Quipu
Part of the ProCredit Group

2014
Annual Report

Management Report for the Financial Year 2014

1. Basis of the company

1.1 Business model

Quipu GmbH is a software company based in Germany which provides IT services for financial institutions in 22 countries and maintains a processing centre for the online processing of financial transactions. The company was set up in 2004, emerging out of the IT department of Internationale Projekt Consult GmbH (hereinafter "IPC"). It specialises in the development and implementation of software for financial institutions, and the maintenance of hardware and software. The company's main clients are ProCredit Holding AG & Co. KGaA (hereinafter "ProCredit Holding") and its subsidiaries, the majority of which are banks. The priorities for the company's software development and implementation activities are defined by Quipu and ProCredit Holding together in quarterly meetings of a joint IT Steering Committee.

The company's main office is the training and development centre in *Frankfurt/Main*. In addition, Quipu maintains regional offices in *Accra, Ghana* for support of the projects and banks in Africa, in *Moscow, Russia* and in *Kiev, Ukraine* for the Russian-speaking market and in *Skopje, Macedonia* for the Eastern European countries. Quipu subsidiaries in *San Salvador, El Salvador* and *Bogota, Colombia* support the banks in Latin America. In addition, a subsidiary in *Pristina, Kosovo* offers personalisation services for the bank cards and credit cards issued by the banks.

Due to its key role within the ProCredit group as the developer of the company-wide software infrastructure, Quipu became a wholly-owned subsidiary of ProCredit Holding in January 2011.

As in the previous financial year, the company's activities fall into three main areas:

1) The System Administration division supports ProCredit Holding and all projects of IPC and the ProCredit group in the planning, installation and expansion of their technological infrastructure, including communication systems.
2) The Processing Centre offers the banks connected to it a complete service package for their card operations. The services offered include personalisation and authorisation of bank cards and credit cards in POS [1]terminals and ATMs [2]as well as the daily exchange of data.
3) The Software Development division is the company's core division. The proprietary banking software developed by Quipu efficiently supports all key operational aspects of banks serving the target group of small and medium-sized enterprises.

The System Administration division, as well as providing day-to-day support for IPC and ProCredit Holding, as well as ProCredit Academy GmbH in Fürth, Germany and ProCredit Bank AG, Frankfurt, conducted a total of six training courses for the banks of the ProCredit group.

1.2 Research and development

Quipu currently develops its products with a strong focus on the ProCredit group of banks. At the core of the *Quipu Banking Software Suite* are the two modules *CustomWare* and *BankWare*. While *CustomWare* reflects the operational structures of the bank in order to support the procedures of the daily banking business in an efficient and decentralised manner at the branch offices and to capture and/or process data on all business transactions, *BankWare* is used to maintain centralised accounting records of the transactions and to supply this data to the head office for further processing. Money market deals and treasury functions are carried out using the add-on module *DealWare*, business intelligence functions are performed with the extension module *InfoWare* and with a *CRM* (Customer Relationship Management) module customised for the group based on the Microsoft Dynamics® framework.Different features of the software are required for different countries, taking account of the technical infrastructure, the local requirements and the historical development of the bank's business. The focal points of

[1] **P**oint **o**f **S**ale
[2] **A**utomated **T**eller **M**achine

the development work to be carried out on the individual products are determined by ProCredit Holding and defined in detail in the annual Group IT Strategy.

The research and development costs in the past financial year totalled EUR 1,721k (2013: EUR 1,687k), and can be broken down as follows: *CustomWare* EUR 269k (2013: EUR 242k), *DealWare* EUR 378k (2013: EUR 309k), *InfoWare* EUR 125k (2013: EUR 154k), *BankWare* EUR 215k (2013: EUR 246k) and *Internet-Banking/CRM* EUR 734k (2013: EUR 735k). In the past financial year, EUR 152k (2013: EUR 231k) of this total was attributable to services provided by freelance experts.

2. Report on the Economic Position of the Group

In the following it is not necessary to report on the development in individual segments because Quipu is integrated into the ProCredit group, and the “market” is mainly confined to the needs of the ProCredit companies.

The influence of overall economic developments on Quipu thus depends largely on the development of the ProCredit companies and their economic environment.

2.1 Course of business

2.1.1 Implementation of new product versions

The Quipu software was once again updated in numerous banks and expanded with new product developments by the Software Development and Support division so as to keep pace with market trends and legal requirements in the areas of tax, reporting or data protection. The implementation of the newly developed software for the support of banking activities primarily in the branches (*CustomWare.NET*) was ongoing at five ProCredit banks: in Congo, Ecuador, Nicaragua, Romania and Serbia. When these banks also begin production use, all ProCredit banks except Bulgaria and Colombia will have the software. The software modules provided by Quipu for the areas Reporting (*InfoWare*) and Treasury (*DealWare*) underwent further development in accordance with the requirements established by ProCredit Holding. Once again this year, one area of focus was the further development of the Core Banking System (*CustomWare*, *BankWare*) in order to comply with the regulatory reporting requirements in line with the introduction of Basel III and the standardisation of reporting across the EU. An additional focus of the software development activities was once again the continued development of the *CRM* software and the continued development of e-banking software for the ProCredit group.

2.1.2 Processing Centre

Fifteen group banks and six external banks are currently connected to the Processing Centre. After being sold, Banco ProCredit Mozambique migrated to the processing centre infrastructure of the new owner during 2014. ProCredit Bank Ukraine will migrate its card processing to the Quipu Processing

Centre in 2015. In order to leverage the group’s proprietary processing centre, the newly formed business development team will continue to seek external clients as well as to serve group bank needs. NLB (Nova Ljubljanska Banka) and BpB (Banka per Biznes) were acquired as new external clients for the Quipu Personalisation Centre in Pristina, and are already making production use of the personalisation services offered there. Advans Bank and Union SL in Congo signed a contract commissioning Quipu to process transactions using their local cards, VISA cards and ATMs. The service for Union SL is already in production, while the service for Advans Bank is expected to start in 2015.

The Processing Centre is regularly assessed according to PCI DSS[3] as required by VISA and MasterCard. Since August 2010, the Processing Centre has been certified by the German management systems certification body (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen - DQS) according to ISO 20000 for Service Management of the Processing Centre. Since 2013 the Processing Centre has additionally been certified according to ISO 9001.

[3] **P**ayment **C**ard **I**ndustry **D**ata **S**ecurity **S**tandard

2.1.3 Staff development

The growth of the company's business is reflected in the development of staffing levels as well. When it was founded, Quipu took over 27 employees from IPC. By the end of 2014, the number of employees had increased to 169 (previous year: 163). In addition, numerous retainer contracts were concluded with freelancers working in the regional offices. Thus, by the end of 2014, Quipu had a combined total staff of 186 (previous year: 179) including both staff members and freelancers.

In the current financial year we intend to limit the increase in the number of staff to 10% and to focus on integrating existing employees and raising their efficiency levels.

2.2 Situation

2.2.1 Earnings situation

Sales revenues increased moderately in 2014.

At the beginning of last year it was decided that the two business units in Frankfurt, Am Eisernen Schlag 31 and Grosse Seestrasse 43, would be brought together in a single location. This meant that in 2014 a total of EUR 190k had to be written off immediately for fixed assets that had originally been written off over the anticipated term of the existing rental agreements.

Break-up fees for early termination of rental agreements in Grosse Seestrasse 43 (EUR 122k) and the existing disaster recovery site (EUR 155k) increased one-time expenses for rent and utilities.

Additional expenses were incurred as a consequence of Quipu's liability for reconstruction work at the two business units in Frankfurt, Grosse Seestrasse 43 (EUR 5k) and Am Eisernen Schlag 31 (EUR 100k).

The migration to the new data centre necessitated replacement of the network infrastructure to the VISA Europe, VISA CEMEA and MasterCard payment gateways, which caused one-time costs of EUR 112k.

Due to these extra expenses associated with the move to a new data centre and office premises (total amount: EUR 684k), the operating profit was almost zero. The increase in sales revenues was below the original projection of the Business Plan. At the same time, personnel expenses grew significantly less than planned. Overall, the year 2014 fully met the expectations of the Management.

The following financial performance indicators are used internally for management purposes:

- *Sales revenues*
- *Profit for the year after tax*
- *Return on equity*
- *Equity ratio*
- *Asset tangibility*

As is shown by the following table, the operating result achieved in the financial year 2014 represents a continuation of the company's positive economic development in terms of revenues:

Year	*Sales revenue* in EUR	*Profit for the year after taxes*, in EUR
2010	9,887,804.00	337,547.00
2011	10,882,942.00	404,223.00
2012	12,888,843.00	335,211.00
2013	14,847,658.00	405,910.00
2014	15,587,135.00	2,733.00

Sales revenues increased moderately in 2014, by 5.0% or EUR 739k (2013: 15.2%). Thus the "further growth in revenue" forecast in the previous year's Management Report was significantly smaller than expected. The main reason was the delay of several projects at the request of the group banks. For the current financial year we expect a significantly higher increase in sales revenues, by 9.1% to EUR 17,000k, including hardware sales.

A significant portion of the sales, EUR 2,134k or 13.7% (0.01% in 2013) of the total revenue, was invoiced in USD during the past financial year. This is because more banks might choose to receive their invoices in USD instead of EUR, as the annual subscription costs in USD were lower than last year due to the current strength of the USD.

Material and administrative expenses increased in comparison to the previous year by 8.8%, or EUR 1,270k. A moderate increase of EUR 457k or 6.6% was recorded in the area of personnel expenses. This amount includes employer's contributions to the BVV pension insurance scheme, introduced in 2011, amounting to EUR 66k (2013: EUR 57k). A significant increase of EUR 722k or 25.2% was recorded in the area of depreciation costs due to the investments necessary for the new data centre and office space. Other expense positions increased in proportion to the increase in staff numbers. For the current financial year, we project a 10.0% increase in personnel expenses, from EUR 7,430k to EUR 8,173k.

The *profit for the year after tax* amounting to EUR 2,733 (2013: EUR 405,910) translates into a *return on equity* of 0.1% (previous year: 18.5%) and is transferred in accordance with the profit and loss transfer agreement concluded with ProCredit Holding. Although the previous year's Management Report predicted the "possibility of a negative return on equity", the company in fact managed to stay profitable. The *equity ratio* of 50.9% (previous year: 60.9%) thus remains twice as high as the industry average.[4]

2.2.2 Financial situation

Subscribed capital remained unchanged at EUR 1,000k. Revenue reserves of EUR 1,191k again remained unused in the past financial year.

The EUR 250k credit line granted by Frankfurter Sparkasse did not have to be drawn at any time during the past financial year. A short-term working capital loan of EUR 500k was drawn from ProCredit Bank Germany to finance a liquidity bottleneck in December 2014 and January 2015.

The company's liquidity situation was at all times appropriate to meet its payment obligations.

2.2.3 Assets situation

Additional investments in the new data centre and office space led to a significant increase in *fixed assets* to EUR 2,756k (2013: EUR 1,657k) and thus to an increase in *asset tangibility* to 64.0% (2013: 46.1%).

Under *current assets*, the company's receivables and other assets increased to EUR 406k (2013: EUR 168k). The main reason for the increase was the outstanding amount of EUR 237k (2013: EUR 50k) for VAT claims due to high investments in the last quarter of 2014. This significantly reduced the balance sheet position "Cash in hand, balances at German central bank, balances at banks and cheques" to EUR 599k (2013: EUR 1,481k).

The net assets, financial position and results of operations were in order at all times during the year under review.

In the course of business, the planned implementation of new product versions in the banks and the planned service offer were carried out as scheduled. Thanks to ongoing re-certifications according to various standards, the processes in the Processing Centre were improved further, and again functioned smoothly in the past financial year. The fact that growth in staff numbers was smaller than in the previous year – 3.3% (2013: 13%) – made it easier to integrate the new employees. In the current financial year growth is to be limited to 10%, and efficiency is to be increased further. Overall, the situation of the company can still be assessed as favourable.

[4]Source: http://www.marktundmittelstand.de/nachrichten/finanzierung/eigenkapitalquote-im-mittelstand-steigt-weiter/

3. Report on Post Balance Sheet Events

Björn Pysall, Head of Quality Assurance, was appointed Chief Financial Officer and legal representative ("Prokurist") of the company on 16 January 2015.

4. Report on expected developments and on opportunities and risks

4.1 Report on expected developments

For the 2015 financial year, the Management expects further growth in revenue and a simultaneous increase in the profit for the year. In 2015 we are aiming for an 8-10% increase in revenues, whereas according to the Business Plan the operating costs are projected to remain at the same level as the previous year's planned figures.

We expect an annual profit before profit transfer of EUR 600k (3.5% of annual revenue) for 2015.

We expect the equity ratio for 2015 to remain at a similar level to that of the past year.

The group-wide standardisation of IT infrastructure on the basis of software products developed by Quipu, and the further outsourcing of IT services to Quipu, offer significant scope for the generation of additional revenue.

In the current year, implementation of the new front office application *CustomWare.NET*, the treasury application *DealWare*, and the CRM application in the banks will continue. The company expects this to continue generating high demand for Quipu's services. In addition, as the software infrastructure is consolidated across the ProCredit group, further affiliated companies will be adopting the company's software products as from 2015. The company sees additional potential for generating revenues in consistently charging for the services requested, in particular for the on-site implementation of new software versions at the banks, and in the localisation of the standard products.

In the Processing Centre, following the provision of new functionalities in 2014, such as the integration of PayBox services, we expect additional revenues in this area of business in 2015. In addition, the company expects increased capacity utilisation of the Processing Centre's infrastructure both by ProCredit banks and by banks outside the ProCredit group. There are concrete plans to connect three new customers in 2015.

The biggest challenges in the area of software development lie in the parallel implementation of the newly developed branch customer service software in five banks (the ProCredit banks in Congo, Serbia, Ecuador, Nicaragua and Romania) and in the implementation of the enhanced treasury software. In addition to the ongoing enhancement of the existing software products, the focus will be on the development of the new CRM module for business clients, the expansion of the e-banking application, the implementation of extensive local requirements at ProCredit Bank Germany, and the provision of continued support to ProCredit Holding with regard to the implementation of uniform *Group IT Infrastructure Standards* at all of the ProCredit banks.

Given the sustainably favourable forecast for the ProCredit group for the current financial year, demand for Quipu's services can be expected to remain constant.

4.2. Report on opportunities and risks

Due to the company's connection to the ProCredit group, its business risks are directly linked to the development of the group. At the same time, this close connection also leads to substantial planning reliability.

At present Quipu is exposed to the following types of risks:

- foreign currency risk
- default risk
- liquidity risk

- market price risks
- operational risks
- sales revenue risks

In cases where these risks are also associated with opportunities, those opportunities are discussed in the respective section.

Quipu uses an *IT Risk Management System* for the Processing Centre. Starting from the 2014 financial year, the company applies ProCredit Holding's *Group Risk Policy* to Quipu.

4.2.1 Foreign currency risk

Foreign currency risks result from the need to purchase US dollars every month, at a total volume of about USD 3 million per year, which are used to cover the ongoing monthly operating costs of the Quipu offices in Latin America and Africa. Up to now, no active risk management for open currency positions in the form of hedging has been considered necessary. To limit foreign currency risks, a new pricing model was introduced in 2014 which offers the banks a choice of being invoiced in USD or in EUR for the annual fees due for the use of the software.

This created an opportunity insofar as Quipu did not have to acquire any additional US currency for its own use in 2014. We expect this to continue in 2015. At the same time, it reduces the foreign currency risk incurred by the ProCredit banks that switched to USD invoicing, as they will have to buy lower volumes of euros in order to settle their Quipu invoices.

Therefore, the occurrence of this risk is assessed to have low impact on the financial situation.

4.2.2 Default risk

Default risks in connection with the invoices issued for services rendered are very transparent and can be ruled out almost entirely, since the bulk of the company's clients come from within the ProCredit group.

The occurrence of this risk is assessed to have high impact on the financial situation.

4.2.3 Liquidity risk

Liquidity risk is managed through contracts for the performance of project-related work designed in such a way as to ensure that sufficient liquidity will be available in the form of interim payment instalments received when items of work are completed or at certain predefined intervals. Turnover through the Processing Centre is invoiced on a monthly basis for the previous month. This allows for reliable planning and ensures a regular flow of liquidity.

The changeover to the new pricing system made it possible for the contracts to be designed in such a way that the annual rental charge for the use of the software is payable in advance at the start of the year, unless the bank explicitly requests a different payment schedule.

To cover short-term liquidity bottlenecks during December and January, the company has agreed a credit line in the total amount of EUR 750k with its two house banks, Frankfurter Sparkasse and ProCredit Bank Germany.

The occurrence of this risk is assessed to have low impact on the financial situation.

4.2.4 Market price risks

Price risk is minimised by means of flexible contracts. The prices specified in the new contracts for the use of the software were set on the principle that, based on the current business planning assumptions, the prices can remain unchanged for the coming 2 years. In addition, the company can adjust the existing licence agreements annually to reflect any possible cost increases.

This now makes it possible to plan for software development in the medium term, as the prospective income can already be calculated today. The occurrence of this risk is assessed to have low impact on the financial situation.

4.2.5 Operational risk

The ***operational risk*** incurred by the Processing Centre was reduced by ongoing ISO and PCI DSS certifications. The other divisions are continuing with the documentation of their procedures and with standardising processes.

The move to a professional data centre further reduced the exposure of the IT infrastructure to operational risks.

The occurrence of this risk is assessed to have low impact on the financial situation.

4.2.6 Sales revenue risks

Sales revenue risks were included in the risk profile for the first time in 2013, as sales of implementation services dropped significantly to EUR 1,308k (2013: EUR 1,521k). In the current year, a 57% increase to approximately EUR 2,058k is planned, including an amount of EUR 476k from projects originally scheduled to be completed in 2014. This is the scale on which the banks must be willing to conclude new contracts with Quipu for the implementation of projects during the current financial year. Also the possible risk that in the future the number of group banks may be reduced and that therefore planned revenues will not be forthcoming cannot be ruled out entirely.

The enlargement of the range of services offered has the advantage that Quipu’s services will in future be significantly more transparent for the customers, as the implementation projects will be documented in detail.

The occurrence of this risk is assessed to have high impact on the financial situation. In conclusion it can be stated, however, that the introduction of the new pricing model and the accompanying contract design have further reduced the risks to which the company is exposed.

The Management assesses the outlook for the further development of the company’s business as highly positive. When ProCredit Holding acquired Quipu, its role as the strategic IT partner of the ProCredit group was underscored and strengthened. This creates a high degree of planning reliability for Quipu, which will continue in the years to come.

Frankfurt am Main, 27 February 2015
Quipu GmbH
The Management

Dr Gian Marco Felice

Annual Financial Statements 2014

BALANCE SHEET of Quipu GmbH, Frankfurt am Main, as of 31 December 2014 in EUR	(Notes)	31.12.2014	31.12.2013 [1]
A. Fixed Assets			
I. Intangible assets			
1. Licences, commercial and intellectual property rights and similar rights	(3)	459.532,00	514.325,00
2. Prepayments		7.390,59	0,00
II. Property, plant and equipment			
1. Other equipment, furniture and fixtures	(4)	2.110.092,00	964.202,00
III. Financial assets			
1. Shares in subsidiaries	(5)	178.521,54	178.521,54
		2.755.536,13	1.657.048,54
B. Current assets			
I. Receivables and other assets			
1. Trade accounts receivable	(6)	82.191,64	79.507,42
(of which, with a remaining term of more than one year: 0.00)			
2. Receivables from affiliated companies	(7)	20.795,06	12.483,52
(of which, with a remaining term of more than one year: 0.00)			
3. Receivables from proprietors	(8)	274.971,58	50.188,79
(of which, with a remaining term of more than one year: 0.00)			
4. Other assets	(9)	27.737,96	26.199,12
(of which, with a remaining term of more than one year: 22,589.33)			
		405.696,24	168.378,85
II. Cash in hand, balances at German central bank, balances at banks and cheques		598.828,72	1.480.967,88
C. Prepaid expenses and deferred charges	(10)	543.856,24	289.558,88
Total assets		**4.303.917,33**	**3.595.954,15**
A. Equity			
I. Subscribed capital	(11)	1.000.000,00	1.000.000,00
II. Revenue reserves			
1. Other revenue reserves	(12)	1.190.763,60	1.190.763,60
III. Net income for the year	(13)	0,00	0,00
		2.190.763,60	2.190.763,60
B. Accruals			
1. Accruals for taxes		27.124,88	32.848,90
2. Other accruals	(14)	928.607,28	508.564,48
		955.732,16	541.413,38
C. Liabilities			
1. Liabilities to banks	(15)	500.000,00	0,00
(of which, with a remaining term of up to one year: 500,000.00; previous year: 0.00)			
2. Trade accounts payable	(16)	215.266,01	115.127,43
(of which, with a remaining term of up to one year: 215,266.01; previous year: 115,127.43)			
3. Liabilities to subsidiaries	(17)	161.647,50	84.932,73
(of which, with a remaining term of up to one year: 161,647.50; previous year: 84,932.73)			
4. Liabilities to proprietors	(18)	126.967,95	405.910,28
(of which, with a remaining term of up to one year: 126,967.95; previous year: 405,910.28)			
5. Other liabilities	(19)	105.128,54	95.889,78
(of which, for taxes: 81,394.13; previous year: 81,059.12)			
(of which, for social security: 14,996.74; previous year: 14,610.03)			
		1.109.010,00	701.860,22
D. Deferred income		48.411,57	161.916,95
Total equity and liabilities		**4.303.917,33**	**3.595.954,15**
Contingent liabilities		0,00	0,00

1) Due to transfers, the previous year's figures were adjusted (see Notes, page 5)

INCOME STATEMENT of Quipu GmbH, Frankfurt am Main, for the period 1 January 2014 – 31 December 2014

in EUR	(Notes)	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013 [2]
1. Sales revenue	(20)	15.587.134,64	14.847.657,72
2. Other operating income	(21)	182.492,87	120.779,89
(of which, from currency translation: 77,663.68; previous year: 0.00)			
3. Material expenses		2.218.560,24	2.564.343,71
a) Cost of raw materials, production inputs and goods	(22)	*331.822,78*	*673.335,58*
b) Cost of purchased services	(23)	*1.886.737,46*	*1.891.008,13*
4. Personnel expenses:	(24)	7.429.912,93	6.972.792,27
a) Wages and salaries		*6.004.871,33*	*5.648.456,00*
b) Social insurance contributions and expenses for retirement pensions		*1.425.041,60*	*1.324.336,27*
(of which, for retirement pensions: 66,320.46; previous year: 57,036.01)			
5. Depreciation on intangible and tangible fixed assets	(25)	722.574,16	577.312,00
6. Other operating expenses	(26)	5.348.295,38	4.334.618,74
7. Income from equity holdings	(27)	105.480,00	0,00
(of which, from affiliated companies: 105,480.00; previous year: 0.00)			
8. Other interest and similar income		9.741,72	8.508,39
(of which, from affiliated companies: 7,346.70; previous year: 5,902.90)			
9. Interest and similar expenses		1.217,81	0,00
(of which, to affiliated companies: 1,217.81; previous year: 0.00)			
10. Profit (loss) on ordinary business operations		**164.288,71**	**527.879,28**
11. Taxes on income and profit	(28)	161.237,31	121.652,25
12. Other taxes		318,00	316,75
13. Net income for the year before transfer of profit		**2.733,40**	**405.910,28**
14. Profit transferred on the basis of a profit transfer agreement		2.733,40	405.910,28
15. Profit for the year		**0,00**	**0,00**

2) Due to transfers, the previous year's figures were adjusted (see Notes, page 5)

Notes to the Annual Financial Statements 2014

I. BASIS OF FINANCIAL ACCOUNTING

1) Group membership

Quipu GmbH is a subsidiary of ProCredit Holding AG & Co. KGaA, Frankfurt am Main, and is included in the latter's consolidated financial statements. The consolidated financial statements of ProCredit Holding AG & Co. KGaA, Frankfurt am Main (ProCredit Holding) are published in the Federal Gazette. ProCredit Holding is registered with the District Court, Frankfurt am Main, under entry no. HRB 91486.

A profit and loss transfer agreement has been concluded with ProCredit Holding, on the basis of which the entire profit or loss for the year is transferred to the latter company. Thus an integrated inter-company relationship exists with ProCredit Holding.

2) Disclosures on recognition, measurement and presentation principles

The annual financial statements of Quipu GmbH, Frankfurt am Main, for the financial year 2014 were prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Law on Limited Liability Companies.

Because of transfers, the previous year's figures for the positions Contingent liabilities, Cost of purchased services and Personnel expenses have been adjusted, without affecting the profit or loss for the year.

Intangible fixed assets and tangible fixed assets are valued at acquisition cost or production cost and, to the extent that they are depreciable, their value is reduced by scheduled depreciation amounts. The scheduled depreciation amounts are based on the expected service life of the respective asset items and are calculated using the straight line method. The scheduled depreciation period for individual software is 5 years.

Financial assets are valued at historical cost. If impairment of a financial asset is expected to be permanent as of the balance sheet date, non-scheduled depreciation is reported on the impaired assets. If the reasons no longer apply, the value is written up.

Receivables and other assets are reported at the lower of acquisition cost or market price.

Cash in hand and bank balances are recognised at nominal value.

Accruals include all legal or constructive obligations to third parties discernible as of the balance sheet date and their amount is uncertain according to commercial judgement. Accruals are recognised at a settlement amount estimated on the basis of commercial judgement (section 253 (1) HGB). Accruals in the financial year under review have terms of less than one year and are not discounted (section 253 (2) HGB).

The amount reported for liabilities is the amount which is to be paid. All liabilities have a term of less than five years.

The income statement is prepared in accordance with the cost of production method (Section 275 (2) HGB).

All amounts are presented in euros (EUR). Foreign currency positions in the balance sheet of Quipu GmbH are recognised at the mean spot rate valid at the end of the reporting period (section 256a HGB). The exchange rate as of 31 December 2014 was EUR 1/USD 1.2141. Foreign currency positions comprise current accounts with banks maintained in USD and, to a minor extent, in the form of cash on hand.

Gains and losses from the currency translation of these positions are recognised in the income statement under other operating income or expenses. Expenditures and incomes in foreign currency are converted at the rate of exchange valid at the time of the transaction.

Quipu GmbH exercises the size-dependent right to exemption pursuant to section 293 HGB and does not prepare consolidated financial statements.

II. NOTES TO THE BALANCE SHEET

A. FIXED ASSETS

3) Intangible assets

The intangible assets consist mainly of software licences acquired. A detailed overview of the development of the intangible assets is provided by the Statement of Fixed Assets (Annex 1 to these Notes).

4) Property, plant and equipment

Property, plant and equipment comprise technical equipment and servers, office furniture and fixtures, company cars and leasehold improvements. For a breakdown of the development of the tangible assets, we refer to the Statement of Fixed Assets (Annex 1 to these Notes).

The two business units in Frankfurt, Am Eisernen Schlag 31 and Grosse Seestrasse 43, were brought together in a single location, Königsberger Str. 1, in 2014.

5) Shares in subsidiaries

Quipu GmbH holds shares in the following subsidiaries:

Name of subsidiary	Address	Subscribed capital incl. capital reserve (EUR)	Revenue reserves and other reserves (EUR)	Profit (Loss) for the year (EUR)
		31.12.2014	**31.12.2014**	**2014**
Quipu Shpk, Prishtina, **Kosovo**	Rexhep Mala 16 Prishtina, Kosovo	5.000,00	637.451,00	39.730,00
Quipu S.A., San Salvador, **El Salvador**	Avenida La Revolución No. 178 Colonia San Benito, San Salvador, El Salvador	93.496,33	41.791,32	6.156,31
Quipu Ltda., Bogotá, **Colombia**	Calle 37 A No. 16-25 Bogotá, Colombia	81.827,00	27.172,94	17.370,12

Quipu Shpk, Prishtina, Kosovo, is active in the field of bank card personalisation for the Eastern European, Latin American and African markets. The two Latin American companies provide services to the ProCredit banks in Central and South America, respectively.

The shareholdings during the reporting period were as follows:

in EUR				Net book value			
Subsidiary	Equity exposure as of **01.01.2014**	Acquisitions in **2014**	Disposals in **2014**	as of **31.12.2014**	Share in %	as of **31.12.2013**	Share in %
Quipu Shpk, Prishtina, **Kosovo**	5.000,00	0,00	0,00	5.000,00	100,0%	5.000,00	100,0%
Quipu S.A., San Salvador, **El Salvador**	92.927,80	0,00	0,00	92.927,80	99,4%	92.927,80	99,4%
Quipu Ltda., Bogotá, **Colombia**	80.593,74	0,00	0,00	80.593,74	98,5%	80.593,74	98,5%
Total	**178.521,54**	**0,00**	**0,00**	**178.521,54**		**178.521,54**	

B. CURRENT ASSETS

6) Trade accounts receivable

All trade accounts receivable were within the period allowed for payment, and had been received in full as of the date of preparation of the balance sheet.
The position includes trade accounts receivable from ProCredit group companies amounting to EUR 7,363.16 (previous year: EUR 47,808.44).

7) Receivables from affiliated companies

This position consists of advance payments for services provided to the subsidiary in Colombia amounting to EUR 20,795.06.

8) Receivables from proprietors

The receivables from proprietors are due from ProCredit Holding AG & Co. KGaA, Frankfurt am Main. The receivables consist of VAT due as a consequence of the integrated inter-company relationship for tax purposes (EUR 236,899.52; previous year: EUR 50,188.79) and trade accounts receivable (EUR 38,072.06; previous year: EUR 0.00).

9) Other assets

Other assets

in EUR	31. Dez. 14	31. Dez. 13
Tax refunds due	2.370,65	7.649,16
Deposits	22.589,33	9.733,40
Other	2.777,98	8.816,56
Total	**27.737,96**	**26.199,12**

C. PREPAID EXPENSES AND DEFERRED CHARGES

10) Prepaid expenses and deferred charges

in EUR	31.12.2014	31.12.2013
Rent	167.293,54	75.388,82
Insurance	23.435,87	15.734,30
Training	20.849,00	6.649,00
Maintenance	323.877,51	181.627,24
Other	8.400,32	10.159,52
	543.856,24	**289.558,88**

A. EQUITY

11) Subscribed capital

The subscribed capital as of 31 December 2014 was held by ProCredit Holding AG & Co. KGaA, Frankfurt am Main (100%).

12) Other revenue reserves

The other revenue reserves are attributable to the reinvestment of profits from the years 2008 – 2010.

13) Profit for the year

Pursuant to a profit and loss transfer agreement concluded on 21 July 2011, the profit amounting to EUR 2,733.40 (previous year: EUR 405,910.28) is transferred to ProCredit Holding AG & Co. KGaA, Frankfurt am Main.

B. ACCRUALS

14) Other accruals

in EUR	**31. Dez. 14**	**31. Dez. 13**
Costs associated with the DRC move	267.519,32	0,00
Accruals for holiday	241.813,92	289.166,48
Rental expenses and decommissioning commitments	155.463,90	0,00
Other invoices	128.469,14	72.638,00
Outstanding invoices with employees	61.341,00	75.000,00
Employers' liability insurance contributions, charge for not employing disabled persons and international health insurance	41.000,00	38.760,00
Annual financial statements	33.000,00	33.000,00
	928.607,28	**508.564,48**

C. LIABILITIES

15) Liabilities to banks

The liabilities to banks consist of liabilities to affiliated companies. They comprise a short-term loan from ProCredit Bank AG, Frankfurt am Main, amounting to EUR 500,000.00.

16) Trade accounts payable

The position includes trade accounts payable to ProCredit group companies amounting to EUR 54,452.21 (previous year: EUR 18,657.92).

17) Liabilities to affiliated companies

This position consists exclusively of liabilities relating to invoices for services provided by Quipu S.A. in El Salvador, Quipu Ltda, Colombia, and Quipu Shpk. Kosovo.

18) Liabilities to proprietors

These liabilities consist of expenses arising from the transfer of profit to ProCredit Holding AG & Co. KGaA, Frankfurt am Main, amounting to 2,733.40 (previous year: EUR 405,910.28) and to trade accounts payable amounting to EUR 124,234.55 (previous year: EUR 0.00).

19) Other liabilities

Tax liabilities consist exclusively of income tax and church tax liabilities as of 31 December 2014.

III. NOTES TO THE INCOME STATEMENT

20) Sales revenue

The sales revenues are generated mainly through the provision of services to ProCredit Holding and to its subsidiaries, and through the provision of banking software to the ProCredit banks and the resale of computer equipment and software to them.

21) Other operating income

in EUR	**1 Jan - 31 Dec 2014**	**1 Jan - 31 Dec 2013**
Income from rental charges passed on	66.956,54	82.779,48
Income from reversal of accruals	18.797,16	32.863,96
Income from other reporting periods	13.545,00	5.136,45
Income from currency translation	77.663,68	0,00
Other	5.530,49	8.508,39
	182.492,87	**129.288,28**

22) Cost of raw materials, production inputs and goods

The position cost of raw materials, production inputs and goods mainly consists of expenses for hardware which was bought and for the most part directly resold to ProCredit Holding and its subsidiaries.

23) Cost of purchased services

The cost of purchased services relates to payments for services rendered by freelancers and for services purchased from subsidiaries.

24) Personnel expenses

During the 2014 financial year, the average number of employees of Quipu GmbH was 165 (2013: 151). As of 31 December 2014 the total number of employees of Quipu GmbH was 169 (2013: 163).

As of 31 December 2014, Quipu GmbH had two senior management employees and 167 other staff members.

25) Depreciation on intangible and tangible fixed assets

For a detailed overview of depreciation, see the Statement of Fixed Assets (Annex 1 to these Notes).

Due to the merger of the two business units in Frankfurt, Am Eisernen Schlag 31 and Grosse Seestrasse 43, in a single location, a total of EUR 190,000 had to be written off immediately for fixed assets that had originally been written off over the anticipated term of the existing rental agreements.

26) Other operating expenses

in EUR	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Operating lease expenses	1.387.591,56	741.718,55
Travel expenses	765.491,59	696.746,86
Maintenance, esp. for software and hardware	699.405,44	603.149,22
Services provided by foreign subsidiaries (Latin America)	645.483,38	733.387,87
Legal and advisory expenses	521.129,49	503.590,01
Charges to be passed on for services received	277.710,40	285.557,04
Other personnel expenses	204.734,05	196.332,88
Communication	195.675,52	153.889,90
Disposals of fixed assets	190.248,75	745,00
Other administrative expenses	184.769,52	175.275,79
Entertainment and hospitality expenses	97.207,12	90.131,45
Accounting expenses	79.547,78	83.788,03
IT materials	54.535,08	43.937,65
Insurance	30.645,70	26.368,49
Lost receivables	14.120,00	0,00
Total	**5.348.295,38**	**4.334.618,74**

The legal and advisory expenses relate to advice provided by Quipu Shpk. and ProCredit Holding AG & Co. KGaA (EUR 263,703.12; previous year: EUR 412,553.21), expenses for the audit of the company's annual financial statements (EUR 34,968.96; previous year: EUR 34,651.24) and other legal and advisory expenses (EUR 222,457.41; previous year: EUR 56,385.56).

The position Accounting expenses refers to expenses incurred for ongoing bookkeeping.

The other administrative expenses contain expenses arising from currency translation amounting to EUR 0.00 (previous year: EUR 31,388.42).

27) Income from equity holdings

Income from equity holdings are the result of a dividend payment by Quipu Shpk., Kosovo, for the period 2004-2013.

28) Taxes on income and profit

The position Other taxes on income and profit contains foreign withholding taxes due on the profits of the Regional Office in Kiev, Ukraine (EUR 22,598.46) and on turnover in Congo (EUR 138,638.85).

IV. ADDITIONAL NOTES

29) Other financial commitments

Quipu GmbH has incurred obligations arising from rental contracts concluded within the usual market parameters for the total amount of EUR 4,023,660.20.

30) Costs for audit of financial statements

The cost of auditing the annual financial statements amounts to EUR 28,000.00. No other services from the auditing company were commissioned.

31) Management

During the reporting period Dr Gian Marco Felice, Frankfurt am Main, was the managing director of Quipu GmbH. Dr Gian Marco Felice has a doctorate in astrophysics. Full commercial power of attorney is held by Mr Robert Zastera, Erkrath, and Mr Björn Pysall, Frankfurt am Main (from 16 January 2015).

The total remuneration of the managing director pursuant to section 285 (9a) HGB is not disclosed, as the individual managing director's remuneration would be revealed (section 286 (4) HGB).

The managing director and the holders of commercial power of attorney are each authorised to represent the company alone.

Frankfurt am Main, 26 February 2015

Quipu GmbH
The Management

Dr Gian Marco Felice

Annex 1: Statement of Fixed Assets

Quipu GmbH

Statement of fixed assets as of 31 December 2014

in EUR	Acquisition cost					Accumulated depreciation				Net book values	
	As of 01.01.2014	Additions	Disposals	Reclass-ifications	As of 31.12.2014	As of 01.01.2014	Additions	Disposals	As of 31.12.2014	As of 31.12.2014	As of 31.12.2013
I. Intangible assets											
1. Licences, commercial and intellectual property rights and similar rights	1.381.753,77	146.838,34	4.303,07	0,00	1.524.289,04	867.428,77	201.631,34	4.303,07	1.064.757,04	459.532,00	514.325,00
2. Prepayments	0,00	7.390,59	0,00	0,00	7.390,59	0,00	0,00	0,00	0,00	7.390,59	0,00
	1.381.753,77	154.228,93	4.303,07	0,00	1.531.679,63	867.428,77	201.631,34	4.303,07	1.064.757,04	466.922,59	514.325,00
II. Property, plant and equipment											
1. Other equipment, furniture and fixtures	3.478.926,05	1.857.081,57	838.665,61	0,00	4.497.342,01	2.514.724,05	520.942,82	648.416,86	2.387.250,01	2.110.092,00	964.202,00
III. Financial assets											
1. Shares in subsidiaries	178.521,54	0,00	0,00	0,00	178.521,54	0,00	0,00	0,00	0,00	178.521,54	178.521,54
Total fixed assets	**5.039.201,36**	**2.011.310,50**	**842.968,68**	**0,00**	**6.207.543,18**	**3.382.152,82**	**722.574,16**	**652.719,93**	**3.452.007,05**	**2.755.536,13**	**1.657.048,54**