

A close-up photograph of a person's hand hovering just above a laptop keyboard. The hand is positioned as if about to type, with the index finger pointing towards the keys. The laptop is silver and the background is a soft, out-of-focus white.

Wirecard AG
Annual Report
2006

wirecard

Key figures

Wirecard Group			2006	2005
Sales revenues	TEUR		81,940	54,304*
EBIT	TEUR		18,561	9,751*
Earnings per share (diluted and basic)	EUR		0.20	0.13**
Shareholders' equity	TEUR		108,422	85,607
Total assets	TEUR		207,536	121,607
Cash flow on ordinary trading activity	TEUR		19,241	12,796
Employees of whom, part-time			361 136	323 154

* pro forma

** Taking account of the capital increase funded by company assets in 2006

Segments			2006	2005*
EPRM**	Sales revenues	TEUR	85,779	51,853
	EBIT	TEUR	19,403	10,826
CCS***	Sales revenues	TEUR	6,795	6,298
	EBIT	TEUR	-735	-991
Other	Sales revenues	TEUR	0	0
	EBIT	TEUR	0	0
Consolidation	Sales revenues	TEUR	-10,634	-3,847
	EBIT	TEUR	-107	-84
Total	Sales revenues	TEUR	81,940	54,304
	EBIT	TEUR	18,561	9,751

* pro forma

** Electronic Payment/ Risk Management

*** Call Center & Communication Services

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Letter from the CEO



Dr. Markus Braun,
CEO

Dear Shareholders:

2006 was a successful year for Wirecard AG. The group of companies developed new fields of activity, acquired a large number of new customers, launched new, innovative products and achieved significant growth in its portfolio business. This dynamism is reflected in our consolidated results for fiscal 2006. In the last fiscal year, Wirecard AG boosted both sales revenues and earnings before interest and taxes in every single quarter. EBIT in the year under review was up 90 per cent, to 18.6 million euros. Consolidated sales revenues rose to reach 81.9 million euros in the same period.

The positive development of our organization was also acknowledged by the capital markets. On September 18, 2006, Wirecard AG succeeded in being listed on the TecDAX technology index on the basis of its market capitalization and sales of its shares on the stock exchange.

The growth of Wirecard AG is the result of a diverse, international customer portfolio as well as a wide array of products and services. More than 7,000 companies across the globe trust the solutions produced by our enterprise. Wirecard AG managed to acquire a large number of new customers of renown in our targeted markets, particularly in the consumer goods and tourism industries, including airlines, hotel chains and mail-order houses. Cooperative ventures with providers of hotel reservation platforms, flight reservation engines or shop software constitute a solid base for the future development of Wirecard AG.

Since January 1, 2006, Wirecard Bank AG has extended the portfolio of services made available by our group of companies thanks to its full banking license. The cross between a technology enterprise and a bank has helped secure a unique market position for Wirecard AG.

Wirecard AG now offers its customers – whether SMEs or large corporations – a unique package of corporate banking services. These include solutions for international cash and liquidity management as well as acceptance agreements for VISA, MasterCard and JCB or the issuing of credit cards within the scope of co-branding and customer loyalty projects.

Apart from its services for business clients, in fiscal 2006 Wirecard Bank AG also managed to generate decisive impetus in transactions with end consumers. With its pre-paid credit card VISA Life Card, the Wirecard Bank AG rolled out an innovative product on the German market. The card is used solely on a non-borrowing basis and features high security standards for online and offline payments.

Moreover, corporate development at Wirecard AG in fiscal 2006 focused on a further innovation, namely “virtual credit cards”. In doing so, the need to issue a physical plastic card is dispensed with – instead, the card data is made available in purely electronic format. In September 2006, with its *Supplier and Commission Payments* product based on the virtual credit card, Wirecard AG established a novel solution for electronic payments to partners and component suppliers. Supplier or commission payouts to be transferred internationally – such as payment of intermediary commissions by hotels to travel agencies – can be made by electronic dispatch of single-use, virtual credit card numbers for specific transactions. The decisive benefit is that transmission of payout data is effected real-time across the globe without any bank information having to be exchanged beforehand. While international transfers involve substantial extra time and expenses, virtual credit cards can be charged worldwide at any credit card acceptance point at a fraction of the cost of an international transfer.

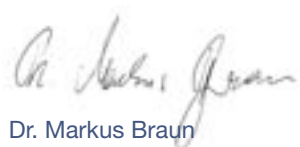
With its virtual credit card technology, Wirecard AG is also setting new standards in the final consumer segment. In November 2006, the company began to introduce the new *Wirecard* Internet payment service. *Wirecard* enables consumers who have had no access to credit cards to date (or do not want to use credit cards for eCommerce payments for safety reasons) to shop at all MasterCard acceptance points on the Internet and send money to other holders of a *Wirecard* account. In doing so, *Wirecard* provides a speedy, favorably priced alternative, available throughout the world, to traditional transfers or dispatch of checks. With this innovative combination of an account and a virtual card, the product we offer our customers is quite unique.

Wirecard AG today is one of the leading international providers of electronic payment processing, risk management and communication services. Thanks to an intelligent combination of payment transaction and banking services, in 2006 we managed to develop new fields of activity both in the consumer and in the corporate customer divisions.

For fiscal 2007, Wirecard AG expects a further increase in earnings before interest and taxes (EBIT) by more than 50 per cent.

On behalf of the Board of Management and the employees of Wirecard AG, I wish to thank you for the confidence you placed in us in the year 2006 and look forward to new success stories achieved together with you in fiscal 2007.

Grasbrunn, March 2007



Dr. Markus Braun
CEO

Report of the Supervisory Board



Klaus Rehnig,
Chairman of the
Supervisory Board

Dear Shareholders:

The Supervisory Board of Wirecard AG consists of three members. All members of the Supervisory Board were elected at the Annual General Meeting of May 30, 2006 for a term of office lasting until the end of the Annual General Meeting to decide on the discharge for fiscal 2010 (i.e., presumably until the ordinary Annual General Meeting in fiscal 2011). Re-election is permissible. At the Annual General Meeting, the Supervisory Board members Paul Bauer-Schlichtegroll, Alfons Henseler and Klaus Rehnig were re-elected. The Supervisory Board once again appointed Mr. Klaus Rehnig as Supervisory Board Chairman and Mr. Alfons Henseler as Deputy Chairman.

In terms of a resolution of November 14, 2006, the Supervisory Board extended Dr. Markus Braun's service agreement as a member of the Management Board to a further three years.

In fiscal 2006, the Supervisory Board carried out its duties in accordance with the law and the company's statutes, advised the Company's Management and monitored its activities. In the past fiscal year, the Supervisory Board informed itself in the course of six meetings by means of detailed written and oral reports by the Board of Management on business trends and the financial situation, discussing issues like strategy and budget planning as well as key investment projects, and also analyzed the company's risk management.

Between the Supervisory Board meetings, the members of the Supervisory Board were consulted with regard to 14 additional individual matters which they were required to cooperate in approving by law, on the basis of the articles of incorporation or the Board of Management's rules of procedure. In addition, the Management Board briefed the members of the Supervisory Board in various personal talks and telephone conversations about fundamental issues relating to the company's management.

Each Supervisory Board member attended all Supervisory Board meetings. In the year under review, the Supervisory Board was not aware of any conflicts of interest on

the part of one of its members. The Supervisory Board dealt on a regular basis with budget developments and investment planning. In addition, its activities extended to include calling and holding the ordinary Annual General Meeting on May 30, 2006, handling the Employee Participation program as well as implementing the recommendations of the German Corporate Governance Code.

For purposes of an efficiency audit of the Supervisory Board, the members of the Supervisory Board signed off a questionnaire and conducted an opinion survey, which resulted in a satisfactory assessment of the efficiency of activities.

Capital measures

Further capital increases constituted the focal points of the Supervisory Board's activities in fiscal 2006.

The level of subscribed capital amounted to EUR 79,290,882.00 as at December 31, 2006 and is divided up into 79,290,882 no-par-value bearer shares with a value based on a notional common stock of EUR 1.00 each.

This increase in the subscribed capital in relation to the previous year is attributable on the one hand to the subscription of 150,402 new shares from the Company's contingent capital 2004/I – due to the partial exercise of the right to conversion relating to the convertible bonds (EUR 150,402.00).

In addition, following a resolution of April 19, 2006 and an entry in the commercial register of June 19, 2006 a simplified capital reduction of EUR 3.00 was effected in tandem with a capital increase from company funds amounting to EUR 15,579,036.00 by making a withdrawal from the Company's capital reserve. The capital increase was effected by issuing 15,579,036 no-par-value shares to which the shareholders are entitled in a ratio of 4:1, with dividend payment as of January 1, 2006.

Furthermore, the Company's authorized capital was utilized in terms of an announcement of October 31, 2006 to increase the Company's common stock against the contribution of a diversified customer portfolio by 1,300,000 no-par-value shares worth EUR 1.00 each to EUR 79,290,882.00.

Annual and consolidated financial statements

Control5H GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Wirecard AG as at December 31, 2006, the consolidated annual financial statements as at December 31, 2006 as well as the management and consolidated management report and issued an unqualified audit certificate. The annual financial statements were prepared according to HGB and the consolidated annual financial statements according to IFRS. The auditor conducted the audit in compliance with the generally accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer – IDW).

The reports by Control5H GmbH Wirtschaftsprüfungsgesellschaft, Munich, on the audit of the annual financial statements and the consolidated annual financial statements as well as the proposal by the Management Board regarding appropriation of the balance sheet profit were distributed to the Supervisory Board by the Board of Management in due time prior to the balance sheet meeting. The Supervisory Board dealt intensively with these records and examined them itself. The audit reports referred to above were dealt with comprehensively at the balance sheet meeting of the Supervisory Board on March 26, 2007 in the presence of the auditor, who reported the essential findings of his audit. At this meeting, the Management Board explained the annual financial statements of Wirecard AG and of the Group as well as the risk management system in place and presented the scope, key focal points and the costs of auditing the annual financial statements.

The Supervisory Board approved the findings of the audit. The final results of the audit by the Supervisory Board gave rise to no objections. The Supervisory Board approved the annual financial statements prepared by the Board of Management and the consolidated annual financial statements; the annual financial statements were thus adopted.

The Supervisory Board agreed to the proposal by the Board of Management to carry the balance sheet profit over to the new accounts.

Change of control clause

The Enabling Act regarding Takeover Directives (*Übernahme-Richtlinien-Umsetzungsgesetz*) requires companies listed on the stock markets to disclose in the management report any compensation arrangements with the members of the Management Board or the employees in the event of a takeover bid. The Supervisory Board adopted a resolution of December 27, 2006 to lay down special compensation rules for the Management Board and the employees in the event of a change of control and the 30 percent limit being exceeded. All value-related factors are listed in detail in the annual report.

Outlook

The successful course of growth in the last fiscal year was favored by the consistent further development of the payment processing and risk management platform as well as the intensified international expansion in the customer base for credit card acceptance agreements with substantial volumes. If the positive underlying conditions prevail, then the dynamic sales trend will also continue in the 1st quarter of the new fiscal year.

The Supervisory Board wishes to thank the Management and the Company's employees for the successful implementation of the corporate objectives in fiscal 2006 and to express its recognition in this regard.

Berlin, March 26, 2007



Klaus Rehnig
Chairman of the Supervisory Board
Wirecard AG

Corporate Governance

Declaration of compliance with the German Corporate Governance Code by Wirecard AG in conformity with § 161 of the German Companies Act (AktG).

The Board of Management and the Supervisory Board declare that since the submission of the last declaration of compliance dated March 17, 2006 relating to the German Corporate Governance Code in the version of May 21, 2003 and in the version of June 2, 2005, the Company has complied with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version of June 2, 2005 and in the new version of 12 June 2006 and that the Company will continue to comply with the recommendations of the “Government Commission on the German Corporate Governance Code” in the new version of June 12, 2006. The following exceptions apply in this regard:

No. 2.3.1 (both in the version of the Code of June 12, 2006 and in the version of the Code of June 2, 2005) provides for the Board of Management not only to provide reports and records required for the annual general meeting by law in the form of handouts and to send the documents in question to the shareholders upon request, but also to publish them on the Company’s website together with the agenda.

For competition-related reasons and in view of the increasing trend in the direction of ‘competitive piracy’, the Board of Management has decided not to publish strategic corporate documents on the Internet.

According to No. 4.2.4. (version of the Code of June 12, 2006), the total remuneration of each member of the Board of Management, divided up into performance-independent, performance-related components and into components with a long-term incentive effect shall be disclosed, indicating the names of the persons in question, unless the Annual General Meeting decides otherwise in terms of a resolution based on a three-quarters majority of votes cast. No. 4.2.5. (version of the Code of June 12, 2006) subsequently governs the details of disclosure relating to remuneration paid to the Board of Management. In addition, No. 4.2.3 par. 3 (version of the Code of June 2, 2005) provides that the fundamental characteristics of the remuneration system and the concrete structure of a stock option plan or comparable plans for components with a long-term incentive effect and risk characteristics are to be published on the Company’s website in generally understandable form, with explanatory notes added to the Annual Report. The information provided is to include the value of stock options.

Under item 8 of the agenda of the annual general meeting of Wirecard AG held August 30, 2005, pursuant to § 286, (5) HGB read in conjunction with § 314, (2) HGB the Annual General Meeting decided to waive disclosure of remuneration paid to the Board of Management until fiscal 2009. On account of this resolution adopted by the Annual General Meeting, No. 4.2.5 (version of the Code of June 12, 2006) shall not apply; no disclosure is to be made. Other than that, the fundamental characteristics of the remuneration system and the methods and impacts of the stock option plan will not be published on the Internet but in the Annual Report.

No. 4.2.4 (version of the Code of June 2, 2005) provided for remuneration of members of the Board of Management to be reported in the Notes to the consolidated annual financial statements, broken down into fixed and performance-related components as well as components with a long-term incentive effect. The information is to be provided on an individualized basis.

In order to protect individual personality rights, the remuneration paid to members of the Board of Management will not be reported on an individualized basis.

No. 5.3 (both in the version of the Code of June 12, 2006 and in the version of the Code of June 2, 2005) provides for committees to be set up.

The current Supervisory Board, consisting of three members, has not appointed any committees to date. The full Supervisory Board deals with all transactions requiring consent.

No. 7.1.2 (both in the version of the Code of June 12, 2006 and in the version of the Code of June 2, 2005) provides for the consolidated annual statements to be made publicly accessible within 90 days of the end of the fiscal year and the interim reports within 45 days of the end of the reporting period.

The current reporting regulations relating to the Prime Standard of the German Securities Exchange provide for a period of four months. Accordingly, the Company will adhere to these time limits in publishing its consolidated financial statements. According to the reporting regulations of the Prime Standard of the German Securities Exchange, interim reports are published within two months. The Company will adhere to the two-month period and, if its internal processes allow for this, it may even opt for earlier publication.

Grasbrunn, March 30, 2007

Wirecard AG

on behalf of the Board of Management


Dr. Markus Braun


Burkhard Ley

on behalf of the Supervisory Board


Klaus Rehnig

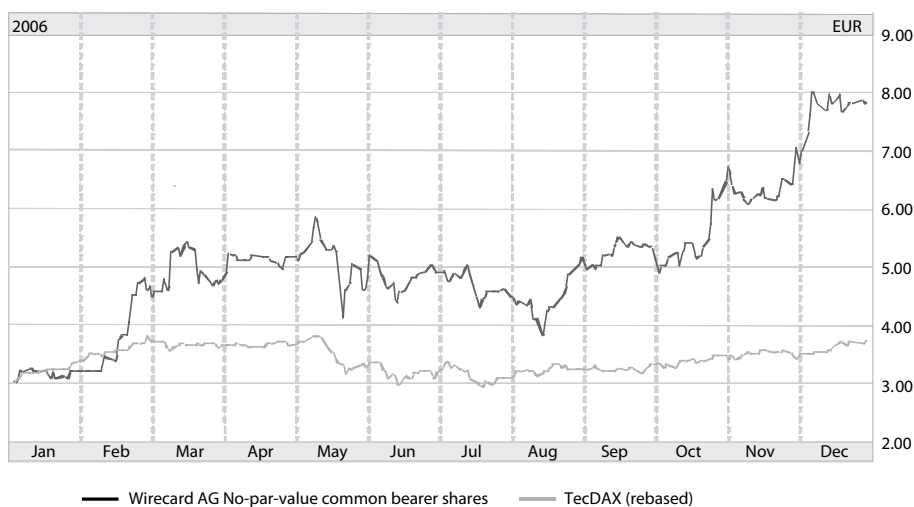
Wirecard stock

Following the listing in the TecDAX and the positive share price trend, the stock market year 2006 was successful for Wirecard AG in every respect.

Wirecard AG was officially listed on the TecDAX on September 18, 2006 and now ranks among the 30 biggest technology enterprises below the DAX, listed in the Prime Standard segment of the Frankfurt Securities Exchange. As at December 31, 2006, Wirecard AG reached position 15 in the TecDAX ranking of Deutsche Börse AG for the criterion of market capitalization and 18th position in terms of sales of its share on the stock market.

Germany's key index, the DAX, saw a surge from its low of 5,262.21 points in June by 22 per cent, to reach 6,596.92 points at the end of the year. On December 28, the DAX reached its high for the year at 6,629.33 points.

The reference TecDAX index started the year 2006 with 600.83 points and reached its high for the year, amounting to 761.30 points, at the end of February. From February to early May 2006, the TecDAX trended above 700 points but fell to its low of 583.06 points for the year on July 8, 2006. Starting in August, the 600-point barrier was exceeded again. In November, the index remained around 700 points and continued to rise again in December. Finally, at the close of trading on December 29, the TecDAX stood at 748.32 points.



Share price trend in the quarter under review

At the beginning of 2006, the price of Wirecard stocks was in the region of 3.00 euros. In the course of January, the company's share gradually overcame this low for the year. In February, it was possible for the sideways trend to be interrupted: at the end of the month, the share price exceeded 4.00 euros and continued to rise. Early in March, the 5.00 euro barrier was broken. Until October, the company's share price was volatile, trading at between 4.00 and 6.00 euros. At the end of August, the Wirecard share broke upward through the 200-day line at 5.10 euros. The announcement of

the preliminary figures for the 3rd quarter on October 2006 helped to fan speculative appeal, and the company's share price was up once again by approx. 10.1 per cent, to 6.32 euros. On November 29, the company's stocks were trading at 7.02 euros, and on December 6, 2006 at 8.00 euros. The end-of-year price came to 7.85 euros.

The performance for the year as a whole reached 160 per cent, outstripping the reference TecDAX index by far. The average trading volume of our stock was 387,600 shares.

Investor Relations

In the year under review, the Board of Management once again presented Wirecard AG to a large number of institutional investors, at numerous road shows and investor conferences.

The Wirecard share is meanwhile being monitored by national and international financial analysts of the following institutions:

Berenberg Bank
Crédit Agricole Cheuvreux
Deutsche Bank
DZ Bank
Sal. Oppenheim
SES Research
WestLB

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

Private investors can obtain all the relevant information on the Internet at www.wirecard.com in the „Investor Relations“ section.

Capital increases in the year under review

Number of shares / extent of capital stock as at January 1, 2006
62,261,447/EUR 62,261,447.00

Number of shares / extent of capital stock as at December 31, 2006
79,290,882/EUR 79,290,882.00

Utilisation / exercise of contingent capital

As a result of the resolution of July 15, 2004 to increase the company's capital, 54,700 new shares were issued for subscription. The common stock thus increased by EUR 54,700.00 to EUR 63,316,147.00. (Commercial register entry on May 17, 2006)

Capital increase funded by company resources

Following a capital increase funded by company resources, the company's capital stock was raised by EUR 15,579,036.00 to reach EUR 77,895,180.00.

The shareholders of our company, on the basis of their past shareholdership, received bonus shares in a ratio of 4 : 1, or one new no-par-value share for every four old shares. From June 26, 2006, the new shares were included in the listing of the legacy no-par-value shares. From the same day, the listing of no-par-value shares of Wirecard AG has been labeled 'ex bonus shares'. The share price was adjusted accordingly on that day. (Commercial register entry on June 19, 2006)

Capital increase against non-cash capital contribution

By drawing on authorized capital, the company's common stock of EUR 77,895,180.00, divided up into 77,895,180 no-par-value bearer shares, was increased by EUR 1,300,000.00 to EUR 79,195,180.00 against a non-cash capital contribution. (Commercial register entry on December 19, 2006)

Utilisation / exercise of contingent capital

As a result of the resolution of July 15, 2004 to increase the company's capital, 95,702 new shares were issued for subscription. The common stock thus increased to EUR 79,290,882.00. The remaining contingent capital amounts to EUR 949,970.50. (Commercial register entry in 2007)

Wirecard AG Annual General Meeting

Our ordinary Annual General Meeting was held in Munich on May 30, 2006. No counter-proposals were submitted. The shareholders present accounted for 33.14 per cent of the company's capital stock. Substantial majority votes of more than 97% were registered for all items on the agenda put to the vote. In addition to the approval of the capital increase from company funds as described above, by EUR 15,579,036.00 to EUR 77,895,180.00, the following resolutions are worthy of emphasis:

- The company's name was changed to trade as Wirecard AG.
- The amendment of § 14 (1) of the articles of incorporation regarding fixed and variable remuneration of the Supervisory Board was approved.
- Authorization was given for the purchase of the company's own stock, equivalent to 10 per cent of the share capital.

A detailed description of the items on the agenda and the voting results are available for download from our website.

Basic information on Wirecard stock

Year established:	1999
Market segment:	Prime Standard
Indices:	TecDAX
Type of equity:	No-par-value common bearer shares
Stock exchange ticker symbols:	WDI Reuters: WDIG.DE Bloomberg: WDI@GR
WKN:	747206
ISIN:	DE0007472060
Authorized capital, in number of shares:	79,290,882
Group accounting category:	Exempting consolidated financial statements in accordance with IAS/IFRS
End of fiscal year:	Dec 31
Total common stock as at Dec.31, 2006:	EUR 79,290,882.00
Beginning of stock-market listing:	Oct 25, 2000
Board of Management:	Dr. Markus Braun CEO Rüdiger Trautmann COO (since 11/2005) Burkhard Ley CFO (since 01/2006)
Supervisory Board:	Paul Bauer-Schlichtegroll Alfons Henseler Klaus Rehnig (Chairman)
Shareholders' structure as at Dec. 31, 2006:	9.62% ebs Holding GmbH 8.01% MB Beteiligungsgesellschaft mbH 7.83% AVENUE Luxembourg S.À R.L. 5.45% Fidelity International Limited 82.37% Free Float (incl. AVENUE and Fidelity)

Key figures on Wirecard stock

		2006	2005
Number of shares (Dec. 31)		79,290,882	62,261,447
Total common stock	EUR	79,290,882.00	62,261,447.00
Market capitalization (Dec. 31.)	mn. EUR	622	233
Stock market price (Dec. 31)	EUR	7.85	3.74
Stock market high	EUR	8.01	4.25
Stock market low	EUR	3.01	2.12



The Company

The success factors of Wirecard AG.



Successful thanks to synergies

Wirecard AG succeeded in defending its leading position at the top of a dynamic market last year. With substantial earning capacity and product innovations derived from an intelligent combination of state-of-the-art technology and the opportunities available to a bank, Wirecard AG has secured itself a substantial and sustained lead in global competition.

The organization as a whole is a great deal more than the sum of its parts. This maxim applies both in the field of natural science and in business economics. In fiscal 2006, Wirecard AG drew on its strengths and synergies with its subsidiary with a view to developing its own portfolio of products and services as a whole. Wirecard Bank AG enabled Wirecard AG to become a provider of integrated solutions throughout such fields of expertise as payment processing and financial services.

The Group laid the foundations for the future right at the beginning of 2006: on January 1, Wirecard AG took over XCOM Bank AG and integrated the company into the Group, now trading as Wirecard Bank AG. Wirecard Bank AG represents a major milestone in the development of Wirecard AG and was the essential basis for a large number of new products and services launched in 2006. In particular, it was the intelligent combination of technology and banking services under a single roof that accelerated the development of new, innovative products. A key step was the introduction of virtual credit cards in the third quarter. Initially, Wirecard AG established a new solution with its *Supplier and Commission Payments* product for real-time global business-to-business payment transactions. A genuine innovation for making payments on the Internet, in cooperation with MasterCard, was released only a few months later. The Wirecard Internet payment service allows consumers to make convenient and secure payments, based on the virtual credit card, with several millions of merchants on the Internet worldwide.

Beyond developing new products and technologies, Wirecard AG consistently extended its position in its portfolio business with existing customers in fiscal 2006. The Company recorded significant growth and outstanding results in all of its targeted markets.

Favorable economic conditions and dynamic growth of the Internet, an expanded product portfolio, a large number of new customers as well as the sustained scalability of the business model constituted the foundations for the success of Wirecard AG in fiscal 2006.

Even the stock market acknowledged the ongoing growth and forward-looking orientation of this group of companies; on September 18, 2006, Wirecard AG was listed on the TecDAX technology index on account of the outstanding performance of its stock. Wirecard AG today is among the 30 biggest technology enterprises below the DAX. Accordingly, the Company's stock has grown increasingly attractive for institutional

investors, underpinning the position of Wirecard AG as an independent solution partner for potential large-scale customers.

eCommerce and the mail-order trade: more options, greater transparency and enhanced service

The trend relating to online user statistics in 2006 is a clear indicator of the situation prevailing on the Internet market as a whole. According to the (N)ONLINER Atlas 2006 published by TNS Infratest, 37.8 million Germans have online access. Shopping statistics on the Web in 2006 also moved only in one direction, namely upward. Forrester Research forecasts a significantly buoyant trend for the Internet as a sales channel: the number of western Europeans who shop online will increase from 100 million in 2006 to 174 million in 2010. The trend study published in September 2006 by the consumer research body Gesellschaft für Konsumforschung (GfK) reflects quite a similar picture: every second German Internet user also shops online. According to "Webscope" – the title of the GfK study – the level of spending in the field of online shopping in Germany came to more than 7.2 billion euros in the first half of 2006. Among experienced Internet users, per-capita spending rose to reach 343 euros in the same period, an increase of eleven per cent compared with the first two quarters of 2005 (304 euros).

Current trends in electronic trading have also been analyzed by the scientific institute ibi research at Regensburg University. According to this study, companies are using the Internet as a sales channel above all to reach new target groups on the domestic market and abroad. Among the major challenges is a reduction in the risk of defaults in payment – a field in which Wirecard has acquired a proven track record based on many years' experience and a high level of expertise.

Accordingly, the upward trend prevailing in Internet commerce corresponds to the successes achieved by Wirecard AG. The Company managed to acquire a range of both national enterprises and significant corporations worldwide for its one-stop shopping approach favored in terms of deploying Wirecard solutions: payment processing and risk management, combined with a wide array of efficient financial services.

More than 7,000 customer in the "Consumer Goods", "Digital Goods" and "Tourism" divisions benefit from the spectrum of services provided by Wirecard AG and its subsidiaries. Among them are such industry giants as QVC, Konami or WORLDHOTELS, along with a large number of small to medium-sized enterprises (SMEs).

Rüdiger Trautmann, Chief Sales and Marketing Officer at Wirecard, sums up the position as follows: "We succeeded in substantially extending our leading position in our targeted markets in fiscal 2006. The constant further development of our product portfolio today allows us to offer our business customers even greater opportunities, increased transparency and more services."



Rüdiger Trautmann,
Chief Sales and
Marketing Officer:

"We succeeded in substantially extending our leading position in our targeted markets in fiscal 2006."

Tourism: a core industry surging ahead

Apart from electronic commerce, the travel industry was another key growth field of Wirecard AG in fiscal 2006. The reason: according to the “Europe’s eCommerce Forecast 2006 to 2011” by Forrester, about one third of all online spending is accounted for by travel reservations, and this share is likely to grow even further. By 2011, sales revenues in western Europe are expected to grow by a further 133 per cent, to reach 77 billion euros. The U.S. market research institute comScore also published a report (in August 2006) showing that in the first six months of 2006 the market for online travel reservations had already grown by 15 per cent year-on-year.

Wirecard AG identified the potential of this industry at an early stage and thus managed to record significant growth of its business volume in the tourism segment in all quarters of 2006, thanks to a targeted alignment of its product portfolio. For instance, in February 2006 the Company entered into a far-reaching cooperative venture in the field of processing electronic payments with TRUST International, a leading operator of hotel reservation systems across the globe.

Gulf Air was one of the leading airlines of the Gulf region to opt in favor of having its payment processes settled via Wirecard AG, generating significant savings in terms of process costs and enhanced cost transparency. The topic of efficiency also features as a highlight of business relations with WORLDHOTELS, an international hotel chain with a presence in 70 countries. In deploying its newly introduced reservation system, the Group relies on the innovative technologies from Wirecard AG.

In addition to the acquisition of new customers, the extension of existing partnerships also featured on the agenda of Wirecard AG. Among other things, the cooperative venture with Ypsilon.Net AG – one of the market leaders for flight reservation engines – was extended.

Burkhard Ley, Chief Financial Officer of Wirecard AG, sums up the development within this industry as follows: “With our solutions geared specifically to the tourism sector, we are pursuing a successful long-term strategy that appeals in particular to organizations operating with a global reach. More and more tourism operators are choosing Wirecard AG these days. To us, the tourism industry represents a segment that is of central importance.”

Payment systems: growing trend in favor of outsourcing business processes

Whereas the strength of an enterprise used to lie in being able to fully handle all critical business processes within its own organization, in recent years the trend toward targeted outsourcing of partial or sub-processes has accelerated. In particular, large-scale conglomerates operating on a global scale are increasingly relying on targeted outsourcing of specific business processes. The portfolio of Wirecard

AG ideally matches and conforms to this trend. The Company enables its customers to perform centralized settlement of all payment flows from all sales channels via a centralized platform, including all associated processes such as fraud prevention, invoicing, liquidity and cash management.

The Business Monitor published by the German business daily Handelsblatt in the fall of 2006 documents these trends in figures. Representatives of German enterprises were surveyed to find out the reasons for outsourcing everything from individual processes straight through to complete corporate divisions. The primary factors clearly were cost reduction and the need to concentrate on the respective core field of activity; three of four companies canvassed perceive that there is potential to cut costs by further outsourcing measures or by focusing on their strategic business processes (74 and 75 per cent, respectively). However, the possibility of standardizing processes also plays an important part.

The trend in the direction of outsourcing business processes is also taken into account in the field of call center and communications services of Wirecard AG. In doing so, businesses are increasingly relying on “hybrid” call center services – a combination of decentralized structures with services performed by agents in the call center of Wirecard AG in Leipzig. Virtual call center services are being used above all by software companies, producers of PC and console games and publishing houses. This enables these firms to offer their end-customers individual advisory and support services by telephone, fax, e-mail or Internet relay chat, bringing about a considerable improvement in their range of services to customers.

Technology and banking: redefining modern financial services

On January 1, 2006, Wirecard integrated XCOM Bank AG completely into the Group. The bank has been trading as Wirecard Bank AG ever since. This takeover enabled the Wirecard Group to extend its portfolio of products and services to include attractive banking services for corporations and private clients alike. As early as March 2006, both divisions were in positive earnings territory, with sustained growth being recorded in the year as a whole.

The Wirecard Bank AG offers business customers everything companies can possibly expect in the field of modern banking services. In addition to corporate and foreign currency accounts, these services also include all local and international payment methods: credit card acceptances, EU transfers, international payments, electronic direct debits and escrow accounts. Using the eBanking solutions provided by Wirecard Bank AG, companies can organize their national and international payments as part of a system that is affordable, efficient, secure and transparent.

Moreover, the Bank gives Wirecard AG access to the issuing business, i.e. issuing credit and debit cards of its own. For instance, a product that is addressed directly to end-consumers is the VISA Life Card – a prepaid credit card for online and offline pay-



Burkhard Ley,
Chief Financial Officer:
“The positive response
of our customers and
partners to our new
products and services
has given us a confident
outlook for the future.”

ments, introduced in the spring of 2006. Wirecard Bank AG successfully positioned this card in a substantial growth market. According to a study conducted by the UK company PSE Consulting, the market for prepaid cards will see sharp growth; by 2010, 75 billion euros will be spent using prepaid cards in Europe alone.

Product innovation: virtual credit cards for corporate and private clients

One of the major successes of Wirecard AG in fiscal 2006 was the introduction of a completely revolutionary payment system, namely virtual credit cards. Unlike traditional credit and debit cards, apart from preparing the card data, i.e. the card number, its expiry date and the card check digit, no physical plastic cards are issued. Instead, the card details are made available in a purely electronic format.

Since the beginning of 2006, Wirecard Bank AG has been providing innovative financial services in the field of issuing and acquiring credit cards.



In September 2006, initially a new solution was introduced for real-time processing of inter-company payments. The *Supplier and Commission Payments* product is based on automated issuing of virtual credit cards and makes it possible for electronic payouts to be made to partners and component or ancillary suppliers, e.g. for commission payments. In this way, by electronic dispatch of virtual credit card numbers, international payments can be processed a great deal more speedily, securely and at more favorable prices than using traditional methods. The transmission of payout information is performed real-time worldwide, without any bank information having to be exchanged beforehand. Rüdiger Trautmann, Chief Sales and Marketing Officer, explains: "Last year, billions of euros in commissions were paid throughout the world in the tourism industry alone. With our new solution, not only can we support our clients as far as acceptance of payments is concerned; we can also help them when making payouts to their sales partners and ancillary suppliers."

In November 2006, the product portfolio in the field of virtual credit cards was extended to include an innovative Internet payment service for end-customers, namely *Wirecard*. The new product enables consumers on the Internet to make convenient, secure payments to several million online merchants all over the world. To do so, the customer opens an online account and receives a personal, virtual MasterCard. This combination of an online account with a virtual credit card is unique throughout the world and has significant growth potential. The *Wirecard* payment service now also enables those customers to shop on the Internet who have had no credit card in the past or who do not wish to use their existing card online for security reasons.

Furthermore, *Wirecard* customers can send and receive money to and from each other real-time – an attractive and efficient alternative to sending checks or transfers.

Immediately after the product launch, various corporations of note opted in favor of recommending *Wirecard* to their customers by way of supplementation of their existing payment methods.

The integration of Wirecard Bank AG
is a milestone in fiscal 2006, speeding
up the development of new products
and innovations.

The fact that the virtual credit card is also attractive to business customers is demonstrated e.g. by the strategic partnership entered into in December with fairpartners.com, one of the leading procurement platforms on the Internet. Fairpartners.com recommends the virtual credit card to its more than 2,700 registered suppliers and buying pool organizations as a favorably priced alternative in order to facilitate secure, real-time processing of international transfers.

In terms of these product innovations, Wirecard Bank AG is certainly keeping its promise to offer its clients “more than banking”. From the outset, they stand to benefit from the best of two worlds: extensive service depth of the kind otherwise only available from banks with branch networks, combined with the internationality and flexibility of an Internet-based financial services provider.

The forecast: an optimistic view of the future

After the integration of the Wirecard Bank into the Group, concluded in 2006, and the successful market roll-out of our consumer products VISA Life Card and *Wirecard*, Wirecard AG is consistently continuing its strategy of ongoing investments in extending its range of products and services, the technical infrastructure as well as in marketing and sales activities in current fiscal 2007. New product innovations, such as the *Supplier and Commission Payments* solution presented last year, met with an enthusiastic reception from a large number of companies soon after market rollout.

Moreover, with its *Wirecard* Internet payment service, Wirecard AG also continues to unfold its success story in the consumer business. Numerous corporations of note in Germany and on the international market support the new *Wirecard* payment method – including HSE24 and Fujitsu Siemens Computers.

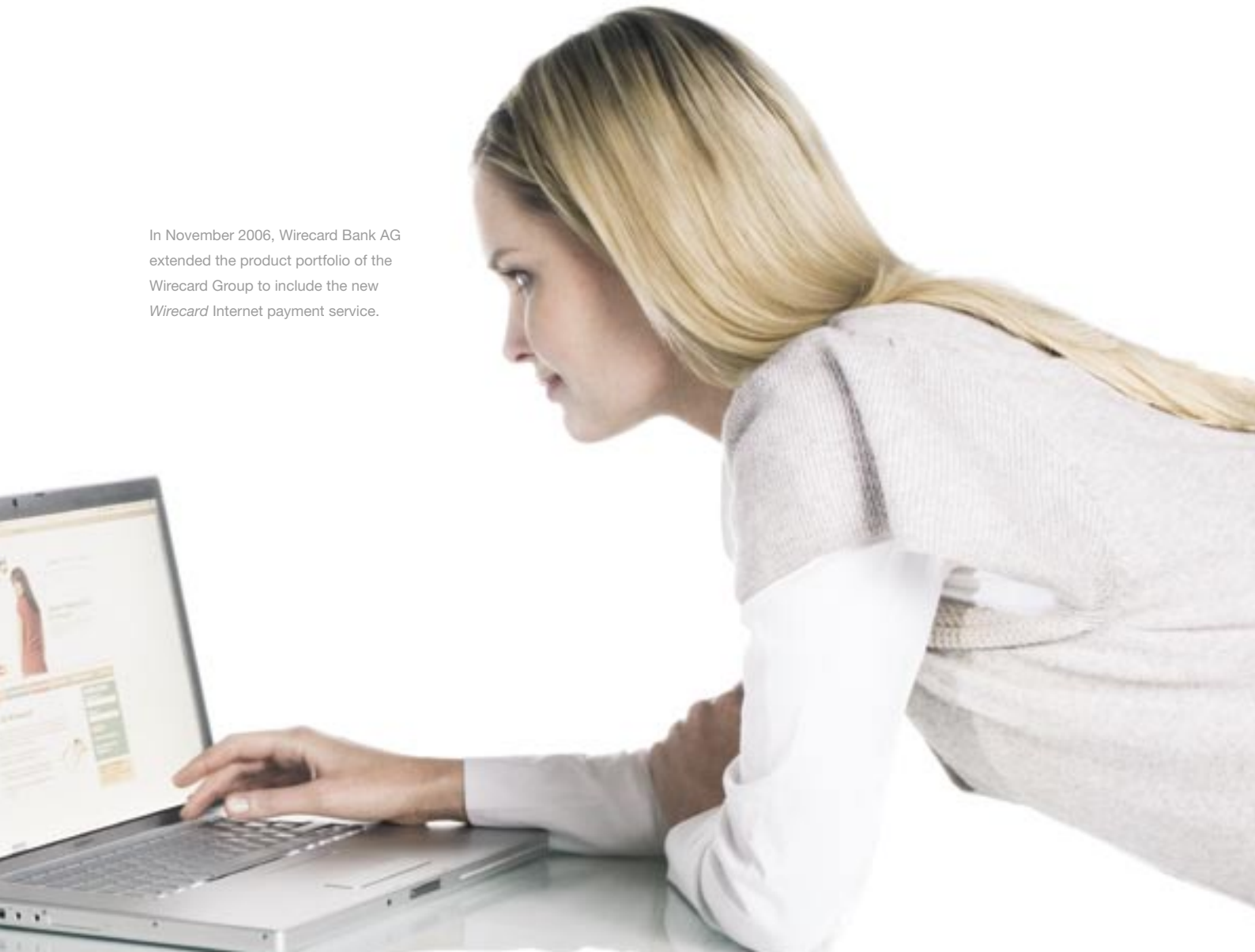
Wirecard AG is consistently expanding the performance portfolio of its new Internet payment service. The most recent example was when the Company extended *Wirecard* to include a MasterCard in its classical format, also making it possible to shop in stationary, brick & mortar outlets and to draw cash from ATMs.

In 2006, Wirecard AG **bundled strengths and utilized synergies**, bringing the entire range of services forward at all levels.



Against this backdrop, the Board of Management of Wirecard AG has an optimistic outlook for the future. Burkhard Ley, Chief Financial Officer of the Group, points out that: "Due to our substantial earning capacity, our leading-edge technology and the new opportunities possible within the scope of Wirecard Bank AG, Wirecard AG occupies a unique position among the global competition. The positive response of our customers and partners to our new products and services has given us a confident outlook for the future. For fiscal 2007, Wirecard AG expects its earnings before interest and taxes to rise by more than 50 per cent."

In November 2006, Wirecard Bank AG extended the product portfolio of the Wirecard Group to include the new *Wirecard Internet* payment service.





The Annual Financial Statements

The balance sheet of Wirecard AG.



Consolidated Management Report

1. Business and underlying conditions

1.1 Business activities and products

In its eight-year corporate history, Wirecard AG has developed into one of the leading international providers of electronic payments, risk management services and communication solutions. The Group has a workforce of around 400 employees at four key locations and has a portfolio of more than 7,000 customers in its care.

We facilitate worldwide acceptance of electronic payments for our customers, support them in establishing a professional risk and receivables management system and provide them with solutions for efficient processing of consumer inquiries within the scope of our call center services.

Via our software platform, we offer our customers access to more than 85 international payment and risk management systems. This makes it possible to centralize payment flows globally across all distribution channels – from the Internet to stationary, brick & mortar merchant outlets. In the process, we support our customers in making business processes more efficient and transparent along the financial supply chain (FSC). The full automation via our platform enables our customers to maximize the scale of individual transactions and to minimize the currency risks involved along with administration and settlement charges.

Wirecard Bank AG augments the portfolio of products and services of the Group as a whole.

Since Wirecard Bank AG began trading early in March 2006, business in banking services has been profitable, recording a sustained level of growth. In the course of the remaining fiscal year, we benefited from the synergy and cross-selling effects between the Wirecard Bank and the other business divisions of the Company.

New products and solutions centering around “virtual” credit cards reflect the high innovative power of the Wirecard Group and the opportunities in store for a symbiosis between a technology enterprise and a bank.

The new Internet payment service

With the new Internet payment service introduced in November 2006 under the *Wirecard* brand, we are intensifying our commitment in the consumer market following the successful market launch of the Visa Life Card in the spring of 2006.

Wirecard comprises a non-borrowing account coupled with a “virtual” MasterCard. Unlike classical credit card products, the consumer receives no physical card but merely the card data necessary in order to make purchases via the Internet or call centers. *Wirecard* is the ideal solution for secure, convenient shopping on the Internet: simply register online, deposit funds and make payments to millions of merchants on the Internet or send money to friends and acquaintances worldwide.

Whereas Internet payment services generally used to be tied to a limited number of merchants in the past, *Wirecard* enables consumers to pay at any particular MasterCard acceptance outlet.

Secure payments on the Internet were one of the central tasks in developing *Wirecard* from the outset. By using M-TANs (mobile transaction numbers) – unique clearance codes sent by SMS to the mobile phone of the account holder – and the fact that *Wirecard* is a pre-paid solution, it provides the absolute maximum in security for consumers.

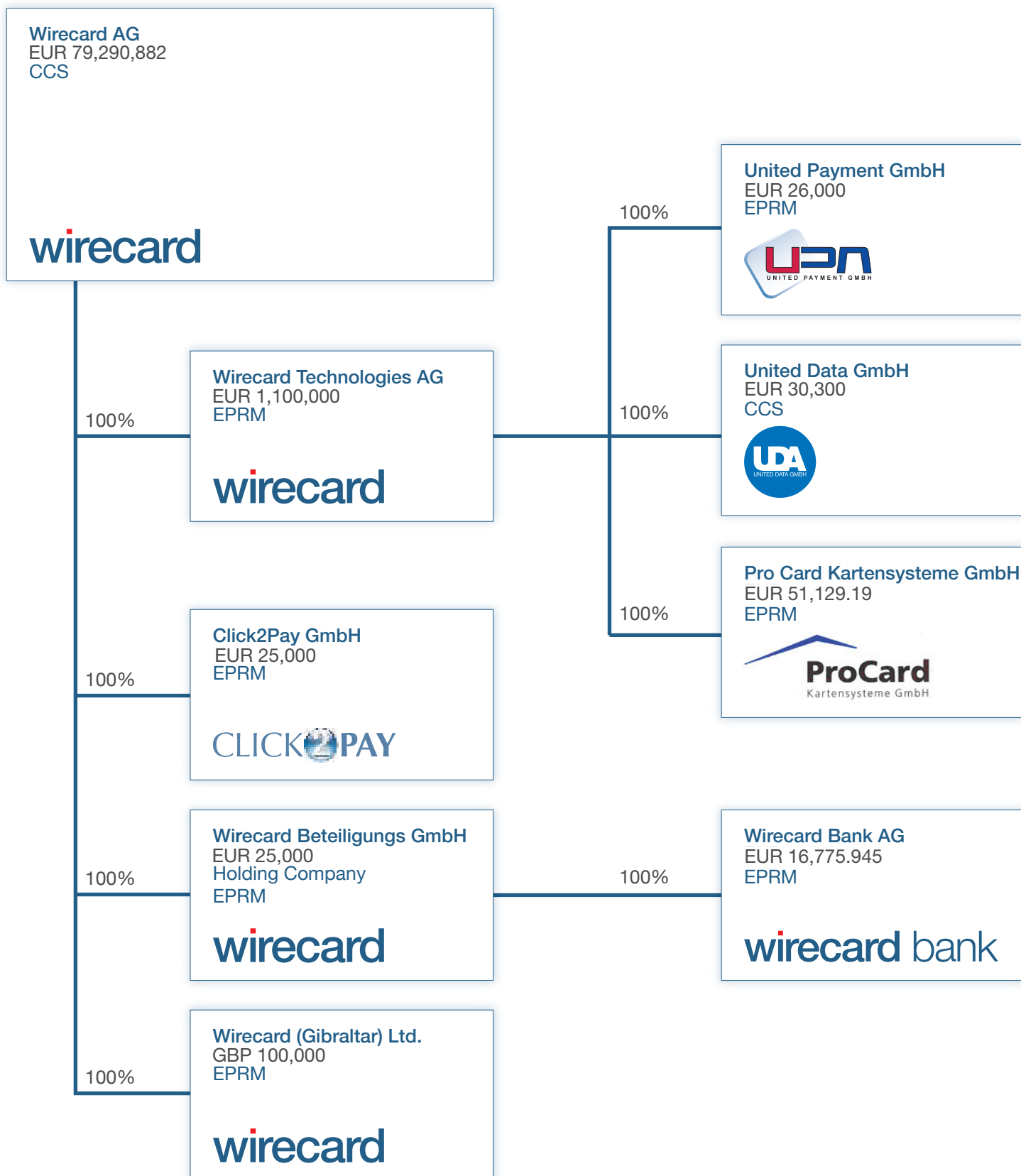
Virtual credit cards for corporate customers

In addition to the importance for our consumer business, virtual credit cards within the scope of our *Supplier and Commission Payments* (SCP) product also represent a considerable enrichment of our portfolio of services to corporate clients.

Overview of fiscal 2006

Business activities of the Wirecard Group are focused on the highly heterogeneous and diversified core markets of Europe and Asia. In these regions, enterprises are faced with a large number of the most varied problems regarding acceptance of payments, fraud prevention and credit rating analyses as well as multilingual customer relationship management services.

- ▶ By acquiring a highly diversified customer portfolio in the fourth quarter of 2006, we extended our customer base. The portfolio primarily comprises Internet merchants operating in Europe in such fields as mail-order, media and telecommunications services.
- ▶ By means of cooperative ventures, e.g. with JCB – one of the leading Japanese credit card companies – we take account of the local requirements of our target markets and secure direct access to national markets for our organization.
- ▶ Apart from the increasing internationalization of our business activities, in particular the fast growth of electronic trading on the Internet represents a key driver of our business development. In Germany alone, Internet merchandise sales reached 10 billion euros in sales revenues last year, an increase of 35 per cent in relation to 2005 (Federal Association of German Mail-Order Houses – *Bundesverband des deutschen Versandhandels*).
- ▶ The global trend in the direction of increasingly networked and dynamic sales, component supplier and partner structures is compelling enterprises to restructure their existing financial processes and creates a positive market environment for our products and solutions.
- ▶ The reorganization of business models to facilitate on-demand, real-time processes is accelerating the consolidation of a heterogeneous infrastructure and processes.
- ▶ The favorable mix of a cutting-edge technology lead and the facilities of a bank which is part of the Group has secured an outstanding position for our enterprise in international competition. Thanks to the close technical integration of our many and various fields of activity, we offer our customers a large number of innovative and frequently unique products and services.



- ▶ Since the beginning of 2006, our competitive environment has witnessed an increasing consolidation. In global competition, only a few innovative and financially sound enterprises are in a position to meet the highly specialized, technological and qualitative requirements of customers on a sustained basis.

1.2. Group structure and organization

Our corporate structure is divided up into various subsidiaries (see chart). The parent company, Wirecard AG, is headquartered in Berlin, Germany. In parallel, Munich/Grasbrunn, Germany (among other things, the registered head office of Wirecard Technologies AG); Gibraltar, headquarters of Wirecard (Gibraltar) and Leipzig, Germany, head office of United Data GmbH, are among the key locations of the Wirecard Group.

Wirecard Technologies AG and Wirecard (Gibraltar) develop and operate the software platform that represents the central element of our portfolio of products and services and of our internal business processes.

Wirecard Bank AG was consolidated as part of the Group of companies for the first time as at January 1, 2006 and took up its operating business as at March 1, 2006.

Click2Pay GmbH, using the alternative Internet payment system of the same name, CLICK2PAY, generates sales revenues particularly in the market for portals, digital media and online games.

United Payment GmbH and Pro Card GmbH, which was acquired in 2006, complement the range of services of Wirecard Technologies AG to include the sale and operation of Point-of-Sale (PoS) payment terminals. As a result, our customers are able to accept payments both in the field of Internet and mail-order services and electronic payments for their stationary, brick & mortar business via Wirecard.

The company cardSystems FZ-LCC focuses on sales of affiliate products along with associated value added services.

In Leipzig, United Data GmbH (UDA) maintains a stationary call center for relationship management of corporate and private customers. Availability round the clock, multilingual services and extensive experience in the fields of payment processing, complaint management and fraud prevention represent key competitive advantages. Together with the virtual call center structure operated from our Berlin location, relationship management services for corporate and private customers of the Wirecard Group and other companies are handled via the communication media of telephony, fax, e-mail and IRC (Internet relay chat).

1.3. Segments of reporting

The business activities of Wirecard AG are structured into the two reporting segments of «Electronic Payment / Risk Management» (EPRM) as well as «Call center / Communication Services» (CCS).

Electronic Payment / Risk Management (EPRM)

The EPRM reporting segment comprises all products and services dealing with acceptance and downstream processing of electronic payment transactions, fraud prevention and risk management as well as the issuance of credit cards.

The reporting segment is dominated to a decisive degree by the business activities of Wirecard (Gibraltar), Wirecard Technologies AG and Wirecard Bank AG. Sales revenues of Click2Pay GmbH, United Payment GmbH (UPA) and cardSystems FZ llc are also part of the EPRM segment. The remaining foreign branches are primarily maintained for local sales and localization of the products and services of the Group as a whole.

Call Center & Communication Services (CCS)

The CCS reporting segment comprises all products and services dealing with call center supported relationship management of corporate and private customers. In addition to its primary function to support the organization's core business within the scope of the EPRM segment, this reporting segment also includes a substantial independent customer portfolio.

1.4. Board of Management and Supervisory Board

The Board of Management of Wirecard AG consists of three members. In the period under review, the composition of the Board of Management of Wirecard AG was as follows:

- ▶ Dr. Markus Braun, CEO, Chief Technology Officer
- ▶ Burkhard Ley, CFO, Chief Financial Officer
- ▶ Rüdiger Trautmann, COO, Chief Sales Officer

In the period under review, the composition of the Supervisory Board of Wirecard AG was as follows:

- ▶ Klaus Rehnig, Chairman
- ▶ Alfons Henseler, Deputy Chairman
- ▶ Paul Bauer-Schlichtegroll

There were no changes to the membership of the Supervisory Board during the period under review. The Supervisory Board was re-elected at the Annual General Meeting in Munich on May 30, 2006.

The remuneration system of the Board of Management and Supervisory Board consists of fixed and variable components. Further particulars in this regard are documented in the Notes to the Consolidated Annual Financial Statements.

1.5. Change of control clauses

Following an adjustment to their service agreements of December 27, 2006, the members of the Board of Management waived their entitlement to the annual bonus for fiscal 2006 and subsequent years as well as additional grants of stock options allocated under a future employee participation program of the Company. In return, the individual members of the Board of Management received an assurance that, in the event of a change of control of the Company, they would receive a royalty totaling (for all Board of Management members together) 1.2 per cent of the enterprise value of the Company. Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to §§ 21,22 WpHG (German Securities Trading Act) is or should have been received by the Company to the effect that 30 per cent or more of the Company's voting rights as contemplated by §§ 21,22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or a body of persons. In the event of such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a royalty shall apply only if the change of control is effected on the basis of an offer to all shareholders of the Company, or if such change of control is followed by an offer to all shareholders. The enterprise value of the Company is defined as the offer in euros per share of the Company, multiplied by the total number of all shares issued at the time of publication of the offer. The royalty shall only be payable if the enterprise value determined in the process reaches at least 500 million euros; an enterprise value in excess of 2 billion euros shall not be taken into account in calculating the royalty. Royalties are payable in three equal installments.

The Board of Management and Supervisory Board have adopted a resolution to the effect that employees of Wirecard AG and of subsidiaries may be awarded a royalty on the same terms and conditions as for the Board of Management. To this end, a total of 0.8 per cent of the Company's enterprise value shall be made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must have been in the Company's services for at least one year and still be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

1.6 Employees

Our highly dedicated and qualified workforce, which we support with individual advanced training measures, is an invaluable factor responsible for the entrepreneurial success of Wirecard AG. The hierarchy levels are kept as flat as possible in order to guarantee speedy coordination processes and flexible decision-making capabilities. Inter-disciplinary project teams from various fields of specialization ensure speedy implementation of complex tasks required.

The number of permanent employees was up by 38 compared with the previous year.

Since 2005, an employee participation program in the form of convertible bonds has been in place for first and second-tier employees, which was almost completely exploited by the end of the period under review.

2. Corporate governance, objectives and strategy

The internal corporate control system in place in the Wirecard Group supports the achievement of the various corporate objectives by continually tracking defined key performance indicators. This system is based on independent controlling models per business segment, consolidated into a holistic analysis at Group level. The individual performance indicators, together with the financial results, provide a rolling forecast of future business trends.

Central key indicators of corporate governance are predominantly quantitative in nature, such as transaction or customer numbers or sales revenue and minute volumes, as well as additional indicators such as the profitability of customer accounts. The primary focus in this regard typically is on EBIT, the EBIT margin, net earnings and relevant balance-sheet relationships and ratios.

A central element of control is the continual reconciliation of key figures with long-term business planning and budgeting. This enables trends in terms of business development to be recognized on a timely basis, and counter-measures to already be adopted in the early stage of any planning or budget deviation. As was the case on several occasions in the period under review with regard to EBIT growth, this simultaneously provides an opportunity to continually adjust the outlook for future business development in conformity with current results from time to time.

As part of a Group-wide reporting system, the Board of Management and Divisional Heads are constantly briefed on the development of key performance indicators.

In the dynamic market environment of Wirecard AG, the internal control system represents an essential basis for sustained, long-term business development.

2.1 Financial targets

For 2007, EBIT is expected to grow by more than 50 per cent. This results from the discernible volume of new customer business as well as the positive trend in portfolio customer operations.

2.2 Non-financial targets

In a market environment that is increasingly being consolidated, Wirecard AG is working toward extending its leading position on the European market and bringing about a sustained increase of its business development in the international arena. In launching Wirecard (Gibraltar) Ltd., Wirecard occupied a strategic location as early as 2005.

The preconditions for long-term competitiveness of the Company are a constant extension of its spectrum of products and services, further efficiency enhancements of internal business processes, the best possible use of available synergies between individual Group member companies and external partners, as well as the need to develop additional growth segments and markets. In parallel, our endeavors are to achieve a further extension and intensification of existing business relations with corporate and private customers.

2.3 Corporate strategy

Fiscal 2006 was shaped by two essential strategic developments that have had a sustained impact on the positioning and image of Wirecard AG:

- ▶ Due to the integration of Wirecard Bank AG into the Group of companies, the foundations were laid for future innovative product development, greater value added and a broader positioning of the Group. Since the integration of the Wirecard Bank AG, we have been able to offer our corporate customers, from SMEs to large-scale conglomerates, the complete value added chain in the field of acquiring and issuing, augmented by additional merchant-related services.
- ▶ The second key strategic development was the creation of a service portfolio for consumers. The primary focus in this regard was on developing credit card and account products. For instance, in November 2006, under the *Wirecard* label, we launched a new, secure Internet payment service which is available worldwide and accepted by millions of merchants.

A central element of our strategy is the extensive use of over-arching synergies between the individual products, market and business divisions of our Group of companies. A successful example of this is our entry into the market for automated remuneration of component suppliers and sales partners within the scope of our Supplier and Commission Payments product. It was only thanks to a combination of innovative technology, the new potential opened up by the Wirecard Bank and existing payment solutions that it was possible for a completely new field of business to be opened up in an extremely short period of time.

From a strategic perspective, key events in fiscal 2006 can be summarized as paving the way for positioning the company and organizing and designing its portfolio of products and services. Our future development is based on these foundations and will continue to earn its laurels through continual investments in extending our product and service portfolio, our technical infrastructure and our marketing and sales activities.

The further reinforcement of our partner business, the consistent expansion of our activities outside Europe and the consolidation of our central market position are among the essential strategic objectives for fiscal 2007.

3. Research and Development

3.1 Orientation of our research and development activities

The basis for developing the product and service spectrum of the Wirecard Group, in addition to immediate customer requirements, primarily is the close cooperation with market research units such as the ibi research GmbH, as well as an internal innovation development and management process within the scope of the overall strategy of the enterprise as such.

Efforts in the 2006 financial year essentially focused on optimizing the bank infrastructure created in the previous year, developing a forward-looking technology framework in strict compliance with banking software requirements, and introducing innovative products on that underlying platform. The further development of the existing range of products and services was consistently continued in the period under review.

3.2 Capital expenditure on research and development

In the period under review, total expenditure on research and development amounted to approx. 5 million euros. This cost is included in the personnel expenditure of the relevant departments (Development, Quality Assurance, etc.), in the advisory costs as well as in intangible assets. In addition, software programming worth 2.5 million euros was outsourced, for which payment has already been rendered.

3.3 Employees in Research and Development

Personnel capacities in the fields of Product Management, Development, Quality Assurance and Infrastructure/ Operations comprised 66 persons at the end of the reporting period. This represents a 65 per cent increase year-on-year.

Thanks to a policy of proactive HR activities, profit participation, advanced training facilities and an attractive working environment, the Company is protecting itself from loss of top performers, securing high staff qualifications and ensuring its ability to duly take account of future technical development needs.

3.4 Results of research and development

In fiscal 2006, the banking infrastructure created in the previous year was further optimized and the existing close technical integration of the various business divisions extended.

In parallel, the range of services under the Wirecard software platform was enlarged, e.g. by integrating 15 additional payment service and risk management partners. In developing the Wirecard Enterprise Portal (WEP), we now offer our customers and employees a new and substantially more efficient Internet-based administration and reporting user interface.

By introducing a new technology framework, Wirecard is now relying entirely on a new generation of favorably priced, modular and standardized technologies. These help to shorten product development cycles on a sustained basis and simultaneously take care of the considerably higher formal requirements relating to development and operational processes as a result of the Wirecard Bank's integration into the Wirecard Group.

Based on the new technology framework, it was possible for the various products of the Wirecard Bank AG in the field of virtual credit cards to be realized, including the new *Wirecard* Internet payment service.

In the first half of 2006, in addition to a transformation of technical paradigms there was also a change in development, quality assurance and operational processes. The objective was to arrange for all processes to be geared to a development organization spread across several locations within the scope of outsourcing projects and to do justice to the formal requirements in developing and operating banking software and infrastructure solutions.

4. General economic conditions and business trends

The general economic conditions saw a positive development in fiscal 2006. Whereas global economic growth in 2005 was still in the region of 4.3 per cent, in 2006, at 4.0 per cent, substantial growth was achieved in spite of high fuel prices, interest rates and a tense political security situation, particularly in the Middle East.

In Asia, a market of strategic importance to Wirecard AG, China and Japan managed to record significant economic growth rates of 10.7 per cent and 2.2 per cent, respectively. The central issue for growth of the global economy as a whole, however, was the marked economic upturn in western Europe. Thanks to the positive development of Spain, the Netherlands as well as Italy and France, an unexpectedly robust growth rate of 2.7 per cent was recorded in the euro zone. The German economy likewise managed to report substantial growth of 2.7 per cent for the first time in years.

The growth of the Internet continues to gain additional momentum. According to Internet World Stats, more than a billion people were online at the end of 2006. Europe, with a population of 313 million, accounts for approx. 38.6 per cent of worldwide Internet users. The leading Internet nations are the U.S. (210 million users), China (132 million), Japan (86 million), Germany (51 million), India (40 million) and the United Kingdom (37 million).

According to estimates by Forrester Research "Europe's eCommerce Forecast 2006 to 2011 by 2011", the volume of e-Commerce in western Europe is to rise by about 20 per cent each year. Sales of physical goods, including online auctions, are to rise from 102 billion to 263 billion euros in the same period.

According to a current eMarketer Report (Feb. 2007), business-to-business sales in the APAC (Asia Pacific) region, amongst others China, India, Japan and South Korea, are to rise from 51 billion US dollars in 2006 to 115 billion US dollars in 2010. In China alone, sales are expected to grow from 2.5 billion to 18 billion US dollars from 2006 through 2010. For Japan, an average annual increase of approx. 17 per cent is anticipated in the period indicated above.

What consumers are buying on the Internet

Not every Internet user necessarily also shops on the Internet. In Germany, according to the Federal Statistical Office the share of Internet users who regularly spend money online is in the region of 34 per cent. A study conducted by InSites Consulting shows that on average, European Internet users shop on the Internet seven to eight times a year. The most active Internet users are people from France, England and Germany, with one monthly online purchase of goods or services. The products bought are largely similar across the globe. The top 3 are books, DVDs and computer games. However, the European Interactive Advertising Association (EIAA) has come to the conclusion in Europe that – ahead of books – travel tickets are the most popular online shopping products.

E-Procurement – business between companies

The industry association BITKOM (data on the information society, February 2006) has forecast an increase in Internet sales in Germany from 321 billion euros in 2005 to approx. 700 billion euros in 2009. Of the 321 billion euros in sales generated in 2005, 10 per cent comprised business-to-consumer transactions. By 2009, these are to increase to a portion of 16 per cent, while the relative share of business-to-business trading revenues, i.e. payments between companies, will decline.

The underlying conditions referred to above represented a solid basis for growth of the Company's core business in the period under review. Increased consumer spending and the positive development of the economy as a whole had an additional positive impact on the course of our business activities.

4.1 Industry-specific underlying conditions

The market for software and related services benefited on a sustained basis from the overall economic trend. For instance, the European software market recorded a growth rate of 6.3 per cent in 2006 - slightly more than the German software market, which expanded by 5.5 per cent, to reach 17 billion euros.

The transformation of numerous companies in the direction of on-demand, real-time business models is accelerating the renewal of existing IT systems and is making a decisive contribution to the fact that the market for software technology relevant in the commercial field will see a three-digit per centage growth rate worldwide by 2010, to 38 billion euros.

The business process outsourcing trend is continuing as it enables companies to automate their business processes and cut costs. According to a KPMG study published in February 2007, 98 per cent of the enterprises surveyed indicated that they planned to continue their existing outsourcing agreements or award new contracts. The Gartner Group estimates the German outsourcing market for 2006 to have a volume of 12.1 billion euros. For the period until 2010, the volume is forecast to expand to 18.3 billion euros in Germany alone. Throughout the world, a BPO order volume of approx. 172 billion US dollars is anticipated for 2009.

The focus by Wirecard AG on the essential growth drivers of Internet trading, dispatch of physical goods, hotel and flight reservations as well as innovative digital business models is beneficial to our positive business trend overall.

4.2 Overview of business trends by industry segments

Breakdown of industries targeted by Wirecard AG:

- ▶ Consumer goods
- ▶ Digital goods
- ▶ Tourism

The highest level of growth was recorded in the mail-order trade and tourism in 2006.

Tourism

The increasing share of the overall travel market accounted for by online reservations boosted the transaction volume of our portfolio customers considerably in the reporting year. At the same time, we managed to acquire numerous new customers, including Gulf Air (which had opted for complete handling of all its sales channels) and the WORLDHOTELS Group. Cooperative ventures, e.g. with Trust-Wizcom or Ypsilon.net AG, help to accelerate the acquisition and integration of new clients. Trust-Wizcom meanwhile belongs to the Travelport Group, one of the largest providers of tourism solutions worldwide, e.g. the reservation system Galileo (GDS).

Consumer goods

Growth of our customers in the mail-order trade business also made a marked contribution to our encouraging results in the year under review. Sales transactions of numerous new clients, especially a large number of SMEs, had a sustained impact on our business development. For instance, we managed to acquire Konami Digital Entertainment GmbH as a new customer. The KonamiStyle Shop is on offer in a total of ten European countries. Additional new customers include Koch Media Deutschland GmbH, engaged for the one part in accepting business-to-business payments in its merchant sector and, for another, in processing consumer payments via us in its online shop Softunity.de.

Apart from providers of such classical merchandise as books or software, our new customers also include providers from the most varied fields of commerce, such as pharmaceuticals, cosmetics, jewelry, clothing or congress organizers and ticket sales.

Digital goods

This sector comprises all digital business models, including media portals, vendors of console, PC and online games, telecommunications services as well as the interactive entertainment industry and sport bets. Our alternative payment system CLICK2PAY offers all the required functionalities for successful billing relating to digital business models, such as payment guarantees, subscription administration and standardized risk management services.

We also succeeded in acquiring many new customers for payment processing via Wirecard in this field, including the community platform Neu.de and the online game vendor Gameforge. At Load.Com.Ph in the Philippines, one of the most successful Asian sales and charging platforms for regional pre-paid cards and a subsidiary of the Telecom Concepts Group, the CLICK2PAY payment solution has been deployed since October 2006. The decision in favor of CLICK2PAY confirms our good position in the Asian market and our strategy of comprehensive localization of this alternative payment system.

The Call Center / Communication Services Division

In the year under review, the Wirecard Communications segment was transformed from a call center operator into a fully-fledged service center. All processes and procedures are integrated into a single solution and thus supply the basis for change from a technology to a service-oriented form of information and communication processing system. In order to manage the hybrid structure and the link to the stationary call center in Leipzig, new intelligent routing solutions were developed.

The level of cooperation between the virtual call center with the stationary call center in Leipzig was constantly extended and optimized in 2006. The portfolio customers, comprising renowned software producers, makers of PC and console games as well as publishing houses, partly utilized new services; one of these was the long-standing customer MAP&GUIDE. In the fourth quarter, a new project was realized for products of Lexware, a software solution of the Haufe publishing group. An extensive recruiting and training phase, including employment of additional permanent employees in the stationary Leipzig call center, was successfully concluded. To help cope with peak periods, the virtual call center structure can now be added at any time in technical terms.

4.3 Development of the Company's share price and course of business

Wirecard AG stock showed a highly positive trend in 2006, reaching second place among all TecDAX companies with a price increase of 160 per cent.

The positive course of business in the period under review and the encouraging trend of our stock price confirm the correctness of our strategic orientation and our strong position in comparison with our competitors.

By integrating the Wirecard Bank AG into the group of companies and successfully introducing new, innovative products, not only did we extend our value added depth and acquire new customers in 2006 – we also created a solid basis for our future growth.

Whereas our growth forecast at the beginning of the year had still amounted to EBIT growth of 30 per cent over the year as a whole, we managed to increase our original guidance three-fold in the course of the year, thanks to the good business trend.

5. Earnings, financial and asset position

5.1 Earnings position

In the year under review, Wirecard AG profited from the brisk level of demand for its solutions and products, both in terms of sales revenues and earnings. We succeeded in boosting both sales and our profit in each quarter.

Earnings trend

The extraordinarily positive results of the previous year, with an increase in operating profit before interest and taxes (EBIT) by 62 per cent, was exceeded once again in the year under review by 90 per cent. In the Group, Wirecard AG generated EUR 18.6 million in EBIT and improved its EBIT margin to 23 per cent (previous year: 19 per cent). Several factors were responsible for this enormous increase: favorable underlying conditions, an improved product portfolio, new customer acquisitions and the sustained scalability of the business model.

Net income and earnings per share

Thanks to the internationalization of the business, in the year under review a tax quota (including the impacts from deferred taxes) of 17.2 per cent was achieved.

Earnings after taxes (previous year: TEUR 8,003) were up by 92.9 per cent, to reach TEUR 15,438.

The number of shares issued rose to 79,290,882 in the course of the year until December 31, 2006. The number of shares listed in the commercial register amounted to 79,195,180 as at the balance sheet date. The difference results from the issue of 95,702 shares under the Employee Participation Program in the fourth quarter, which had not been registered as yet by the balance-sheet date.

Diluted and basic earnings per share amounted to EUR 0.20 compared with EUR 0.13 in the previous year, taking the capital increase arising from company funds into account.

Development of Sales

Group sales revenues rose from TEUR 48,921 to TEUR 81,940. Based on our pro-forma result of TEUR 54,304 for fiscal 2005, this is equivalent to an increase of 51 per cent. This markedly positive trend was primarily underpinned by our core segment, EPRM.

Sales revenues in the EPRM segment were up by 84 per cent, from TEUR 46,535 to TEUR 85,779, and predominantly relate to revenues derived from the core business of the Wirecard payment platform in the year under review.

In the CCS segment, at TEUR 6,795 an increase of 19 per cent was achieved compared with the previous year (TEUR 5,710).

Sales in Germany rose from TEUR 45,809 to reach TEUR 63,675. In Europe, sales revenues improved from TEUR 6,272 to TEUR 28,594. The share of sales to foreign countries outside Europe amounted to TEUR 305 in 2006 (previous year: TEUR 164).

Development of key income statement line items

Personnel expenditure, at TEUR 12,496, was up by 50 per cent from the previous year (TEUR 8,318). The main reason for this was the decision to reinforce the teams particularly in the fields of Sales and Development. In preparation for the start of the Wirecard Bank's operations, personnel was recruited for the required banking departments.

The level of depreciation/amortization in the Group also remained low in the fiscal year under review. Due to the investments made in 2006 in connection with the integration of the Wirecard Bank AG and the newly created products, expenditure rose from TEUR 772 to TEUR 1,097.

Other operating expenses comprise third-party services, cost of premises, valuation adjustments to receivables, as well as administrative, sales and travel expenses. The development and implementation of the new corporate identity and spending on sales activities resulted in an increase year-on-year. In total, this item amounts to TEUR 11,133 (previous year: TEUR 6,426), accounting for 13.6 per cent (previous year: 13.14 per cent) of sales revenues.

In the period under review, the financial result totaled TEUR 79 (previous year: - TEUR 818).

5.2 Financial position

Principles and objectives of finance management

The key objective of finance management is to achieve a constant liquidity hedge and to control financial flows.

The hedging of currency risks is monitored by the Treasury Dept. Following individual audits, risks are restricted by additional deployment of derivative financial instruments. In fiscal 2006, forward exchange transactions were deployed as financial derivatives to hedge sales revenues in foreign currencies (cf. Chapter 7 Risk Management System in connection with financial instruments)

Financing analysis

The financing structure of Wirecard AG changed in comparison with the previous year. The equity capital ratio, at 52.2 per cent of total assets, declined in relation to the previous year (70.4 per cent).

The increase in borrowed funding was the result of the purchase of a diversified customer portfolio in the final quarter, which was partly financed by external capital.

Trade payables essentially relate to debts owed to merchants and may be subject to substantial fluctuations due to reference-date related effects. These funds are partly due and payable at short notice; some relate to security deposits (holdbacks) on the part of merchants.

Investment analysis

Investment decisions in the Wirecard Group are in principle made and reviewed on the basis of capital deployment, the availability and hedging of the cash flow, a potential risk that may exist and the type of financing involved (purchase or leasing). Depending on the type and size of the investment, the chronological course of investment return flows is taken into account extensively.

The following key investments were made in 2006:

- ▶ purchase of a diversified customer portfolio (18 million euros)
- ▶ acquisition of software (2.5 million euros in connection with the extension of Consumer Services)
- ▶ Software development (2.6 million euros)

Liquidity analysis

Within the consolidated Group, financial resources are subjected to planning on a timely basis and made available by Treasury Management (responsible for the Group as a whole) to corporate units in need of liquidity in order to avoid borrowing external funds and paying interest on such loans.

The positive development of the operating business and the integration of the bank led to a pronounced increase in liquidity in the course of the year.

It was possible to raise the volume of cash and cash equivalents from TEUR 35,587 to TEUR 59,537. Cash in hand at the Wirecard Bank AG as at December 31, 2006 amounted to TEUR 34,797. Liabilities to banks on the part of the Group came to TEUR 10,917.

Ratio of current assets to current liabilities:

12/31/2006	Current assets	TEUR 116,741	= 1.28
	Current liabilities	TEUR 91,284	

12/31/2005	Current assets	TEUR 60,131	= 1.70
	Current liabilities	TEUR 35,393	

Costs of third-party capital

In order to achieve an optimized financing structure in the Company, the acquisition of a diversified customer portfolio was financed by means of a loan taken out at a favorable interest rate.

5.3 Asset position

In addition to the assets reported in the balance sheet, there is also a substantial volume of unreported intangible assets, such as software components, customer relationships, human and supplier capital, etc.

It is corporate policy to value long-lived assets conservatively and to capitalize them only if this is required in terms of international accounting standards.

Explanatory notes on corporate acquisitions

For the purchase of Wirecard Bank AG (formerly: XCOM Bank AG) effective January 1, 2006, acquisition costs of TEUR 5,050 were incurred in 2006.

The acquisition agreed on October 5, 2006 of a diversified customer portfolio with a customer base of largely pan-European Internet providers in such fields as eCommerce, the media and telecommunications resulted in a total amount of 18 million euros falling due for payment in the period under review. The purchase price comprised 11 million euros in cash and 1.3 million shares, for which a capital increase was effected using authorized capital. The variable component of up to 17 million euros will be paid in the form of a debtor warrant, depending on achievement of the appropriate EBIT targets.

6. Subsequent report

Disclosures pursuant to §26 1 of the German Securities Trading Act - WpHG

- ▶ On February 23, 2007, the share of voting rights held by Vauban Fund SICAV, Luxembourg, exceeded the thresholds of 3 and 5 per cent, respectively, and now stands at 5.0046 per cent.
- ▶ On February 23, 2007, the share of voting rights held by Fidelity International Limited, Bermuda, fell below the threshold of 3 per cent and now amounts to 2.88 per cent.

On the occasion of the announcement of the preliminary sales and earnings figures on January 29, 2007, the Management Board forecast an EBIT increase by more than 50 per cent for fiscal 2007.

On February 14, 2007, the product launch for the physical MasterCard in connection with the *Wirecard* payment system was announced for March 2007.

Since mid-February 2007, the bank has been able to issue ec/Maestro cards. This will enable it to reorient its business and sales structure independently with a considerably changed product mix of account-prepaid cards and ec/Maestro cards.

7. Risk report

The following section explains the risk and opportunity management systems of the Wirecard Group and the various individual risks the Company faces.

7.1 Risk and opportunity management system

The positive business trend of the Wirecard Group for many years essentially is due to a business strategy that assigns particular importance to a balanced ratio of opportunities and risks.

In a dynamic and constantly changing market environment, the company faces the challenge of being able to identify imminent changes and market trends at an early stage and to evaluate and document them, leading to appropriate measures being adopted in accordance with overall strategy.

By means of a professional opportunity and risk management system that is firmly entrenched in daily work routines and procedures, the innovative power and, therefore, the long-term existence of the enterprise is secured and any adverse trends are identified on a timely basis in order for appropriate countermeasures can be taken to correct them.

The Wirecard Group has complied with the duty to establish a suitable early risk detection system by ensuring that suitable risk management and monitoring instruments are in place for all strategic and operational management functions. Apart from operating risks, these also record financial, economic and market-related risks and therefore provide a holistic view of the risk structure of the enterprise.

Close cooperation with customers and partners in product development and proactive market research in cooperation with research institutes of note represent central elements of the opportunity and risk management in place in the Wirecard Group. This enables market trends to be identified immediately as they arise, and the Company's business activities to be adjusted accordingly.

Within the scope of a formalized risk reporting system, the Wirecard Group has standardized risk measurement values at its disposal, which always enable the Management Board to have a current view of the overall risk situation of the Company. Guidelines on business procedures govern internal processes and define a formal framework of action for dealing with potential risks and opportunities. Regular audits ensure the functionality and reliability of opportunity and risk management as well as the relevant reporting.

The corporate auditing department verifies compliance with statutory regulations and internal corporate guidelines within the scope of targeted checks and initiates appropriate corrective measures where necessary.

7.2 Risk management system with reference to financial instruments

Any anticipated holdings of foreign currency are partly hedged by suitable forward exchange transactions. No forward exchange operations are deployed with the intention of speculating on gains.

The risks of default arising from the acquiring business, consisting of potential reverse debits following insolvency or the inability of a merchant to deliver are very low since open receivables from our customers are covered by individual security retentions (reserve) which, due to close monitoring of the merchant business, are adjusted on a regular basis.

In the financing sector, interest lock-ins until final repayment on maturity ensure that there are no risks of interest rate fluctuations. In terms of investments, we benefit from a tendency in the direction of higher interest rates.

7.3 Additional risk management system

Apart from a risk management system relating to financial risks, the Wirecard Group also has standardized procedures in place throughout the Group for early identification, assessment and consistent handling of risks in all other operating units. This enables risk to be identified and assessed in terms of the probability of their occurrence and the extent of the potential loss or damage.

The valuation of the extent of damage is predominantly made in relation to the impact of an event of loss or damage on the business side of the Company, potential reputation losses on the market as well as potential regulatory and/or legal implications.

The reporting system on relevant risks is controlled by pre-defined threshold values. In addition to regular reporting, there also is a reporting obligation throughout the Group for the occurrence of unexpected risks.

7.4 Opportunity management system

Opportunity management in the Wirecard Group is essentially based on close cooperation with customers and partners, proactive market research as well as a continual internal auditing and evaluation process. This enables new market trends to be shaped or budding trends to be identified, evaluated and included in corporate strategy within the framework of a formalized decision-making process at an early stage. The valuation of opportunities is predominantly made in relation to the positive impact of an opportunity realized on the Company's business results, potential positive reputation effects on the market as well as potential regulatory and/or legal implications.

7.5 Corporate strategy risks

Owing to its primarily transaction-oriented business model, the financial success of the Wirecard Group is directly dependent on the business trends of its customers or generally dependent on the further development of electronic trade. Negative influences of both factors could be caused by the general economic situation, limited availability of technical infrastructure (e.g. the Internet) or changes in consumer behavior (e.g. on account of security-related reservations). While a strong diversification of the customer portfolio in terms of services rendered, geographical markets and industries results in effective compensation for temporary fluctuations in the individual customer segments, the Company remains reliant in principle on the global consumption situation.

The dual orientation of the portfolio of services and products of the Wirecard Group initiated with the introduction of consumer products in the period under review has certain implicit risks as far as the perception of the "Wirecard" brand is concerned. The marketing concept of the Company takes account of this state of flux by means of targeted, market-specific messages and thus facilitates a differentiated form of brand perception. At the same time, the consumer-related marketing activities are increasing the general recognition level of the "Wirecard" brand and are thus having an indirect positive effect on the corporate customer segment. Due to continual brand analyses and customer surveys accompanying advertising measures, the external perception of the "Wirecard" brand is constantly verified, making it possible to adopt corrective measures in the short term.

The primary focus of sales activities on the acquisition of large and medium-scale customers calls for the establishment of a complex portfolio of products and services that is partly specialized in selected industry segments. While small customers only need a standardized spectrum of services with little complexity, the large-scale customer segment requires constant product innovation and, therefore, higher initial investments in the development of new products. By means of a dedicated approval process for product development, the market potential of a product is examined and a profit margin that is appropriate in light of corporate objectives is ensured in terms of sales pricing.

Apart from a fundamental dependency on business trends of its customers or the general development of electronic trading, due to the Wirecard Group's positioning as an application service provider (ASP), i.e. as an outsourcing service provider, there is the risk of a trend reversal in the direction of in-sourcing the development and/or operation of the IT infrastructure. The Company takes account of this risk by ensuring the fundamental possibility of a Wirecard software platform being installed at the customer's location.

Legal and regulatory risks

Wirecard AG offers its services to business and end-customers throughout the world. Country-specific and international legal underlying conditions and regulatory requirements exert an influence on our sales activities. Moreover, legal uncertainties in many a region may impair our possibilities of asserting our rights in litigation. Many industries in which we take care of our customers with financial services are heavily regulated. This includes the regulation of online pharmacies, the international mail-order trade, tourism, sport bets and online games of chance. To duly deal with these risks, Wirecard engages highly proficient local law firms for the respective fields of specialization in the target markets, and these law firms assist Wirecard in an advisory capacity during roll-out of new products and in day-to-day business processes. We perceive conformity with national and international underlying legal conditions as a key asset and assign special importance to compliance with all the relevant regulatory requirements.

For certain legal risks, we have taken out third-party liability insurance with cover sums considered appropriate and customary in our industry by the Group Management. We set up provisions for legal disputes whenever an obligation is likely to arise and an adequate assessment can be made of the amount involved. The provisions set up for legal disputes can turn out to be inadequate to cover the ultimately resulting losses or expenses.

Personnel risks

The position of the Wirecard Group as a key innovator and technology leader in the market for electronic payment processing essentially depends on the ability to recruit and field a highly motivated, top-performing workforce, and to promote employees and increase their loyalty to the Company. Thanks to a proactive HR policy, profit participation, advanced training facilities and an attractive working environment, the Company protects itself from loss of top performers and therefore once again reported a low level of staff fluctuation in the period under review.

Information technology related risks

Information technology represents a central element of the Wirecard Group's business activities and has a decisive influence on the financial success of the enterprise.

Customers and partners expect Wirecard to deliver the absolute maximum in technical flexibility, availability and speed. If the information technology infrastructure of the Company is not sufficient to meet the requirements in each case, there is the risk of an adverse impact on the immediate financial development and on the Company's reputation. The available technical systems and procedures need to be in compliance with the formal requirements of the legislature and those of responsible supervisory bodies and organizations.

The Wirecard Group takes the information technology related risks into account by ensuring that a flexibly scalable hardware and software infrastructure is in place, with high availability levels. The constant optimization of development and quality assurance processes secures compliance with regulatory parameters and the highest possibly quality standards in production and operations.

Financial risks

Due to the highly diversified customer structure of the Wirecard Group, there are no substantial cluster risks.

Risks of a fundamental nature do exist in the following fields of activity, however:

- ▶ Risk of default, i.e. cases where our business partners fail to meet their contractually agreed payment obligations.
- ▶ The country risk, i.e. the risk of a loss arising in some other country for one of the following reasons: Deterioration in general economic conditions, political and social unrest, cases of nationalization and confiscation, non-recognition of foreign debts by the state, exchange control regulations and devaluation or depreciation of local currency. The country risk includes the transfer risk that arises if debtors are unable, due to direct state intervention, to transfer assets to non-residents in order to meet their obligations that have become due and payable.
- ▶ The settlement risk refers to the risk of failure of settlement or netting of transactions. A settlement risk always arises when liquid funds, securities and/or other assets cannot be exchanged at the same time.
- ▶ Exchange rate risks of receivables outstanding in foreign currencies.

There is a fundamental reputation risk associated with the danger that public reporting may result in a transaction, a business associate or a business practice in which a customer participates having a negative impact on public trust in Wirecard AG.

Overall statement on the Group's risk situation

On the whole, from today's perspective there are no risks that might endanger the further development or continued existence of the Wirecard Group as a going concern. The Company uses a structured risk management system to take account of the risks associated with the markets and business operations.

8. Forecast report

8.1 General economic conditions in the following two fiscal years

According to forecasts by the economic research institutes as well as the Ifo Business Climate Index, the positive economic development is also expected to continue in Germany over the forthcoming two years. The ECB anticipates an inflation rate of approx. 2 per cent in the euro zone in the next two years.

Future global economic development will not only be shaped by trends prevailing in the U.S. and Europe, but increasingly also by the dynamism of Asian economies, especially China and India, and the eastern European states.

Future industry situation

In the next several years, Wirecard AG will also continue to profit from the increasingly widespread use of the Internet and the constant growth of electronic trading.

The growth forecasts for our central target markets, mail-order trading and tourism, expect constant linear market growth of 15 to 25 per cent p.a. Digital business models will benefit in particular from the growing number of users who are increasingly paying to download music and from the positive development of online games.

Tourism

In Germany, the tourism industry is the biggest sales driver on the Internet. This is the conclusion drawn in the "Web Tourism 2006" study published by the "*Web-Tourismus*" research institute. At 6.4 billion euros, tourism-based B2C online sales account for 24.5 per cent of total online revenues generated (26.3 billion euros).

The market research institute Phocuswright assumes that in 2007, the number of travel reservations made via the Internet in the U.S. will exceed those of stationary "brick & mortar" sales for the first time. This trend is primarily being determined by a general worldwide trend among service providers, e.g. airlines and travel organizers, to sell their products and services directly on the Internet at more favorable prices. In the summer of 2006, Phocuswright examined five leading target markets in Europe (including Great Britain and Germany) and made a forecast that by the end of 2008, some 40 per cent of all types of travel will be booked online.

Even though stationary travel agencies still remain the key sales market of tourism operators in Germany, the online travel portals are in the process of catching up. The trend in this regard is going particularly in the direction of individual packages, so-called module tours, which the traveler can compile himself from a range of airline, hotel and other services, e.g. hired cars.

Music downloads

The business with music from the Internet also continues to show continual growth in Germany. Last year, consumers purchased 26 million music titles on the Internet. Sales revenues rose to just under 50 million euros. For this year, the market research institute GfK Panel Services expects 60 million euros in sales of music downloads - on 33 million individual songs and albums downloaded in Germany. On the whole, the industry is moving in the direction of payment for digital music within the scope of flat-rate and subscription models.

Online games (Massive Multiplayer Online Role Games "MMOG")

A new study by Screen Digest has forecast that the western world surpassed the 1 billion US dollar sales barrier for online role games in 2006. This is attributable to a great extent to the enduring success of World of Warcraft (Blizzard), the leader with some 54 per cent market share, but also to a great many new games. In Europe, approx. 576 million US dollars in sales revenues were generated by these games made available on a subscription basis in 2006. In North America, sales exceeded half a billion US dollars. 87 per cent of the total MMOG market is based on subscription models. Screen Digest assumes that the MMOG market will comprise more than 10 million user subscriptions and generate some 1.5 billion US dollars in total sales by 2011. Europe is to catch up massively in the next five years. Germany would have the highest user share, followed by Great Britain. A large number of new games and platforms will offer a substantial bandwidth.

Business Process Outsourcing

The market for software solutions is also benefiting from the general economic situation and, in particular, from the transformation of numerous business models in the direction of direct sales and on-demand production.

In particular, the outsourcing of entire business processes, known as Business Process Outsourcing (BPO), remains very popular on the European market. For the coming five years, Forrester Research has forecast that the European BPO market will see average annual growth of over 11 per cent, to a total order volume of 18.9 billion euros in 2011. In this context, financial processes are the most frequently outsourced businesses divisions.

The market for electronic payment and risk management solutions will grow by approx. 15 to 25 per cent in 2007 and 2008, in tandem with the development of electronic trading.

Credit cards – a growth market

In relation to the leading credit card market in Europe, Great Britain, credit and debit cards have enormous growth potential in the euro zone. Unlike proprietary payment systems, the credit card has also established itself on the Internet as an international solution. In a study of the European card market, the "European Payment Cards Yearbook 2006/2007" reported the following results:

Great Britain, with just under 60 million inhabitants, is in the lead with 74.3 million cards (credit/delayed debit cards) issued, followed by Spain (population of 43 million) with 29 million cards. In Turkey (73 million inhabitants), 26.7 million cards have been issued, as in Italy (population: 58 million), with 27 million cards. In Germany (83 million inhabitants), 20.4 million cards are in circulation. The other countries in the EU circle of 27 are in the lower to medium single-digit range. Greece, the Netherlands and Portugal rank highest in this group, with 5.7, 5.8 and 5.2 million cards, respectively. The population figures and the number of cards are based on data from the year 2004.

8.2 Orientation of the Group in the next two fiscal years

In fiscal 2006, the orientation and image of Wirecard AG underwent a sustained change. In the past, our business trends were primarily characterized by the development and operation of software for the acceptance and processing of electronic payment transactions. In future, the Wirecard Bank AG and our new consumer products will exert a decisive influence on the further growth of the enterprise.

Planned corporate policy changes

After the integration of the Wirecard Bank AG into the Group of companies, concluded in 2006, and the successful market launch of our consumer products, no marked change in our corporate policy orientation is planned for the next two fiscal years.

Our future development and positioning is based on the measures adopted in 2006 and is conspicuous for the consistent maintenance of our strategy of continually investing in the extension of our product and service portfolio, our technical infrastructure as well as our marketing and sales activities.

Future sales markets

We plan to maintain our existing orientation regarding our product development and sales activities on the European and Asian markets in the next several years. Outside Europe, interesting growth potential is being identified particularly in India, China and the Philippines in cooperation with local cooperation partners.

The increased value added depth associated with the integration of the Wirecard Bank AG into the Group also enables us to exploit new sales potential within our portfolio of existing customers. We are confident of our ability to convince numerous corporate and private customers of the compelling products and services of the Wirecard Bank AG in future.

Our new products and solutions in the field of “virtual credit cards” are giving us access to new sales markets. For instance, the product *Supplier and Commission Payments* is directed at the market for global eProcurement solutions among others. Thanks to automated cost and time-optimized disbursement processing, Supplier and Commission Payments enables companies to organize and design transparent, flexible international corporate networks.

This solution is based on an automated issuing system for “virtual” credit cards by Wirecard Bank AG. In the process, supplier or commission payouts to be transferred internationally (e.g. payment of intermediary commissions by hotels to travel agencies) can be processed and settled by electronic dispatch of single-use, virtual credit card numbers for specific transactions.

The disbursement information can thus be conveyed real-time worldwide without previously exchanging any bank information between the business partners involved. While international transfers involve significantly high complexity and expenses, “virtual” credit cards can be charged worldwide at any credit card acceptance point at a fraction of the cost of an international transfer. Optionally, an individual, virtual credit card can be generated per business transaction, e.g. when making an airline reservation.

SCP is fully integrated into the Wirecard payment service platform. When incoming funds are registered, pro-rata payouts can automatically be triggered to component suppliers or sales partners.

The new *Wirecard* Internet payment service is intended for consumers who do not have a credit card of their own today and for those who do not want to use their existing credit card when shopping on the Internet.

Future application of new processes

Wirecard AG duly takes the constantly changing market environment due to ongoing technical developments or regulatory measures into account by realizing new technical processes. For instance, the introduction of the Single Euro Payments Area (SEPA) in Europe offers new opportunities along with challenges for the Company.

Future products and services

Our existing products and services will remain subject to constant further development and optimization in the future in terms of their functionalities, service depth and international deployment capabilities. The existing portfolio of products and services will also represent the basis of our business development in the forthcoming years.

8.3 Expected earnings and financial situation

In January 2007, we forecast an increase in EBIT for the year as a whole by more than 50 per cent.

Our key internal control figure is earnings before interest and taxes.

On the basis of the EBIT figures targeted, a slight increase has been planned in absolute personnel expenditure. Other operating expenses will also see a disproportionately low increase. The gross yield margin will improve as a result of the extended value added chain.

We plan to pay dividends to our shareholders in the medium term.

The equity capital ratio of the Wirecard Group is to be kept at a high level in the future too. To the extent that it makes sense in terms of the financing structure, future investments are also to be financed by borrowed funds or alternative financing forms (leasing, sale and lease-back, mezzanine, etc.).

8.4 Opportunities arising from the development of underlying conditions

Outlook and prospects for growth

By integrating the Wirecard Bank AG into the Group of companies and extending and consistently continuing to develop our product and service portfolio, in fiscal 2006 we laid the foundations for future growth of Wirecard AG.

Corporate strategy opportunities

The Wirecard Bank AG forms the basis of a large number of new products and services but also enables us to make significant savings in terms of internal business processes and opens up diverse in-sourcing possibilities, i.e. having services performed in-house that were once rendered by third parties.

8.5 Overall statement on the probable development of the Group (outlook)

The development of the economy as a whole as well as the trends relevant for our field of activity in electronic trading and outsourcing business processes within the scope of Business Process Outsourcing will secure a friendly market environment characterized by robust growth in the next several years as well.

In recent years, we have succeeded in asserting ourselves in a dynamic competitive environment and in securing a leading position on the European market.

In global competition, only a few innovative and financially sound enterprises will be in a position to meet the highly specialized, technological and qualitative requirements of customers on a sustained basis. Thanks to our high earning capacity, our cutting-edge technology and the latest opportunities available within the scope of the Wirecard Bank's activities, Wirecard AG is in a unique position in this market environment and has secured a significant and sustained competitive lead.

Accordingly, Wirecard AG is extremely well prepared for the challenges of the future. The positive response of our customers and partners to our new products and services has also given us a confident outlook for the future.

The rise to the TecDAX index is a key incentive for us to fulfill in every respect the trust our investors have placed in us.

Due to the fact that we took over a customer portfolio in 2006 and introduced new credit card products, we expect earnings before interest and taxes (EBIT) to rise by more than 50 per cent in fiscal 2007.

Wirecard AG will also continue to set the standards in future as regards product diversity, the quality of its services and its financial success.

Berlin, March 2007
Wirecard AG


Dr. Markus Braun


Burkhard Ley


Rüdiger Trautmann

Balance Sheet

Notes	Assets	12/31/2006 EUR	12/31/2005 EUR
-4, -2	I. NON-CURRENT ASSETS		
-2	1. INTANGIBLE ASSETS		
-2, -5, -16	a) Goodwill	54,804,379.20	49,975,116.26
-16	b) Self-provided intangible assets	2,644,478.60	137,305.00
-2	c) Other intangible assets	25,403,005.00	4,206,327.20
		82,851,862.80	54,318,748.46
	2. TANGIBLE ASSETS		
-2, -4	Property; plant and equipment	703,930.27	929,812.94
-2, -10	3. FINANCIAL ASSETS	3,169,782.34	5,759,164.49
	4. TAX ASSETS		
-2, -8, -16	Deferred taxes	4,069,790.82	467,483.98
	TOTAL NON-CURRENT ASSETS	90,795,366.23	61,475,209.87
-2	II. CURRENT ASSETS		
-2	1. INVENTORIES	82,576.17	1,233,362.00
-2, -10	2. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	56,708,446.56	23,269,460.27
-10	3. TAX ASSETS		
	Tax refunds	413,022.87	41,746.54
	4. OTHER FINANCIAL ASSETS	0.00	0.00
-2, -10	5. CASH AND CASH EQUIVALENTS	59,536,922.32	35,586,820.16
-2	TOTAL CURRENT ASSETS	116,740,967.92	60,131,388.97
	TOTAL ASSETS	207,536,334.15	121,606,598.84

EQUITY AND LIABILITIES		12/31/2006 EUR	12/31/2005 EUR
Erläuterungen			
I. SHAREHOLDERS' EQUITY			
(7)	1. Subscribed capital	79.290.882,00	62.261.447,00
(7)	2. Capital reserve	7.426.783,51	17.080.368,50
(7)	3. Consolidated accumulated profits	21.676.922,00	6.238.605,21
(2), (7)	4. Currency translation adjustment	27.346,76	26.685,12
TOTAL SHAREHOLDERS' EQUITY		108.421.934,27	85.607.105,83
II. LIABILITIES			
(9)	1. CURRENT PROVISIONS		
(6), (2)	a) Tax provisions	1.158.381,82	584.546,00
(6), (2)	b) Other current provisions	1.417.701,57	1.493.570,89
		2.576.083,39	2.078.116,89
(10)	2. OTHER LIABILITIES		
(2)	a) Non-current liabilities		
(2), (8)	a1) Deferred income taxes	1.063.681,30	184.216,17
(2)	a2) Non-current interest bearing bank loans and overdrafts	6.500.000,00	0,00
(2)	a3) Other non-current liabilities	266.958,20	422.058,75
		7.830.639,50	606.274,92
	b) Current liabilities		
	b1) Trade payables	56.332.882,66	26.112.431,40
	b2) Interest-bearing bank loans and overdrafts	4.416.555,71	6.188.186,32
	b3) Other financial liabilities	27.958.238,62	878.405,72
		88.707.676,99	33.179.023,44
(10)	3. TAX LIABILITIES		
	Current tax liabilities	0,00	136.077,76
(2)	TOTAL LIABILITIES	99.114.399,88	35.999.493,01
Total shareholders' equity and liabilities		207.536.334,15	121.606.598,84

Consolidated Income Statement

Notes	01/01/2006 -12/31/2006		01/01/2005 -12/31/2005	
	EUR	EUR	EUR	EUR
-2, -9 I.	Sales	81,940,376.82		48,920,817.52
II.	Increase or decrease in inventories of finished goods, work-in-process, other own work capitalized	1,524,313.80		1,206,783.00
	1. Other own work capitalized	2,757,675.80	0.00	
	2. Increase or decrease in inventories or finished	-1,233,362.00	1,206,783.00	
III.	Operating expenses	55,741,420.96		36,225,262.42
	1. Cost of materials	42,148,091.24	27,134,616.58	
-15	2. Personnel expenses	12,496,088.73	8,318,394.52	
-4	3. Amortisation and depreciation	1,097,240.99	772,251.32	
IV.	Other operating income and expenses	-9,162,036.63		-4,455,850.89
	1. Other operating income	1,971,231.16	1,969,947.71	
	2. Other operating expenses	11,133,267.79	6,425,798.60	
-9	Net operating income	18,561,233.03		9,446,487.21
V.	Financial result	79,261.70		-818,071.69
-2, -5	1. Other interest and similar income	666,584.54	184,154.83	
	2. Financial cost	587,322.84	1,002,226.52	
VI.	Profit before taxes	18,640,494.73		8,628,415.52
-2, -8, -16 VII.	Income tax	3,202,180.94		625,468.27
VIII.	Profit after taxes	15,438,313.79		8,002,947.25
IX.	Profit carry forward (p.Y.: Loss carry forward)	6,238,605.21		1,764,342.04
X.	Profit capital decrease	3.00		0.00
XI.	Consolidated accumulated profits	21,676,922.00		6,238,605.21
	Earnings per share			
-2	- Basic and diluted earnings per share	0.20		0.13
-2	- Diluted earnings per share	0.20		0.13

Consolidated Cash Flow Statement

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Notes	2006 EUR	2006 EUR	2005 EUR	2005 EUR
Profit after taxes		15,438,313.79		8,002,947.25
+/- Amortisation/depreciation of non-current assets less goodwill, deferred taxes changes in currency translation		1,097,240.99		760,888.55
+/- Amortisation/depreciation of changes in currency translation		1,689.92		0.00
+/- Amortisation/depreciation on goodwill		214,605.00		169,896.00
+/- Increase/decrease in provisions		497,966.50		1,703,618.74
+/- Other non-cash-related expenses/income		963,336.84		1,266,732.19
-/+ Increase/decrease in current liabilities without cash		-32,632,959.04		-15,713,135.21
+/- Increase/ decrease of other liabilities and tax liabilities		34,074,677.59		20,211,102.08
+/- Non cash-related item due to initial consolidation		-413,606.17		-3,606,538.33
-13 = Cash flow from operating activities		19,241,265.42		12,795,511.27
+ Receipts from disposal of property, plant and equipment		25,047.00		2,079.00
- Payments for investments in property, plant and equipment		-17,509,755.64		-4,298,920.97
- Payments for investments on goodwill		0.00		0.00
+ Receipts from disposal of intangible assets		27,314.43		50,432.00
- Payments for investments in intangible assets		-111,895.43		-469,202.31
+ Receipts from disposal of financial assets		1,010,000.00		300,000.00
- Payments for investments in financial assets		-51,459.00		-4,043,162.35
Receipts from acquisitions of consolidated companies				
- for investments in intangible assets		-3,842.00		0.00
- for investments in goodwill		-2,684,474.11		-2,178,679.89
- for investments in property, plant and equipment		-3,768.00		0.00
- for investments in financial assets		-728.23		0.00
- for other assets		-3,512,911.58		0.00
- for clearing of capital reserve		-572,103.43		0.00
+ less acquired inventory of payment instruments		5,035,630.02	-1,742,197.33	10,738,771.07
-13 = Cash flow investing activities		-18,352,945.97		101,316.55
+ Receipts from issuance of share capital		433,953.44		28,153,210.10
- Payments from share capital factorings over clearing by capital reserve		0.00	433,953.44	-1,481,130.50
+/- Receipts/payments on changes in borrowings		6,371,487.80		331,738.00
-13 = Cash flow from financing activities		6,805,441.24		27,003,817.60
Net change in cash and cash equivalents		7,693,760.69		39,900,645.42
Adjustments due to currency translation of consolidation items				
+/- Adjustments due to currency translation		661.64		-164.87
+/- Adjustments due to consolidation items		-5,035,630.02	-5,034,968.38	-10,738,771.07
+ Cash and cash equivalents as of beginning of period		29,398,633.84		236,924.36
-13 = Cash and cash equivalents as of end of period		32,057,426.15		29,398,633.84
		2006 EUR		2005 EUR
Non-cash related increase in equity hereof		6,942,558.21		42,135,623.13
non-cash capital increase by assets		6,941,896.57		42,135,788.00
Changes in currency translation		661.64		-164.87

Consolidated Statement of Changes in Shareholders' Equity

	Common stock	
	Number of shares issued	Nominal value EUR
Balance as of December 31, 2004	10,533,947	10,533,947.00
Profit after taxes		
Capital increase by cash	9,432,950	9,432,950.00
Capital increase by assets	42,135,788	42,135,788.00
Contingent capital increase (convertibles)	158,762	158,762.00
Changes due to currency translation		
Balance as of December 31, 2005	62,261,447	62,261,447.00
Profit after taxes		
Capital increase by company resources	15,579,036	15,579,036.00
Simplified capital decrease	-3	-3.00
Non-cash capital increase	1,300,000	1,300,000.00
Contingent capital increase (convertibles)	150,402	150,402.00
Changes due to currency translation		
Balance as of December 31, 2006	79,290,882	79,290,882.00

Capital reserve EUR	Consolidated accumulated profit and losses EUR	Currency translation adjustment EUR	Total Shareholders' Equity EUR
1.00	-1,764,342.04	26,849.99	8,796,455.95
	8,002,947.25		8,002,947.25
16,901,077.87			26,334,027.87
			42,135,788.00
179,289.63			338,051.63
		-164.87	-164.87
17,080,368.50	6,238,605.21	26,685.12	85,607,105.83
	15,438,313.79		15,438,313.79
-15,579,036.00			0.00
	3.00		0.00
5,641,896.57			6,941,896.57
283,554.44			433,956.44
		661.64	661.64
7,426,783.51	21,676,922.00	27,346.76	108,421,934.27

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Company operations and legal situation

Wirecard AG, Voigtstrasse 31, 10247 Berlin (hereafter referred to as "Wirecard" or "the Company") was established on May 6, 1999. The name of the Company was changed from InfoGenie Europe AG to Wire Card AG upon entry thereof in the commercial register on March 14, 2005 and was changed in Wirecard AG upon entry in the commercial register on June 19, 2006.

The Wirecard Group comprised the following companies as at December 31, 2006:

- ▶ Wirecard AG, Berlin (Germany)
- ▶ Click2Pay GmbH, Grasbrunn (Germany)
- ▶ InfoGenie Ltd., Windsor, Berkshire (United Kingdom)
- ▶ Wire Card Beteiligungsgesellschaft mbH, Grasbrunn (Germany)
 - ▶ Wirecard Bank AG, Grasbrunn (Germany)
- ▶ Wirecard (Gibraltar) Ltd., (Gibraltar)
 - ▶ Marielle Invest Business Corp., Tortola (British Virgin Islands)
- ▶ Wirecard Technologies AG, Grasbrunn (Germany)
 - ▶ United Data GmbH, Grasbrunn (Germany)
 - ▶ United Payment GmbH, Grasbrunn (Germany)
 - ▶ cardSystems FZ-LLC, Dubai (United Arabian Emirates)
 - ▶ Pro Card Kartensysteme GmbH, Grasbrunn (Germany)
 - ▶ Wire Card Inc., Sacramento, Kalifornien (Spain)
 - ▶ Wire Card ESP S.L., Palma de Mallorca (Spanien)
 - ▶ Paysys Ltd., Port-Louis (Mauritius)

The parent company, Wirecard AG, is headquartered in Berlin, Germany. In parallel, Munich/Grasbrunn, Germany (among other things, the registered head office of Wirecard Technologies AG); Gibraltar, headquarters of Wirecard (Gibraltar) Ltd. and Leipzig, Germany, primary location of United Data GmbH, are among the key locations of the Wirecard Group.

Wirecard Technologies AG and Wirecard (Gibraltar) Ltd. develop and operate the software platform that represents the central element of our portfolio of products and services and of our internal business processes.

Wirecard Bank AG was consolidated as part of the Group of companies for the first time as at January 1, 2006 and took up its operating business as at March 1, 2006.

Click2Pay GmbH, using the alternative Internet payment system of the same name, CLICK2PAY, generates sales revenues particularly in the market for portals, digital media and online games.

United Payment GmbH and Pro Card Kartensysteme GmbH, which was acquired in 2006, complement the range of services of Wirecard Technologies AG to include the sale and operation of Point-of-Sale (PoS) payment terminals. As a result, our customers are able to accept payments both in the field of Internet and mail-order services and electronic payments for their stationary, brick & mortar business via Wirecard.

The company cardSystems FZ-LCC focuses on sales of affiliate products along with associated value added services.

In Leipzig, United Data GmbH (UDA) maintains a stationary call center for relationship management of corporate and private customers. Availability round the clock, multilingual services and extensive experience in the fields of payment processing, complaint management and fraud prevention represent key competitive advantages. Together with the virtual call center structure operated from our Berlin location, relationship management services for corporate and private customers of the Wirecard Group and other companies are handled via the communication media of telephony, fax, e-mail and internet-chat.

The business activities of Wirecard AG are structured into the two reporting segments of «Electronic Payment / Risk Management» (EPRM) as well as «Callcenter / Communication Services» (CCS).

Electronic Payment / Risk Management (EPRM)

The EPRM reporting segment comprises all products and services dealing with acceptance and downstream processing of electronic payment transactions, fraud prevention and risk management as well as the issuance of credit cards.

The reporting segment is dominated to a decisive degree by the business activities of Wirecard Technologies AG, Wirecard Bank AG, Wirecard (Gibraltar) Ltd., and Click2Pay GmbH. Sales revenues of United Payment GmbH (UPA) and cardSystems FZ-LLC are also part of the EPRM segment. The remaining foreign branches are primarily maintained for local sales and localization of the products and services of the Group as a whole.

Call Center & Communication Services (CCS)

The CCS reporting segment comprises all products and services dealing with call center supported relationship management of corporate and private customers. In addition to its primary function to support the organization's core business within the scope of the EPRM segment, this reporting segment also includes a substantial independent customer portfolio.

2. Summary of essential accounting and valuation policies

Accounting principles

In line with § 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) (IFRS accounting mandatory).

The enterprises in which Wirecard has a controlling interest were consolidated. All material transactions between companies belonging to the consolidation perimeter were eliminated in the course of the consolidation.

All amounts are shown in EUR or, where indicated, also in TEUR or in EUR million. The Company's fiscal year ended on December 31, 2006 (balance sheet date).

Previous-year information

As at December 31, 2006, twelve companies were fully consolidated. As at December 31, 2005 and in the previous year, there were nine such companies.

In the year under review, Wirecard Bank AG was initially consolidated as at January 1, 2006, Pro Card Kartensysteme GmbH as at April 1, 2006 and Marielle Invest Business Corp. as at November 1, 2006.

Under the line item "OTHER DEBTS", the line "current interest-bearing debts" appeared for the first time in 2006. The amount stated serves to finance the customer portfolio acquired in the year under review.

Use of estimates

The preparation of the consolidated financial statements in conformity with IAS/IFRS calls for estimates and assumptions to be made to a certain extent that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the year under review. The actual results may differ from the amounts estimated. No change was made to the method of performing estimates in 2006.

Effects of changes in exchange rates

The Company's financial statements are prepared in euros. The functional currency of the foreign subsidiary, InfoGenie Ltd., Windsor, Berkshire, UK (hereafter referred to as "InfoGenie Ltd.") is the British pound sterling. The amounts relating to assets and liabilities of InfoGenie Ltd. reported in the consolidated balance sheet are translated at the exchange rate prevailing on the date of the financial statements. Shareholders' equity is translated at historical exchange rates. Revenues, expenses and income posted in the profit & loss statement are translated at average exchange rates. Differences arising from foreign currency translation are recorded without this affecting the operating result and reported separately as part of shareholders' equity in the foreign currency translation reserve.

The functional currency of the foreign subsidiaries cardSystems FZ-LLC, Dubai (United Arab Emirates), Wirecard (Gibraltar) Ltd., (Gibraltar) and Marielle Invest Business Corp. Tortola, (British Virgin Islands) is the EURO since all transactions are recorded and booked in that currency.

In fiscal 2006, the currency translation reserve remained almost unchanged (TEUR 27; previous year: likewise TEUR 27). Due to exchange rate factors, the value of property, plant & equipment decreased by approx. TEUR 2. The currency translations of property, plant and equipment are indicated separately in the non-current assets movement schedule. In line with the materiality principle, we have dispensed with the need to provide further particulars on the foreign currency translation reserve.

Differences arising from foreign currency translation between the nominal value of a transaction when consummated and the date on which it is either settled or translated for inclusion in a consolidated balance sheet are recognized as impacting on profit and loss and included under "Other operating expenses". Expenses impacting on profit and loss associated with foreign currency translation amounted to TEUR 15 in fiscal 2006 (previous year: TEUR 278).

Depreciation of assets

At each date of its financial statements, the Company evaluates the recoverability of its assets in accordance with the provisions of IAS 36, taking into account the exceptions stipulated in Paragraph 2 of IAS 36. Whenever events indicate that the valuation of balance sheet items of non-current assets are not recoverable over the remaining amortization period, the undiscounted net cash flows estimated to be generated by those assets are compared to the carrying amount thereof. To the extent that these expected net cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write the asset down to fair value.

The impairment of goodwill occasioned during the fiscal year amounted to TEUR 215 (previous year: TEUR 170).

Non-current assets

For a breakdown of non-current assets relating to intangible assets, property, plant & equipment and financial assets (historic acquisition costs, adjustments based on foreign currency translations, additions due to initial consolidation, additions, disposals, cumulative amortization and depreciation, write-downs in the year under review and carrying values) reference is made to the attached non-current asset movement schedule from January 1, 2006 through December 31, 2006.

Accounting for goodwill

All historic goodwill was subjected to impairment tests.

While performing impairment tests on goodwill, the requirements for the annual testing for impairment in accordance with IAS 36 (2004) paragraphs 10 (b) and 80 to 99 were duly taken into account.

The amortization of TEUR 215 in goodwill effected in fiscal 2006 (previous year: TEUR 170) relates to a reduction in value of 2 business assets from the initial consolidation of the business combination of Wirecard Technologies AG and its subsidiary United Payment GmbH. These amortization charges are recorded in an amount of TEUR 215 within the consolidated income statement in the financial results under "financial cost".

No additional amortization requirements emerged in fiscal 2006.

Reference is made to No. (5) Business assets for the breakdown, performance and distribution of specific business assets.

Reporting of intangible assets

The line item of other intangible assets includes the purchase of the customer portfolio at TEUR 18,000. In addition, this item includes software licenses purchased. Essentially, this relates to software for Consumer Services with a total value of TEUR 5,982 (December 31, 2005: TEUR 3,776).

Purchased software is stated at cost and depreciated using the straight-line method over the estimated useful life of the software, generally three years. The software constituting the Group's core operations has a significantly longer estimated useful life and is amortized over a period of 10 years.

The costs of the internally produced software system "VCC System or wirecard.net" were amortized in 2006 to an extent of TEUR 99 (previous year: TEUR 99) and maintained on the books at TEUR 38.

In November 2006, the internally created "Issuing and Acquiring Software" was capitalized at a value of TEUR 2,651. Its amortization came to TEUR 44 in the year under review.

The amortization of "Internally produced intangible assets" (TEUR 144) and "Other intangible assets" (TEUR 641) was recorded in Depreciation/amortization under "Special expenditure".

Accounting for property, plant and equipment

Office equipment is stated at cost and depreciated using the straight-line method over the estimated useful life. For computer hardware this period is three to five years, and ten years for office equipment and furniture.

Any gains or losses on disposal of such assets are recorded as other operating income and expenses. Maintenance work and minor repairs are charged to operations as incurred.

The depreciation of property, plant and equipment (TEUR 313) was recorded under "Operating expenses" in amortization and depreciation.

Reporting of financial assets

Of financial assets, amounting to TEUR 3,170 (previous year: TEUR 5,759), the sum of TEUR 3,104 (previous year: TEUR 3,900) relates to loans, the amount of TEUR 51 (previous year: TEUR 1,845) to participations and TEUR 15 (previous year: TEUR 13) to shares in affiliated companies. The major loan relates to a non-interest bearing customer loan to a sales partner (TEUR 3,101, after discounting). In the year under review, EUR 1.0 million was repaid as per agreement. The holdings refer to shares in two companies amounting to less than 50 per cent. Shares in affiliated companies relate to three immaterial Group member companies that were not consolidated for that reason.

Income tax expenses

The Company utilizes the balance sheet oriented liability method of accounting for deferred taxes in accordance with IAS No. 12. Under the liability method, deferred taxes are determined according to the temporary differences between the valuation rates of asset and liability items in the consolidated financial statements and the tax balance sheets, as well as taking account of the tax rates in effect at the time the aforesaid differences are reversed. Valuation adjustments to deferred tax assets are made if the probability of a tax benefit being realized is below 50 per cent (IAS 12.24).

Due to tax assessments up to December 31, 2005, tax notices issued up to the assessment year of 2005 and consolidated taxable earnings in 2006, deferred tax assets as at December 31, 2006 amount to TEUR 4,069 after valuation allowance (previous year: TEUR 467). To an extent of TEUR 3,900, these relate to loss carry-forwards of Wirecard Bank AG and their partial realizability, with the remaining TEUR 169 relating to differences limited in time between the tax balance sheet and the consolidated financial statements according to IFRS. Deferred tax assets were recognized in accordance with IAS 12.15 - 45. Valuation allowances for deferred taxes remained at TEUR 14,447 as at December 31, 2006 (previous year: TEUR 2,001).

With reference to the tax reconciliation account and the trend relating to deferred taxes, reference is made to the details under (8) Income tax expenses and deferred taxes.

Inventories

Inventories reported (TEUR 83, previous year: TEUR 1,233) relate to fully capitalized work-in-progress. The valuation was made in accordance with IAS 2.

Receivables

Appropriate specific valuation adjustments are made to the values of receivables subject to discernible risks. Uncollectible receivables are written off the accounts.

Receivables from subsidiaries and associated companies

Receivables from subsidiaries and associated companies, amounting to TEUR 826, are reported under "Trade receivables and other receivables". As at December 31, 2006, they relate to receivables from (non-consolidated) Wire Card ESP S.L., Palma de Mallorca (TEUR 522) and from Oval Ltd., United Kingdom (TEUR 304). The latter company is a holding of Marielle Invest Business Corp., Tortola (British Virgin Islands).

Revenue recognition

Revenues are recognized when there is sufficient evidence that a sales arrangement exists, service has been performed, the price is fixed or determinable, and it is probable that payment will be received.

In the EPRM division, the Wirecard Group generates revenues on services in the field of payment processing, particularly on services rendered using the FSCM software platform and the product CLICK2PAY.

In the field of the FSCM platform, a substantial share of revenues is realized from the settlement of electronic payment transactions – particularly on the Internet - by classical 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-based discount of the payment volumes processed as well as per transaction. The extent of the transaction-related charge varies according to the product range available as well as the distribution of risks among traders, banks and the Wirecard Group. In addition to these volume-dependent sales revenues, monthly flat fees and rentals are generated from the utilization of the FSCM platform and POS terminals.

The lion's share of sales revenues is accounted for by B2B customers from the consumer goods, digital goods and tourism industries. As at the balance-sheet date, more than 7,000 enterprises were connected to the FSCM software platform.

In terms of sales of credit cards by the Wirecard Bank AG and with the CLICK2PAY product, revenues are being generated not only in the B2B segment, but also with end customers (B2C). These end customers are partly required to pay discount charges, transaction charges or fees for cash disbursements and for resubmission of transactions. In addition, annual charges are payable on the credit cards.

Additional sales are generated by the so-called Interchange agreement, under which Wirecard Bank AG receives a volume-dependent fee from the credit card organizations.

The Wirecard Bank AG offers sales partners in the B2B division co-branding programs in the card-issuing division, for which it does not only earn a fixed charge but also generates sales revenues within the scope of the card agreements entered into.

Moreover, interest income earned by the Wirecard Bank AG is reported as sales revenues.

In addition, in the EPRM division revenues are generated from the sale of what are known as affiliate products as well as by providing services directly associated with the sale of these products.

The Call Center & Communications Services division generates revenues in operating telephony-based advisory services and by providing classical call center facilities. The

bulk is accounted for by sales revenues with business customers such as publishing houses, software companies, hardware producers and commercial enterprises. In the process, two business models are used, in which either the business customer bears the costs himself or the person seeking advice pays for the service rendered.

Companies operating in this segment generate their sales both directly with business (B2B) clients as well as with end customers (B2C), with the telephone companies being responsible for accounting vis-à-vis the end customer and for transferring the amounts in question.

Cash and cash equivalents

Cash in hand and sight deposits are classified as cash, whereas cash equivalents comprise current, highly liquid financial investments that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value.

Not freely available cash and cash equivalents from lease guarantees amounted to TEUR 26 (previous year: TEUR 55) and were classified as "Trade and other receivables".

Provisions

Provisions take account of all discernible risks and uncertain liabilities and have been set up to an appropriate extent in accordance with prudent judgment. All discernible risks were taken into consideration. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions reported separately and to other current provisions.

Contingent liabilities

Two guarantees were issued by a bank, for a total amount of TEUR 2,300.

Purchase price commitments

In future, additional variable purchase price installments may arise in connection with the purchase of the customer portfolio in relation to future profits made on this acquisition. Accordingly, these cannot be quantified as yet; a maximum amount of 17 million euros in payments can arise in this regard. In addition, purchase price commitments for Wirecard Bank AG amount to TEUR 5,021.

Non-current liabilities

Non-current liabilities are classified into deferred tax liabilities, non-current interest-bearing debts and "Other non-current liabilities".

Deferred tax liabilities

Deferred tax liabilities, amounting to TEUR 1,064, relate to differences limited in time between the tax balance sheet earnings and the consolidated financial statements according to IFRS. Recognition was made in accordance with IAS 12.15 - 45.

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities amounting to TEUR 6,500 serve to finance the customer portfolio acquired in the year under review. According to agreements entered into, repayment is scheduled to be made in annual installments by the year 2010.

Other non-current liabilities

Other non-current liabilities (TEUR 267) relate to 203,225.80 (convertible) bonds (TEUR 203) as well as investment premiums and government grants deferred as liabilities (TEUR 64).

In the period from July 15, 2005 through September 30, 2005, a total of 490,500 convertible bonds were subscribed to. In fiscal 2006, conversion rights were exercised for a total of 150,402 preemptive shares (previous year: 158,762 preemptive shares). The convertible bonds have a term to maturity of 10 years and are interest-free.

Investment premiums and investment grants (allotted public funds) are carried on the balance sheet as "Non-current liabilities" under "Other liabilities" in accordance with IAS 20.12, 16 and 17 and recognized with an impacting on profit and loss over 84 months (on a lump sum basis). The residual term to maturity as at December 31, 2006 ranges from 1.0 and 2.3 years, depending on the type of premium or grant. Such investment premiums/grants recognized as income amounted to TEUR 27 in fiscal 2006 (previous year: TEUR 49). They are included under "Other operating income".

Liabilities to affiliated companies:

As at December 31, 2006, as in the previous year no liabilities to affiliated companies were to be reported under (current) other financial liabilities.

Earnings per share

Basic earnings per share were determined in accordance with IAS 33.10, through division of the periodic earnings due to the ordinary shareholders of the parent company (numerator) by the weighted average number of ordinary shares in circulation during the period under review (denominator).

The number of shares issued rose from 62,261,447 by 17,029,435 in fiscal 2006, to reach 79,290,882.

By resolution at the annual general meeting of May 30, 2006 and entry in the commercial register on June 19, 2006, the capital stock (subscribed capital) was increased by EUR 15,579,036 using company funds. In accordance with IAS 33.34, therefore, a retrospective adjustment of the number of shares to the beginning of the preceding fiscal year was required to be effected. Earnings per share determined in the previous year were required to be adjusted in accordance with IAS 33.64 in this case (from EUR 0.17 to EUR 0.13 for basic and diluted earnings per share, respectively).

For 2006, a weighted analysis of the individual capital increases, of the simplified capital reduction (EUR 3.00) and the retrospective adjustments to 1 January, 2006 resulted in an average of issued (undiluted) shares amounting to 77,944,496 (previous year adjusted to 63,035,083).

As regards the development of the number of no-par-value shares issued, reference is made to the consolidated statement of equity movements for fiscal 2006.

In determining diluted earnings per share, in addition such instruments as options (IAS 33.45) and convertible instruments (IAS 33.49), which may potentially have a dilutive effect on stock prices, are included in the weighted average for the time in question.

Of instruments that may potentially dilute basic earnings per share in the future and were therefore included in calculating diluted earnings, the convertible bonds issued as at December 31, 2006 had to be taken into account in accordance with IAS 33.30 - 63. As at December 31, 2006, 203,225.80 (convertible) bonds had been subscribed to (IAS 33.60). The subscription price for each convertible bond amounted to EUR 1.00. The (additional) strike price for conversion of the convertible bonds into shares of Wirecard AG in principle is 50 per cent of the average closing price of Wirecard stock on the last ten banking business days prior to the date of exercise, with eight convertible bonds entitling the holder to subscribe to ten shares. For 2006, after additionally taking account of the dilutive effects of the convertible bonds issued as at December 31, 2006 in accordance with IAS 33.36 read in conjunction with 33.49, the average number of issued (undiluted) shares came to 78,039,069 (previous year, adjusted: 63,127,552) or a portion of 94,573 (previous year, adjusted: 92,469) of deferred bonus shares from the convertible bonds (IAS 33.46 b).

Instruments that may potentially dilute basic earnings per share in the future, but which have not entered into the calculation of the diluted earnings because they

counter a dilution for 2006 in accordance with IAS 33.70 c existed as at December 31, 2006:

The authorization of the Board of Management in accordance with the resolution adopted at the annual general meeting of December 14, 2004 in order to be able to raise the company's capital stock, taking account of the partially exploited increases by December 31, 2006 (2006: TEUR 1,300) by a (residual) amount of up to TEUR 15,602 (authorized capital 2004/II).

The Board of Management did not make use of the remaining authorized capital as at December 31, 2006.

Business transactions that can arise after the balance sheet date and would have changed the number of shares in circulation at the end of 2006 substantially, should such business transactions have taken place prior to the end of 2006, existed in accordance with IAS 33.70 d and 33.71 as at December 31, 2006:

The common stock was conditionally increased by virtue of a resolution of the annual general meeting of July 15, 2004 by up to TEUR 1,050 (contingent capital 2004/I). The issue of up to 502,000 convertible bonds for the fiscal year was approved by Supervisory Board resolution of January 21, 2005 and by Management Board resolution of May 4, 2005. By December 31, 2006, 493,250 convertible bonds had been taken up, of which 290,024.20 have already been converted into preemptive shares. The remaining 203,225.80 convertible bonds were taken into account in diluted earnings in accordance with the new conversion ratio (eight convertible bonds: ten shares).

By resolution at the annual general meeting of May 30, 2006 and an entry in the commercial register on June 19, 2006, the contingent capital was increased to EUR 1,045,672.50, taking account of the convertible bonds already converted by that reference date. Taking account of the conversions into preemptive shares subsequently effected in 2006, the contingent capital as at December 31, 2006 amounts to EUR 949.970,50.

The Board of Management did not make use of the remaining contingent capital by December 31, 2006. In addition, the remaining convertible bonds approved were not offered for subscription by December 31, 2006.

In this case, the amount of earnings per share for the business transactions occurring after the balance sheet date were not adjusted, since these types of business transactions do not influence the amount of capital used to generate group earnings for the year under review (IAS 33.71).

Financial derivatives

Within the scope of the ordinary course of its business, the Wirecard Group is subject to fundamental risks that may have an impact on the company's asset, financial and earnings situation. In particular, risks associated with interest rates, credit, currency and exchange rate risks are worthy of mention here.

Since the Group primarily has current interest bearing assets and liabilities, interest rate risks only have a negligible impact on Group earnings figures.

A fundamental credit risk exists for the Wirecard Group in the sense that transaction partners may fail to meet their commitments within the scope of transactions involving financial instruments. In this respect, in theory the total amount of the assets or active financial instruments represents the maximum risk of default. In order to minimize credit risks, transactions are only entered into with debtors who have first-class credit ratings and in compliance with pre-defined risk limits. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments without delay, and the risks are booked with an impact on profit and loss. Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents and planned transactions exist or will arise in a currency other than the local currency of the company. This increasingly concerns the EPRM segment, which generates a substantial share of its sales revenues in foreign currencies. In this segment, both receivables from and liabilities to traders and banks exist in foreign currencies. In negotiating contracts with traders and banks, Group cash management staff ensure that receivables and liabilities largely reflect matching currencies and amounts in order to ensure that risks relating to exchange rate fluctuations cannot arise in the first place. Risks that cannot be compensated for in the process are hedged after specific analyses by additionally deploying financial derivatives. In fiscal 2006, forward exchange transactions were used by way of financial derivatives to hedge sales revenues in foreign currencies. This was done with the objective of minimizing or offsetting the risk of exchange rate fluctuations.

The deployment of financial derivatives is subject to strict internal controls effected within the scope of mechanisms and uniform directives fixed on a centralized basis. These instruments are used solely for risk control/risk minimization purposes and not in order to generate any income from anticipated currency trends.

As at December 31, 2006 no financial derivatives existed any longer in the Wirecard Group.

Terms to maturity

The sum total of assets to be realized within the next twelve months amounts to TEUR 116,741 (previous year: TEUR 60,131; cf. current assets).

The sum total of assets to be realized within the next twelve months amounts to TEUR 91,309 (previous year: TEUR 35,420). These relate to TEUR 99,114 in debts (previous year: TEUR 35,999) excluding non-current liabilities amounting to TEUR 7,831 (previous year: TEUR 606), yet including amounts of other non-current liabilities amounting to TEUR 26 (previous year: TEUR 27) falling due within a year.

3. Consolidation perimeter

Consolidated subsidiaries

The following eleven consolidated subsidiaries existed as at the balance sheet date:

	Shareholding
▶ Click2Pay GmbH, Grasbrunn (Germany)	100%
▶ InfoGenie Ltd., Windsor, Berkshire (United Kingdom)	100%
▶ Wirecard (Gibraltar) Ltd., (Gibraltar)	100%
▶ Marielle Invest Business Corp., Tortola (British Virgin Islands)	100%
▶ Wire Card Beteiligungsges. GmbH, Grasbrunn (Germany)	100%
▶ Wirecard Bank AG, Grasbrunn, (Germany)	100%
▶ Wirecard Technologies AG, Grasbrunn (Germany)	100%
▶ United Payment GmbH, Grasbrunn (Germany)	100%
▶ United Data GmbH, Grasbrunn (Germany)	100%
▶ cardSystems FZ-LLC, Dubai (United Arabian Emirates)	100%
▶ Pro Card Kartensysteme GmbH, Grasbrunn (Germany)	100%

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

The IAS/IFRS requirements concerning the duty of inclusion for all domestic and foreign subsidiaries, insofar as the holding company controls these, i.e. in which it directly or indirectly holds more than 50 per cent of the voting rights, (cf. IAS 27.12 and IAS 27.13) are observed. However, information that is not essential (material) does not need to be disclosed in line with financial reporting in accordance with IAS/IFRS policies (cf. IAS 8.8 sentence 2). For this reason, subsidiaries do not need to be included in the consolidation perimeter if they are of subordinate significance as a whole for the Group's asset, financial and earnings situation.

In line with the explanatory notes above, in 2006 and as at December 31, 2006, respectively, the following subsidiaries were not consolidated:

- ▶ Wire Card ESP S.L., Palma de Mallorca (Spain)
- ▶ Paysys Ltd., Port-Louis (Mauritius)
- ▶ Wire Card Inc., Sacramento, California (USA)

The materiality limits of 5 per cent for each of consolidated total assets, sales revenues and earnings after taxes were exceeded in the case of these companies in 2006 and as at December 31, 2006, both individually and in terms of their sum total.

Material information on the companies included in the consolidation perimeter:

Wirecard Bank AG, Germany

Wirecard Bank AG, Grasbrunn, is entered in the commercial register of the local court of Munich under HRB 161178. The sole shareholder of Wirecard Bank AG since January 1, 2006 has been Wire Card Beteiligungsgesellschaft mbH, Grasbrunn. Until December 31, 2005, the sole shareholder had been XCOM Finanz GmbH. The initial consolidation of Wirecard Bank AG took place on January 1, 2006. The purchase was accounted for using the acquisition method. The purchase price was allocated to the assets acquired based on their fair values at the date of acquisition. In the consolidated annual financial statements, for Wirecard Bank AG, within the scope of the (initial) capital consolidation as at January 1, 2006, goodwill came to TEUR 7,701, which was reduced to TEUR 3,801 by the balance sheet date due to deferred taxes being capitalized, with no impact on profit and loss. The operating results of Wirecard Bank AG have been included in the Company's Group earnings figures as of January 1, 2006.

InfoGenie Ltd., United Kingdom

On July 5, 2000, the Company acquired all equity interests in InfoGenie Ltd. by way of an increased contribution in kind by issuing 403,683 shares at the time. The business activities of InfoGenie Ltd. are identical to the business activities of Wirecard described in No. (1) of the notes. The purchase was accounted for using the acquisition method. The purchase price was allocated to the assets acquired based on their fair values at the date of acquisition. The operating results of InfoGenie Ltd. have been included in the Company's consolidated figures since the date of acquisition.

Wirecard (Gibraltar) Ltd., Gibraltar

The initial consolidation of Wirecard (Gibraltar) Ltd. was effected as at October 1, 2005 when the company, which was established in July 2005, became operational. It was founded since key customers of the Wirecard Group have main branches at that location, making it possible to offer contacts and services on site. In addition, customers

face a lower legal risk due to the fact that in this way there is no need for the laws of many and various national jurisdictions to be observed.

The initial consolidation was accounted for using the acquisition method. An allocation of the purchase price to assets acquired in line with their fair value at the date of acquisition did not need to be made since this particular case was a foundation and not an acquisition. No goodwill arose at the time of the initial consolidation. The operating results of Wirecard (Gibraltar) Ltd. have been included in the company's consolidated earnings figures from the date when it became operational, or October 1, 2005. In the year under review, a non-cash capital increase by 99,900 shares was effected in connection with the acquisition of a customer portfolio, from 100 shares to 100,000 shares of 1 GBP each. These shares, in turn, were the subject of a non-cash capital increase at Wirecard AG.

Marielle Invest Business Corp., British Virgin Islands

Business operations of Marielle Invest Business Corp. consist in handling services in the field of electronic payment processing. The initial consolidation was accounted for using the acquisition method. An allocation of the purchase price to assets acquired in line with their fair value at the date of acquisition did not need to be made since this particular case was a foundation and not an acquisition. No goodwill arose at the time of the initial consolidation. The operating results of Marielle Invest Business Corp. have been included in the company's consolidated earnings figures from the date when it became operational, on November 1, 2006.

Click2Pay GmbH (referred to hereafter as "C2P"), Germany

Following an entry made in the Commercial Register on November 25, 2003, 100 per cent of the shares in C2P were transferred to Wirecard AG (formerly InfoGenie Europe AG) as a (non-cash) contribution in kind. The initial consolidation was made effective as of December 31, 2003. The purchase was accounted for using the acquisition method. The purchase price was allocated to the assets acquired based on their fair values at the date of acquisition. In the consolidated financial statements, the (initial) capital consolidation for C2P as at December 31, 2003 produced TEUR 2,068 in goodwill. The operating results of C2P have been included in the Company's Group earnings figures effective January 1, 2004.

Wirecard Technologies AG, Germany

The initial consolidation of Wirecard Technologies AG (in addition to its subsidiaries, United Data GmbH, United Payment GmbH and cardSystems FZ-LLC) took place effective March 14, 2005. The purchase was accounted for using the acquisition method. The purchase price was allocated to the assets acquired based on their fair values at the date of acquisition. In the consolidated financial statements, within the scope of the (initial) capital consolidation as at March 14, 2005, goodwill for Wirecard Technologies AG amounted to TEUR 42.542. This initial consolidation also extends to include two items of goodwill acquired for value, amounting to TEUR 889. The results

of Wirecard Technologies AG (in addition to its subsidiaries) have been included in the company's consolidated figures as of March 14, 2005. The operating results of Wirecard Technologies AG (and its subsidiaries) prior to initial consolidation were taken into account solely in terms of the capital consolidation. In the year under review, Wirecard Technologies AG acquired a further subsidiary, Pro Card Kartensysteme GmbH, which – like United Payment GmbH – extends the range of services of Wirecard Technologies AG to include the sale and operation of Point-of-Sale (PoS) payment terminals. This subsidiary was initially consolidated on April 1, 2006. Its goodwill amounted to EUR 764,816.51.

Wire Card Beteiligungsgesellschaft GmbH, Germany

The initial consolidation of Wire Card Beteiligungsgesellschaft GmbH took place on September 12, 2005. The purchase was accounted for using the acquisition method. The purchase price was allocated to the assets acquired based on their fair values at the date of acquisition. In the consolidated financial statements, within the scope of the (initial) capital consolidation of Wire Card Beteiligungsgesellschaft GmbH as at September 12, 2005, goodwill amounted to TEUR 2,179. The operating results of Wire Card Beteiligungsgesellschaft GmbH have been included in the Company's Group earnings figures as of September 13, 2005. The operating results of Wire Card Beteiligungsgesellschaft GmbH until the time of the initial consolidation were solely taken into account in terms of the capital consolidation.

Issue of equity shares in connection with corporate acquisitions

In connection with the non-cash capital contribution in 2006, Wirecard AG issued 1,300,000 shares with a total value of TEUR 7,514. The respective value of the non-cash capital contributions reflected the relevant notional stock price of the shares issued by Wirecard AG.

Effects of the new acquisition of subsidiaries on the financial situation as at the balance sheet date

In the year under review, it was possible to additionally increase the earnings of Wirecard AG as per the consolidated financial statements due to the contributions to earnings made by Wirecard Bank AG, acquired as at January 1, 2006 (contribution to earnings before consolidation: approx. TEUR 2,594) and by Marielle Invest Business Corporation included in consolidation as at November 1, 2006 (contribution to earnings before consolidation: TEUR 286).

The contribution to earnings by Pro Card Kartensysteme GmbH was virtually balanced (-TEUR 1).

Business development of the reporting company is also considered positive in the near future since the business models contributed by the subsidiaries should also provide adequate contributions to consolidated earnings.

As in the past fiscal year, Wirecard AG also anticipates above-average profitability of the reporting company within the Group in the current fiscal year, including the contributions to earnings made by the integrated subsidiaries.

4. Non-current assets

For a breakdown of non-current assets, reference is made to the attached fixed asset movement schedule (page 110) (IAS 16.73 and IAS 38.118, respectively). Deferred taxes are not included in this annex. However, regarding trends or composition, reference is made separately to No. (8) Income tax expenditure and deferred taxes.

5. Goodwill

Due to internal restructuring measures (mergers) within the Group, historic goodwill values were redefined at the level of cash-generating units in 2005. In fiscal 2006, further goodwill was added by new acquisitions made in the EPRM division. Moreover, the goodwill that arose following the purchase of Wire Card Beteiligungs GmbH was reclassified from the unit "Other" to the "EPRM" unit since the purchase of Wirecard Bank AG resulted in business operations being conducted within the cash-generating "EPRM" unit.

Goodwill, amounting to TEUR 54,804 (previous year: TEUR 49,975), relates to the following segments:

	2006 TEUR	2005 TEUR
EPRM	54,731	47,508
CCS	288	458
Other	0	2,179
	55,019	50,145
Less:		
Impairment charges	215	170
	54,804	49,975

Please refer to the attached fixed asset movement schedule for further details on trends relating to goodwill.

6. Provisions

Specific provisions developed as follows during the fiscal year:

TEUR	01/01/2006	Addition First con- solidation	Reversal	Consumption	Addition	12/31/2006
Tax provisions	584		1	508	1,083	1,158
Other current provisions						
Risks of litigation	119		9	38	37	109
Annual leave	215			215	318	318
Industrial compensation society	29	3	4	28	38	38
Outstanding invoices	332	70	319	83	229	229
Archiving					21	21
Remuneration paid to Supervisory Board	15			15	14	14
Annual General Meeting	13		1	12	33	33
Royalties and bonuses					14	14
Financial Statements and audit	171	107	79	199	291	291
Charges relating work-in-progress	329			329	175	175
Other	271	70	144	134	113	176
	1,494	250	556	1,053	1,283	1,418
	2,078	250	557	1,561	2,366	2,576

All provisions are short-term in nature. Provisions relate firstly to tax provisions (TEUR 1,158; previous year: TEUR 584) and secondly to other current provisions (TEUR 1,418; previous year: TEUR 1,494).

Tax provisions relate to the provisions set up at Wirecard AG for income taxes of the Group member companies (TEUR 1,083) and for the provisions set up at Wire Card Beteiligungsgesellschaft GmbH in 2005 and assessed for tax purposes in 2007 (TEUR 75).

Essential other current provisions related to outstanding invoices (TEUR 229), charges for work-in-progress (TEUR 175), provisions for annual leave (TEUR 318) as well as the costs of preparing and auditing the financial statements (TEUR 291).

7. Movement of capital stock

With regard to the consolidated equity movements for fiscal 2006, reference is made to page 60.

The level of subscribed capital amounted to EUR 79,290,882.00 as at December 31, 2006 and is divided up into 79,290,882 no-par value bearer shares with a value based on a notional common stock of EUR 1.00 each. This increase in subscribed capital in relation to the previous year is attributable on the one hand to the subscription of 150,402 new shares effected in June and August 2006 from the Company's contingent capital due to the partial exercise of the right to conversion relating to the convertible bonds. In addition, following the entry in the commercial register on June 19, 2006 a simplified capital reduction of EUR 3.00 was effected in tandem with a capital increase from company funds amounting to EUR 15,579,036.00 by making a withdrawal from the Company's capital reserve.

A further change was effected by the acquisition, by resolution of October 5, 2006 of a diversified customer portfolio financed with 1,300,000 shares from authorized capital.

Authorized capital

By resolution of the annual general meeting of December 14, 2004, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the company's common stock by December 14, 2009, on one or several occasions, by issuing new no-par-value bearer shares against cash or non-cash contributions by up to EUR 26,334,867.00 (authorized capital).

The Board of Management is entitled to exclude the shareholders' subscription rights in the following cases:

- ▶ to settle fractional amounts,
- ▶ in the event of a capital increase against a cash contribution that amounts to a maximum of 10 per cent of the company's common stock, if the issue price of the shares is not considerably lower than the stock market price,
- ▶ to acquire non-cash capital contributions, particularly in the form of enterprises, parts thereof, holdings or rights.

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the respective capital increase as well as execution thereof.

The resolution was entered in the competent commercial register on March 14, 2005.

As at January 1, 2006, authorized capital amounted to EUR 16,901,917.00. This was reduced by EUR 1,300,000 in the period under review due to the non-cash capital increase for the diversified customer portfolio. Accordingly, the level of authorized capital as at the balance sheet date came to EUR 15,601,917.00.

Contingent capital

The company's common stock was contingently increased by up to EUR 1,050,000.00 through the issue on one or several occasions of up to 1,050,000 new no-par value shares with dividend entitlement as of the beginning of the financial year in which they are issued ("contingent capital 2004"). Following the resolution passed by the Annual General Meeting of July 15, 2004, the company created a staff option program ("SOP") based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Board of Management, to consultants of the Company, its workforce as well as employees of affiliated companies. The contingent capital increase will only be effected to the extent that the holders of convertible bonds issued by the company on the basis of the resolution of the annual general meeting of July 15, 2004 actually exercise their conversion and subscription rights. The statutory subscription rights of shareholders are excluded. The new shares will participate in profits from the beginning of the fiscal year in which they arise through the exercise of conversion and subscription rights, respectively. The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and the execution thereof.

As at December 31, 2006, the parties entitled subscribed to a total of 493,250 convertible bonds. The convertible bonds have a term to maturity of 10 years and are interest-free.

Due to the partial conversion of 493,250 convertible bonds by exercise of the right of conversion, in 2006 150,402 new shares were subscribed to from the company's contingent capital within the relevant exercise periods. The new shares were issued by the company.

Capital reserve

The change in the capital reserve from TEUR 17,080 to TEUR 7,427 is based on the capital increase from company funds (-TEUR 15,579), from the premium on account of new shares being subscribed to in the wake of exercising the right to conversion relating to the convertible bonds (TEUR 284) and from netting the costs of the capital increase with the capital reserve (-TEUR 572). In addition, the capital reserve was modified on account of the non-cash capital increase for the acquisition of the customer portfolio (TEUR 6,214).

Net profit/loss for the year

With regard to net profit/loss for the year, reference is made to the "Consolidated statement of movements in equity" (page 60) and to the "Consolidated income statement" (page 58).

Currency translation reserve

With regard to the currency translation reserve, reference is made to the statements in "Currency translation" under (2) "Summary of essential accounting and valuation policies (impacts of exchange-rate fluctuations)" and to the "Consolidated statement of equity movements" (page 60).

8. Income tax expense and deferred taxes

	2006 TEUR	2006 TEUR	2005 TEUR	2005 TEUR
Expected income tax expense on corporate income before such taxes		-7.347		-3.356
Amortization of non-deductible goodwill		0		0
Amortization of non-tax-deductible internally produced intangible assets		-56		-39
Other tax related adjustments		5.379		4.037
		-2.024		642
Reversal of deferred tax assets (loss carry-forwards)	-425		-1.125	
Addition of deferred tax assets (temporary differences)	127		42	
Addition of deferred tax liabilities (temporary differences)	-880	-1.178	-184	-1.267
Taxes on income and profit		-3.202		-625
of which:				
actual income tax expenses		-2.024		642
Deferred tax expenses		-1.178		-1.267

The actual "income tax revenues" of fiscal 2005 include TEUR 1,133 in reversals of tax provisions relating to Wirecard Technologies AG initially consolidated in fiscal 2005.

The other tax adjustments relate to:

	2006 TEUR	2005 TEUR
Direct tax issues	811	2.252
Tax exempt foreign subsidiaries	2.393	832
German subsidiaries other than Group member companies	895	221
IFRS topics	1.280	732
	5.379	4.037

Deferred income tax assets are shown as follows:

	2006 TEUR	2006 TEUR	2005 TEUR	2005 TEUR
Tax loss carry-forwards				
Deferred tax assets (previous year)	2.426		3.551	
Adjustments for year under review affecting previous year	546		0	
Adjusted, deferred tax assets, previous year	2.972		3.551	
Commercial law earnings (taxable entity)	-387		-1.045	
Results of tax adjustments (taxable entity)	-38		-80	
Additions initial consolidations	15.800		0	
Tax loss carry-forwards before valuation adjustments	18.347		2.426	
(Cumulative) valuation allowances	-14.447		-2.001	
Tax loss carry-forwards	3.900	3.900	425	425
Temporary differences				
Deferred tax assets (previous year)	42		0	
Additions/reversals	127	169	42	42
Deferred tax assets	4.069	4.069	467	467

Deferred income tax liabilities are shown as follows:

	2006 TEUR	2006 TEUR	2005 TEUR	2005 TEUR
Temporary differences				
Deferred tax liabilities (previous year)	184		0	
Additions/ reversals	880		184	
Deferred tax liabilities	1.064	1.064	184	184

Temporary differences between the values reported in the tax balance sheet and in the consolidated financial statements were taken into account both on the assets and on the liabilities side.

On the assets side, these relate to assets that had to be recognized at a lower level than in the tax balance sheet or not at all (capitalized assets that had to be "cancelled" within the scope of the consolidation of expenses and income) and which offset one another in the course of time (TEUR 169).

On the liabilities side, these relate to assets to be recognized at a higher value than in the tax balance sheet (e.g. capitalized software produced in-house) which are offset in the course of time (TEUR 1,064).

The basis of the tax reconciliation account and the presentation and measurement of deferred tax assets and liabilities was the tax rate applicable to the taxable entities, amounting to 39,42 per cent (previous year: 38.89 per cent).

As at December 31, 2006, the Group reports tax loss carry-forwards amounting to TEUR 46,549, accounted for by Wirecard AG (TEUR 5,385), United Payment GmbH (TEUR 728), United Data GmbH (TEUR 350), Pro Card Kartensysteme GmbH (TEUR 331) and Wirecard Bank AG (TEUR 39,755).

According to the present tax law situation, the loss carry-forwards can be utilized for an indefinite period. However, German tax law provides for loss carry-forwards to lapse in certain circumstances.

However, the Company perceives risks within the tax related recognition of loss carry-forwards and therefore implemented valuation allowances for part of deferred taxes in respect of the current loss carry-forwards for which the realization of the tax benefit is less probable than its expiry. With regard to the realizability of these loss carry-forwards, the company made a valuation adjustment to its deferred tax assets of TEUR 18,347 (previous year: TEUR 2,426) amounting to TEUR 14,447, to TEUR 3,900. In 2006, TEUR 425 (previous year: TEUR 1,125) of the deferred tax assets were reversed and income tax expenses recognized with an impact on profit and loss.

With regard to deferred taxes, reference is also made to the notes on "Income tax" under (2) "Summary of essential accounting and valuation policies (income tax expense)".

9. Reporting by segment

In accordance with IAS 14, the companies whose participation certificates are traded publicly are required to publish information (segment revenues, segment expenses, segment earnings, segment assets and segment liabilities) regarding the operational business segments or geographical segments (in each case, cf. IAS 14, paragraph 9) and notes concerning their products and services, locations, as well as main customers.

As in the past, sales revenues are segmented geographically by production sites. In doing so, a reclassification was made on account of the greater weighting of foreign operations. The segmentation in Europe was newly introduced. In this context, apart from Wirecard (Gibraltar) Ltd., InfoGenie is the decisive company. In the segment of "Other foreign countries", the new company Marielle Invest Business Corp. is included in addition to the company CardSystems FZ-LLC. Moreover, sales revenues are segmented according to the following operating divisions, as has already been done in the quarterly financial statements. In this respect, we distinguish between the divisions of "Electronic Payment & Risk Management", "Call Center & Communication Services" and "Other".

Electronic Payment & Risk Management ("EPRM") represents the biggest and most important segment by far for the Wirecard Group. In this division, all products and services from the comprehensive portfolio of financial services are listed. This segment also extends to include Wirecard Bank AG, which substantially expands the services along the financial supply chain.

Call Center & Communication Services ("CCS") is the segment in which we report the extraordinary value-added depth of our call center activities, with the other products such as after-sales service of our customers and mailing activities also being included as sub-categories.

In the segment "Other", items are listed that cannot be assigned to the classifications of the other divisions indicated above.

	2006 TEUR	2005 TEUR
Regional revenue breakdown		
Germany	63,675	45,809
Europe	28,594	6,272
Other countries	305	164
	92,574	52,245
Consolidations	-10,634	-3,324
	81,940	48,921

	2006 TEUR	2005 TEUR
Breakdown of total revenue by operating divisions		
Call Center & Communication Services	6,795	5,710
Electronic Payment & Risk Management	85,779	46,535
Other	0	0
	92,574	52,245
Consolidations	-10,634	-3,324
	81,940	48,921

	2006 TEUR	2005 TEUR
Operating result I by operating divisions		
Call Center & Communication Services	4,124	4,281
Electronic Payment & Risk Management	36,436	19,106
Other	0	0
	40,560	23,387
Consolidations	757	-394
	41,317	22,993

	2006 TEUR	2005 TEUR
Operating result I by regions*		
Germany	33,771	20,479
Europe	6,430	2,761
Other	359	147
	40,560	23,387
Consolidations	757	-394
	41,317	22,993

*Revenues, inventory changes and other work capitalized minus cost of material.

	2006 TEUR	2005 TEUR
Operating result II by operating divisions (EBIT)		
Call Center & Communication Services	-735	-996
Electronic Payment & Risk Management	19,403	10,526
Other	0	0
	18,668	9,530
Consolidations	-107	-84
	18,561	9,446

	2006 TEUR	2005 TEUR
Operating result II by regions (EBIT)		
Germany	12,428	7,479
Europe	6,189	2,334
Other	51	-283
	18,668	9,530
Consolidations	-107	-84
	18,561	9,446

	12/31/2006 TEUR	12/31/2005 TEUR
Non-current assets by regions		
Germany	82,966	57,304
Europe	18,051	92
Other	3,483	3,776
	104,500	61,172
Consolidations	-17,774	-164
	86,726	61,008

	12/31/2006 TEUR	12/31/2005 TEUR
Non-current assets by operating divisions		
Call Center & Communication Services	619	47,036
Electronic Payment & Risk Management	103,881	14,136
Other	0	0
	104,500	61,172
Consolidations	-17,774	-164
	86,726	61,008

*Deferred tax assets are not taken into account in the process.

	2006 TEUR	2005 TEUR
Depreciation of intangible assets		
Germany	391	159
Europe	0	0
Other countries	400	274
	791	433
Depreciation arising from consolidation	* 208	253
	999	686
Depreciation of tangible assets		
Germany	292	214
Europe	22	31
Other countries	0	0
	314	245
Depreciation arising from consolidation	-1	-1
	313	244
Depreciation of financial assets		
Germany	0	0
Europe	0	0
Other countries	0	0
	0	0
Depreciation arising from consolidation	0	0
	0	0
Total depreciation	1,312	930

*of which TEUR 214 (previous year: TEUR 170) in amortization of goodwill, reported under financial earnings.

	2006 TEUR	2005 TEUR
Investments by regions *		
Investments in intangible assets		
Germany	6,403	311
Europe	18,000	0
Other countries	107	4,050
	24,510	4,361
Investments from consolidation	0	-62
	* 24,510	4,299
Investments in tangible assets		
Germany	112	476
Europe	0	0
Other countries	0	0
	112	476
Investments from consolidation	0	-7
	112	469
Investments in financial assets		
Germany	17,803	3,911
Europe	8	0
Other countries	0	0
	17,811	3,911
Investments from consolidation	-17,546	132
	265	4,043
Total Investments	24,887	8,811

* Excluding investments from the acquisition of consolidated companies. As regards these investments, reference is made to Chapter 13 "Explanatory note on the consolidated cash flow statement"

	2006 TEUR	2005 TEUR
Investments by operating divisions		
Investments in intangible assets		
Call Center & Communication Services	94	78
Electronic Payment & Risk Management	24,416	4,283
Other	0	0
	24,510	4,361
Investments from consolidation	0	-62
	24,510	4,299
Investments in tangible assets		
Call Center & Communication Services	30	19
Electronic Payment & Risk Management	82	457
Other	0	0
	112	476
Investments from consolidation	0	-7
	112	469
Investments in financial assets		
Call Center & Communication Services	0	0
Electronic Payment & Risk Management	17,811	3,911
Other	0	0
	17,811	3,911
Investments from consolidation	-17,546	132
	265	4,043
Total Investments	24,887	8,811

* Excluding investments from the acquisition of consolidated companies. As regards these investments, reference is made to Chapter 13 "Explanatory note on the consolidated cash flow statement"

OVERVIEW
THE COMPANY
FINANCIAL STATEMENTS

	12/31/2006 TEUR	12/31/2005 TEUR
Regional segment liabilities		
Germany		
1. Provisions	1,489	1,247
2. Other liabilities		
a) Non-current liabilities	246	401
b) Current liabilities		
b1) Trade payables	34,619	33,792
b2) Current financial activities	1,917	6,188
b3) Other current liabilities	75,472	15,033
3. Tax liabilities	0	136
	113,743	56,797
Europe		
1. Provisions	3	5
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	21,705	85
b2) Current financial activities	9,000	0
b3) Other current liabilities	11,118	44
3. Tax liabilities	0	0
	41,826	134
Sonstiges Ausland		
1. Provisions	1	318
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	19	280
b2) Current financial activities	0	0
b3) Other current liabilities	4,538	3,875
3. Tax liabilities	0	0
	4,558	4,473
	160,127	61,404
Consolidations	-61,013	-25,405
Total regional segment liabilities	99,114	35,999

	12/31/2006 TEUR	12/31/2005 TEUR
Segment liabilities by operating divisions		
Call Center & Communication Services		
1. Provisions	390	300
2. Other liabilities		
a) Non-current liabilities	246	401
b) Current liabilities		
b1) Trade payables	1,069	8,460
b2) Current financial activities	0	0
b3) Other current liabilities	1,072	351
3. Tax liabilities	0	0
	2,777	9,512
Electronic Payment & Risk Management		
1. Provisions	1,103	1,270
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	55,274	25,697
b2) Current financial activities	10,917	6,188
b3) Other current liabilities	90,056	18,601
3. Tax liabilities	0	136
	157,350	51,892
Other		
1. Provisions	0	0
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities		
b1) Trade payables	0	0
b2) Current financial activities	0	0
b3) Other current liabilities	0	0
3. Tax liabilities	0	0
	0	0
	160,127	61,404
Consolidations	-61,013	-25,405
Total Segment liabilities by operating divisions	99,114	35,999

10. Present value of financial instruments

Financial assets and liabilities whose carrying amounts largely correspond to their fair (market) values are (non-current) financial assets, trade receivables and other receivables, tax assets, other financial assets, cash and cash equivalents, other liabilities and tax liabilities. Risks associated with credit, currencies and interest rates are taken into account in this regard. The Wirecard Group does not deploy any other original financial instruments.

11. Transactions with affiliated companies and related parties

In fiscal 2006, various agreements for financing were in place among various companies of the group. These transactions were eliminated in the course of the consolidation of debt and earnings. In addition, reference is made to the report under (18) Transactions with related parties.

12. Other obligations

The Wirecard Group member companies entered into leases for office space and other leasing agreements. The annual payments from these agreements over the next five years are as follows:

	2007 TEUR	2008 TEUR	2009 TEUR	2010 TEUR	2011 TEUR
Annual commitments	1,939	1,596	930	513	0

13. Notes to the consolidated cash flow statement

The Group's cash flow account is prepared in accordance with IAS 7 (Cash Flow Statement). It discloses the payment flows in order to determine the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in funding based on current business, investment and financing activities.

Method used to determine cash and cash equivalents

For purposes of the cash flow statement, a cash fund is used, consisting of cash and cash equivalents. Cash includes cash in hand and sight deposits with banks.

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

As at December 31, 2006 and December 31, 2005 (previous year), respectively, only cash and no cash equivalents were held.

Reconciliation statement to the balance of financial resources according to IAS 7.45

The balance of financial resources at the end of the period includes cash in hand and bank balances included in the line item cash and cash equivalents (December 31, 2006: TEUR 59,536; previous year: TEUR 35,587), less current (immediately due and payable) liabilities to banks (December 31, 2006: TEUR 13; previous year: TEUR 6,188) included in the line item current, interest-bearing liabilities.

In addition, current customer deposits from banking operations (December 31, 2006: TEUR 27,466; previous year: TEUR 0) were deducted or taken into account in the balance of financial resources.

The effects of currency translation and changes to the consolidation perimeter are adjusted in the course of the calculation.

	12/31/2006 EUR	12/31/2006 EUR	12/31/2005 EUR	12/31/2005 EUR
Cash and cash equivalents	59,536,922.32		35,586,820.16	
of which, cash				
(cash in hand and bank balances)		59,536,922.32		35,586,820.16
of which, cash equivalents		0.00		0.00
current, interest-bearing liabilities	-4,416,555.71		-6,188,186.32	
of which, current liabilities to banks		-13,331.65		-6,188,186.32
		59,523,590.67		29,398,633.84
Reconciliation with the balance of financial resources				
current, other financial liabilities	-27,958,238.52		0.00	
of which, current customer deposits from banking operations		-27,466,164.52		0.00
Balance of financial resources at end of period		32,057,426.15		29,398,633.84

Changes in the cash flow statement in accordance with IAS 7.39 compared with the previous year

The presentation of the capital flow account for the period from January 1, 2006 through December 31, 2006 takes account for the first time of payments arising from the acquisition of consolidated companies in connection with holdings of cash (cash flow from investment activities) assumed as well as changes relating to the consolidation perimeter due to cash holdings acquired (consolidation-related changes in the financial resource fund). For this reason, the previous year's figures were adjusted to this form of presentation, which also led to changes in the extent of the cash flow from investment activities in 2005 and in the consolidation perimeter related changes in the balance of financial resources as at December 31, 2005.

Cash flow on ordinary trading activity

The cash flow from current business operations is determined according to the indirect method by initially adjusting Group earnings to take account of transactions with no impact on payments, accruals, deferrals or provisions relating to past or future deposits or disbursements as well as income and expenditure items to be allocated to the field of investments or finance. After taking the changes to net current assets into account, this results in an inflow/outflow of funds from current business operations. The inflow/outflow of funds from current business operations is determined by augmenting the company's interest and tax payments.

The essential reasons for the development of changes in relation to the previous year are as follows:

The cash flow from current business activities improved by TEUR 6,445 in fiscal 2006, from TEUR 12,796 to TEUR 19,241.

The improvement on the previous year is essentially attributable to higher consolidated after-tax earnings, compared with the previous year.

Cash flow from investment activity

The cash flow from investment activity 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 outflow of funds arising from investment activities, also including payouts from the acquisition of consolidated companies (less cash holdings acquired), amounted to TEUR 18,353 in the year under review (previous year: inflow of TEUR 101).

The following are essentially affected by the above:

	TEUR	TEUR
Acquisition of a customer base		-11,000
Initial consolidation of companies acquired		-6,234
Acquisition of goodwill		
of which, Wirecard Bank AG	1,956	
of which, ProCard Kartensysteme GmbH	765	
Acquisition of other assets		
of which, Wirecard AG	3,486	
of which, Pro Card Kartensysteme GmbH	27	
Cash holdings acquired		5,036

From the retirement of assets, the Group generated TEUR 1,062 in revenues (previous year: TEUR 352). The cash flow (outflow) from investment activities therefore increased in fiscal 2006, from TEUR 101 (inflow) by TEUR 18,454, to reach –TEUR 18,353.

Outflow of funds from financing activity

In the year under review, the cash flow from financing activities changed by TEUR 20,199, from TEUR 27,004 to TEUR 6,805.

Financial resource fund at end of period

Taking account of these inflows and outflows reported (2006: TEUR 7,694, previous year: TEUR 39,901), the changes to the financial resource fund due to exchange-rate, consolidation perimeter and valuation related factors (2006: TEUR 0, previous year: TEUR 0) of consolidation perimeter related changes (2006: –TEUR 5,036,; previous year: –TEUR 10,739) as well as the financial resource fund at the beginning of the period (2006: TEUR 29,399, previous year: TEUR 237), the financial resource fund at the end of the period amounted to TEUR 32.057 (previous year: TEUR 29,399).

Interest received/paid in accordance with IAS 7.31

Interest received in 2006 amounted to EUR 415,026.71 (previous year: EUR 183,574.10). Interest paid in 2006 came to EUR 275,718.00 (previous year: EUR 125,690.25).

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

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

Income taxes paid in 2006 (cash flow from income taxes) amounted to EUR 1,452,001.00 (previous year: EUR 589,255.34 and were constantly classified as operating activities.

Mandatory disclosures relating to the cash flow statement in accordance with IAS 7.40

Mandatory disclosures in accordance with IAS 7.40 under the share deal of Wirecard Bank AG of January 1, 2006:

	2005 bzw. 2006 TEUR	2006 TEUR
Purchase price		
Total purchase price	11,916	
of which, ancillary acquisition costs in 2006	-392	-392
	11,524	
of which, ancillary acquisition costs in 2005	-253	
Purchase price excl. ancillary acquisition costs	11,271	
in cash	11,271	
Payments in 2005	-1,200	0
Payments in 2006	-5,050	-5,050
Residual purchase price owed as at December 31, 2006	5,021	
by issuing new shares		0
		-5,442
Assets and liabilities acquired (fair values)		
Cash and cash equivalents	5,078	
Trade receivables and other receivables	219	
Deferred taxes	3,900	
Provisions	-242	
Other (current) liabilities	-840	8,115
Ancillary acquisition costs in 2005		-253
IFRS 2006		-392
Goodwill		3,801
		11,271

In the cash flow statement, this acquisition was taken into account as follows within the scope of investment activity in 2006:

	2006 TEUR
Purchase price payable in cash	
of which, goodwill	1,956
of which, as a residual amount (part of these deferred taxes acquired)	3,486
	5,442
less cash and cash equivalents acquired	-5,078
Outflow of cash and cash equivalents	364

Mandatory disclosures in accordance with IAS 7.40 under the asset deal (acquisition of a customer base) of Wirecard (Gibraltar) Ltd. of December 18, 2006:

	2006 TEUR
Purchase price	
in cash	11,000
by issuing new shares	7,000
	18,000
Assets and liabilities acquired (fair values)	
Intangible assets excluding goodwill	18,000
	18,000

In the capital flow account, this acquisition was taken into account as follows within the scope of investment activity in 2006:

	2006 TEUR
Purchase price payable in cash	
of which, goodwill	0
of which, intangible assets	11,000
of which, property, plant and equipment	0
of which, current assets	0
	11,000
Cash and cash equivalents and current liabilities to banks immediately due and payable	0
Outflow of cash and cash equivalents	11,000

Mandatory disclosures in accordance with IAS 7.40 under the share deal of Wirecard (Gibraltar) Ltd. of December 18, 2006:

	2006 TEUR
Purchase price	
in cash	0
by issuing new shares	7,514
	7,514
Assets and liabilities acquired (fair values)	
Financial assets before consolidation	7,000
Goodwill	514
	7,514

In the cash flow statement, this acquisition had no impact within the scope of investment activity.

Mandatory disclosures in accordance with IAS 7.40 under the share deal of ProCard Kartensysteme GmbH of April 1, 2006:

	TEUR	2006 TEUR
Purchase price		
in cash		799
by issuing new shares		0
		799
Assets and liabilities acquired (fair values)		
Cash and cash equivalents and current liabilities		
to banks immediately due and payable	-42	
Intangible assets excluding goodwill	4	
Property, plant and equipment	3	
Financial assets	0	
Inventories	70	
Trade receivables and other receivables	128	
Provisions	-12	
Other (current) liabilities	-117	34
Ancillary acquisition costs		0
Goodwill		765
		799

In the cash flow statement, this acquisition was taken into account as follows within the scope of investment activity in 2006:

	2006 TEUR
Purchase price payable in cash	
of which, goodwill	765
of which, intangible assets	4
of which, property, plant and equipment	4
of which, current assets	26
	799
Cash and cash equivalents and current liabilities to banks immediately due and payable	42
Outflow of cash and cash equivalents	841

14. Operational environment and 'going concern' assumption

The current consolidated financial statements of Wirecard were prepared on the assumption that it will continue trading ('going concern premise'); in accordance with this assumption, the recoverability of the value of assets tied to the Company and repayment of liabilities outstanding are assumed to occur within the ordinary course of business.

The consolidated financial statements were prepared on the 'going concern' assumption.

15. Additional mandatory disclosures

Board of Management

Members of the Board of Management:

- ▶ Dr. Markus Braun, commercial computer scientist,
- ▶ Rüdiger Trautmann, economist
- ▶ Burkhard Ley, banker

In the period under review, EUR 752,409 was paid out to the members of the Management Board. In addition, the members of the Board of Management have an option on 480,000 convertible bonds.

The subscription price for each convertible bond is EUR 1.00. The subscription price would be granted by the company to the respective entitled subscriber as an interest-free loan with a term to maturity to match that of the convertible bonds or until such time as the conversion right should be exercised.

The right to conversion relating to the convertible bonds is subject to a suspensive condition providing for time-based milestones in accordance with the following scheme (vested benefits):

25 per cent after at least 12 months' uninterrupted service to the company or its affiliates, and a further 6.25 per cent after every additional three months' uninterrupted service to the company or its affiliates.

The strike price for conversion of the convertible bonds into shares of Wirecard AG in principle is 50 per cent of the average closing price of Wirecard AG stock on the last ten banking business days prior to the date of exercise. For purposes of determining the average closing price, the respective closing prices for Wirecard stock determined in the electronic "Xetra" trading system of the Frankfurt Securities Exchange on the last ten banking business day prior to the date of exercise are to be added and divided by ten. The conversion period ends when the term to maturity of 10 years has elapsed.

Following an adjustment to their service agreements of December 27, 2006, the members of the Board of Management waived their entitlement to the annual bonus for fiscal 2006 and subsequent years as well as additional grants of stock options allocated under a future employee participation program of the Company. In return, the individual members of the Board of Management received an assurance that, in the event of a change of control of the Company, they would receive a royalty totaling (for all Board of Management members together) 1.2 per cent of the enterprise value of the Company. Change of control of the Company, for purposes of the employment agreement, shall apply at the point in time at which a notice pursuant to §§ 21,22 WpHG (German Securities Trading Act) is or should have been received by the Company to the effect that 30 per cent or more of the Company's voting rights as contemplated by §§ 21,22 WpHG are to be assigned by way of entitlement or attributable to a natural or legal person or a body of persons. In the event of such change of control, the Board of Management shall not be entitled to extraordinary termination of the employment agreement. Entitlement to a royalty shall apply only if the change of control is effected on the basis of an offer to all shareholders of the Company, or if such change of control is followed by an offer to all shareholders. The enterprise value of the Company is defined as the offer in euros per share of the Company, multiplied by the total number of all shares issued at the time of publication of the offer. The royalty shall only be payable if the enterprise value determined in the process reaches at least 500 million euros; an enterprise value in excess of 2 billion euros shall not be taken into account in calculating the royalty. Royalties are payable in three equal installments.

The Board of Management and Supervisory Board have adopted a resolution to the effect that employees of Wirecard AG and of subsidiaries may be awarded a royalty on the same terms and conditions as for the Board of Management. To this end, a total of 0.8 per cent of the Company's enterprise value shall be made available. The Board of Management may give assurances regarding royalties to employees concerning change of control with the consent of the Supervisory Board in each instance. A precondition for a royalty payment is that the employee must have been in the Com-

pany's services for at least one year and still be employed at the time the change of control occurs. Such royalty payments shall also be made in three installments.

Supervisory Board

Members of the Supervisory Board:

Klaus Rehnig (Chairman), businessmen

Other supervisory board mandates:

- ▶ Wirecard Technologies AG, Grasbrunn
- ▶ Wirecard Bank AG, Grasbrunn
- ▶ RLPR2000 AG, Bad Camberg
- ▶ Proteosys AG, Mainz
- ▶ ONDAS S. A., Madrid

Alfons Henseler (Deputy Chairman), business consultant

Other supervisory board mandates:

- ▶ LBI Leasingbrokers International AG, Tutzing
- ▶ Pensionata AG, Hamburg

Paul Bauer-Schlichtegroll, businessman

Other supervisory board mandates:

- ▶ patrioplus AG, Hamburg
- ▶ 10TACLE STUDIOS AG, Darmstadt

According to paragraph 14 of the articles of incorporation of Wirecard AG, the members of the Supervisory Board receive the following annual remuneration:

Chairman: EUR 60,000, Deputy: EUR 45,000, members: EUR 30,000 plus a session fee of EUR 1,250 per member for each session, plus a variable remuneration component dependent on EBIT. The latter amounts to EUR 500 for each million completed that exceeds the Company's EBIT by a minimum of EUR 12 million. The Chairman receives double the amount and the Deputy one-and-a-half times the amount of the variable remuneration component.

Name	Function	from	to	Remuneration/ EUR
Klaus Rehnig	Chairman	01/01/2006	12/31/2006	66.250
Alfons Henseler	Deputy	01/01/2006	12/31/2006	50.000
Paul Bauer-Schlichtegroll	Member	01/01/2006	12/31/2006	35.000
Total remuneration				151.250

Remuneration paid to the Supervisory Board in fiscal 2006 totaled TEUR 151 (previous year: TEUR 73). The variable remuneration component of TEUR 14 was postponed and will be paid out in fiscal 2007.

Personnel expenses

Personnel expenses in fiscal 2006 amounted to TEUR 12,496 (previous year: TEUR 8,318) and comprise salaries amounting to TEUR 10,748 and social expenses in the amount of TEUR 1,748.

Personnel expenses are contained under special operating costs.

As at December 31, 2006, the Group workforce (excluding the Board of Management) comprised 358 employees, 136 of whom were employed part-time (previous year: 321).

Of the 358 employees, a further 8 were employed as a management board member / general manager of a subsidiary.

These were engaged in the following functions:

	12/31/2006	12/31/2005
Board of Management	3	2
Distribution	63	48
Administration	50	41
Customer Service	179	192
Research and Development	66	40
Total	* 361	* 323

*of which 136 part-time employees

Of the employees engaged in the administrative division, 8 (previous year: 5) were employed as a management board member / general manager of a subsidiary.

16. Significant differences between IFRS and the German Commercial Code

The consolidated annual financial statements of Wirecard AG as at December 31, 2006 were prepared in accordance with IFRS/IAS as was mandatory in terms of Paragraph 215 a HGB. The provisions of the German Commercial Code (HGB) and German Companies Act (AktG) differ from IFRS in certain material respects. The main differences that may be relevant to an evaluation of equity, the financial position and results of the Wirecard Group are described below:

Classification structure of (Group) balance sheet and (Group) profit & loss statement

IAS/IFRS requires a different classification according to ease of liquidating asset-side balance sheet items (IAS 1 paragraphs 68 and 68A): Accordingly, non-current assets are classified to include intangible assets, property, plant & equipment and financial assets, and current assets to include inventories, trade and other receivables, tax assets, other financial assets and cash & cash equivalents. Deferred tax assets are allocated to non-current assets on principle (cf. IAS 12, paragraph 10 and IAS 1, paragraph 70).

In accordance with IAS 1, paragraphs 68 and 68A, the liability-side balance sheet items are itemized as equity (subscribed capital, capital reserve, balance sheet profit (loss) and currency translation reserve) and liabilities (provisions, other liabilities and tax liabilities). Provisions are subcategorized into tax provisions and other short-term provisions. Other liabilities are itemized into long-lived (non-current) liabilities, which correspond to deferred taxes or other non-current liabilities (special items for grants) and current liabilities (trade payables, interest-bearing liabilities and other financial liabilities).

Deferred tax liabilities are allocated to non-current liabilities on principle (cf. IAS 12, paragraph 10 and IAS 1, paragraph 70).

The other financial liabilities serve to summarize the items of other current liabilities excluding taxes payable and liabilities to affiliates. Interest-bearing liabilities in accordance with IFRS correspond to liabilities towards banks.

In accordance with IAS 1, Paragraph 88 or the minimum classification rules of the IAS/IFRS, the total expenditure format was selected as the structure for the profit and loss account. The items of sales profits, own work capitalized, inventory changes, cost of materials, personnel expenses, amortization and depreciation, other operating income and other operational expenses correspond to the HGB (German Commercial Code) items of the same name, with the items of cost of materials, personnel expenses and amortization and depreciation being reported within the scope of the special operational expenses and the amortization of goodwill and interest, as well as other expenses being recorded under financial expenditure. Other financial income essentially concerns interest and similar income.

Internally developed software

In accordance with IAS/IFRS (comp. IAS 38, in particular paragraphs 57 ff), the costs incurred in developing and perfecting the internally produced software systems are capitalized under certain conditions and written off over the estimated useful life.

Goodwill

Under IAS/IFRS (IFRS 3, paragraphs 14 ff), the consolidation of capital or the valuation in connection with the acquisition method is carried out based on fair market values of the net operating assets at the time of the business combination. The difference between the fair values of net operating assets and consideration given represents the goodwill which is not amortized according to schedule but which is to be subjected to an annual impairment test (IFRS 36, paragraphs 88 to 90). Income generated by the company acquired is only reported after the date of acquisition. In certain circumstances, a company permitted to apply the regulations of IFRS 3 to goodwill that existed prior to March 31, 2004 (cf. IFRS 3, Paragraph 85).

17. Declaration of compliance

The declaration of compliance required pursuant to § 161 of the German Companies Act (AktG) for the period from April 2006 through March 2007 and for the period April 2007 through March 2008 respectively was signed in March 2007 and also made available to the shareholders for download from the website of Wirecard AG in March 2007.

18. Transactions with related parties

Business combination relating to Wirecard AG

Wirecard has the following business relations with the companies listed below.

Controlling enterprises (subsidiaries and associates)

In addition to the consolidated companies, Wirecard AG has a controlling influence over the following enterprises:

	Anteile
▶ Wire Card Inc., Sacramento, Kalifornien (USA)	100.0%
▶ Wire Card ESP S.L., Palma de Mallorca (Spain)	100.0%
▶ Paysys Ltd., Port-Louis (Mauritius)	100.0%
▶ Oval -2123, Bristol (United Kingdom)	49.9%

Related parties

In accordance with IAS 24 (related party disclosures) persons closely related to Wirecard AG are the entity members of the Board of Management and of the Supervisory Board. In 2006, the following legal transactions were entered into by Wirecard AG with an affiliated company indicated above or on its instructions or in its interests

Legal transactions

Related parties/ company	Privity of contract	Amount in TEUR	Explanatory note
Wire Card ESP S.L.	Payments assumed	236	In 2006, the Wirecard Group assumed payments for its non-consolidated subsidiary for various expenditure items.
Klaus Rehnig	Supervisory Board mandate	10	Mr. Klaus Rehnig is also engaged as a Supervisory Board member of Wirecard Technologies AG and receives TEUR 10 in remuneration. He was granted an additional TEUR 7 for travel expenses against presentation of external vouchers.
Klaus Rehnig	Supervisory Board mandate	50	Mr. Klaus Rehnig is also engaged as a member of the Supervisory Board of Wirecard Technologies AG and receives TEUR 50 in remuneration.
Paul Bauer-Schlichtegroll	Operating leases	24	Wirecard AG rents office space from Atlantis Immobilien GmbH for TEUR 2 per month. The company is allocated to the Bauer family.

The exchange of goods, services and payments is effected on an arm's length basis. These arm's length prices, terms and conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

Final statement from Wirecard AG

Wirecard AG, in the circumstances known to the Board of Management at the relevant point in time at which the legal transactions were effected, in each case received prices in conformity with those prevailing on the market. The execution of the legal transactions or measures detailed in the report relating to dependencies had no detrimental impact on Wirecard AG. Wirecard AG did not suffer a detrimental impact on account of measures being omitted in the interest of affiliated companies either.

19. Auditors' fees


In the fiscal year, the following fees of the auditor and of related enterprises of the latter were recognized as expenses (§ 314 Abs. 1 Nr. 9 HGB):

	Total	of which subsidiaries
	TEUR	TEUR
Audit of the annual financial statements	290,935	145,935
Tax consultancy services	270,000	270,000
Other services	6,420	6,420

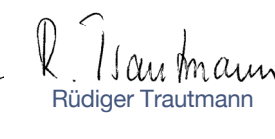
20. Clearance for publication in accordance with IAS 10.17

The consolidated annual financial statements as at December 31, 2007 were prepared by the end of March 2007 and given clearance for publication by the Board of Management as at April 20, 2007.

Berlin, March 2007
Wirecard AG


 Dr. Markus Braun


 Burkhard Ley


 Rüdiger Trautmann

Development of Non-Current Assets

				Cost			
	01/01/2006 EUR	Adjustments from currency changes EUR	Addition First consolidations EUR	Additions EUR	Disposals EUR	Transfer First consolidation EUR	12/31/2006 EUR
NON-CURRENT ASSETS							
1. INTANGIBLE ASSETS							
a) Goodwill	51,543,223.50	0.00	3,198,474.11	0.00	0.00	1,845,393.83	56,587,091.44
Self-provided intangible assets	299,408.10	0.00	0.00	2,651,159.80	0.00	0.00	2,950,567.90
Other intangible assets	4,999,582.02	0.00	3,842.00	19,358,595.84	702,008.85	0.00	23,660,011.01
d) Advance payment made	0.00	0.00	0.00	2,500,000.00	0.00	0.00	2,500,000.00
	56,842,213.62	0.00	3,202,316.11	24,509,755.64	702,008.85	1,845,393.83	85,697,670.35
2. TANGIBLE ASSETS							
Other tangible assets	1,885,981.22	2,163.26	3,768.00	111,895.43	594,631.63	0.00	1,409,176.28
3. FINANCIAL ASSETS	5,759,164.49	0.00	728.23	265,283.45	1,010,000.00	-1,845,393.83	3,169,782.34
	64,487,359.33	2,163.26	3,206,812.34	24,886,934.52	2,306,640.48	0.00	90,276,628.97

* without (deferred) taxes

01/01/2006 EUR	Accumulated Depreciation			12/31/2006 EUR	Net book value	Net book value	Depreciation of the year
	Adjustments from currency changes EUR	Additions EUR	Disposals EUR		12/31/2006 EUR	12/31/2005 EUR	EUR
1,568,107.24	0.00	214,605.00	0.00	1,782,712.24	54,804,379.20	49,975,116.26	214,605.00
162,103.10	0.00	143,986.20	0.00	306,089.30	2,644,478.60	137,305.00	143,986.20
793,254.82	0.00	640,713.04	676,961.85	757,006.01	22,903,005.00	4,206,327.20	640,713.04
0.00	0.00	0.00	0.00	0.00	2,500,000.00	0.00	0.00
2,523,465.16	0.00	999,304.24	676,961.85	2,845,807.55	82,851,862.80	54,318,748.46	999,304.24
956,168.28	3,853.18	312,541.75	567,317.20	705,246.01	703,930.27	929,812.94	312,541.75
0.00	0.00	0.00	0.00	0.00	3,169,782.34	5,759,164.49	0.00
3,479,633.44	3,853.18	1,311,845.99	1,244,279.05	3,551,053.56	86,725,575.41	61,007,725.89	1,311,845.99

Auditors' Report

We have audited the consolidated financial statements prepared by the Wirecard AG, Berlin, comprising the balance sheet, the income statement, statements of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2006. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Abs. [paragraph] 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) are 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. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 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 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.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. [paragraph] 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and full IFRS 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 able view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 16, 2007

Control5H GmbH
Audit firm



Roland Weigl
Auditor



Ulrich Burkhardt
Auditor

Contact

Headquarters

Wirecard AG

Voigtstraße 31, 10247 Berlin, Germany

Tel.: +49 (0) 30 / 7261 02 - 0
Fax: +49 (0) 30 / 7261 02 - 199
Mail: contact@wirecard.com

Branch Office

Wirecard AG

Bretonischer Ring 4, 85630 Grasbrunn, Germany

Tel.: +49 (0) 89 / 4424 - 0400
Fax: +49 (0) 89 / 4424 - 0500
Mail: contact@wirecard.com

Office Gibraltar

Wirecard Ltd.

Suite 3a Icom House 1/5, Gibraltar

Registered Address: 57/63 Line Wall Road P.O. Box 199, Gibraltar

Tel.: +350 50 712
Fax: +350 49 778
Mail: contact@wirecard.gi

Publishing information

Publisher

Wirecard AG

Voigtstraße 31, 10247 Berlin, Germany

Tel.: +49 (0) 30 / 7261 02 - 0

Fax: +49 (0) 30 / 7261 02 - 199

Mail: contact@wirecard.com

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of our homepage www.wirecard.de

Wirecard AG Investor Relations Office Munich
Bretonischer Ring 4, 85630 Grasbrunn, Germany

Tel.: +49 (0) 89 / 4424 - 0400

Fax +49 (0) 89 / 4424 - 0500

Mail: ir@wirecard.com

