the purchase price for the payment business of the Great Indian Retail Group, the investments in strategic transactions/M&A also included the acquisitions of the Provus Group and Moip Pagamentos. The securities reported under investments relate to securities that are not held by Wirecard Bank but by other Group companies. Securities held by Wirecard Bank are related to customer deposits and are reported in the cash flow statement for banking operations.

This mainly affects:

Substantial cash outflows for investments

in kEUR	2016	2015
Strategic transactions/M&A	69,650	144,545
Customer relationships	0	9,534
Securities and medium-term financing agreements	3,305	13,799
Internally-generated intangible assets	30,201	28,293
Other intangible assets (software)	20,957	13,037
Property, plant and equipment	22,002	13,147

Disclosures pursuant to IAS 7.40 are as follows:

Investments to acquire companies

in kEUR	2016	2015
Purchase prices paid	**57,526**	139,162
Acquired cash and cash equivalents	**2,876**	−5,383
Net investment	**54,650**	144,545

6.3 Cash flow from financing activities

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

Cash flow from financing activities in the fiscal year 2016 mainly concerns cash inflow from drawing on financial liabilities of kEUR 463,758 (2015: kEUR 271,779) and the cash outflow for the redemption of financial liabilities of kEUR −231,371 (2015: kEUR −8,206). In addition, financing was carried out as part of finance leases, which resulted in a net cash flow of kEUR −6,590 (2015: kEUR −6,080). Cash flow from financing activities also reports outgoing cash flows for the acquisition of companies in previous years in an amount of kEUR −157,600 (2015: kEUR −24,274). This primarily relates to the payment for the Great Indian Retail Group.

6.4 Cash and cash equivalents at end of period

After taking into account these reported cash inflows and cash outflows (2016: kEUR 281,501; 2015: kEUR 364,507), exchange rate-related changes (2016: kEUR −3,215; 2015: kEUR −5,172) and cash and cash equivalents at the start of the period (2016: kEUR 1,053,228; 2015: kEUR 693,893), cash and cash equivalents at the end of the period amounted to kEUR 1,331,514 (31 December 2015: kEUR 1,053,228).

Alongside cash and cash equivalents, there are other current assets and liabilities that can have a significant effect on the availability of funds. Therefore, Wirecard has added a net cash calculation. The net cash calculation is based on the current availability of cash for the further development of the business and for investments.

Net Cash Position – Wirecard

in kEUR		31 Dec 2016		31 Dec 2015
Cash and cash equivalents		1,332,631		1,062,968
Interest-bearing securities and fixed-term deposits		2,805		10,005
Receivables of the acquiring business and trade and other receivables		592,608		447,259
Interest-bearing liabilities / other liabilities		–134,571		–213,779
Customer deposits from banking operations	–734,003	–534,953	–582,464	–410,441
Non-current interest-bearing securities	42,558		38,895	
Interest-bearing securities and fixed-term deposits	156,493		133,128	
Liabilities of the acquiring business and trade payables		–439,686		–359,912
Net Cash Position – Wirecard		**818,832**		**536,100**

The calculation shown in the table also contains liabilities from M&A projects and earnout obligations reported as liabilities. In order to modify the net cash flow calculation used by Wirecard into a calculation that also takes into account non-current items, the non-current interest-bearing liabilities and the other non-current liabilities could be deducted as long as the non-current financial and other assets / interest bearing securities that are not already included in the calculation are taken into account respectively. This calculation also shows the solid financial situation of Wirecard.

Net Cash Position (long term view) – Wirecard

in kEUR		31 Dec 2016		31 Dec 2015
Net Cash Position – Wirecard		**818,832**		**536,100**
Long term interest bearing financial assets	216,196	170,834	227,152	178,252
(thereof customer deposit related)	45,362		48,900	
Non-current interest-bearing liabilities		–579,475		–358,146
Other non-current liabilities		–31,425		–71,912
Non-current Net Cash position		378,766		284,293

Along with the loans recognised in the balance sheet, additional credit lines from commercial banks totalling EUR 395 million are consequently available (31 December 2015: EUR 290 million).

6.5 Free cash flow

In addition to the cash flow statement presented, Wirecard also uses the free cash flow to evaluate its operating performance and to provide an overview of the cash generated by the operating business. Free cash flow is defined as cash flow from operating activities less investment in property, plant and equipment, internally-generated intangible assets and other intangible assets (software). In particular, the free cash flow is available for strategic transactions/M&A and for dividend payments.

Free cash flow

in kEUR	31 Dec 2016	31 Dec 2015
Cash flow from operating activities (adjusted)	283,030	199,685
Operative CAPEX	73,160	54,477
Free cash flow	**209,870**	**145,208**

After investments in new and innovative products that will only lead to appreciable cash flows in subsequent years, the cash conversion rate thus stands at 118.6 percent.

Cash conversion

in kEUR	31 Dec 2016	31 Dec 2015
Free cash flow	209,870	145,208
Earnings after tax (adjusted by Visa-effects in 2016)	176,888	142,646
Cash conversion in percent	**118.6**	**101.8**

The cash conversion rate was adjusted for the one-time effect arising from the sale of Visa Europe Ltd..

7. Other notes

7.1 Segment reporting

Reportable segments are determined in accordance with internal reporting. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) is used as an internal measurement criterion, which is why EBITDA is also reported by segment. The settlement of services between the segments is made on the basis of the arms's length principle. For internal reporting to the main decision-makers, balance-sheet items, interest and taxes are not reported at segment level.

Revenues fall into the following operating segments: “Payment Processing & Risk Management”, “Acquiring & Issuing” and “Call Center & Communication Services”. The “Acquiring & Issuing” segment comprises all of the business areas of Wirecard Bank AG, Wirecard Acquiring & Issuing GmbH, Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Wirecard Brasil S.A., (formerly: Moip Pagamentos S.A.), Wirecard Australia A&I Pty Ltd., Wirecard Hong Kong Ltd., Wirecard Payment Solution Hong Kong Ltd. and Wirecard Card Solutions Ltd.

The largest Segment of Wirecard Group is **Payment Processing & Risk Management** (PP&RM). It accounts for all products and services for electronic payment processing, risk management and other added value services. Insofar as items cannot be allocated to another segment, Wirecard AG as the holding company for the Group is also assigned to the PP&RM segment because the main focus of its services and activities and thus also its costs are related to the PP&RM segment.

The **Acquiring & Issuing** (A&I) segment completes and extends the value chain of the Wirecard Group with the financial services provided via Wirecard Acquiring & Issuing GmbH and its subsidiaries Wirecard Bank AG, Wirecard Card Solutions Ltd., Wirecard Brasil S.A., (formerly: Moip Pagamentos S.A.), and Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş. In acquiring, retailers are offered settlement services for credit card sales for online and terminal payments.

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

In the issuing area, prepaid cards are issued to private and business customers. Private customers are additionally offered current accounts combined with prepaid cards and EC/Maestro cards.

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

In addition, information is provided on geographical regions according to production locations. These are split into three regions. The “Europe” segment contains Wirecard Payment Solutions Holdings Ltd., along with its subsidiaries, Wirecard Card Solutions Ltd., Wirecard (Gibraltar) Ltd., Wirecard Central Eastern Europe GmbH, , Provus Service Provider S.A., and its subsidiaries Wirecard Poland Sp. Zo.o. and Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş. The segment “Other countries” includes the companies cardSystems Middle East FZ-LLC, Wirecard Processing FZ LLC, Wirecard Asia Holding Pte. Ltd., Wirecard Payment Solutions Malaysia SDN BHD and Wirecard Singapore Pte. Ltd. and their respective subsidiaries, PT Prima Vista Solusi, PT Aprisma Indonesia, Wirecard NZ Ltd. and its subsidiary, Wirecard Africa Holding Proprietary Ltd, and its subsidiary Wirecard Brasil S.A. (formerly: Moip Pagamentos S.A.), Wirecard India Private Ltd., Wirecard Asia Holding Pte Ltd., Wirecard Australia A&I Pty Ltd., Wirecard Hong Kong Ltd., Wirecard Payment Solution Hong Kong Ltd., American Payment Holding Inc., Wirecard Mexico S.A. de C.V., Wirecard Myanmar Ltd., Hermes I Tickets Pte Ltd. and its subsidiary and Star Global Currency Exchange Pte. Ltd. The segment “Germany” includes all other companies within the Wirecard Group.

Revenues by operating segment

in kEUR	2016	2015
Payment Processing & Risk Management (PP&RM)	782,420	579,900
Acquiring & Issuing (A&I)	304,064	252,957
Call Center & Communication Services (CC&CS)	8,506	6,766
	1,094,990	839,623
Consolidation PP&RM	–49,893	–50,719
Consolidation A&I	–11,040	–12,962
Consolidation CC&CS	–5,699	–4,603
Total	**1,028,358**	**771,340**

EBITDA by operating segment

in kEUR	2016	2015
Payment Processing & Risk Management	**251,335**	189,201
Acquiring & Issuing	**55,262**	37,591
Call Center & Communication Services	**775**	482
	307,372	**227,274**
Consolidations	**-9**	41
Total	**307,363**	**227,315**

Regional revenue breakdown

in kEUR	2016	2015
Germany	**419,857**	343,320
Europe	**271,685**	216,613
Other countries	**418,597**	238,017
	1,110,139	**797,950**
Consolidation Germany	**–51,917**	–7,677
Consolidation Europe	**–24,902**	–16,117
Consolidation Other countries	**–4,962**	–2,816
Total	**1,028,358**	**771,340**

EBITDA by region

in kEUR	2016	2015
Germany	**79,918**	67,917
Europe	**111,286**	80,065
Other countries	**116,160**	79,277
	307,363	**227,260**
Consolidations	**0**	55
Total	**307,363**	**227,315**

Segment assets by region

in kEUR	31 Dec 2016	31 Dec 2015
Germany	292,521	282,602
Europe	158,193	123,640
Other countries	702,069	646,005
	1,152,782	1,052,247

7.2 Risk reporting

Wirecard AG is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the diagram. All risks may lead to intangible assets being impaired, resulting in a negative trend in earnings. These risks are dealt with in detail in the management report under 7. Risk report, please refer to this for more information. Since debtor and financial risks have a direct impact on specific items in the balance sheet and income statement, they are explicitly dealt with below. The Company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Group directives that set limits appropriate to the underlying transactions, define approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risk and govern internal reporting and the separation of functions. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, while observing the principle of separation of functions. All investment and derivative transactions are only concluded with banks that meet the high creditworthiness requirements from the Group's own risk assessment and – to the extent that external ratings are available – have been categorised as having a minimum creditworthiness risk by renowned ratings agencies.

Overview of risks

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

Interest-rate risks

The Group has substantial liquidity at its disposal as demand deposits, fixed-term deposits and/or overnight (call money) deposits with renowned banks. The interest receivable on these investments is based on the interbank money market interest rate of the respective investment currency, less a standard banking margin. The interbank money market interest rates may be subject to fluctuations which may impact the return realised by the Group. As a result of the negative base interest rate on deposits with banks in euro introduced by the European Central Bank, minor costs arise for the holding of liquidity in euro in bank accounts.

Should the interbank money market rates of relevance for the Wirecard Group be reduced by half a percentage point and based on a total investment amount of around EUR 1,333 million (2015: EUR 1,063 million)- in the portfolio as of 31 December 2016, this would correspond to unrealised earnings with an overall negative effect of EUR 6.67 million (2015: EUR 5.32 million). Accordingly, an increase by half a percentage point would produce additional income of EUR 6.67 million (2015: EUR 5.32 million).

As of the 31 December 2016, the Group's interest-bearing liabilities to banks were reported at kEUR 594,541 (2015: kEUR 370,725). This related to redemption loans taken out in connection with acquisitions made, for which variable interest rates have been agreed calculated based on Euribor plus a margin. As a result, a general interest rate risk exists, even if it is possible to react quickly to changes as a result of redemption options. In addition, the Wirecard Group has a corresponding volume of investment funds as a result of the high level of cash from its operating business, so should interest rates increase, interest expenses would also increase, but the income from the increase in interest would compensate for this additional expense.

No derivative hedge instruments (for example, interest-rate swaps, forward rate agreements etc.) were deployed in the year under review or the previous year.

Currency risks

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents and forecast transactions exist or will arise in a currency other than the local currency of the Company. This increasingly impacts the “Payment Processing & Risk Management” and “Acquiring & Issuing” segments, which transact a substantial part of their revenues in foreign currencies. Around 65 percent of these revenues are generated in foreign currencies, with the most important foreign currency being the US dollar. A reduction in the exchange rates of relevance to the Wirecard Group by one percentage point, based on gross income in foreign currency of around EUR 324 million (2015: EUR 216 million), would result in unrealised income of kEUR 3,236 (2015: kEUR 2,161). Accordingly, an increase by one percentage point would produce additional income of kEUR 3,236 (2015: kEUR 2,161). In this segment, both receivables from and liabilities to retailers and banks/acquiring partners exist in foreign currencies. In negotiating contracts with retailers and banks, the Group Treasury department ensures that receivables and liabilities are incurred in the same currencies and to the same amounts as far as possible in order to ensure that risks relating to exchange rate fluctuations cannot arise. Risks that cannot be compensated for through this process are hedged after specific analysis by additionally deploying financial derivatives. In the fiscal year 2016, no currency options were transacted (previous year: 10 with a nominal volume equivalent to around EUR 12.7 million or USD 14.0 million). Expenses for premiums totalled around kEUR 44 in the previous year. As part of the acquisition of Citi Prepaid Card Services, Wirecard concluded a security transaction in the fiscal year 2016 to reduce the risk of fluctuations in future payment flows for the acquisition of the company, which result from the future payment of the purchase price denominated in USD. For this purpose, Wirecard utilised forward exchange transactions with a nominal value of USD 200 million.

The use of derivative financial instruments is subject to strict internal controls effected within the scope of centralised mechanisms and uniform directives. These instruments are used solely for risk control/risk minimisation purposes and not to generate any income from anticipated currency trends. As of 31 December 2016, the Wirecard Group did not have any currency options, although it did have forward exchange transactions with a nominal value of USD 200 million.

Liquidity risks

The primary objectives of financial management are to secure a comfortable liquidity situation at all times and maintain operational control of financial flows. Management controls liquidity risks by keeping appropriate inventories of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flow forecast and reconciling these with actual cash flows. The Wirecard Group continually invests substantial amounts of non-required liquidity in demand deposits, fixed-term deposits and overnight (call money) deposits on a short-term basis, as well as the base volume of liquidity on a longer-term basis in interest-bearing securities. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required. Bonds are repaid at 100 percent on final maturity. If bonds are redeemed prior to maturity there is a price risk depending on a possible change in the credit status of the issuer, the remaining term to maturity and the current level of interest rates prevailing on the market. In view of the fact that only the base volume of liquidity less a substantial security reserve is invested on a long-term basis, the Management Board assumes that the risk is low.

Undiscounted cash flows according to contractually agreed payment dates as 31 December 2016

in kEUR	up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing loans and credit facilities	–22,800	–595,325	–4,015	–622,140
Other liabilities	–122,096	–34,615	0	–156,711
Trade payables	–34,920	0	0	–34,920
Liabilities of the acquiring business	–404,767	0	0	–404,767
Customer deposits from banking operations	–734,003	0	0	–734,003
Total	**–1,318,586**	**–629,940**	**–4,015**	**–1,952,540**

Undiscounted cash flows according to contractually agreed payment dates as 31 December 2015

in kEUR	up to 1 year	1 to 5 years	more than 5 years	Total
Interest-bearing loans and credit facilities	–17,096	–364,186	0	–381,282
Other liabilities	–202,087	–83,476	0	–285,563
Trade payables	–25,988	0	0	–25,988
Liabilities of the acquiring business	–333,924	0	0	–333,924
Customer deposits from banking operations	–582,464	0	0	–582,464
Total	**–1,161,559**	**–447,662**	**0**	**–1,609,221**

Debtor risks

In order to counteract the risk that business partners of the Wirecard Group may default on their contractual payment obligations, they are subject to a comprehensive evaluation according to relevant criteria, such as credit rating, liquidity, market positioning, the management's professional experience and other case-by-case criteria before the Group enters into a transaction with them. This also applies to the review of business relations with commercial banks, acquiring partners and retailers.

Payment flows of retailers processed through Wirecard Bank AG or other acquiring partners are monitored on a regular basis and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system. The risk of default arising from the acquiring business, consisting of potential chargebacks following insolvency or the inability of a retailer to deliver, are very low since open receivables from customers are covered by ongoing volumes, individual security reserves or, alternatively, delayed payouts to retailers, which are adjusted regularly on the basis of close monitoring of the retailer's business. In specific cases, however, the reserve may prove to be inadequate; as a result, justified claims for payment by the Wirecard Group might not be enforceable against the customer, especially due to the reversal of credit card transactions. As a rule, this form of security reserve is adequate.

The predominant share of receivables results from the acquiring business and the related underlying payment cycles and is processed via either Wirecard Bank or acquiring partners. In both cases, Wirecard is subject to the main opportunities and risks associated with the transactions. The receivables of acquiring business act here, as is customary in the sector, as a hedge against those financial risks resulting from the processing of the transactions. A risk of default on these receivables of acquiring business exists if chargebacks following insolvency or the inability of a retailer to deliver are not covered by individual security reserves or, alternatively, delayed payouts to the retailer. The receivables of acquiring business used to hedge these risks exist for the length of the business relationships and have a typically revolving character.

In business with private individuals, particularly involving novel products of Wirecard Bank AG in the area of card issuing services, risks are perceived to arise from the fact that a lack of historical data with regard to specific risk and fraud characteristics of such products may lead to a default in payment obligations despite high security standards.

The maximum risk of default of financial instruments is their carrying amount. If there are indications that receivables are impaired, they are subjected to individual value adjustments or derecognised without delay and the risks are recognised as profit or loss.

The bad debt allowances for receivables of the acquiring business, trade and other receivables changed as follows:

Allowances

in kEUR	2016	2015
Cumulative allowances as at 1 January	**–17,911**	**–12,133**
Allowances in the period under review	**–6,630**	–7,100
Reversal of allowances / utilisation	**5,283**	1,322
Cumulative allowances as at 31 December	**–19,258**	**–17,911**

Individual bad debt allowances were formed for the following receivables:

Receivables

in kEUR	31 Dec 2016	31 Dec 2015
Trade receivables (before individual bad debt allowances)	**15,149**	15,790
Bad debt allowances excl. currency valuation	**–13,325**	–13,424
Carrying amount of receivables	**1,824**	**2,366**

Portfolio bad debt allowances of kEUR 5,933 (previous year: kEUR 4,487) were set up.

7.3 Capital risk management

The Group manages its capital with the objective of maximising the shareholders' return by optimising capital requirements. In doing so, it ensures that all Group member companies can operate as a going concern. In particular, close attention is paid to ensuring that banking-specific regulatory requirements, such as compliance with equity capital limits, are observed throughout the entire course of business. The Group's capital structure consists of debts as well as the equity to which the providers of equity capital of the parent company are entitled. Equity comprises shares issued, the capital reserve, revenue reserves, the retained earnings and the currency translation reserve. The objectives of capital management are to secure operations as a going concern along with an adequate return on equity. For implementation purposes, debt or equity is compared with total capital.

Following successful organic growth last year and the transactions performed in 2016, the Company aims to maintain a comfortable equity ratio for fiscal years 2017 and 2018. In keeping with the current financial structure, future investments and potential acquisitions will be financed either by recourse to the Company's own cash flow, through moderate deployment of borrowed funding, equity or alternative forms of financing. Potential acquisitions will also continue to be analysed and assessed under strict conditions in future; in the process, the focus will be especially placed on profitability and a sensible supplementation of our existing portfolio of products and customers.

Capital is monitored based on economic shareholders' equity. Economic equity is the balance-sheet equity. Borrowed capital is generally defined as non-current and current financial liabilities, provisions and other liabilities.

The capital structure is as follows:

Capital structure

in kEUR (where not in %)	31 Dec 2016	31 Dec 2015
Equity	1,474,963	1,280,513
Equity as % of total capital	42.36%	44%
Borrowed capital	2,007,099	1,654,988
Borrowed capital as % of total capital	57.64%	56Howe
Total capital (equity and borrowed capital)	**3,482,062**	**2,935,501**

The Group reviews its capital structure on a regular basis.

For interest-bearing debt, Wirecard has assured the banks in its credit agreements that it will comply with an equity ratio. These banks calculate the Wirecard Group's equity ratio by dividing the amount of liable equity capital by total assets. Liable equity is identified by subtracting deferred tax assets and 50 percent of goodwill from equity as reported in the balance sheet. Any receivables due from shareholders or planned dividend payments must also be deducted. Total assets are identified by subtracting customer deposits, the acquiring funds of Wirecard Bank and the reduction in equity from the audited total assets, to which the leasing liabilities are added. This calculation gives an equity ratio of 53.0 percent (2015: 56.2 percent). Furthermore, in relation to lending banks, Wirecard is obligated to generate a minimum EBITDA and to maintain the proportion of financial liabilities to EBITDA. These targets were achieved during the fiscal year.

7.4 Additional information about financial instruments

Carrying amounts as per IFRS 7.8

in kEUR	31 Dec 2016	31 Dec 2015
Financial and other assets/interest-bearing securities	**372,689**	**360,280**
Financial assets at fair value through profit or loss	**228,860**	201,715
of which fair value option	**228,860**	201,715
Thereof: convertible bond (at cost)	**21,500**	0
Thereof: convertible bond (at fair value)	**11,235**	31,700
Available-for-sale financial assets	**15,256**	80,403
Loans and receivables	**128,235**	78,103
Items not within the scope of IAS 39	**338**	60
Receivables of the acquiring business	**402,423**	**334,055**
Loans and receivables	**402,423**	334,055
Trade and other receivables	**190,185**	**113,204**
Financial assets at fair value through profit or loss	**6,821**	0
thereof: derivative, designated as hedging instruments	**6,309**	0
Loans and receivables	**178,844**	107,534
Items not within the scope of IAS 39	**4,520**	5,670
Cash and cash equivalents	**1,332,631**	**1,062,968**
Loans and receivables	**1,332,631**	1,062,968
Total financial assets	**2,297,928**	**1,870,508**

Carrying amounts as per IFRS 7.8

in kEUR	31 Dec 2016	31 Dec 2015
Other liabilities	**1,567,413**	**1,295,076**
Financial liability at fair value	**76,694**	0
Financial liabilities at amortised cost	**1,386,888**	1,215,042
Items not within the scope of IAS 39	**103,831**	80,034
Liabilities of acquiring business and trade payables	**439,686**	**359,912**
Financial liabilities at amortised cost	**439,686**	359,912
Total financial liabilities	**2,007,099**	**1,654,988**

The preceding tables present the fair values for each of the classes of financial instruments. The presentation of these tables in this section has been changed in part this year and also information previously in text form is now presented in tabular form.

These changes to the presentation reflect the amendments to the accounting policies in the sense of IAS 8.14 (b). To ensure comparability, the tables for the previous year have also been adjusted.

The fair values of financial assets and liabilities are as follows:

Fair value

	Carrying amounts		Fair value	
in kEUR	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Financial assets measured at fair value through profit or loss	229,372	201,714	229,372	201,714
Derivative, designated as hedging instruments	6,309	0	6,309	0
Available-for-sale financial assets	15,256	80,403	15,256	80,403
Held-to-maturity investments	0	0	0	0
Loans and receivables	2,042,133	1,582,660	2,042,133	1,582,660
Financial liabilities at amortised cost	−1,826,574	−1,574,954	−1,826,574	−1,574,954
Financial liabilities at fair value through profit or loss	−76,694	0	−76,694	0
Total	**389,801**	**289,822**	**389,801**	**289,822**

Hierarchy of fair values

As of 31 December 2016 the Group held the following financial instruments measured at fair value and uses the following hierarchy to determine and report fair values of financial instruments for each measurement process:

- Level 1: Listed (unadjusted) prices on active markets for similar assets or liabilities
- Level 2: Processes in which all input parameters with a material influence on the fair value recognised can be directly or indirectly observed
- Level 3: Processes using input parameters with a material influence on the fair value recognised which are not based on observable market data

Financial instruments measured at fair value

in kEUR	31 Dec 2016	Stage 1	Stage 2	Stage 3
Financial assets measured at fair value through profit or loss				
Collared floaters / bonds	**196,125**		**196,125**	
Convertible bonds	**32,735**			**32,735**
Shares of Visa Inc.	**15,256**			**15,256**
Derivative linked to cash flow hedges	**6,309**		**6,309**	
Earn-out liabilities	**–76,694**			**–76,694**

Financial instruments measured at fair value

in kEUR	31 Dec 2015	Stage 1	Stage 2	Stage 3
Financial assets measured at fair value through profit or loss				
Collared floaters / bonds	170,014		170,014	
Convertible bonds	31,700			31,700
Shares of Visa Europe Ltd.	80,376			80,376
Derivative linked to cash flow hedges				
Earn-out liabilities				

The fair value of financial assets at fair value through profit or loss and financial liabilities at amortised cost is calculated on the basis of the discounted cash flow method taking into account appropriate valuation parameters that are directly or indirectly observable on the market. The base yield curve and credit and liquidity risks specific to issuers, for example, are utilised as key valuation parameters. In the case of cash and cash equivalents (reported under loans and receivables) and in the case of certain interest-bearing securities, current receivables, trade payables, other current financial liabilities and revolving credit facilities and other financial liabilities, the carrying amount mainly represents an appropriate approximation of fair value due to their short term to maturity. These instruments were allocated to Level 2 of the measurement hierarchy.

The measurement gains and losses for collared floaters recognised under the fair value option totalled kEUR -875 (2015: kEUR 1,584). The measurement is carried out on the basis of current currency and interest-rate trends, as well as the current rating of the issuer. The theoretical maximum default risk is equivalent to the carrying amount.

Differing to previous year the convertible bonds were allocated to Level 3 of the hierarchy of fair values in fiscal year 2016. They partially comprise a derivative component. If it is impossible to separately measure the embedded derivative, the entire financial instrument is to be measured at fair value through profit or loss, as long as fair value can be calculated reliably. The total financial instrument was generally measured at fair value using a binomial model with changes in their fair value of kEUR 935 (2015: kEUR 0) being recognised as profit or loss. However, if the embedded derivatives were sufficiently significant to render it impossible to reliably determine the fair value of the total financial instrument, the composite financial instrument was measured at cost less potential impairment.

The preferred stock held by Wirecard Bank AG and Wirecard Card Solutions Ltd., which is convertible into Visa Inc. class A common stock, was allocated to Level 3 of the measurement hierarchy. The amount of preferred stock is contingent upon certain factors and could subsequently change. The calculation of the fair value is based on the market quotations for Visa A shares and takes estimations by the management, the calculations of the appraisers and external information about Visa Europe Ltd and Visa Inc. into account. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties and is subject to a required holding period, was discounted with respect to the value of the Visa Inc. A shares due to uncertainties and the inability to trade the stock. This preferred stock was revaluated in the 2016 fiscal year by kEUR 1,221 under the item “Revaluation reserve”. Please refer to 3.4 Financial and other assets / interest-bearing securities for further information.

The fair values of the deployed financial derivatives allocated to Level 2 of the measurement hierarchy are measured based on prices quoted by banks and financial calculation models commonly used by banks. In the measurement of the fair value, the counterparty risk as of the measurement date is taken into account. If market values are available, they correspond to the price at which third parties would assume the rights or liabilities from the financial instruments. The fair values correspond to the current value of the financial derivatives without taking into account adverse developments in the value of the underlying transactions.

Since the 2016 fiscal year, financial liabilities measured at fair value through profit or loss include contingent considerations agreed as part of company acquisitions. This amendment to the accounting policies affects all acquisitions made after 1 July 2014. The fair value of the contingent considerations is measured based on the discounted cash flow method taking into account the corresponding earnout agreements and using appropriate valuation parameters. The cash flow forecasts are based on the best estimate by management of the future development of the acquired subsidiary. In 2016, the fair value measurement of the earnout liabilities resulted in a cost of kEUR 9,386 (2015: kEUR 0).

The recurring fair value adjustments of level 3 of hierarchy of the financial assets are as follows:

Assets of stage 3 measured at fair value

in kEUR	**Financial investment convertible bonds**	**Financial investment Visa**
As at 01 Jan 2015	30,500	0
Additions	1,200	0
Changes by fair value revaluation	0	80,376
through profit or loss	0	0
not affecting profit or loss	0	80,376
As at 31 Dec 2015	31,700	80,376
Additions	100	14,028
Disposals	0	−91,707
Changes by fair value revaluation	935	12,559
through profit or loss	935	
not affecting profit or loss	0	12,559
As at 31 Dec 2016	32,735	15,256

The following table contains the resulting net profit and loss from the deployed categories of financial instruments in accordance with IAS 39:

Net result of financial instruments per valuation categories 2016

in kEUR	Interests	Fair value	Currency-translation	Allowances
Financial assets and liabilities at fair value through profit or loss	1,595	1,426	–2,453	0
of which fair value option	1,595	914	–2,453	0
Thereof: convertible bonds (at fair value)	0	935	0	0
Thereof: convertible bonds (at cost)	0	0	0	0
Derivative, designated as hedging instruments	0	–319	0	0
Available-for-sale financial assets	0	91,576	0	0
Held-to-maturity investments	0	0	0	0
Loans and receivables	–1,653	0	9,143	–4,180
Financial liabilities at amortised cost	–13,900	0	–93	0
Financial liability at fair value	0	–9,386	0	0
Total financial instruments	**–13,958**	**83,297**	**6,597**	**–4,180**

Net result of financial instruments per valuation categories 2015

in kEUR	Interests	Fair value	Currency-translation	Allowances
Financial assets and liabilities at fair value through profit or loss	1,523	–368	–1,834	0
of which fair value option	1,523	–368	–1,834	0
Thereof: convertible bonds (at fair value)	0	0	0	0
Thereof: convertible bonds (at cost)	612	0	0	0
Derivative, designated as hedging instruments	0	0	0	0
Available-for-sale financial assets	0	0	0	0
Held-to-maturity investments	0	0	0	0
Loans and receivables	1,366	0	2,953	–3,649
Financial liabilities at amortised cost	–8,818	0	–67	0
Financial liability at fair value	0	0	0	0
Total financial instruments	**–5,929**	**–368**	**1,052**	**–3,649**

In the 2016 fiscal year, Wirecard used hedge accounting as part of the acquisition of Citi Prepaid Card Services. Wirecard carried out forward exchange transactions to reduce the risk of fluctuations in future payment flows for the acquisition of the company. This risk is due to the future payment of the purchase price denominated in USD.

The effective portion of the changes in the fair value of forward exchange transactions which are defined as cash flow hedges is reported by Wirecard under the item other comprehensive income after tax after taking into account deferred taxes. The ineffective portion is reported immediately in the consolidated income statement (2016: kEUR 319; 2015: kEUR 0). The hedged future transaction is expected to be reported on the income statement in the next fiscal year. Unrealised gains of kEUR 4,837 related to the cash flow hedge were disclosed under other comprehensive income in the 2016 fiscal year.

7.5 Financial relationships with related companies

In fiscal year 2016, financing agreements were in place between various companies in the Wirecard Group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, please refer to Section 8.3. Related party transactions.

7.6 Other obligations and contingent liabilities

Other obligations

The companies of the Wirecard Group entered into rental agreements for office space and other leasing agreements. The annual payment obligations for these agreements over the next five years are as follows:

Other obligations

in kEUR	2017	2018	2019	2020	2021
Annual obligations	20,903	12,274	9,309	7,450	3,490

After the period indicated, there are still payment obligations for the Wirecard Group for 2022 of kEUR 857. No obligations to non-consolidated subsidiaries existed.

In addition to the obligations from operating leases included under other obligations in the total amount of kEUR 10,679 (2015: kEUR 1,635), the Group has concluded finance lease agreements for terminals and IT components. These agreements include purchase options for the assets.

The future minimum lease payments from finance lease agreements can be reconciled to their present values as follows:

Obligations from finance leases and hire-purchase agreements

in kEUR	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
up to 1 year	8,938	8,524	5,042	4,729
1 to 5 years	10,883	10,906	8,184	7,939
more than 5 years	76	76	0	0
Total	**19,897**	**19,506**	**13,226**	**12,668**
Less interest portion	638		558	
Present value of minimum lease payments	**19,259**	**19,506**	**12,668**	**12,668**

Other claims based on leases in which the Group acts as a lessor are shown as follows:

Claims arising from leasing

in kEUR	2017	2018	2019	2020	2021
Annual claims	9,499	8,835	8,601	8,447	8,379

After the period indicated, there are no payment claims for the Wirecard Group.

Contingent liabilities

Lawsuits were again brought against the Company – against a specific Group company – this year. The Management Board assumes a minor potential impact on the Wirecard Group's net assets, financial position and results of operations. The maximum theoretical risk lies in the single digit million range.

8. Additional mandatory disclosures

8.1 Management Board

The Management Board of Wirecard AG was made up of the following members.

Dr. Markus Braun, Commercial Computer Scientist, Member of the Management Board since 1 October 2004
CEO, CTO

Burkhard Ley, Banker, Member of the Management Board since 1 January 2006
CFO
Other Supervisory Board mandates: Backbone Technology AG, Hamburg (Germany)

Jan Marsalek, Computer Scientist, Member of the Management Board since 1 February 2010
COO

Remuneration paid to the Management Board

In the 2016 fiscal year, the total emoluments of all members of the Company's Management Board, meaning the total remuneration during the fiscal year for the duration of the individual's tenure on the Management Board, including other payments and amounts not yet disbursed for share price-based Variable Remuneration I and Variable Remuneration II amounting to kEUR 1,764, totalled kEUR 7,188 (2015: kEUR 9,041).

Variable remuneration has two components, Variable Remuneration I and Variable Remuneration II; it is calculated based on Wirecard AG's share price performance. The valuation is performed using a Monte Carlo simulation. In the Monte Carlo simulation, the valuation of a financial instrument is carried out as follows: The future performance of the underlying asset is simulated based on market parameters and random numbers. The valuation is then carried out based on the payout profile of the net present value of the simulation.

The Company pays an annual contribution to a retirement pension scheme for the members of the Management Board Dr. Markus Braun and Jan Marsalek. This contribution totals kEUR 450 gross for Dr. Markus Braun and kEUR 300 gross for Mr. Jan Marsalek. This is paid in twelve monthly instalments and is taken into account as expenditure. In the case of the member of the Management Board Burkhard Ley, the Company has set up a pension account and pays an annual pension contribution of kEUR 420 into it for a company retirement, invalidity and survivor's pension scheme. The payment of the pension contribution is made at the end of each year. In the event of the termination of the employment contract during the course of the year, the pension contribution is reduced correspondingly (pro rata temporis). If the balance held in the pension account for the member of the Management Board represents less than ten pension contributions when the pension becomes payable, the balance will be increased by the Company to a total of ten pension contributions. Due to the contractual provisions, the pension obligations are calculated in such a way that the ten contributions to be paid are divided over the length of the employment contract. As of the balance sheet date, a pension contribution of kEUR 2,780 (2015: kEUR 1,378) was recognised as a liability. The interest rate used for discounting was 0.685 percent (2015: KEUR 0.5 percent).

No loans were made to board members during the fiscal year.

Further particulars in this regard can be found in the corporate governance report.

8.2 Supervisory Board

The Supervisory Board of Wirecard AG was made up of the following members:

Wulf Matthias (Chairman), Financial Advisor at Wulf Matthias Wirtschaftsberatung
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- Deufol S.E., Hofheim (Germany)

Alfons W. Henseler (Deputy Chairman), Self-Employed Management Consultant
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- Diamos AG, Sulzbach (Germany)

Tina Kleingarn, Corporate Advisor at Westend Corporate Finance (since 23 June 2016)
No other Supervisory Board mandates or mandates on other boards

Stefan Klestil, Management Consultant at Belview Partners GmbH
Other Supervisory Board mandates or mandates on other boards:
- Wirecard Bank AG, Aschheim (Germany)
- iyzio Teknoloji ve Ödeme Sistemleri A.S., Istanbul (Turkey)
- N26 Bank GmbH, Berlin (Germany)
- Holvi, Helsinki (Finland) until 31 March 2016

Vuyiswa V. M ‘Cwabeni, Chief Product Strategist at SAP SE (since 23 June 2016)
No other Supervisory Board mandates or mandates on other boards

Remuneration of the Supervisory Board is governed by Section 14 of Wirecard AG's Articles of Incorporation. A revision of the rules was resolved by the Annual General Meeting 2016. According to the new rules, the members of the Supervisory Board will now receive fixed remuneration of EUR 120,000 for every full fiscal year. The Chairman of the Supervisory Board will receive double and the Deputy Chairman of the Supervisory Board will receive one-and-a-half times this amount; an additional fee for activities on committees is not foreseen in the rules because the Supervisory Board has not currently formed any committees due to its relatively small size. The remuneration is payable in four equal instalments and is due in each case at the conclusion of a calendar quarter. Members of the Supervisory Board that are not part of the Supervisory Board for a full fiscal year or do not hold the positions of Chairman or Deputy Chairman for the full fiscal year receive pro rata remuneration after rounding up to the next full month of service. In addition, the members of the Supervisory Board receive an attendance fee of EUR 1,250 per day for plenary meetings of the Supervisory Board, which is payable after the conclusion of the calendar quarter in which the corresponding meeting took place.

Members of the Supervisory Board are also reimbursed for all expenses incurred in connection with the performance of their duties, as well as for the value added tax paid on the remuneration and reimbursed expenses. The Company also reimburses the members of the Supervisory Board for all employer contributions for social insurance that are incurred in connection with their activities on the Supervisory Board according to foreign laws.

Supervisory Board remuneration 2016

in kEUR	Function	from	up to	Fixed	Meeting fee	perfor-mance-based	Long-term incentive effect	from sub-sidiaries	Total
Wulf Matthias	Chairman	1 Jan 2016	31 Dec 2016	240	9	0	0	65	314
Alfons W. Henseler	Deputy	1 Jan 2016	31 Dec 2016	180	9	0	0	60	249
Stefan Klestil	Member	1 Jan 2016	31 Dec 2016	120	9	0	0	55	184
Tina Kleingarn	Member	23 Jun 2016	31 Dec 2016	70	5	0	0	0	75
Vuyiswa V. M'Cwabeni	Member	23 Jun 2016	31 Dec 2016	70	5	0	0	0	75
Total remuneration				680	36	0	0	180	896

Supervisory Board remuneration 2015

in kEUR	Function	from	up to	Fixed	Meeting fee	perfor-mance-based	Long-term incentive effect	from sub-sidiaries	Total
Wulf Matthias	Chairman	1 Jan 2015	31 Dec 2015	110	8	228	0	65	411
Alfons W. Henseler	Deputy	1 Jan 2015	31 Dec 2015	83	8	171	0	60	321
Stefan Klestil	Member	1 Jan 2015	31 Dec 2015	55	8	114	0	55	232
Total remuneration				**248**	**23**	**512**	**0**	**180**	**963**

In the fiscal year 2016, remuneration for the Supervisory Board totalled kEUR 896 (2015: kEUR 963). This remuneration includes remuneration for activities as a member of the Supervisory Board at subsidiaries of kEUR 180 (2015: kEUR 180). An amount of kEUR 180 was recognised as a provision for the remuneration and will be paid in 2017.

8.3 Transactions with related companies and parties

Related parties

In accordance with IAS 24 (Related Party Disclosures), persons related to Wirecard AG comprise the members of the Management Board and the Supervisory Board along with their family members. The details are presented below.

In the fiscal year 2016, the following legal transactions were entered into by Wirecard AG with a related company or at the insistence or in the request of one of these companies:

Legal transactions with impact on P&L

Related party / related entity	Type of legal relationship	Expense in kEUR	Provisions/ Payables as of 31 Dec 2016 in kEUR	Notes
Wulf Matthias	Supervisory Board mandate	65	77	Supervisory Board of Wirecard Bank AG
Stefan Klestil	Supervisory Board mandate	55	65	Supervisory Board of Wirecard Bank AG
Alfons W. Henseler	Supervisory Board mandate	60	71	Supervisory Board of Wirecard Bank AG

The exchange of goods, services and payments is effected on an arm’s length basis. These arm’s length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

8.4 Declaration of compliance

The declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) for the periods from April 2015 to March 2016 and April 2016 to March 2017 was signed in March 2016 and March 2017 respectively and made available to the shareholders for download from the website of Wirecard AG in March 2016 and March 2017.

8.5 Auditors' fees

Neither the deductible value added tax for the Wirecard Group nor the non-deductible value added tax amounting to kEUR 2 (2015: kEUR 2) are included in the disclosures on auditors' fees. Expenses and administration fees for the audit from this year onwards are allocated under the item audit.

In the fiscal year, the following auditors' fees were reported (Section 314 (1) No. 9 of HGB [German Commercial Code]:

Auditors' fees

in kEUR	1 Jan 2016 – 31 Dec 2016 total	1 Jan 2016 – 31 Dec 2016 of which subsidiaries	1 Jan 2015 – 31 Dec 2015 total	1 Jan 2015 – 31 Dec 2015 of which subsidiaries
Ernst & Young GmbH				
Audit of the financial statements	**1,055**	**268**	710	196
Tax advisory services	**0**	**0**	0	0
Other assurance services	**0**	**0**	74	74
Other services	**284**	**1**	258	0
Total	**1,339**	**269**	**1,042**	**270**

The audit opinion issued by the independent auditor of the consolidated financial statements for the 2016 fiscal year was signed by Mr. Dahmen and Mr. Loetscher. Mr. Loetscher signed the audit opinion for the first time for the fiscal year ending on 31 December 2015 and Mr. Dahmen has been appointed as responsible independent auditor as of this year's audit. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has been the sole auditor of Wirecard AG since 2011 and was previously the joint auditor together with RP Richter GmbH Wirtschaftsprüfungsgesellschaft since 2009.

8.6 Events after the balance sheet date

Events after the balance sheet date that provide additional information on the Company's situation as of the balance sheet date (adjusting events) have been included in the consolidated financial statements. Non-adjusting events after the balance sheet date are reported in the notes if material in nature. These are as follows:

- Acquisition of control over Citi Prepaid Card Services on 9 March 2017
- Acquisition of control over Mygate Communications (Pty) Ltd. on 6 March 2017
- Acquisition of the customer portfolio of the Citigroup on 13 March 2017 (signing)

For these transactions, please refer to Section 1.1 Business activities and legal background – Business combinations after the balance sheet date.

8.7 Authorisation for issue in accordance with IAS 10.17

The consolidated financial statements as of 31 December 2016 were signed on 5 April 2017 and authorised for submission to the Supervisory Board.

Aschheim, 5 April 2017

Wirecard AG

Dr. Markus Braun | Burkhard Ley | Jan Marsalek

Audit opinion

Translation of the German audit opinion concerning the audit of the consolidated financial statements as of 31 December 2016 and group management report for the fiscal year 2016 prepared in German by Wirecard AG, Aschheim in accordance with IAS/IFRS.

We have audited the consolidated financial statements prepared by Wirecard AG, Aschheim, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2016 to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, satsfy the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 5 April 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dahmen	Loetscher
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement and disclosures pursuant to Section 37Y No. 1 of the German Securities Trading Act (WpHG) in combination with Sections 297 (2) Clause 4 and 315 (1) Clause 6 of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Aschheim, 5 April 2017

Wirecard AG

Dr. Markus Braun

Burkhard Ley

Jan Marsalek

3-D Secure™	Security standard developed by Visa and MasterCard for the authentication of online card payments
Acquirer/acquiring bank	A financial institution that concludes an agreement with merchants for the acceptance of credit cards as a means of payment for goods and services and which settles card payments for merchants.
Alternative payment methods	These mostly comprise non-card based payment methods such as payment services, wallets, vouchers and bank-account based or prepaid methods.
Billing and Settlement Plan (BSP)	The most widespread system in the world for simple processing of airline ticket sales.
Bluetooth low energy (BLE)	This technology facilitates data transmission over distances of up to ten metres. Using microtransmitters (beacons) for the connection, this technology offers innovative location-related services.
Checkout Page	A web-based, PCI-compliant payment page for simple and secure acceptance of credit cards and other national and international means of payment. End customers input their data into a website hosted by Wirecard to make online payments.
Checkout Seamless	This integrated payment page makes it possible to directly integrate all relevant input fields for payments seamlessly into online shop interface.
CNP, Card Not Present	Card transaction in which the card is not physically presented to the merchant, e.g. for an orders in long-distance trading (online or MOTO).
Co-branded card	A co-branded card is a card issued by a licensed card issuer which bears the design of a third party company.
Fraud Prevention Suite (FPS)	Wirecard's risk management system which identifies suspicious data and/or behaviour patterns in real time and effectively prevents fraud.
Host Card Emulation (HCE)	Makes it possible to carry out secure, NFC-based transactions for payments and services via mobile apps, regardless of whether a physical secure element (SE) is available on the mobile phone. All data generated during a transaction is stored in a secure centralised server.

In-app payment	In-app payment refers to payment for goods or services via a mobile terminal in connection with a mobile application. Customers can store their desired payment type, such as credit cards or alternative payment methods, in their user account and can make one-click payments the next time they log in.
Issuer/issuing bank	Financial institution which issues payment cards (credit, debit and prepaid cards) as a member bank of the card organisations and receives transactions from its cardholders from other member banks or merchants.
Loyalty and couponing	Serve to control specific marketing campaigns, based on card transactions.
Mobile card reader	The card reader is a mobile add-on device which is attached to smartphones or tablets, turning the device into a payment terminal.
Mobile payment	Includes, for example, the payment of digital or physical merchandise or a service on the mobile phone (payment on mobile/in-app payment) using the mobile phone (mobile at the point of sale) or the mobile phone as the payment terminal (mobile as the point of sale).
Mobile wallet	A mobile wallet managed via the mobile phone. Various digital cards can be stored in a mobile wallet.
MOTO, Mail Order/Telephone Order	The purchase of goods or services, with the purchase order issued by phone or in writing by fax or using an order card.
mPoS, mobile point of sale	Payment with a mobile device and a mobile card reader.
Near field communication (NFC) technology	NFC technology is the wireless transfer of data over a short distance (near field).
NFC sticker	Bridge technology to equip smartphones with contactless technology. NFC stickers can be attached to the rear of the mobile terminal and used to initiate payments in connection with a mobile wallet.
OTA, Over-the-Air	Wireless transmission of data
Payment service provider (PSP)	A company which receives electronic payment transactions for merchants etc., authenticates these, processes them and in this regard also provides the merchant with the corresponding software, if required.

PCI DSS	PCI DSS (Payment Card Industry Data Security Standard) is a security standard initiated by VISA and MasterCard for merchants and payment service providers who process credit card payments using their systems, or which store or transfer card data.
Personal identification number (PIN)	Secret number that is only allocated to one single card, which enables the card holder to confirm a POS payment or to access their account using a cashpoint.
Prepaid card	Has all of the features of a standard credit card and mostly licensed by VISA or MasterCard on a prepaid basis.
Provisioning	Storing card data in NFC-enabled smartphones in order to be able to make payments using the mobile phone. The card data is stored on the SIM card or in a secure area of the smartphone.
PSP, Payment Service Provider	See Payment Service Provider.
Risk management	Recording and analysing transaction data to minimise the risk of fraud and to protect the merchant against payment default.
QR code, quick response code	A two-dimensional code which can be scanned by mobile phones using the camera and relevant software (QR code reader). Information is embedded in the code, such as links to websites, for example.
SaaS, Software as a Service	Demand-orientated provision of software applications (download)
SCP, supplier and commission payments	An automated solution for global payments to companies receiving payments via their credit card acceptance agreement.
Secure element (SE)	Hardware module in a mobile phone where data can be stored securely.
SEPA, single euro payment area	Refers to the euro payment area, which currently comprises 34 countries including the 28 EU member states as well as Ireland, Lichtenstein, Monaco, Norway, San Marino and Switzerland.
Settlement	Processing transactions and depositing the processed transaction with the merchant's contractual bank (acquirer).
Settlement currency	The currency in which settlement is performed in a bank account.

SP-TSM, Service Provider Trusted Service Manager	SP-TSMs ensure secure, smooth connections between the card issuer and an NFC smartphone. Services include adding virtual card data to NFC-enabled SIM cards, and also managing cards in the smartphone.
SWIFT code	An 8 or 11-digit international bank sorting code issued by SWIFT (Society for Worldwide Interbank Financial Telecommunication) to identify a bank in international payment transactions.
Tokenisation	Sensitive data, such as credit card numbers, is replaced by reference values or “tokens”. This can be used without restriction by systems and applications, whereas the original data is saved in a secure, PCI-conform data-safe.
Trust Evaluation Suite	Part of risk management. Through a comprehensive 360-degree assessment, it provides retailers with all relevant information on the consumer in real time and in an automated way.
Virtual card	A payment card that only comprises a card number, a validity period and a security code, and which can only be used in distance transactions (online, MOTO payments) due to the missing physical features (such as a magnetic strip, EMV chip).
Virtual account number	A 10-digit, purpose-linked account number with Wirecard Bank AG, comprising a 3-digit constant part and a 7-digit variable part, which can be freely selected by the company and which clearly identifies the designated purpose and the sender.
Virtual terminal, Wirecard Checkout Terminal	Internet-assisted user interface for payment acceptance (including via MOTO), which is used in call centres, for example. Allows direct payment acceptance without signature by the paying party. Risk management checks are performed as for online payments.
WEP, Wirecard Enterprise Portal	Wirecard AG’s web-based management and reporting application which provides merchants with all the functions needed to manage payment transactions, adding risk strategies, managing card portfolios and creating reports and statistics.
White label solution	Wirecard solutions which companies create with their own corporate design and offer under their own name.

WIRECARD PAYMENT SCHEMES

THE WIRECARD GROUP OFFERS MERCHANTS VARIOUS NATIONAL AND INTERNATIONAL PAYMENT SCHEMES

PAYMENT METHOD TYPES

- **ELECTRONIC FUNDS TRANSFER**
  Direct Debit, Wiretransfer
- **ONLINE BANKING PAYMENTS**
  Real-time bank transfer
- **ALTERNATIVE PAYMENT SCHEMES**
  Wallet, Cash/Voucher, Online/Offline, Carrier Billing
- **MOBILE SERVICES**
  Mobile payments
- **CARD PAYMENTS**
  Credit Cards, Debit Cards

INTERNATIONAL

- MasterCard, Visa, American Express, JCB, Diners International/Discover, UnionPay
- Swift
- PayPal, Skrill Digital Wallet, MasterPass, Wire Transfer, Webmoney, Alipay Crossborder Voucher by ValueMaster, Visa Checkout

ASIA, ASIA PACIFIC

Australien

- POLi

China

- Alipay, Tenpay
- UPOP

India
- iCashcard
- Billdesk

Indonesia
- Carrier Billing

Malaysia
- Maybank2u, CIMB Clicks
- FPX

New Zealand
- POLi

Philippines
- Maybank2u, CIMB Clicks

Singapore
- Maybank2u, CIMB Clicks

Thailand
- Carrier Billing

AFRICA

South Africa
- Carrier Billing

NORTH AMERICA

USA
- Apple Pay

Canada
- Carrier Billing

LATIN AMERICA

Brazil
- Boleto Bancario

Mexico
- Carrier Billing

EUROPE, EASTERN EUROPE, RUSSIA

- Alipay (Barcode Payment)
- paysafecard, Carrier Billing
- Maestro, VPay

Austria
- eps, SofortBanking
- Klarna, Payolution
- paybox
- SEPA Direct Debit, SEPA Credit Wiretransfer

Belgium
- SofortBanking, Bancontact/ Mister Cash
- SEPA Direct Debit, SEPA Credit Wiretransfer

Bulgaria
- ePay.bg, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Czech Republic
- eplatby
- Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Denmark
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Estonia
- Trustly
- Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Finland
- Euteller
- Trustly
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

France
- SEPA Direct Debit, SEPA Credit Wiretransfer

Germany
- giropay, SofortBanking
- Guaranteed Installments, Guaranteed Payment on Invoice, Klarna
- SEPA Direct Debit, SEPA Credit Wiretransfer, Guaranteed Direct Debit

Italy
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

Netherlands
- iDEAL, SofortBanking
- Klarna
- SEPA Direct Debit, SEPA Credit Wiretransfer

Norway
- Klarna, Trustpay
- SEPA Direct Debit, SEPA Credit Wiretransfer

Poland
- Trustly, Przelewy24, SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

Russia
- Moneta.ru, YandexMoney

Sweden
- Trustly
- Klarna
- SEPA Direct Debit, SEPA Credit Wiretransfer

Switzerland
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer
- Postfinance

Spain
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

Turkey
- Carrier Billing
- Trustpay

Ukraine
- Moneta.ru, YandexMoney

United Kingdom
- SofortBanking
- SEPA Direct Debit, SEPA Credit Wiretransfer

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