Wire Card AG Annual Report 2005

wirecard

Key Data

Wire Card Group

		2005	2004	2005 Pro-forma	2004 Pro-forma
Total revenues	TEUR	50,128	6,827	55,517	40,465
EBIT	TEUR	9,446	651	9,751	6,050
Earnings per share*	EUR	0.17	0.01	0.17	0.07**
Shareholders‘ equity	TEUR	85,607	8,796	85,607	50,809
Total assets	TEUR	121,607	16,613	121,607	91,791
Cash flow from operating activties	TEUR	12,796	278	k.A.	k.A.
Employees	as at Dec. 31, 2005	323	18	323	362
of which part-time employees		154		154	203

* Undiluted and diluted

** Capital stock following the registration of the non-cash-capital contribution

Segments

			2005	2004	2005 Pro-forma	2004 Pro-forma
EPRM*	Total revenues	TEUR	47,742***	3,698	53,066	37,038
	EBIT	TEUR	10,526	1,779	10,826	7,364
CCS**	Total revenues	TEUR	5,710	3,207	6,298	5,188
	EBIT	TEUR	- 996	- 1,246	- 991	- 1,314
Other	Total revenues	TEUR	0	0	0	0
	EBIT	TEUR	0	0	0	0
Consolidation	Total revenues	TEUR	- 3,324	-78	- 3,847	- 1.761
	EBIT	TEUR	- 84	118	- 84	0
Total	Total revenues	TEUR	50,128	6,827	55,517	40,465
	EBIT	TEUR	9,446	651	9,751	6,050

* Electronic Payment/Risk Management

** Call Center & Communication Services

*** Inventory changes in 2005: TEUR 1,207 (previous year: TEUR 0)

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Overview

Position and prospects of the Wire Card AG.

Letter from the Chairman of the Management Board

Dear Shareholders,

2005 was an outstanding year for Wire Card AG. As one of the world's leading enterprises for real-time payment processes and risk management services, in fiscal 2005 Wire Card AG generated EUR 55,5 million in overall pro-forma sales revenues and an operating result of EUR 9,8 million. This corresponds to a year-on-year increase in sales revenues of 62 per cent, and a 63 per cent rise in EBIT.

Dr. Markus Braun
CEO, Wire Card AG

When making comparisons with the previous year, it should be noted that changes need to be taken into account both in the Group's structure (in particular, due to the non-cash contribution of Wire Card Technologies AG) and in the fields of activity of the organization. Against the backdrop of these effects, comparable pro-forma sales revenues in 2004 came to 40.5 million euros; the comparable sales revenues in fiscal 2004 including the changes to the Group's field of activities amounted to 34.3 million euros.

The successful development of our company is also reflected in its stock price; in the past twelve months, the value of its stock has more than doubled. There are a number of reasons for the positive corporate development at all levels. At this juncture, we wish to underscore one success factor in particular: in fiscal 2005, our employees and market partners delivered a strong performance, putting the strategic vision of Wire Card AG becoming the major European all-in package provider in the field of electronic payment processing into practice. At this point, we wish to express our thanks for their dedication and commitment.

We have come a great deal closer to our strategic objectives since January 1, 2006 following the acquisition of XCOM Bank AG, now trading as Wire Card Bank AG. Wire Card AG today is the only independent enterprise for electronic payment processing services that has a full banking license. With the Wire Card Bank AG, we are not reinventing our core operations – instead, we are completing our range of services along the value added chain, e.g. in maintaining customer accounts, awarding acceptance agreements and issuing credit cards. The Wire Card Bank AG will enable us to improve the gross margin of Wire Card AG and boost the profitability of our organization in the medium to long term. Thanks to the Wire Card Bank AG, we are opening up new fields of activity; in addition, we are consistently extending our strengths in the existing product portfolio. An outstanding example of this trend is shown by CLICK2PAY as an independent Internet payment solution of Wire Card AG.

By issuing pre-paid cards, in conjunction with CLICK2PAY a seamless link will be created in the medium term between the online and offline worlds. Similar developments can be anticipated from Wire Card AG in numerous other fields of services in the forthcoming months. In fiscal 2005, we set fresh impetus in motion – not only externally, but also within the company. The enlargement of the Board of Management is evidence of this trend. In November 2005, Rüdiger Trautmann was appointed Chief Sales & Marketing Officer. Since January 1, 2006, Burkhard Ley has reinforced the Board of Management as Chief Financial Officer. In Burkhard Ley and Rüdiger Trautmann, the Board of Management of Wire Card AG is fortunate to have acquired outstanding personnel to master the challenges that lie ahead.

Among these challenges for fiscal 2006 on the one hand are the full integration of the Wire Card Bank AG into the corporate structure of Wire Card AG. On the other, the consistent continuation of our internationalization strategy is one of our core objectives. In the forthcoming months, we will extend our leading role in the European markets for payment processing and risk management services. In addition, we will reinforce our commitment in the markets beyond Europe, where we will benefit from the fact that major content and product providers in particular are becoming increasingly global in reach.

Wire Card takes account of the specific requirements of these companies by developing industry-specific and international solution packages. This gives us an ideal positioning to profit from worldwide growth of electronic trading in the future. Furthermore, the positive performance of Wire Card stock is another core objective of our business activities. In this regard, we took a decisive step in fiscal 2005 with the capital increase announced on September 14. After deduction of statutory subscription rights, the capital increase was oversubscribed more than 25 times. We perceive the substantial interest shown by numerous investors as confirmation of the strategic orientation adopted by Wire Card AG.

And we delivered proof last year that we are not resting on our laurels. On the contrary, we took advantage of the opportunities that arose and consistently widened our lead over our competitors. We are convinced that our growth will continue and that we will even exceed our current all-time highs in fiscal 2006. For instance, we expect our operating profit to rise by more than 40 per cent in the current financial year.

We look forward to your continued support in the future.

Grasbrunn, March 17, 2006

Dr. Markus Braun
Chairman of the Board of Management

Report of the Supervisory Board

Klaus Rehnig
Chairman of the Supervisory Board
Wire Card AG

In fiscal 2005, the Supervisory Board of Wire Card AG carried out its duties in accordance with the law and the company's statutes, advised the Company's Management and monitored its activities. During the last fiscal year, in 5 meetings the Supervisory Board obtained extensive information by means of detailed written and personal reports from the Board of Management on the Company's situation and development, key business transactions as well as risk management.

The Board of Management also consulted the Supervisory Board in between meetings involving 25 specific cases in which it is required to cooperate as part of the approval process in accordance with the law, the Company's statutes and the rules of procedure of the Board of Management. In addition, the members of the Supervisory Board informed and advised the Board of Management in various personal consultations and telephone talks and contributed to an improvement in profitability.

The Supervisory Board consists of 3 members; it did not set up any committees and was immediately involved in all decisions of fundamental importance to the Company. No Supervisory Board member took part in fewer than half of the meetings that were held. 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 focal points of consultancy services by the Supervisory Board in fiscal 2005 related to capital increases and related administrative duties, measures to improve profitability by extending the competitiveness of the Company's IT systems and range of services and the future extension of the value added chain thanks to the acquisition of a full-service bank.

In accordance with the Company's statutes, the Supervisory Board dealt with fundamental budget and investment planning issues, with the annual and consolidated financial statements as at December 31, with convening and conducting the Annual General Meeting on August 30, 2005, with the employee participation program as well as the implementation of the German Corporate Governance Code.

The directives on market misuse within the scope of improved investor protection and amendments to the rules relating to Directors' Dealings were presented to the Supervisory Board and their implementation in the Company was discussed.

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For purposes of an efficiency audit of the Supervisory Board, the members of the latter signed off a questionnaire and performed an opinion survey.

Capital measures

Following an out-of-court settlement of six actions for rescission by certain stockholder representatives of the capital increase in December 2004 by non-cash contribution of Wire Card Technologies AG against shares with the exclusion of subscription rights, on March 17, 2005 a resolution was adopted by the Board of Management and the Supervisory Board for a cash capital increase by up to EUR 3,931,951 under partial utilization of the authorized capital to be initiated, with subscription rights of principal shareholder ebs Holding AG being excluded.

As a result of the subscriptions, on May 10, 2005 the Company's capital stock was increased by EUR 2,738,493.00 to EUR 55,408,228.00 by issuing 2,738,493 new shares at a subscription price of EUR 2.09 per share.

As a further capital increase to fund the acquisition of XCOM Bank AG, now trading as Wire Card Bank AG, on September 12, 2005 the Board of Management, with the approval of the Supervisory Board, effected a capital increase of EUR 6,694,457, to EUR 62,102,685.00 under partial utilization of the authorized capital with subscription rights in a ratio of 14 : 10 against payment of EUR 3.30 per new share.

Stock market listing

All shares from the non-cash capital increase in December 2004 and from the two cash capital increases of 2005 amounting to 52,618,738 shares were listed for trading on the Frankfurt Securities Exchange (Prime Standard segment) following approval of the securities prospectus by the German Banking Supervisory Authority (BaFin) on October 21, 2005 as well as by resolution approving such listing by the Frankfurt Securities Exchange itself on October 26, 2005.

The shares from the non-cash capital increase, totaling 41,633,992 shares, are subject to a holding commitment until April 28, 2006.

Annual and consolidated financial statements

Before submitting an election nomination for the auditor at the Annual General Meeting held August 30, 2005, the Supervisory Board obtained a declaration regarding the independence of the auditor pursuant to No. 7.2.1 of the German Corporate Governance Code.

At the Supervisory Board meeting of March 17, 2006, attention focused on the proposal from the Board of Management and the discussion of the annual and consolidated financial statements for 2005 of Wire Card AG, the management report for the fiscal year as well as on the audit reports and oral reporting by the independent auditors.

The records relating to financial statements and the proposal by the Board of Management for appropriation of net income as well as the audit reports of the independent auditors were submitted to all members of the Supervisory Board prior to the meeting concerning the financial statements.

The auditor reported to the Supervisory Board on all material findings of his audit and was available for supplementary information. In the presence of the appointed auditor, Control5H Wirtschaftsprüfungsgesellschaft, the audited annual financial statements for 2005 of Wire Card AG were adopted and the consolidated annual financial statements (IAS/IFRS) likewise audited were approved with an unqualified audit certificate from the independent auditor.

New election of Supervisory Board

At the Annual General Meeting on August 30, 2005, after Mr. Ralf Stark resigned from the Supervisory Board, he was given thanks for his many years of service. Mr. Paul Bauer-Schlichtegroll was elected to the Supervisory Board of the Company for the duration of the remaining term of office of the other members of the Supervisory Board.

In addition, Mr. Klaus Rehnig was elected a member of the Company‘s Supervisory Board for the duration of the remaining tenure of the other members thereof. Subsequently, the Supervisory Board once again elected Mr. Klaus Rehnig as Supervisory Board Chairman and Mr. Alfons Henseler as Deputy Chairman.

Appointments to the Board of Management

The following changes were made to the composition of the Board of Management in the last fiscal year: Mr. Paul Bauer-Schlichtegroll was appointed to the Board of Management on an interim basis as at April 1, 2005 pursuant to the German Companies Act § 84 (AktG) and discharged as at May 25, 2005. His successor was Mr. Rüdiger Trautmann, appointed as Board member in charge of Marketing/Sales as at November 1, 2005 for a term of 3 years.

Mr. Burkhard Ley was appointed CFO as of January 1, 2006, likewise for a term of 3 years. The Supervisory Board is aware of the significance of enhancing the company’s management with specialist skills and the fresh impetus of the enlarged Board of Management for the future development of the Group.

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Outlook

The company’s successful growth in the last fiscal year was attributable to the consistent further development of the payment processing and risk management platform of Wire Card AG as well as the internationalization and optimization of business processes with the alternative payment solution CLICK2PAY.

With general conditions remaining favorable at present, the above-average positive trend is continuing in the 1st quarter of the new fiscal year. Following the bank acquisition, new fields of activity can be opened up and internal processes optimized and made more cost-effective.

The Supervisory Board wishes to express its thanks and recognition to the management and workforce for the single-minded, successful realization of the company’s aims and objectives in fiscal 2005.

Berlin, March 17, 2006

K. Rehnig

Klaus Rehnig
Chairman of the Supervisory Board

Corporate Governance

Declaration of compliance with the German Corporate Governance Code by Wire Card 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 25, 2005 relating to the German Corporate Governance Code in the version of May 21, 2003, the company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of May 21, 2003 and in the new version of June 2, 2005 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 2, 2005. The following exceptions apply in this regard:

No. 2.3.1 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.

No. 4.2.3 par. 1 provides for the overall remuneration payable to members of the Board of Management to comprise fixed and variable components. In addition, No. 4.2.3 par. 3 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 Wire Card AG held August 30, 2005, pursuant to § 286, (5) HGB in conjunction with § 314, (2) HGB the annual general meeting decided to waive disclosure of individual remuneration paid to the Board of Management until fiscal 2009.

The overall remuneration of the single member of the Board of Management until November 2005 only comprised fixed components during fiscal 2005. From fiscal 2006, however, all members of the Management Board will be granted fixed and variable remuneration components in accordance with the recommendations in No. 4.2.3 pars. 1 and 2. By way of variable remuneration components, so far royalties are planned to be paid on the basis of convertible bonds, depending on operating results, return on equity and stock options.

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 provides 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 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 provides for the consolidated annual financial statements to be made accessible to the public within 90 days of the end of a fiscal year and the interim reports within 45 days of the end of the reporting period.

The current reporting regulations relating to the Prime Standard of the German Securities Exchange provide for a period of 4 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 2 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 17, 2006
Wire Card AG

on behalf of the Board of Management

Dr. Markus Braun

Burkhard Ley

on behalf of the Supervisory Board

Klaus Rehnig

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The Wire Card Share

Since March 14, 2005, the company's stock has been listed under a new name as "Wire Card AG" on the Prime Standard of the Frankfurt Securities Exchange

For Germany's stock markets, the first half of 2005 was hardly satisfactory. Only in May/June did both the Dax and the TecDAX begin to pick up. By the end of the year, the TecDAX saw a respectable increase of 15% (previous year: -4%).

All stock price data, XTRA, FSE

The price of Wire Card AG stock was in the region of EUR 2.24 at the beginning of the year and picked up to close at EUR 3.74 by the end of the year. This encouraging surge by 68% was outperformed by the overwhelming price gains at the beginning of 2006: in the period from January 1, 2006 to March 20, 2006 (EUR 6.68), the company's share already managed to show a performance of 78%.

In the early months of 2005, the price initially saw some sideways movement, with a slightly buoyant trend.

Following the registration of the non-cash capital increase on March 14, 2005 and the renaming of Wire Card AG, the successful reverse IPO resulted in a group with over 52 million euros in registered capital.

At the end of June 2005, the highest price was recorded in the first half of the year, at EUR 2.85. On August 10, the 3 euro barrier was broken for the first time. The company's stock price proceeded to rise continually, apart from a few slight setbacks, reaching a high for the year of EUR 4.25 on September 27.

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At the end of October, there was a slight consolidation as the stock price dropped to EUR 3.33 as a result of 6,694,457 new shares being listed at an issue price of EUR 3.30 as part of the cash capital increase of September 12, 2005.

Until the end of October, ebs Holding AG held over 74.1% of the company's shares. Its stake declined to below 25% by December 31, 2005, and to below 10% by the end of March 2006. Accordingly, the trading volume of the company's stock was only significantly higher in the second half of the year. Meanwhile the average trading volume per day during the last 52 weeks amounts to 100,000 shares. The free float amounted to 25.87% at the end of the year and was only increased significantly at the beginning of 2006, to a current level of 82.37%.

Capital increases in the year under review

On May 17, 2005, the execution of the increase in the company's subscription rights capital adopted by resolution of April 11, amounting to EUR 2,738,493.00, to EUR 55.4 million, was entered in the competent commercial register.

On October 18, 2005, the execution of the increase in the company's subscription rights capital adopted by resolution of September 12, 2005, amounting to EUR 6,694,457.00, to EUR 62.1 million, was entered in the competent commercial register.

The remaining authorized capital amounted to EUR 16,901,917.00 as at December 31, 2005.

In terms of the offering prospectus of October 21, 2005, a total of 52,618,738 new no-par value bearer shares with a pro-rata proportion of the company's common stock of EUR 1.00 per share and subject to full profit participation for the fiscal year beginning on January 1, 2005 were listed for trading effective as of October 26, 2005. The listing comprised all capital increases effected in 2004 and 2005.

A further increase in the company's common stock to EUR 62,261,447 by drawing on contingent capital 2004/I was effected to an extent of EUR 158,762.00 by partial conversion of 438,250 convertible bonds issued as part of the staff option program; this increase will only be registered in 2006, however.

Key figures on Wire Card stock

in EUROs:	2005	2004
Earnings per share according to IFRS	0.17	0.01
Stock market price (Dec. 31)	3.74	2.25
Stock market high	4.25	2.91
Stock market low	2.12	2.11
Number of shares (Dec. 31)	62,261,447	10,533,947
Dividend	0	0
Market capitalization in million EUROs (Dec. 31)	**233 Mio.**	**23,70 Mio.**

Focus on company's stock

Last year, Wire Card AG intensified its dialog with shareholders and analysts considerably. Within the scope of numerous presentations, institutional investors were presented with the equity story of Wire Card, which met with a brisk response. Thanks to continual communications with financial media, it was possible to boost the degree of recognition of the company's stock increasingly in the course of the second half of the year.

At the beginning of 2006, additional key steps were already initiated with a view to establishing Wire Card as one of the most interesting growth enterprises on the German stock market.

The Board of Management and the Supervisory Board of Wire Card 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 in accordance with IAS/IFRS.

Private investors can obtain all the relevant information on the Internet at www.wirecard.de in the „Investor Relations" section. The extension of the information modules on the Investor Relations web page is being continually implemented in order to also provide private investors with a wealth of information on Wire Card.

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Basic information on Wire Card stock

Year established:	1999
Market segment	Prime Standard
Indices:	CDAX, Prime All Share
Type of equity:	No-par-value common bearer shares
Stock exchange ticker:	Reuters IGPG.DE, Bloomberg IG
WKN (SIN):	747206
ISIN:	DE0007472060
ISIN:	DE000A0E96B8 (41,633,992 shares, blocked until April 28, 2006)
Authorized capital, in number of shares:	62.261.447
Group accounting category:	Exempting consolidated financial statements in accordance with IASIFRS
End of fiscal year	31.12.
Total common stock as at Dec.31, 2005:	EUR 62,261,447.00
Beginning of stock-market listing:	October 25, 2000
Board of Management:	Dr. Markus Braun CEO Chairman of the Board of Management Rüdiger Trautmann COO Sales & Marketing (since 11/2005) Burkhard Ley CFO Finances (since 01/2006)
Supervisory Board:	Paul Bauer-Schlichtegroll Alfons Henseler Klaus Rehnig (Chairman)
Shareholder structure on Dec. 31, 2005:	24.50 % ebs Holding GmbH 8.01 % MB Beteiligungsgesellschaft mbH 67.49 % Freefloat (incl. 7.83 % AVENUE Luxembourg S.A.R.L.)
Shareholder structure on March 20, 2006:	9.62 % ebs Holding GmbH 8.01% MB Beteiligungsgesellschaft mbH 82.37 % Freefloat (incl. 7.83 % AVENUE Luxembourg S.A.R.L.)

The Company

The business model of Wire Card AG.

The power of payment

Wire Card AG is among the leading enterprises for electronic payment systems and risk management services. Thanks to the outsourcing and optimization of financial processes, the customers of Wire Card AG benefit from process-related advantages. Together with its subsidiary, Wire Card Bank AG, Wire Card AG is extending its own portfolio of services along the value added chain. With this strategic course, Wire Card AG is laying the foundations to ensure that the company's above-average growth and its dynamic development will continue in the future.

The history of payment processes is one of the central elements of the cultural history of humankind – from barter trade to stone and shell money right through to the development of the first known coinage in the 7th century.

The development of payment processes is a history of ongoing revolutions, from the introduction of paper money and the centralization of monetary systems all the way to the development of cashless payment transactions.

The history of payment processes is a (hi)story with a future. And Wire Card AG stand for this future, being one of the world's leading enterprises for payment processing and risk management services. Wire Card AG provides innovative technologies and transaction-based services for all levels of payment management.

Payment processes are more than mere transactions. Payment stands for communication, security, trust. It is an instrument of customer loyalty and an efficiency factor.

After all, modern payment systems are becoming increasingly complex, increasingly dynamic and increasingly risky. The growing globalization of cash and finance flows, the depersonalization of payment processes and the rising number of eCommerce transactions call for new, innovative payment solutions that set benchmarks in terms of speed, quality of service, efficiency and risk management. The development of technologies and services as solutions to meet the challenges of modern payment transactions constitutes the core competence of Wire Card AG.

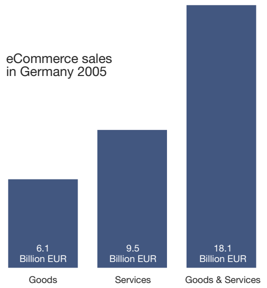
By outsourcing financial processes, Wire Card AG realizes added value for its customers. The focal point in this regard is a software platform that handles and bundles all payment processes available. This platform represents the heart or core of our enterprise value. In addition, Wire Card AG has attained a proven track record with the alternative payment system CLICK2PAY, which ranks in exclusive position with real-time processing, guaranteed payment and international standardization.

Assisted by the Wire Card Bank AG, Wire Card AG is continuing its dynamic growth course in fiscal 2006 since the bank represents the foundations for extending the portfolio of services along the company's own value added chain. In the process, Wire Card AG is strategically developing into a provider of all-in package solutions in the field of electronic payment processing. In future, the company will be able to offer its customers – whether large corporations or small to medium-sized enterprises (SMEs) – a unique package of corporate banking services ranging from business accounts and the allocation of acceptance agreements for VISA and MasterCard right through to issuing credit cards within the scope of co-branding and customer loyalty projects.

Market development:
the potential of a growth industry

Wire Card AG stands for growth. Wire Card AG and its growth rates substantially outperform the dynamic development of the market as a whole. The market for "Electronic Payment/Risk Management Services" (EPRM) records annual growth rates ranging from 15 to 20 per cent. This is chiefly accounted for by above-average growth rates in the mail-order trade, eCommerce as well as tourism. For instance, electronic mail-order trading generated record sales revenues in Germany in fiscal 2005. According to a study by the "Bundesverband des deutschen Versandhandels" (federal association of German mail-order houses) electronic web shops registered 8.6 billion euros in domestic sales in fiscal 2005. This represents a 24 per cent increase year-on-year.

The positive development of the eCommerce sector is also underscored by Jupiter Research in a study "European Commerce" of December 2005. This study shows that the acceptance of electronic trading is rising in tandem with the number of online users. In fiscal 2005, as many as 50 per cent of Internet users were already shopping for goods on the web - by the year 2010, this value will increase to 61 per cent. Yet according to a study by the European Interactive Advertising Association (EIAA), a substantial sales potential is already being realized on the web today. In the six months of the research period, Europeans spent an average of 664 euros on the World Wide Web. Focal points in this regard were such eCommerce segments as tourism, entertainment electronics and online gaming services.



However, this growth is not concentrated on Europe alone. For instance, a study by the China Internet Development Research Center (CIDRC) shows that business associated with electronic trading in the Chinese market saw a robust boom in 2005. The number of Internet visitors who transacted online business in 2005 came to 71.3 per cent, outstripping the average for the Asia-Pacific region (at 70 per cent) for the first time. The entire trading volume of eCommerce in China reached 13.5 billion Yuan last year – equivalent to 1.4 billion euros. This represents a 280 per cent increase year-on-year.

The requirements relating to trading facilities are increasing in tandem with the level of growth in the volume of global electronic commerce. Customer inquiries need to be answered and refunds made. Tasks include the need to establish differentiated security measures, optimizing customer loyalty programs and positioning new products. In a nutshell, the demand for professional, industry-specific, transaction-oriented and freely scaleable solutions is growing.

Beyond the ongoing boom in worldwide eCommerce, however, a further development is having a positive impact on the prospects for growth of Wire Card AG. What we mean is the ongoing boom in business process outsourcing (BPO). According to a study conducted by Pierre Audoin Consultants (PAC), the BPO market expanded by 17 per cent in fiscal 2005. According to Pierre Audoin Consultants, double-digit growth rates are also anticipated in subsequent years.

The Wire Card solution is modular in structure, quickly integrated and upgradeable any time to meet changing business needs.

To be sure, such buzzwords as “concentrating on core business” and “cost reduction” remain as vital as ever in European corporate circles. Business processes not classified as differentiating in competitive terms are being subjected to scrutiny. And outsourcing to external service providers is being considered increasingly often. The main reason for this is that since economies of scale can be realized with a BPO service provider and resources can be more efficiently deployed, BPO is a potential cost cutter. According to an opinion survey by Pierre Audoin Consultants among 120 user companies, this circumstance was a key criterion for 60 per cent of all respondents in considering outsourcing projects.

If, in addition, the service providers manage to pick up business processes at their roots and improve them on a sustained basis, this gives rise to a further sound reason in favor of BPO, namely the qualitative value added and optimization of the business process. Every second respondent within the scope of the survey said that this was a key argument in favor of a BPO decision. Yet there are others, too: Well over 60 per cent of the respondents said they hoped for BPO to achieve speedier and improved adjustment to technological and even strategic change. If the BPO service provider shows convincing evidence of innovative power, then a potential customer will be keen to see a demonstration as to how IT and business processes can be used to speed up and improve innovative cycles along with their efficiency.

Against the backdrop of the growth trend in BPO business, the prospects in the field of real-time payment processing and risk management services are excellent for fiscal 2006. The dynamic trend prevailing on the market will continue in years to come. However, the companies that will stand to benefit most from this development are those that offer comprehensive value added depth along the financial supply chain. And Wire Card AG has its strengths particularly in this field of competence.

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Core competence:
Outsourcing and optimization of financial processes

The business model of Wire Card AG comprises electronic payment processes with integrated risk management services and communications solutions. The portfolio of services of Wire Card AG ranges from standard solutions for electronic payment systems right through to industry-specific financial supply chain management solutions for large-scale corporations. Wire Card AG offers companies a unique selection of local and global methods of payment: from card processing, wire transfers and EFT right through to cash in advance.

In addition to payment processing via the Internet, the technology platform of Wire Card AG also integrates all distribution channels such as call centers and points of sale. Moreover, the business division of communications solutions makes modules available that provide the entire spectrum of virtual and stationary call center services and complement the field of payment management by extending it to include professional end-customer communications. The centralized software platform of Wire Card AG facilitates comprehensive outsourcing of financial processes for its customers. In addition to processing electronic payments, this also comprises such issues as credit status checks and invoicing, complaints management and dunning services.

The Internet payment system CLICK2PAY is a convincing feature of the services portfolio of Wire Card AG thanks to its international direction, ease of integration and cross-divisional industry orientation. CLICK2PAY is based on the platform technology of Wire Card AG and is an alternative to conventional payment solutions. For instance, CLICK2PAY is very suitable for companies that provide for customer registration when downloading such content as images, music and online games, but also for the purchase of physical goods.

CLICK2PAY provides an extensive reporting system and interfaces perfectly with the navigation elements of websites of many and various enterprises. The payment process therefore is not perceived as an external process but integrates itself organically into the most diverse of infrastructures. What is more: in fiscal 2005, Wire Card AG opened up fresh perspectives for CLICK2PAY via a range of implementation projects on a national scale. CLICK2PAY has a highly successful market presence in the Spanish, Italian and French-speaking regions, for instance. CLICK2PAY has also been localized in Turkey. This means that starting from sign-up all the way to support, the entire communication takes place in the respective local language. Moreover, CLICK2PAY users can handle their transactions in their national currencies, making cost controls significantly easier.

With real-time processing, guaranteed payments, international standardization and high security in making payments, CLICK2PAY is the essential driver of the robust growth generated by Wire Card AG.

Already today, more than 300 enterprises from Europe, North America, China and Japan are using the alternative payment system from Wire Card AG. Particularly thanks to cooperative ventures with major multipliers such as media organizations in the print and TV industry, the growth witnessed by CLICK2PAY will accelerate even further in the forthcoming months.

Industries:
Growth in all market segments

More than 5,000 enterprises worldwide are already using the technology platform of Wire Card AG today. Wire Card AG supports these customers with over 85 global and local payment and risk management processes in more than 180 currencies.

On the basis of the technology provided by Wire Card AG, enterprises managed to achieve substantial improvements in money and merchandise transactions with customers, partners and suppliers alike. External and internal payment flows became faster, more reliable and more favorably priced. At the same time, Wire Card managed to achieve substantial cost savings by reducing payment defaults, by minimizing personnel and cutting the level of receivables in arrears.

As one of the few independent European providers with a full banking license, Wire Card AG is extending the lead over its competitors.

In fiscal 2005, Wire Card AG managed to acquire a substantial number of customers of note. Numerous companies from the booming travel industry signed up with Wire Card. More and more online travel agencies are opting for Wire Card thanks to the special flexibility made available by Wire Card AG to the dynamically growing tourism market.

Among the new customers and multipliers are: Air Kiosk (Internet booking engine), BluExpress (airline), IXEO S.A. (B2B travel portal), Mövenpick Hotels & Resorts, Olotels.com, L'Tur, GTI Travel, Lastminute.de, and Gulf Air. In addition, Wire Card AG also banked on growth in the dynamic market segment of gaming and gambling. For instance, on January 1, 2006 the company managed to sign up BETandWIN.com Interactive Entertainment AG for the payment system CLICK2PAY capable of being deployed on an international scale.

BETandWIN.com, the market leader in continental Europe for online entertainment products such as sport bets, casino games, soft games or person-to-person applications will be in a position to offer its customer another attractive payment system following the introduction of CLICK2PAY in the first quarter of 2006. Other new and renowned customers of Wire Card AG are from the distributive trade and the media, including such companies as ProMarkt and Switzerland's biggest publishing house, Ringier AG.

Future strategy:
a milestone in the strategic development of the Group

In September 2005, Wire Card AG announced the planned acquisition of XCOM Bank AG. XCOM Bank AG is a full-service bank and has the licenses necessary in order to be able to issue and accept credit cards. On January 1, 2006, XCOM Bank AG was renamend in Wire Card Bank AG and the bank began trading as a subsidiary of Wire Card AG.

For Wire Card AG, the launch of the Wire Card Bank AG represents a milestone in the company's strategic development. After all, the bank will deliver new impetus to fuel growth for the business model of Wire Card AG.

Being the only independent provider of payment processes with a full banking license on the part of its subsidiary Wire Card Bank AG, the company clearly ranks in an exclusive position. The Wire Card Bank AG will facilitate improved margins as part of the Wire Card business model and will provide additional growth potential along the entire value added chain.

The bank's activities will initially be concentrated on further optimizing the profitability of Wire Card AG as an enterprise. On the other hand, with the Wire Card Bank AG, Wire Card AG is establishing new offers for traders and end customers. In this regard, entry into the business of issuing credit and debit cards ranks first and foremost.

In this new field of activity, Wire Card will focus on sales of innovative card products from credit card organizations, which are particularly suitable for online banking.

As one of the few independent European providers with a full banking license, Wire Card AG will continue to extend its lead over its rivals. Thanks to the Wire Card Bank AG and the development of new fields of activity, the gross margin will see a substantial improvement in the medium to long term, which will boost profitability immensely.

The launch of the Wire Card Bank AG therefore is a major step in the direction of implementing the strategic vision of the Wire Card Group becoming one of the world's strongest organizations in the segment of online payment processing.

Core fields of activity of Wire Card AG

wirecard

Wire Card AG is a leading global provider of electronic payment and risk management (EPRM) applications. Wire Card customers include large-scale enterprise that want to reach their end-customers in global target markets – predominantly via the Internet. This solution is a transaction-based outsourcing business model that can be integrated into any existing IT infrastructure. Many years' experience is also beneficial to customers with small to medium-scale enterprises (SMEs), profiting from cost advantages due to standardized solution packages.

In addition, the financial platform developed by Wire Card is in a position to integrate distribution channels along the financial supply chain

- at the point of sale / counter
- in the call center, via all modern means of communications
- as well as via the Internet.

Transparent analysis and reporting applications are accessible via the Internet-based platform from all corners of the globe.

In general, Wire Card AG is engaged with industry-specific solutions and services in seven core fields of activity: Travel, MoTo (Mail Order /Telephone Order), Auctioning, eCommerce, Retail, eGaming, and Media.

In fiscal 2005, Wire Card AG generated above-average growth in all industry segments. At the same time, the company managed to acquire numerous new customers both for the Wire Card ePayment platform and for CLICK2PAY – including such enterprises of note as L'Tur, GTI Travel, Lastminute.de, the Swiss Ringier Gruppe and Victor Chandler.

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The new corporate identity of Wire Card AG

The portfolio of technologies, services and offers from Wire Card AG changes at lightning speed. The identity of the company needs to keep pace with this trend. At the beginning of 2006, therefore, the management of the company initiated a comprehensive relaunch of the brand. The aim was to present Wire Card AG in a more future-oriented setting at all levels and to reinforce public perception of the business model of the brand, which is essentially based on networking. The logo of Wire Card AG now relies on clear use of form and a high level of brand recognition.

The website of Wire Card AG was also subjected to a relaunch. A new structure, new worlds of imagery and a new text-based style are what also underscore the claim to leadership by Wire Card AG on the Web.

New potential for Wire Card AG

Rüdiger Trautmann and Burkhard Ley complement the Board of Management of Wire Card AG in the fields of Sales & Marketing as well as Finances, respectively. In a round table interview, both Management Board members explain the objectives and prospects of Wire Card AG for fiscal 2006.

Rüdiger Trautmann
COO, Wire Card AG

Mr. Trautmann, effective as of November 1, 2005 you were appointed Chief Sales & Marketing Officer. Can you please describe the entrepreneurial positioning of Wire Card AG from your point of view?

Trautmann: Wire Card AG is a highly dynamic enterprise for electronic payment systems and risk management services. By setting up a transaction-oriented, scaleable financial platform, we have gained a genuine competitive lead. Our aim is to also make Wire Card AG one of the leading providers on a global scale. The chances of achieving this are quite favorable.

Apart from Wire Card AG, at present the ePayment segment is being dominated above all by U.S. enterprises. How is the internationalization strategy of Wire Card AG unfolding against this backdrop, Mr. Trautmann?

Trautmann: Our strategic approach is based on the fundamental statement, “Think Global – Act Local”. The further penetration of the European, Asian and North American market by virtue of organic growth is one of our central objectives. Compared with our U.S. rivals, we perceive that we have the edge in this context. After all, the payment platform of Wire Card AG has been optimized to take account of different conditions prevailing in various countries. This is the advantage of an enterprise that has its roots in Europe: our solutions are convincing because of their ease of customization and flexibility.

Mr. Ley, as a member of the Management Board of Wire Card AG you have been in charge of the Finances division since January 2006. What do you perceive as the main challenges for fiscal 2006?

Ley: First of all, as far as I’m concerned the most important issue is the performance of Wire Card AG stock on the capital market. In the next several months, we will intensify our contact liaison with analysts and financial institutions. Our aim in doing so is to extend the institutional basis for Wire Card AG stock.

What potential is likely to arise from your point of view for the business model of Wire Card AG following the launch of the Wire Card Bank AG?

Ley: The Wire Card Bank AG complements the business model of Wire Card AG: with the banking license, Wire Card today is one of the few providers of fully integrated real-time payment methods with in-house acquirer and issuer services. The Wire Card Bank AG will facilitate improved margins as part of the Wire Card AG business model and will provide additional growth potential along the entire value added chain.

Herr Trautmann, CLICK2PAY is the successful alternative payment system of Wire Card AG. To what extent is CLICK2PAY likewise profiting from the Wire Card Bank AG?

Trautmann: As the only independent European provider with a full banking license, the Wire Card Group will continue to extend the lead over its competitors at all levels. Of course, this will also concern CLICK2PAY. Thanks to the Wire Card Bank AG, we can provide numerous additional services in-house, under a single umbrella. In particular, I’m thinking of credit card acceptance services in this context.

Burkhard Ley
CFO, Wire Card AG

The final question is addressed to Burckhard Ley: Can you describe your objectives as far as business development is concerned?

Ley: We take it for granted that the dynamic growth of the market as a whole will continue in fiscal 2006. Thanks to the extension of services and the integration of the Wire Card Bank AG, our company will remain on target for growth. In these circumstances, we anticipate an EBIT value for fiscal 2006 that will once again exceed the previous year figure by more than 40 per cent.

Biographies

Rüdiger Trautmann is contributing his extensive IT industry know-how in the field of Sales and Marketing of Internet-based payment systems to Wire Card AG. Some of the stations in his career were IBM, Deutsche Telekom and Pago Pago eTransaction Services GmbH.

Burkhard Ley's career took the Business Management graduate through key managerial functions in the field of corporate finance. Burkhard Ley will control the further extension of the financial services division of Wire Card AG and be in charge internally of all staff departments in the Finance and Administration divisions.

Pro-forma

Pro-forma Income Statement 2005.

PRO-FORMA* INCOME STATEMENT (IAS/IFRS) for the period January 1 to December 31, 2005

Pro-Forma income statement*

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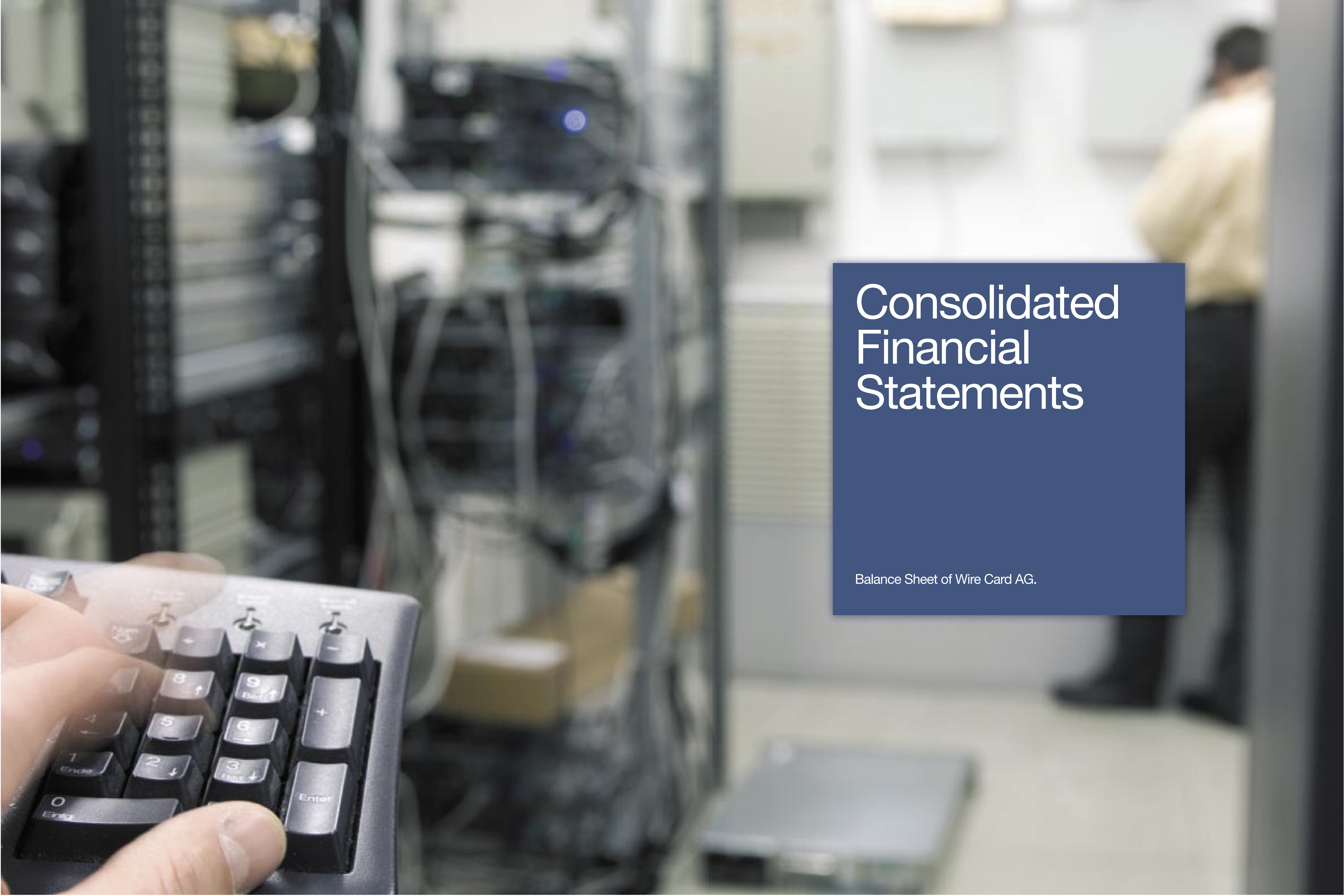
	01/01/2005 - 12/31/2005 EUR	EUR	01/01/2004 - 12/31/2004 EUR	EUR
I. Sales		54,303,888.46		40,465,135.75
II. Increase or decrease in inventories of finished goods and work-in-process and other own work capitalized		1,213,362.00		180,000.00
1. Other own work capitalized	0.00		180,000.00	
2. Increase or decrease in inventories of finished goods and work-in-process	1,213,362.00		0.00	
III. Operating expenses		40,480,459.23		27,338,667.78
1. Cost of materials	30,207,132.83		20,419,347.70	
2. Personnel expenses	9,384,903.39		5,832,598.48	
3. Amortization and depreciation	888,423.01		1,086,721.60	
IV. Other operating income and expenses		5,285,435.92		7,256,859.89
1. Other operating income	1,931,006.00		1,711,360.11	
2. Other operating expenses	7,216.441.92		8,968,220.00	
Net operation income		9,751,355.31		6,049,608.08
V. Financial results		-823,209.70		- 21,698.96
1. Interest expenses	1,022,991.35		192,341.82	
2. Other interest and similar income	199,781.65		170,642.86	
VI. Loss from discontinued operations		0.00		2,129,953.76
VII. Profit before taxes		8,928,145.61		3,897,955.36
VIII. Income tax		718,736.47		351,246.88
IX. Profit after taxes		8,209,409.14		3,546,708.48
X. Expenses due to shifting of profits		0.00		3,197,323.77
XI. Consolidated accumulated profits		8,209,409.14		349,384.71
Earnings per share				
▸ Undiluted and diluted earnings per share		0.17		0.34
▸ Diluted earnings per share (Previous year: subscribed capital as of 31 December 2004)		0.17		0.34
▸ Undiluted earnings per share		0.17		0.07
▸ Diluted earnings per share (Previous year: subscribed capital after registration of share capital increase)		0.17		0.07

* To facilitate enhanced comparability the „pro-forma" results of the previous year and of the year under review are additionally indicated.



Consolidated Financial Statements

Balance Sheet of Wire Card AG.

Consolidated Management Report

1. Economic fundamentals, market and industry trends

A. The market for electronic online payment systems: EPRM

Irrespective of the overall economic fundamentals, the market for electronic payment systems again reached the growth rates forecast for fiscal 2005. In the field of Internet payment systems, such sectors as travel and transport, the mailorder and tele-shopping business, online music and PC game platforms as well as online sports bets and gaming have proved to be particularly sustained growth markets. In 2005, the electronic mailorder trade in Germany alone was up by 24 per cent year-on-year.

From a base figure of approx. EUR 40 billion in sales revenues generated in 2004, Forrester Research has forecast a 400 per cent surge in Western European online trading by the year 2009.

These trends are in line with the EPRM segment of Wire Card. What is anticipated in particular by Forrester is that Germany and the United Kingdom, nations with a substantial number of regular Internet users, are forecast to record particularly dynamic growth. Yet countries like France, Italy or Spain are catching up fast. The demand for online payment systems that are suitable for the ongoing spread of online trading in Europe will undoubtedly grow. Providers like Wire Card, which banked on a variety of currencies and different international banking and risk management systems at a very early stage, are clearly in the lead.

Alternative Internet payment systems like CLICK2PAY are participating in the rapid expansion being fuelled by providers of online music and game platforms as well as online sport bets from England across western Europe, the eastern European countries and all the way to Asia. With CLICK2PAY, Wire Card has good chances of generating disproportionately high growth, being the strongest European provider with the broadest coverage of locally relevant payment solutions. Multilingual capabilities in product application as well as in customer support are turning out to be a major unique selling point in comparison with Anglo-American providers.

The key location of the EPRM (Electronic Payment & Risk Management) segment is Grasbrunn near Munich and Gibraltar.

B. Call Center Services : CCS

In the year under review, the telecommunications market generally was slightly buoyant due to increased economic activity. Outsourcing in the segment of call center services was extended to include the issue of “Quality Management”.

The combination of virtual call center structures with stationary call center services represents an essential approach of Wire Card’s Communications division. Increasing use is being made of the ability to meet peak period demand and the coverage of different knowledge profiles. Call centers are undergoing a transformation into service-oriented customer contact centers. Apart from dealing with telephone inquiries, employees are managing contacts via all modern communications media, including web-based services, e-mail messaging and fax transmissions.

In 2005, the Wire Card Communications division did a great deal in terms of product improvements and extended services available to step up the transformation from a call center to a value added services provider.

All processes and procedures are integrated in an IT solution and therefore represent the basis for change from a technology to a service oriented form of processing information and communications.

The technical preconditions have been created to be able to serve customers in a “hybrid” structure for the first time in 2006. In order to manage the hybrid structure and the link to the stationary call center in Leipzig, new intelligent routing and backup systems were developed. The call center segment is being operated from the locations of Berlin and Leipzig.

2. Business performance

In order to facilitate improved comparability, in addition to the figures for the year under review the “pro-forma” results of the previous year and those of the reporting year are provided below.

2.1 Revenues and earnings

In the year under review, the company as part of the Group managed to exceed its forecasts for total revenues and EBIT substantially. Due to the initial consolidation of Wire Card Technologies AG and its subsidiaries United Payment GmbH and United Data GmbH following the non-cash capital contribution, effective on the date of the commercial register entry (March 14, 2005), to facilitate enhanced comparability the “pro-forma” results of the previous year and of the year under review are additionally indicated.

As at December 31, 2005, Wire Card AG generated TEUR 50,128 (previous year: TEUR 6,827) in total revenues (including inventory changes). EBIT for the year 2005 amounted to TEUR 9,446 (Previous year TEUR 651).

Pro-forma perspective:
When making comparisons with the previous year, it should be noted that changes need to be taken into account both in the Group‘s structure (in particular, due to the non-cash contribution of Wire Card Technologies AG) and in the fields of activity of the organization. Against the backdrop of these effects,

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comparable pro-forma sales revenues in 2004 came to 40.5 million euros; the comparable sales revenues in fiscal 2004 including the changes to the Group's field of activities amounted to 34.3 million euros. Total revenues (incl. inventory changes) relating to the pro-forma statement amounted to TEUR 55,517 (previous year: TEUR 40,645), which corresponds to an increase of 37.2 per cent.The Pro-forma EBIT, at TEUR 9,751 was up by 61.2 per cent year-on-year (TEUR 6,050).

2.2 Gross Profit

In 2005, the Group generated TEUR 25,310 in gross income. On a pro-forma comparison with 2004, this represents an increase of TEUR 5,084, or 25 per cent. Personnel expenses in the year under review came to TEUR 9,385 (previous year: TEUR 5,833). This increase was the result of an expansion in the volume of business.

Other operating expenses comprise the following items: third-party services, cost of premises, valuation adjustments of receivables, administrative and distribution costs and travel expenses. In the year under review, these totaled TEUR 5,285 (previous year: TEUR 7,257).

Financial expenses, at TEUR 1,023 (previous year: TEUR 192) primarily relate to a cash value discount of a longterm receivable from a distribution partner, amounting to TEUR 612 and TEUR 158 in amortization of goodwill.

2.3 Asset and financial situation

Balance sheet and liquidity

Balance sheet equity in the consolidated annual financial statements as at December 31, 2005 amounted to EUR 85,607 million (previous year: TEUR 8,796 / pro-forma TEUR 50,809). The equity ratio amounts to 70.4 per cent.

The level of total assets changed from EUR 16,613 to TEUR 121,607. It was possible to boost the volume of cash and cash equivalents from TEUR 673 to TEUR 35,587. Financial liabilities to banks came to TEUR 6,188 (previous year: TEUR 436). Against the backdrop of the enormous capital changes in fiscal 2005, the report of key figures is confined to the ratio of current assets to short-term liabilities, which improved from 1.24 to 1.70.

2005	current assets TEUR 60,131 / current liabilities TEUR 35,393	=1,70
2004	current assets TEUR 9,504 / current liabilities TEUR 7,677	=1,24

Investments

The following investments were made in 2005:

a. On August 31, 2005, cardSystems FZ-LLC acquired the software application CLICK2PAY from ebs Holding GmbH (trading as ebs Holding AG at the time) at the book value or carrying amount of TEUR 3,998.

b. For the purchase of Wire Card Bank AG (formerly: XCOM Bank AG) effective January 1, 2006, acquisition costs were already incurred in 2005 on the holding amounting to TEUR 1,845.

The contribution of Wire Card Technologies AG (and its subsidiaries) resulted in an increase in goodwill amounting to TEUR 43,261.

2.4 Net profit for the year and earnings per share

Group after-tax earnings, amounting to TEUR 8,003 (previous year: TEUR 53) for fiscal 2005 were equivalent under a pro-forma assessment to TEUR 8,209 (previous year: pro-forma TEUR 3,547).

The number of shares issued rose to 62,261,447 in the course of the year until December 31, 2005. The number of shares listed in the commercial register amounted to 62,102,685 as at the balance sheet date. The reason for this difference is attributable to the fact that in the fourth quarter, shares were issued under the staff participation program that had not been registered by the balance sheet date. On a pro-forma basis earnings per share amounted to EUR 0.17 (previous year: EUR 0.07), according to capital stock following the registration of the non-cash-capital contribution.

3. Segment reporting

3.1 Development of EPRM (Electronic Payment & Risk Management

The segment of Internet payment systems and risk management services exceeded expectations in the course of the year. Both the Wire Card platform solution and CLICK2PAY managed to record a substantial number of new customer acquisitions. In the wake of the growth of the portfolio customer base and in the number of new customers, transaction-related sales revenues grew accordingly. The actual number of trading platform that have integrated CLICK2PAY are a great deal higher since numerous traders operate several portals at a time.

In fiscal 2005, more than 1,000 new customers were acquired for the Wire Card platform solution, including BluExpress, IXEO Interactive Travel, Mövenpick Hotel&Resorts, Olotels Ltd. and ProMarkt.

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The entire customer base meanwhile amounts to more than 5,000 traders.

As expected, CLICK2PAY also featured as a major growth driver in this particular segment. In the year under review, the trader base was boosted from 100 to more than 300 traders.

In the EPRM segment, total revenues (including inventory changes) of TEUR 47,742 were generated (previous year: TEUR 3,698). EBIT amounts to TEUR 10,526 (previous year: TEUR 1,779).

In a pro-forma assessment, total revenues in 2005 (including inventory changes) amounted to TEUR 53,066 (previous year: TEUR 37,038), with EBIT reaching TEUR 10,826 (previous year: TEUR 7,364).

The EPRM division comprises all services in the field of payment processing, particularly services performed by the Financial Supply Chain Management (FSCM) software platform and by CLICK2PAY.

Services in the field of Electronic Payment and Risk Management are rendered primarily by Wire Card Technologies AG, which develops and operates the platform for FSCM and additionally by Wire Card (Gibraltar) Ltd.. Other companies included under this arrangement, apart from the EPRM division, are Click2Pay GmbH and its alternative payment procedure and United Payment GmbH, which focuses above all on the sector of POS (Point of Sale) and virtual terminals.

The objects of the enterprise of cardSystems FZ-LLC (which also belongs to the EPRM division) are the distribution of what is known as affiliate products and the performance of services directly associated with the sale of these products. The remaining foreign branch offices are primarily responsible for selling the products of the Group as a whole and for the localization of payment solutions.

3.2 Development of Call Center & Communication Services (CCS)

In the year under review, business performance of the CCS segment increased by 14% of the previous year's minute volume, to approx. 1.7 million. Total revenues (including inventory changes) of TEUR 5,710 were achieved (previous year: TEUR 3,207).

The operating result (EBIT) came to -TEUR 996 (previous year: -TEUR 1,246). According to a pro-forma asessment, total revenues amounted to TEUR 6,298 (previous year: TEUR 5,188) and EBIT came to -TEUR 991 (previous year: -TEUR 1,314).

In the CCS segment, distributed (virtual) and stationary call center services, e.g. for CLICK2PAY, are also offered for third-party customers in addition to the services required for EPRM. Unlike the use of a stationary call center infrastructure (with a fixed location), the principle of virtual call centers is based on the distribution of incoming and outgoing phone calls via a software platform to geographically independent call center agents and specialized experts. Depending on workload and the need for specialist know-how, these experts can be dynamically commissioned at their respective locations to answer phone calls or deal with electronic inquiries.

The Talk2Experts portal service was discontinued on September 9, 2005. In the field of Expert Services, it was possible – particularly in the 4th quarter – to enter into highly promising agreements with new and portfolio customers as well as cooperation partners and to extend the scope of services. This will only have an impact on sales revenues in 2006.

As at December 31, 2005 all value added telephone numbers of the Expert Services were changed over to the new 0900 numbers.

For instance, Wire Card operates virtual call center solutions for Map & Guide, a provider of route planning software, and for Lexware software marketed by the Haufe publishing group.

4. Consolidation perimeter

In fiscal 2005, the following companies were part of the consolidation perimeter:

- InfoGenie Ltd., Windsor, Berkshire (United Kingdom)
- Wire Card (Gibraltar) Ltd., (Gibraltar)
- Click2Pay GmbH, Grasbrunn (Germany)
- Wire Card Beteiligungs GmbH, Grasbrunn (Germany)
- Wire Card Technologies AG, Grasbrunn (Germany)
- United Payment GmbH, Grasbrunn (Germany)
- United Data GmbH, Grasbrunn (Germany)
- cardSystems FZ-LLC, Dubai (United Arabian Emirates)

The wholly owned subsidiaries indicated above were consolidated at the balance sheet date of the past fiscal year.

In fiscal 2005, in order to streamline the corporate structure the companies net sales GmbH, Grasbrunn (Germany) and InfoGenie Global GmbH, Grasbrunn (Germany) were merged with the parent company and therefore were no longer included as individual companies in the consolidation perimeter. In addition, AWITO GmbH, Grasbrunn (Germany) was merged with Wire Card Technologies AG.

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5. Employees

The number of employees in the Group as a whole increased substantially in the course of the year and in the wake of the consolidation of Wire Card Technologies effective as of March 14, 2005.

As at December 31, 2005, the number of employees subject to mandatory reporting amounted to 323 (previous year: 18), 154 of whom were engaged parttime. A pro-forma assessment shows that the workforce totaled 159 employees at the beginning of the year.

By resolution of the Board of Management of May 4/August 26, 2005 and of the Supervisory Board of August 26, 2005, up to 502,000 convertible bonds were issued for fiscal 2005. In the year under review, the parties entitled subscribed to a total of 490,500 convertible bonds.

The convertible bonds have a term to maturity of 10 years and are interest-free.

In accordance with the resolutions of the annual general meeting, the subscription price for a convertible bond is EUR 1.00. The subscription price was granted by the company to the respective entitled employee 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 is exercised. The details of the subscription terms are reported in the notes.

In accordance with the rules and regulations on which the resolutions were based, employees were able to convert as many as 158,762 by December 31, 2005.

Wire Card AG promotes the qualification of its employees on an individualized basis. Advanced training measures are continually implemented in specific departments, and individual requests meet with a speedy response whenever possible.

Selfmotivation of employees is one of the key success factors of the enterprise as a whole, which is characterized by a high degree of responsibility and dedication of each individual.

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6. Research & Development

Expenses in the field of R&D are partly included under personnel expenses of programmers/developers with a view to continually adjusting the platform technology. For instance, this included the continual extension and upgrades of the CLICK2PAY software functionalities, such as the implementation of additional language modules in Turkish or Swedish.

Moreover, TEUR 529 was spent on developing an issuing and acquiring software application in order to create a link (technical interface) to the Wire Card Bank.

7. Risk report

The Board of Management has complied with the duty to establish a suitable early risk detection system by ensuring that appropriate guidelines for suitable control and monitoring instruments are in place for all strategic and operational management functions.

These instruments serve to secure the Company's ongoing business operations and show any dangerous developments at an early stage to enable appropriate countermeasures to be taken to correct such trends. The Board of Management monitors risk management activities and reports to the Supervisory Board on a regular basis.

The success of the Wire Card Group is heavily dependent on a successful internationalization and the further extension of the international customer portfolio. Due to cultural differences, the increased international orientation in future represents an increased risk of potential friction losses and resources being tied down.

Particularly within the Call Center & Communication Services division, there is a substantial dependency on largescale customers that contribute a considerable share of total sales revenues of this reporting segment. Even though the Electronic Payment & Risk Management division reflects a differentiated customer portfolio, this segment is also dependent to a certain degree on individual largescale customers.

Despite the constant extension of the network of suppliers and partners and its own value added depth, a dependency on banks and acquirers can represent a fundamental risk for the company. Due to the technical nature of the services rendered by the company, here is a dependency on the availability and quality of vital infrastructurerelated services from third parties, e.g. Internet service providers or telecommunications enterprises. Thanks to the acquisition of Wire Card Bank AG as at January 1, 2006, this fundamental risk has been significantly diversified.

In addition, the Board of Management constantly deals with the fundamental risks inherent in this business model in the various segments (e.g. currency and exchangerate risk, regulatory parameters, data protection, money laundering, etc.) and has implemented the necessary measures to ensure the necessary assessment of risks.

A further risk consists in ensuring that the functionalities of the technical systems are guaranteed. In the event of failure of a technical system, the necessary risk provisions have been made to ensure replacement systems in line with the duration and technical consequences of any failures.

8. Report relating to dependencies

As regards relations with associated companies in fiscal 2005, reference is made to the detailed statement in the notes. In addition, the Board of Management has issued the followings statement:

„Our Company received adequate consideration in respect of all legal transactions listed in the report on relations with associated companies in the circumstances known to us at the time the legal transactions took place. The Company was not adversely affected by any measures adopted or omitted.“

9. Corporate governance and profit transfer agreement

On July 19, 2005, Wire Card AG entered into a profit transfer agreement with Wire Card Technologies AG, with Wire Card AG as the controlling shareholder. In terms of a resolution of August 30, 2005, the annual general meeting consented to this strategy.

In addition, the individual financial statements of Wire Card AG extend to include the corporate governance and profit transfer agreement entered into in 2004 between Wire Card AG – as the controlling enterprise – and Click2Pay GmbH.

In its individual 2005 financial statements, Wire Card AG generated TEUR 7,741 in earnings from the profit transfer for 2005 (previous year: TEUR 1,670).

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10. Changes to the Board of Management and Supervisory Board

Mr. Paul Bauer-Schlichtegroll was appointed to the Board of Management on an interim basis from April 1 to May 25, 2005. As at November 1, 2005, Mr. Rüdiger Trautmann was appointed a member of the Management Board. He is in charge of the Sales and Marketing division. In terms of a resolution of November 17, 2005, the Supervisory Board appointed Mr. Burkhard Ley as the company's Chief Financial Officer effective as of January 1, 2006.

The Board of Management comprises:

- Dr. Markus Braun - CEO - Technology
- Burkhard Ley (since January 1, 2006) - CFO - Finances
- Rüdiger Trautmann (since November 1, 2005) - COO – Sales & Marketing

Following the election at the annual general meeting, the following change was made to the Supervisory Board. Mr. Ralf Stark resigned from his mandate on August 30, 2005. As at August 31, 2005, Mr. Herr Paul Bauer-Schlichtegroll was elected as a new member of the Supervisory Board, and Mr. Klaus Rehnig was reelected.

The Supervisory Board comprises:

- Paul Bauer-Schlichtegroll
- Alfons Henseler (Deputy Chairman)
- Klaus Rehnig (Chairman)

11. Material changes following the end of the fiscal year

On January 1, 2006, the acquisition of XCOM Bank was finalized; on that date, the company was renamed to trade as Wire Card Bank AG and is headquartered at 85630 Grasbrunn.

On January 1, 2006, Mr. Burkhard Ley took up his function as Chief Financial Officer of Wire Card AG. Mr. Ley was also appointed a member of the Board of Management of Wire Card Bank AG.

The Board of Management of Wire Card Bank AG comprises:

- Franz Brücklmeier (Speaker)
- Burkhard Ley
- Rainer Wexeler.

The Supervisory Board of Wire Card Bank AG comprises:

- Wulf Matthias
- Klaus Rehnig (Chairman)
- Jens Röhrborn (Debuty Chairman)

12. Outlook

Outlook and prospects for growth

The business model of Wire Card is in the immediate context of several trends relating to the IT industry as forecast by the EITO (European Information Technology Observatory).

These include such issues as IT security, outsourcing as well as eBusiness applications for SMEs (small and medium-sized enterprises).

The outsourcing of business processes that are not immediately linked to the company's core operations remains one of the key topics among SMEs with the aim of cutting costs since the automation and transparency of processes, in this case in the finance sector, result in substantial improvements in terms of liquidity.

This approach generally referred to as business process outsourcing (BPO) can be extended to Wire Card's field of business, to include the trends referred to above. The security measures that a provider of payment and risk management services needs to be able to offer its customers are a key aspect as regards the liquidity of a trader.

The positive response by our customers to genuine savings effects thanks to effective risk management has affirmed our confidence in being able to acquire increasingly big organizations as customers, operating on an international scale.

In addition, the product portfolio of Wire Card has been essentially extended thanks to the acquisition of the Wire Card Bank. Traders are offered an allin package solution specifically tailored to their particular industry and their individual needs.

The increase in our own value added activities will become evident in the course of the year as we reduce costs in the acquiring division.

Forecast

The Board of Management of Wire Card AG anticipates more than 40 per cent EBIT growth for fiscal 2006. This above-average assessment is based on a positive trend being reflected in the portfolio and new customer segment in the first quarter of 2006 as well as the successful integration of the Wire Card Bank.

New business is being shaped by the dynamic growth of CLICK2PAY and by the impetus generated by the sharply growing business divisions of travel and transport as well as eCommerce and the mail order trade. The Asian market presence of CLICK2PAY is additionally being underpinned by strategic alliances and targeted marketing activities.

Berlin, March 2006
Wire Card AG

Dr. Markus Braun

Burkhard Ley

Rüdiger Trautmann

Consolidated Balance Sheet

Notes	ASSETS	12/31/2005 EUR	12/31/2004 EUR
(4), (2)	I. NON-CURRENT ASSETS		
(2)	1. INTANGIBLE ASSETS		
(2), (5), (16)	a) Goodwill	49,975,116.26	4,535,024.83
(16)	b) Self-provided intangible assets	137,305.00	237,105.40
(2)	c) Other intangible assets	4,206,327.20	137,551.00
		54,318,748.46	4,909,681.23
	2. TANGIBLE ASSETS		
(2), (4)	Property, plant and equipment	929,812.94	306,198.46
(2) (10)	3. FINANCIAL ASSETS	5,759,164.49	342,850.00
	4. TAX ASSETS		
(2), (8), (16)	Deferred taxes	467,483.98	1,550,000.00
	TOTAL NON-CURRENT ASSETS	61,475,209.87	7,108,729.69
(2)	II. CURRENT ASSETS		
(2)	1. INVENTORIES	1,233,362.00	0.00
(2), (10)	2. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	23,269,460.27	8,127,406.26
(10)	3. TAX ASSETS		
	Tax refunds	41,746.54	554,027.34
	4. SECURITIES	0.00	150,000.00
(2), (10)	5. CASH AND CASH EQUIVALENTS	35,586,820.16	672,666.10
(2)	TOTAL CURRENT ASSETS	60,131,388.97	9,504,099.70
	Total assets	121,606,598.84	16,612,829.39

Notes	EQUITY AND LIABILITIES	12/31/2005 EUR	12/31/2004 EUR
	I. SHAREHOLDERS' EQUITY		
(7)	1. Subscribed capital	62,261,447.00	10,533,947.00
(7)	2. Capital reserves	17,080,368.50	1.00
(7)	3. Consolidated accumulated profits (p.y.: losses)	6,238,605.21	1,764,342.04
(2), (7)	4. Currency translation adjustment	26,685.12	26,849.99
	TOTAL SHAREHOLDERS' EQUITY	85,607,105.83	8,796,455.95
(9)	II. LIABILITIES		
(2)	1. CURRENT PROVISIONS		
(6), (2)	a) Tax provisions	584,546.00	118,340.67
(6), (2)	b) Other current provisions	1,493,570.89	256,157.48
		2,078,116.89	374,498.15
(10)	2. OTHER LIABILITIES		
(2)	a) Non-current liabilties		
(2), (8)	a1) Deferred income taxes	184,216.17	0.00
(2)	a2) Other non-current liabilties	422,058.75	139,662.11
		606,274.92	139,662.11
	b) Current liabilties		
	b1) Trade payables	26,112,431.40	615,759.13
	b2) Interest-bearing bank loans and overdrafts	6,188,186.32	435,741.74
	b3) Other current liabilties	878,405.72	6,109,637.00
		33,179,023.44	7,161,137.87
(10)			
	3. TAX LIABILTIES		
	Current tax liabilties	136,077.76	141,075.31
(2)			
	TOTAL LIABILITIES	35,999,493.01	7,816,373.44
	Total shareholders' equity and liabilties	121,606,598.84	16,612,829.39

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Consolidated Income Statement

Notes		01/01/2005 - 12/31/2005 EUR	EUR	01/01/2004 - 12/31/2004 EUR	EUR
(2), (9)	I. Sales		48,920,817.52		6,827,203.63
	II. Increase or decrease in inventories of finished goods and work-in-process and other own work capitalized		1,206,783.00		180,000.00
	1. Other own work capitalized	0.00		180,000.00	
	2. Increase or decrease in inventories of finished goods and work-in-process	1,206,783.00		0.00	
	III. Operating expenses		36,225,262.42		4,365,846.81
	1. Cost of materials	27,134,616.58		3,068,419.76	
(15)	2. Personnel expenses	8,318,394.52		1,050,078.44	
(4)	3. Amortisation and depreciation	772,251.32		247,348.61	
	IV. Other operating income and expenses		4,455,850.89		1,990,398.61
	1. Other operating income	1,969,947.71		336,260.36	
	2. Other operating expenses	6,425,798.60		2,326,658.97	
(9)	Net operating income		9,446,487.21		650,958.21
	V. Financial result		- 818,071.69		- 124,211.57
(2), (5)	1. Financial costs	1,002,226.52		141,495.86	
	2. Other interest and similar income	184,154.83		17,284.29	
	VI. Profit before taxes		8,628,415.52		526,746.64
(2), (8), (16)	VII. Income tax		625,468.27		473,810.21
	VIII. Profit after taxes		8,002,947.25		52,936.43
	IX. Loss carry forward previous year		1,764,342.04		1,817,278.47
	X. Consolidated accumulated profits (previous year: losses)		6,238,605.21		1,764,342.04
	Earnings per share				
(2)	► Undiluted and diluted earnings per share:		0.17		0.01
(2)	► Diluted earnings per share:		0.17		0.01

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CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2005 (IAS/IFRS), Wire Card AG Berlin

Consolidated Cash Flow Statement

		Notes	2005 EUR	2004 EUR
Profit after taxes			8,002,947.25	52,936.43
+/-	Amortization/depreciation of non-current assets less goodwill, deferred taxes and changes in currency translation		760,888.55	247,348.61
+/-	Impairment charge on goodwill		169,896.00	110,644.07
+/-	Increase/decrease in provisions		1,703,618.74	- 1,195,232.36
+/-	Other non-cash-related expenses/income		1,266,732.19	448,663.60
-/+	Change in trade receivables and other non-current financial assets		- 15,713,135.21	- 4,402,772.06
+/-	Increase/decrease in current liabilities		20,211,102.08	5,016,305.90
+/-	Non cash-related item due to initial consolidation		- 3,606,538.33	0.00
=	Cash flow from operating activities	(13)	12.795.511.27	277,894.19
+	Receipts from disposal of property, plant and equipment		50,432.00	1,340.07
-	Payments for investments in property, plant and equipment		- 469,202.31	- 9,494.68
+	Receipts from disposal of intangible assets		2,079.00	0.00
-	Payments for investments in intangible assets		- 4,298,920.87	- 290,791.00
-	Payments for investments in goodwill		- 2,178,679.89	0.00
+	Receipts from disposal of securities		300,000.00	0.00
-	Payments for investments in securities		- 4,043,162.35	- 42,850.00
=	Cash flow from investing activities	(13)	- 10,637,454.42	- 341,795.61
+	Receipts from issuance of share capital		26,672,079.50	0.00
+/-	Receipts/payments on changes in borrowings		331,738.00	0.00
=	Cash flow from financing activities	(13)	27,003,817.50	0.00
	Net change in cash and cash equivalents		29,161,874.35	- 63,901.42
+/-	Adjustments due to currency translation of consolidation items		- 164.87	4,830.68
+	Cash and cash equivalents as of beginning of period		236,924.36	295,995.10
=	Cash and cash equivalents as of end of period	(13)	29,398,633.84	236,924.36

Additional explanations for the consolidated cash flow statement	2005 EUR	2004 EUR
Non-cash related increase in equity	42,135,788.00	0.00
Hereof non-cash capital increase by assets	42,135,788.00	0.00

Consolidated Statement of Changes in Shareholders' Equity

	Common stock					
	Number of shares issued	Nominal value EUR	Capital reserve EUR	Consolidated accumulated profits and losses EUR	Currency translation adjustment EUR	Total shareholders' equity EUR
Balance as of December 31, 2003	**10,533,947**	**10,533,947.00**	**1.00**	**-1,817,278.47**	**22,019.31**	**8,738,688.84**
Profit after taxes				52,936.43		52,936.43
Changes due to currency translation					4,830.68	4,830.68
Balance as of December 31, 2004	**10,533,947**	**10,533,947.00**	**1.00**	**-1,764,342.04**	**26,849.99**	**8,796,455.95**
Profit after taxes				8,002,947.25		8,002,947.25
Capital increases by cash	9,432,950	9,432,950.00	16,901,077.87			26,334,027.87
Capital increases by assets	42,135,788	42,135,788.00				42,135,788.00
Contingent capital increase (convertibles)	158,762	158,762.00	179,289.63			338,051.63
Changes due to currency translation					-164.87	-164.87
Balance as of December 31, 2005	**62,261,447**	**62,261,447.00**	**17,080,368.50**	**6,238,605.21**	**26,685.12**	**85,607,105.83**

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Notes

1. Company operations and legal situation

Wire Card AG, Voigtstrasse 31, 10247 Berlin (hereafter referred to as „Wire Card“ 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.

The Wire Card Group comprised the following companies as at December 31, 2005:

- **Wire Card AG**, Berlin (Germany)
- **Click2Pay GmbH**, Grasbrunn (Germany)
- **InfoGenie Ltd.**, Windsor, Berkshire (United Kingdom)
- **Wire Card Beteiligungs GmbH**, Grasbrunn (Germany)
- **Wire Card** (Gibraltar) **Ltd.**, (Gibraltar)
- **Wire Card Technologies AG**, Grasbrunn (Germany)
    - **United Payment GmbH**, Grasbrunn (Germany)
    - **United Data GmbH**, Grasbrunn (Germany)
    - **cardSystems FZ-LLC**, Dubai (United Arabian Emirates)
    - **Wire Card Inc.**, Sacramento, Kalifornien (USA)
    - **Wire Card ESP S.L.**, Palma de Mallorca (Spain)
    - **Paysys Ltd.**, Port-Louis (Mauritius)

The Wire Card Group is engaged in the fields of Call Center & Communication Services (CCS) and Electronic Payment & Risk Management (EPRM).

In the CCS segment, distributed (virtual) and stationary call center services are also offered for third-party customers in addition to the services required for EPRM.

Unlike the use of a stationary call center infrastructure (with a fixed location), the principle of virtual call centers is based on the distribution of incoming and outgoing phone calls via a software platform to geographically independent call center agents and specialized experts.

Depending on workload and the need for specialist know-how, these experts can be dynamically commissioned at their respective locations to answer phone calls or deal with electronic inquiries.

The EPRM division comprises all services in the field of payment processing, particularly services rendered by the FSCM software platform software platform and by the product CLICK2PAY.

In this segment, the Wire Card Group empowers its customers by offering efficient settlement of electronic payment transactions – in particular, on the Internet – by means of classical and alternative payment methods, such as payment by credit card, electronic direct debit processing or using what is known as the E-Wallet. In doing so, the Wire Card Group supports its customers with services and technical applications to minimize defaults in payment. In addition, customers are in a position to outsource all processes in connection with payment processing (e.g. billing, accounts receivable management, dunning) to the Wire Card Group and to realize substantial cost savings and a reduction of the level of receivables in arrears.

Services in the field of Electronic Payment and Risk Management are rendered primarily by Wire Card Technologies AG, which operates the platform for FSCM as well as Wire Card (Gibraltar) Ltd.. Other companies included under this arrangement, apart from the EPRM division, are CLICK2PAY and its alternative payment procedure and United Payment GmbH, which focuses above all on the sector of POS and virtual terminals.

The objects of the enterprise of cardSystems FZ-LLC (which also belongs to the EPRM division) are the distribution of what is known as affiliate products and the performance of services directly associated with the sale of these products.

The remaining foreign branch offices are primarily responsible for selling the products of the Group as a whole and for the localization of payment solutions.

As regards the Group‘s business models employed in 2005, supplementary reference is made to the notes under No. (2) „Summary of essential accounting and valuation policies“ (realization of sales revenues).

Please refer to No. (3) „Consolidation perimeter“ of the notes for a description of the corporate structure of the Wire Card Group.

As at the balance sheet date, ebs Holding GmbH (formerly trading as ebs Holding AG), Grasbrunn (Germany) had a stake of less than 25% (previous year: 63% in direct and indirect holdings) in the Wire Card Group. At the end of March 2006, the stake of ebs Holding GmbH came to less than 10%. With regard to the trend relating to holdings in 2005, reference is made to No. (18), “Transactions with related parties” of the notes.

2. Summary of essential accounting and valuation policie

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).

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The application of IFRS / IAS for the first time still took place subject to the exemption regulation of § 292 a HGB valid until December 31, 2004 in the previous year's (exempting) consolidated annual financial statements.

The enterprises in which Wire Card 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, 2005 (balance sheet date).

Previous-year information

As at December 31, 2005, 9 companies were fully consolidated. As at December 31, 2004 and in the previous year, there were 5 such companies.

In the year under review, Wire Card Technologies AG and its subsidiaries (as at March 14, 2005), Wire Card Beteiligungs GmbH (as at September 12, 2005) as well as Wire Card (Gibraltar) Ltd. (as at October 1, 2005) were consolidated for the first time.

As regards the comparability in principle, it should be noted that due to this non-cash capital contribution registered in the first quarter of 2005, the increase in the nominal capital in this connection and the associated substantial increase in the consolidation perimeter and in the balance-sheet items on account of this contribution, a comparison of line items as at December 31, 2005 and as at December 31, 2004 is only possible to a limited degree. In a comparison of previous year values, this needs to be taken into account.

On account of the initial consolidation of Wire Card Technologies AG required to reflect the date of the commercial register entry (March 14, 2005), comparability of the income statement is likewise restricted.

The same applies to the presentation of the Group's cash flow statement since, in particular, such items as „changes to net current assets" and „changes to trade payables and other liabilities" as well as the item "transactions with no impact on payments due to initial consolidations", particularly on account of the non-cash capital contribution made, reflect substantial year-on-year changes.

As regards the separate presentation in order to achieve a certain comparability, reference is made to the management report.

In fiscal 2005, mergers took place relating to the previous year's companies, Info-Genie Global GmbH and net sales GmbH as well as the new companies, Nobitec GmbH and AWITO GmbH.

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Due to the initial consolidations, current assets were extended to include the line item of inventories.

The item of provisions referred to in the previous year's annual financial statements were subcategorized for the first time as at December 31, 2005 and additionally under „Tax provisions" and „Other current provisions".

Similarly, the item of non-current liabilities that appeared in the previous year's annual financial statements as at December 31, 2005 was additionally subcategorized under „Deferred taxes" and „Other non-current liabilities" in order to be able to take account of the new or initial reporting of deferred tax liabilities.

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 2005.

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 rates of exchange in effect during the year. 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 Arabian Emirates) and Wire Card (Gibraltar) Ltd., (Gibraltar) is the EURO since all transactions are recorded and booked in that currency.

In fiscal 2005, 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 increased by approx. TEUR 4. 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 278 in fiscal 2005 (previous year: TEUR 80).

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 170 (previous year: TEUR 111).

Non-current (long-term) 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, 2005 through December 31, 2005.

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Reporting based on goodwill acquired through business combinations

Due to internal restructuring measures (mergers) within the Group, historic goodwill values were redefined at the level of cash-generating units.

In accordance with IAS 36 paragraph 87, in connection with the mergers in 2005 and the resulting reorganized reporting structures, the original goodwill of InfoGenie Global GmbH and of net sales GmbH was assigned to new cash-generating units.

All newly defined and 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 170 in goodwill in fiscal 2005 (previous year: TEUR 111) relate to a reduction in value of 2 business assets from the initial consolidation of the business combination of Wire Card Technologies AG and its subsidiary United Payment GmbH.

These amortization charges are recorded in an amount of TEUR 158 within the consolidated income statement in the financial results under “financial expenses”.

No additional amortization requirements emerged in fiscal 2005.

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

Reporting of intangible assets

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 costs of the internally produced software system „VCC System and „VCC System and infogenie.net“ was regular amortized to an extent of TEUR 99 (previous year: TEUR 62) to TEUR 137.

The amoritization of “Self-provided intangible assets” (TEUR 99) and the amortization/depreciation of “Other intangible assets” (TEUR 416) were recorded under “Operating expenses”.

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 amortisation and depreciation of property, plant and equipment (TEUR 245) was recorded under „Specific expenditure" under amortization and depreciation.

Reporting of operating expenses

Of financial assets, amounting to TEUR 5,759 (previous year: TEUR 343), the sum of TEUR 3,900 (previous year: TEUR 300) relates to loans, the amount of TEUR 1,845 (previous year: TEUR 0) to participations and TEUR 13 (previous year: TEUR 43) to shares in affiliated companies. The major loan relates to a non-interest bearing sales and distribution partner loan (TEUR 3,897, after discounting).

Discounting expenses (TEUR 612) are included under financial income and expenses, respectively. The holding relates to ancillary acquisition costs broad forward in connection with the purchase of Wire Card Bank AG early in 2006. Shares in affiliated companies relate to 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 allowances to deferred tax assets are made if the probability of a tax benefit being realized is below 50% (IAS 12, Paragraph 24).

Due to tax assessments up to December 31, 2004, tax notices issued up to the assessment year of 2004 and consolidated taxable earnings in 2005, deferred tax assets as at December 31, 2005 amount to TEUR 467 after valuation allowance (previous year: TEUR 1,550).

To an extent of TEUR 425, these relate to loss carry-forwards and their partial realizability as well as TEUR 42 in 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, paragraphs 15 to 45. Valuation allowances for deferred taxes remained at TEUR 2,001 as at December 31, 2005 (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 1,233, previous year: TEUR 0) relate to fully capitalized work-in-process. 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 affiliated companies

Receivables from affiliated companies, amounting to TEUR 274, are reported under „Trade and other receivables". As at December 31, 2005 they exclusively relate to receivables from (non-consolidated) Wire Card ESP S.L., Palma de Mallorca (Spain).

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 Wire Card Group generates revenues on services in the field of payment processing, particularly on services rendered using the FSCM software platform 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.

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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 Wire Card Group. In addition to these volume-dependent sales revenues, monthly flat fees and rentals are generated from the utilization of the FSCM platform and by POS terminals.

A substantial share of sales revenues is accounted for by business (B2B) customers from such areas as travel and transport, mail-order activities, the media and gaming. At the balance sheet date, more than 5,000 enterprises were linked to the FSCM software platform, including such well-known international corporations as QVC, HSE24, Sony, Tiscali, dba, GTI Travel and many more.

The product CLICK2PAY is used to generate sales revenues with end customers (B2C) in addition to sales within the B2B division. These end customers are partly required to pay discount charges, transaction charges or fees for cash disbursements and for resubmission of transactions.

Furthermore, 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 services. The lion's share 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

All highly liquid investments with maturities of no longer than three months are considered to be cash and cash equivalents. The market value of cash and cash equivalents corresponds to the balance sheet values of such cash and cash equivalents.

Not freely available cash and cash equivalents from lease guarantees amounted to TEUR 55 (previous year: TEUR 41) and were classified as „Trade and other current financial assets".

Provisions

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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 for the first time and to other current provisions, as in the previous year.

Contingent liabilities

Contingent liabilities amount to TEUR 1,223. According to the lawyers engaged, however, the likelihood of these materializing is remote. As a result, the company dispensed with the need to set up provisions.

Non-current liabilities

Long-term liabilities are classified into deferred tax liabilities and other non-current liabilties.

Deferred tax liabilities

Deferred tax liabilities, amounting to TEUR 184, relate to differences limited in time between the tax balance sheet earnings and the consolidated financial statements according to IFRS. Recognition was effected in accordance with IAS 12, paragraphs 15 to 45.

Other non-current liabilities

Other non-current liabilties (TEUR 422) relate to 331,738 (convertible) bonds (TEUR 332) as well as investment premiums and government grants deferred as liabilities (TEUR 90).

In the period from July 15, 2005 through September 30, 2005, a total of 490,500 convertible bonds were subscribed to. By December 31, 2005, conversion rights were exercised for a total of 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 entered on the liabilities side of the balance sheet as „Non-current liabilities" under „Other liabilities" in accordance with IAS 20, Paragraph 12, 16 and 17 and is entered as impacting on profit and loss over 84 months (on a lump sum basis).

The residual term to maturity until December 31, 2005 ranges from 1.0 and 3.3 years, depending on the type of premium or grant. Such investment premiums/grants recognized as income amounted to TEUR 49 in fiscal 2005 (previous year: TEUR 58). There are included under Other operating income.

Liabilities to affiliated companies

As at December 31, 2005, no liabilities to affiliated companies were listed under (current) „Other liabilities“ of „Other current liabilities“ (previous year: TEUR 4,771).

Earnings per share

Basic earnings per share were determined in accordance with IAS 33, Paragraph 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 10,533,947 by 51,727,500 in fiscal 2005, to reach 62,261,447. For 2005, a weighted evaluation of the specific capital increases resulted in an average number of issued (basic) shares of 47,456,047 (previous year: 10,533,947).

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 2005.

In determining diluted earnings per share, in addition such instruments as options (IAS 33, Paragraph 45), which may potentially have a dilutive effect on stock prices, and convertible instruments (IAS 33, Paragraph 49) 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, 2005 were taken into account in accordance with IAS paragraphs 30 to 63.

As at December 31, 2005, 331,738 (convertible) bonds had been subscribed to (IAS 33, paragraph 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 Wire Card AG in principle is 50% of the average closing price of Wire Card stock on the last ten banking business days prior to the date of exercise.

For 2005, a weighted evaluation of the individual capital increases, taking account of the dilutive effects of the convertible bonds issued as at December 31, 2005 in accordance with IAS 33 paragraph 36 in conjunction with paragraph 49, resulted in an average number of (diluted) shares of 47,530,022 (previous year: 10,533,947) and 73,975 in potential bonus shares arising from the convertible bonds (IAS 33, paragraph 46 b).

Instruments that may potentially dilute the undiluted earnings per share in the future, but which have not entered into the calculation of the diluted earnings, because they countered a dilution for 2005 in accordance with IAS 33, Paragraph 70 c as at December 31, 2005:

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 common stock, taking account of the partially exploited increases by December 31, 2005, by a (residual) amount of up to TEUR 16,902 (authorized capital 2004/II).

The Board of Management did not make use of the remaining authorized capital as at December 31, 2005.

Business transactions that can arise after the balance sheet date and would have changed the number of shares in circulation at the end of 2005 substantially, should such business transactions have taken place prior to the end of 2005, existed in accordance with IAS 33, paragraphs 70 d and 71 as at December 31, 2005:

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, 2005, 490,500 convertible bonds had been taken up, of which 158,762 have already been converted into preemptive shares.

The remaining 331,738 convertible bonds were taken into account in diluted earnings.

The Board of Management did not make use of the remaining contingent capital by December 31, 2005. In addition, the remaining convertible bonds approved were not offered for subscription by December 31, 2005.

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 the group earnings for the year under review (IAS 33, paragraph 71).

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Financial derivatives

Within the scope of the ordinary course of its business, the Wire Card 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 short-term interest bearing assets and liabilities, interest risks only have a negligible impact on Group earnings figures.

A fundamental credit risk exists for the Wire Card 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.

No additional risk worthy of mention, beyond those identified above, is perceived to exist by Management in this area.

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 2005, 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.

Due to the exchange rate trend of the EUR in relation to the USD in the last fiscal year, this operation resulted in TEUR 236 in negative earnings, booked with an impact on profit and loss.

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.

Terms to maturity

The sum total of assets realized within the next twelve months amounts to TEUR 60,131 (previous year: TEUR 9,504; cf. current assets).

Although IAS 12 paragraph 10 prohibits the reporting of deferred tax receivables under current assets, Wire Card AG assumes that, in addition to the short-lived assets, deferred taxes relating to loss carry-forwards amounting to TEUR 425 are capable of being realized in the following twelve months.

The sum total of assets realized within the next twelve months amounts to TEUR 35,420 (previous year: TEUR 7,734).

These relate to TEUR 35,999 in debts (previous year: TEUR 7,816) excluding non-current debts amounting to TEUR 606 (previous year: TEUR 140), yet also extend to amounts of other non-current debts amounting to TEUR 27 (previous year: TEUR 58) falling due within a year.

3. Consolidation perimeter

Consolidated subsidiaries

The eight consolidated subsidiaries as at the balance sheet date were the following:

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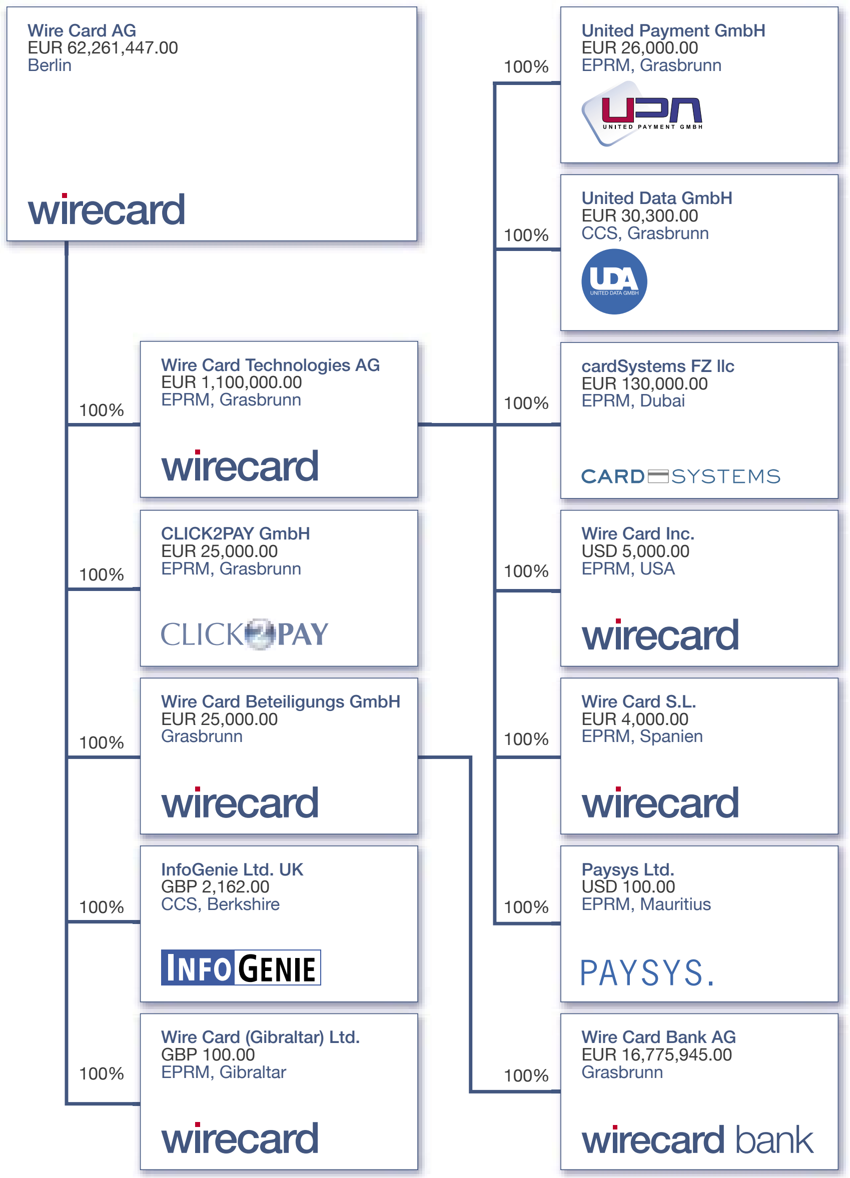
Shareholding

■ **InfoGenie Ltd., Windsor**, Berkshire (United Kingdom)	100 %
■ **Wire Card** (Gibraltar) **Ltd.**, (Gibraltar)	100 %
■ **Click2Pay GmbH**, Grasbrunn (Germany)	100 %
■ **Wire Card Beteiligungs GmbH**, Grasbrunn (Germany)	100 %
■ **Wire Card 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 %



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The companies net sales GmbH, Grasbrunn (Germany) and InfoGenie Global GmbH, Grasbrunn (Germany) were merged with the parent company in 2005 and therefore no longer included as individual companies in the consolidation perimeter in 2005.

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% 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 reporting in accordance with IAS/IFRS policies (cf. IAS 8.8 paragraph 2). For this reason, subsidiaries do not need to be included in the consolidation perimeter if they are of minor significance as a whole for the Group‘s asset, financial and earnings situation.

In line with the explanatory notes above, in 2005 and as at December 31, 2005, 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% for each of consolidated total assets, sales revenues and earnings after taxes were not exceeded in the case of these companies in 2005 and as at December 31, 2005, both individually and in terms of their sum total.

Material information on the companies included in the consolidation perimeter:

- **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 for 403,683 shares already issued. The business activities of InfoGenie Ltd. are identical to those of Wire Card 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. were included in the Company‘s consolidated figures since the date of acquisition.

- **Wire Card (Gibraltar) Ltd.**, Gibraltar

The initial consolidation of Wire Card (Gibraltar) Ltd. was effected as at October 1, 2005 when the company, which was established in July 2005, became operational. The establishment took place because certain key customers encouraged the Wire Card Group to open a branch office in the main region of the betting and gaming market in Gibraltar. For this reason, but also in the interests of risk diversification with regard to possible legal risks, this enterprise had to be established at that location. 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 Wire Card (Gibraltar) Ltd. will be included in the company's consolidated earnings figures from the date when it became operational, or October 1, 2005.

- **Click2Pay GmbH**, Grasbrunn (referred to hereafter as „C2P“)

Following an entry made in the Commercial Register on November 25, 2003, 100% of the shares in C2P were transferred to InfoGenie as a 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 were included in the Company‘s Group earnings figures effective January 1, 2004.

- Wire Card Technologies AG, Grasbrunn

The initial consolidation of Wire Card 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 for C2P as at March 14, 2005, goodwill amounted to TEUR 42,542. This initial consolidation also extends to include two items of goodwill acquired for value, amounting to TEUR 889.

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The results of Wire Card Technologies AG (in addition to its subsidiaries) will be included in the company‘s consolidated figures as of March 14, 2005. The operating results of Wire Card Technologies AG (and its subsidiaries) prior to initial consolidation were taken into account solely in terms of the capital consolidation.

- Wire Card Beteiligungs GmbH**, Grasbrunn**

The initial consolidation of Wire Card Beteiligung 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 Beteiligungs GmbH as at September 12, 2005, goodwill amounted to TEUR 2,179. The operating results of Wire Card Beteiligungs GmbH will be included in the Company‘s Group earnings figures as of September 13, 2005. The operating results of Wire Card Beteiligungs GmbH until the time of the initial consolidation were solely taken into account in terms of the capital consolidation.

Issue of equity capital shares in connection with corporate acquisitions

In connection with the non-cash capital contribution in 2005, Wire Card issued 42,135,788 shares with a total par value of TEUR 42,136. The value of each of the non-cash contributions did not reflect the relevant notional stock market price of the shares issued by Wire Card AG at the time of registration of the relevant contributions in kind.

The reasons for this are due to the fact that only part of the shares are traded on the capital market, which means that information relating to the performance of the company's shares on the capital market is not really meaningful.

Effects of the acquisition of new subsidiaries on financial standing as at the end-of-year reporting date

In the year under review, the losses incurred by Wire Card AG in the consolidated financial statements were more than offset by the entire contribution to earnings by Wire Card Technologies AG and its subsidiaries United Payment GmbH, United Data GmbH and cardSystems FZ-LLC (contribution to earnings before consolidation: approx. TEUR 6,563).

Moreover, in the year under review Wire Card Beteiligungs GmbH (contribution to earnings before consolidation: TEUR 132) and Wire Card (Gibraltar) Ltd. (contribution to earnings before consolidation: TEUR 2,286) also made positive contributions to consolidated profit after taxes .

In its individual financial statements, the parent company Wire Card AG also managed to record clearly positive profit after taxes in the year under review

(TEUR 2,180) thanks to the profit transfer agreements in place with Wire Card Technologies AG (TEUR 6,173) and Click2Pay GmbH (TEUR 1,568).

Corporate development of the reporting company is also considered positive in the near future since the business models contributed by the subsidiaries are likely to provide adequate contributions to earnings both (partially) within the scope of the profit transfer agreements and with regard to consolidated earnings.

As in fiscal 2005, in the current financial year Wire Card AG therefore assumes that the reporting company will again show adequate profitability, including 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 non-current asset movement schedule (IAS 16 paragraph 73 and IAS 38 paragraph 118). This annex does not contain deferred taxes. 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.

Goodwill, amounting to TEUR 49,975 (previous year: TEUR 4,535) relates to the following segments:

	2005 TEUR	2004 TEUR
EPRM	47,508	4,646
CCS	458	0
Others	2,179	0
	50,145	4,646
Less:		
Impairment charges	170	111
	49,975	4,535

For further details of trends relating to goodwill, reference is made to the attached non-current asset movement schedule.

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6. Provisions

Specific provisions developed as follows during the fiscal year:

TEUR	01/01/2005	Addition Initial consolidation	Reversal	Consumption	Addition	12/31/2005
Tax provisions	118	1.667	1.151	633	583	584
Other current provisions						
Risks of litigation	3	450	233	167	66	119
Annual leave	20	173	11	39	72	215
Professional cooperative society	3	27	7	23	29	29
Outstanding invoices	5	365	4	87	51	330
Remuneration paid to Supervisory Board	0	10	0	10	15	15
Annual General Meeting	10	0	0	10	13	13
Financial statements and audit	80	76	6	152	173	171
Charges relating to work-in-progress	0	0	0	0	329	329
Others	135	433	222	256	183	273
	256	1.534	483	744	931	1.494
	374	3.201	1.634	1.377	1.514	2.078

All provisions are current in nature. For one thing, provisions relate to tax provisions (TEUR 584; previous year: TEUR 118) and, for another, to other current provisions (TEUR 1,494; previous year: TEUR 256).

Tax provisions relate to the provisions set up at Wire Card AG for income taxes of the Group member companies (TEUR 508) as well as for income tax arising at Wire Card Beteiligungs GmbH (TEUR 76).

Essential other current provisions related to outstanding invoices (TEUR 330), charges for work-in-process (TEUR 329), provisions for annual leave (TEUR 215) as well as the costs of preparing and auditing the financial statements (TEUR 171).

7. Movement of common stock

With regard to the consolidated statement of equity movements for fiscal 2005, reference is made on page 52/53.

Non-cash capital increase of December 14, 2004 of EUR 42,135,788.00 (capital increase I)

By resolution at the annual general meeting of December 14, 2004, the company's common stock was increased, against payment of a non-cash contribution of EUR 10,533,947.00 by EUR 42,135,788.00, to EUR 52,669,735.00 by issuing 42,135,788 new bearer shares at a par value of EUR 1.00 each.

Companies eligible for subscription to the „New Shares I" were ebs Holding AG, Bretonischer Ring 4, 85630 Grasbrunn, listed in the Commercial Register of the Local Court of Munich under HRB 122026 as sole shareholder of Wire Card Technologies AG, Bretonischer Ring 4, 85630 Grasbrunn, listed in the Commercial Register of the Local Court of Munich under HRB 142427 with a common stock divided up into 1,100,000 shares, amounting to EUR 1,100,000 (trading as Wire Card AG at the time). The company ebs Holding AG made the non-cash contribution by transferring all 1,100,000 bearer shares in Wire Card Technologies AG to the company effective as of January 1, 2005. Accordingly, at this point 97% of the common stock were financed with assets other than cash and cash equivalents.

Cash capital increase of April 11, 2005 (Capital increase II)

By resolution of the Management Board of April 11, 2005 with the consent of the Supervisory Board on the same day, the company's common stock could be increased, subject to partial use of authorized capital, by way of a cash contribution amounting to maximum EUR 52,669,735.00 by an amount of up to EUR 3,931,951.00 to up to EUR 56,601,686.00 by issuing up to 3,931,951 new bearer shares with a notional value of EUR 1.00 per share against a cash contribution.

On May 17, 2005, the capital increase of EUR 2,738,493.00 was entered in the competent commercial register.

Cash capital increase of September 12, 2005 (Capital increase III)

By resolution of the Management Board of September 12, 2005 with the consent of the Supervisory Board on the same day, the company's common stock was increased from EUR 55,408,228.00, subject to partial use of authorized capital, by an amount of up to EUR 6,694,457.00 to up to EUR 62,102,685.00 by issuing up to 6,694,457 new bearer shares with a notional value of EUR 1.00 per share against a cash contribution. On October 18, 2005, the capital increase of EUR 6,694,457.00 was entered in the competent commercial register.

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Contingent capital increase of July 15, 2004 (Capital increase IV)

The company's common stock was conditionally increased by resolution of the annual general meeting of July 15, 2004 by up to EUR 1,050,000.00 by the issue, on one or several occasions, of up to 1,050,000 new shares.

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 Management, 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.

By December 31, 2005, 490,500 convertible bonds were issued on account of the SOP.

Following the conversion of 158,762 convertible bonds by the exercise of conversion rights and the corresponding issue of preemptive shares, under contingent capital 158,762 new shares were subscribed to within the exercise periods and by December 31, 2005.

Current common stock (Subscribed capital)

The company's common stock amounts to EUR 62,261,447.00. It is divided up into 62,261,447 no-par-value common bearer shares with a pro-rata share of the common stock of EUR 1.00 per share. The common stock is fully paid up.

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% of the company's common stock, to the extent that the issue price of the shares is 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.

By resolution of the Management Board of April 11, 2005 with the consent of the Supervisory Board on the same day, making use of its authorization in accordance with § 4.2 of the company bylaws (authorized capital) the company's common stock was increased from EUR 52,669,735.00 by an amount of up to EUR 3,931,951.00 to up to EUR 56,601,686.00 by issuing up to 3,931,951 new bearer shares with a notional value of EUR 1.00 per share against a cash contribution. On May 17, 2005, the execution of the capital increase of EUR 2,738,493.00 was entered in the competent commercial register.

Following this entry, the amount of authorized capital was reduced accordingly from EUR 26,334,867.00 by EUR 2,738,493.00 to EUR 23,596,374.00.

By resolution of the Management Board of September 12, 2005 with the consent of the Supervisory Board on the same day, making use of its authorization in accordance with § 4 of the company bylaws (authorized capital) the company's common stock was increased from EUR 55,408,228.00 by an amount of up to EUR 6,694,457.00 to up to EUR 62,102,685.00 by issuing up to 6,694,457 new bearer shares with a notional value of EUR 1.00 per share against a cash contribution.

On October 18, 2005, the execution of the capital increase of EUR 6,694,457.00 was entered in the competent commercial register. Following this entry, the amount of authorized capital was reduced accordingly from EUR 23,596,374.00 by EUR 6,694,457.00 to EUR 16,901,917.00.

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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 participating shares as of the beginning of the financial year coinciding with the year of issue ("contingent capital 2004").

Following the resolution passed by the Annual General Meeting of July 15, 2004, the company created a staff participation program („SOP") based on convertible bonds with the option of issuing up to 1,050,000 convertible bonds to members of the Management, consultants of the Company, its workforce as well as employees of affiliates.

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.

By resolution of the Board of Management of May 4/August 26, 2005 and of the Supervisory Board of August 26, 2005, it was possible to issue up to a maximum of 502,000 convertible bonds for fiscal 2005.

On December 31, 2005, the parties entitled subscribed to a total of 490,500 convertible bonds.

The convertible bonds have a term to maturity of 10 years and are interest-free.

The subscription price for each convertible bond is EUR 1.00. The subscription price was 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 is 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% after at least 12 months' uninterrupted service to the Company or its affiliated companies

- a further 6.25% after each of a further three months' service to the Company or its affiliated companies.

The strike price for conversion of the convertible bonds into shares of Wire Card AG in principle is 50% of the average closing price of Wire Card 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 Wire Card AG 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.

Holders of convertible bonds can only convert these to the extent that they have become vested.

The right to conversion regarding convertible bonds not exercised as yet can only be exercised within the scope of fixed time periods. The conversion periods amount to three weeks in each case and begin to coincide with a public reporting date of the Company.

These reporting dates in principle are the day of presentation of the quarterly reports, the date of the financial press conference as well as the date of the annual general meeting. The exact dates are communicated to the persons eligible for conversion by public display.

Exceptions from the rules above, however, are detailed below:

- the period from the last date of deposit for shares prior to general meetings of the Company up to the third banking business day after the respective general meeting;

- the period of two weeks prior to the end of each fiscal year of the Company, and

- the period from the date on which the Company issues an offer to its shareholders for subscription to new shares or partial debentures with conversion or option rights (by letter to all shareholders or by publishing a notice in the Government Gazette of the Federal Republic of Germany) up to the date on which the shares of the Company conferring subscripti on rights are listed for the first time as „ex subscription rights" on the securities exchange to which the Company's shares were introduced.

In these periods, convertible bonds cannot be converted or exchanged.

Due to the partial conversion of 490,500 convertible bonds by exercise of the right of conversion, in 2005 158,762 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

As at December 31, 2005, the capital reserve amounted to TEUR 17,080 (previous year: TEUR 0).

On account of the cash capital increases referred to above, the capital reserve increased by TEUR 16,901 from authorized capital and by TEUR 179 from the company's contingent capital.

As regards the development of the capital reserve, reference is made to the consolidated statement of equity movements (Annex IV).

The level of issuing costs that have the effect of reducing the capital reserve amounted to TEUR 1,481 in the year under review after deduction of income tax benefits (previous year: TEUR 0).

Balance-sheet profit (previous year: loss)

As regards the balance sheet profit, reference is made to the consolidated statement of equity movements and the consolidated profit and loss statement.

Currency translation reserve

With reference to the currency translation reserve, reference is made to the statements in „Currency translation" under (2), „Summary of essential accounting and valuation policies" and to the consolidated statement of equity movements.

8. Expected income tax expense

	TEUR 2005	TEUR 2005	TEUR 2004	TEUR 2004
Expected income tax expense on corporate corporate income before such taxes		- 3,356		- 205
Amortization of non-tax deductible goodwill		0		-43
Amortization of non-tax deductible self-provided intangible assets		-39		-24
Other tax related adjustments		4,037		508
Adjustment of capitalized, deferred taxes in previous year	0			-556
Changes in valuation allowance on deferred tax assets	0			296
Reversal of deferred tax assets (loss carry-forward)	-1,125		-450	
Addition of deferred tax assets (temporary differences)	42		0	
Addition of deferred tax liabilities (temporary differences)	-184	-1,267	0	-450
Other (refund of corporate income taxes in previous year)		0		0
Taxes on income and profits		-625		-474
hereof:				
actual income tax expenses		642		-24
Deferred tax expenses		-1,267		-450

The actual “income tax revenues” of fiscal 2005 include TEUR 1,133 in reversals of tax provisions relating to Wire Card Technologies AG initially consolidated in fiscal 2005.

Deferred income tax assets are shown as follows:

	TEUR 2005	TEUR 2005	TEUR 2004	TEUR 2004
Tax loss carry-forwards				
Deferred tax assets (previous year)	3,551		4,297	
Adjustments in reporting year relating to the previous year	0		- 556	
Adjusted, deferred tax assets, previous year	3,551		3,741	
Earnings according to commercial law (taxable entities)	- 1,045		549	
Results of tax adjustments (taxable entities)	- 80		- 739	
(cumulative) valuation allowances	- 2,001		- 2,001	
	425	425	1,550	1,550
Temporary differences				
Deferred tax assets (previous year)	0		0	
Additions/reversals	42	42	0	0
Deferred tax assets	467	467	1,550	1,550

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Deferred income tax liabilities are reported as follows:

	2005 TEUR	2005 TEUR	2004 TEUR	2004 TEUR
Temporary differences				
Deferred tax liabilities (previous year)	0		0	
Additions/reversals	184		0	
	184	184	0	0

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 42).

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 again in the course of time (TEUR 184).

The basis of the tax reconciliation account and the presentation and measurement of deferred tax assets and liabilities (as in the previous fiscal year) was the tax rate applicable to the taxable entities, amounting to 38.89%.

As at December 31, 2005 the Group had tax loss carry-forwards amounting to TEUR 6,231 solely attributable to Wire Card AG.

According to current tax law, Wire Card‘s loss carry-forwards can be utilized without any time limits being imposed. However, German tax law provides for loss carry-forwards to lapse in certain circumstances.

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 2,426 (previous year: TEUR 3,551) amounting to TEUR 2,001, to TEUR 425. In 2005, TEUR 1,125 (previous year: TEUR 450) of the deferred tax assets were reversed and recognized income tax expenses impacting 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, segment depreciation, segment investments and segment liabilities) regarding the operational business segments or geographical segments (in each instance, cf. IAS 14, paragraph 9) and notes concerning their products and services, locations, as well as main customers.

Following the integration of Wire Card Technologies AG, Wire Card AG has acquired a new, forward-looking orientation. This was finalized by virtue of the commercial register entry of March 14, 2005 and will be effected for the first time on the Group‘s segment reporting in this fiscal year. In order to enhance the level of transparency concerning the new business structure for the benefit of our shareholders, it is expedient to reclassify the segments.

As in the past, sales revenues are segmented in geographical terms by production locations. In this regard, in addition to the company CardSystems FZ-LLC, the new company Wire Card (Gibraltar) Ltd. is also subcategorized under Other foreign operations. Moreover, sales revenues are segmented by operational areas as had already been done in the quarterly reports. Distinctions are drawn here between the divisions „Electronic Payment & Risk Management“, Call Center Services“ and „Other“.

Electronic Payment and Risk Management („EPRM“) represents the biggest and most important segment by far for the Wire Card Group. In this division, all products and services from the comprehensive portfolio of financial services are listed.

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.

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	2005 TEUR	2004 TEUR
Regional revenue breakdown		
Germany	45,809	6,197
United Kingdom	615	708
Other	5,821	0
	52,245	**6,905**
Consolidations	-3,324	-78
	48,921	**6,827**

	2005 TEUR	2004 TEUR
Breakdown of total revenues by operating divisions		
Call Center & Communication Services	5,710	3,207
Electronic Payment & Risk Management	46,535	3,698
Other	0	0
	52,245	**6,905**
Consolidations	-3,324	-78
	48,921	**6,827**

	2005 TEUR	2004 TEUR
Operating result I by operating divisions (total revenues less expenses on materials)		
Call Center & Communication Services	4,281	1,473
Electronic Payment & Risk Management	19,106	2,364
Other	0	0
	23,387	**3,837**
Consolidations	- 394	-78
	22,993	**3,759**

	2005 TEUR	2004 TEUR
Operating result II by operating divisions (operating result, or EBIT)		
Call Center & Communication Services	- 996	- 1,246
Electronic Payment & Risk Management	10,526	1,779
Other	0	0
	9,530	**533**
Consolidations	-84	118
	9,446	**651**

	12/31/2005 TEUR	12/31/2004 TEUR
Regional non-current assets		
Germany	57,304	5,230
United Kingdom	92	118
Other	3,776	0
	61,172	5,348
Consolidations	- 164	1,761
	61,008	7,109

Deferred tax assets were not taken into account in the process.

	2005 TEUR	2004 TEUR
Depreciation of intangible assets		
Germany	159	46
United Kingdom	0	0
Other	274	0
	433	46
Depreciation arising from consolidation	253	173
	686	219
Depreciation of tangible assets		
Germany	214	99
United Kingdom	31	41
Other	0	0
	245	140
Depreciation arising from consolidation	-1	0
	244	140
Depreciation of financial assets		
Germany	0	0
United Kingdom	0	0
Other	0	0
	0	0
Depreciation arising from consolidation	0	0
	0	0
Total depreciation and amortization	930	359

Of depreciation/amortization resulting from the consolidation of intangible assets of TEUR 253 (previous year: TEUR 173), TEUR 170 (previous year: TEUR 111) relates to amortization of goodwill.

	2005 TEUR	2004 TEUR
Investments in intangible assets		
Germany	311	111
United Kingdom	0	0
Other	4,050	0
	4,361	111
Investments from consolidation *	2,117	180
	6,478	291
Investments in tangible assets		
Germany	476	7
United Kingdom	0	2
Other	0	0
	476	9
Investments from consolidations	-7	0
	469	9
Investments in financial assets		
Germany	3,911	43
United Kingdom	0	0
Other	0	0
	3,911	43
Investments from consolidations	132	0
	4,043	43
Total Investments	10,990	343

* Investments with no impact on payments were not included for segment accounting purposes. Except for the goodwill derived from the initial consolidation of Wire Card Beteiligungs GmbH (TEUR 2,179), these relate to all remaining additions arising from the initial consolidation (cf. movements in long-lived assets January 1, 2005 through December 31, 2005). All these investments would have been assignable to the region of Germany.

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	12/31/2005 TEUR	12/31/2004 TEUR
Regional segment liabilities		
Germany		
1. Provisions	1,247	329
2. Other liabilities		
a) Non-current liabilities	401	118
b) Current liabilities	0	0
b1) Trade payables	33,792	518
b2) Current financial activities	6,188	435
b3) Other current liabilities	15,033	11,806
3. Tax liabilities	136	141
	56,797	13,347
United Kingdom		
1. Provisions	5	45
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities	0	0
b1) Trade payables	85	98
b2) Current financial activities	0	0
b3) Other current liabilities	44	77
3. Tax liabilities	0	0
	134	220
Other		
1. Provisions	318	0
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities	0	0
b1)Trade payables	280	0
b2) Current financial activities	0	0
b3) Other current liabilities	3,875	0
3. Tax liabilities	0	0
	4,473	0
	61,404	13,567
Consolidations	-25,405	-5,751
	35,999	7,816

The consolidations are to be allocated to other financial liabilities.

	12/31/2005 TEUR	12/31/2004 TEUR
Segment liabilities by operational divisions		
Call Center & Communication Services		
1. Provisions	300	345
2. Other liabilities		
a) Non-current liabilities	401	118
b) Current liabilities		
b1) Trade payables	8,460	575
b2) Current financial activities	0	14
b3) Other current liabilities	351	3,437
3. Tax liabilities	0	0
	9,512	4,489
Electronic Payment & Risk Management		
1. Provisions	1,270	29
2. Other liabilities		
a) Non-current liabilities	0	0
b) Current liabilities	0	0
b1) Trade payables	25,697	41
b2) Current financial activities	6,188	421
b3) Other currentl iabilities	18,601	8,446
3. Tax liabilities	136	141
	51,892	9,078
	61,404	13,567
Consolidations	-25,405	-5,751
	35,999	7,816

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 and other receivables, tax assets, other financial assets, cash and cash equivalents, other liabiltiies and tax liabilities.

Risks associated with credit, currencies and interest rates are taken into account in this regard. The Wire Card Group does not deploy any other original financial instruments.

11. Transactions with affiliates and related parties

In fiscal 2005 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 relating to dependencies and the report under (18) Transactions with related parties.

12. Other obligations

The companies of the (new) Wire Card Group entered into leases for office space and other leasing agreements. For fiscal 2006, the payment obligation arising from the purchase of Wire Card Bank AG (TEUR 6,750) remains on the books. The annual payments from these agreements over the next five years are as follows:

	2006 TEUR	2007 TEUR	2008 TEUR	2009 TEUR	2010 TEUR
Annual commitments	7,791	1.041	845	669	0

13. Explanatory note on 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. Financial funding includes cash in hand, checks, credit balances with banks with a remaining term to maturity of no more than three months less current financial liabilities and corresponds to cash and cash equivalents less current interest bearing liabilities as reported in the balance sheet. The effects of currency translation and changes to the consolidation perimeter are adjusted in the course of the calculation.

Cash flow from operating activities

The cash flow from current financial 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 sell 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 operating activities 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:

Cash flow from operating activities

The cash flow from operating activities improved in fiscal 2005, from TEUR 278 by TEUR 12,518 to reach TEUR 12,796.

The improvement on the previous year is essentially attributable to the difference in the corporate structure compared with the previous year.

Cash flow from investing activities

The cash flow from investing activities is the result of the inflow of funds from current assets (excluding deferred taxes) and the outflow of funds for investments in non-current assets (excluding deferred taxes).

The outflow of funds from investing activities amounted to TEUR 10,637 in the year under review (previous year: TEUR 342). Of this sum, TEUR 2,179 (previous year: TEUR 0) relates to goodwill within the scope of the initial consolidation of the corporate acquisition of Wire Card Beteiligungs GmbH.

From the retirement of assets, the Group generated TEUR 352 in revenues (previous year: TEUR 1). The cash flow (outflow) from investing activities therefore increased in fiscal 2005, from – TEUR 342 by TEUR 10,295, to reach - TEUR 10,637.

Outflow of funds from financing activities

In the year under review, the cash flow from financing activities changed from TEUR 0 by TEUR 27,004, to reach TEUR 27,004.

Cash and cash equivalents

Taking account of these inflows and outflows reported (2005: TEUR 29,162, previous year: -TEUR 64), the changes to the cash and cash equivalents fund due to exchange-rate, consolidation perimeter and valuation related factors (2005: TEUR 0, previous year: TEUR 5) as well as the cash and cash equivalents fund at the beginning of the period (2005: TEUR 237, previous year: TEUR 296), the cash and cash equivalents fund at the end of the period amounted to TEUR 29,399 (previous year: TEUR 237).

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14. Operational environment and ‚going concern' assumption

The current consolidated financial statements of Wire Card 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 in 2005:

- Dr. Markus Braun, commercial computer scientist/ CEO,
- Rüdiger Trautmann, economist (since November 1, 2005) COO
- Paul Bauer-Schlichtegroll, businessman (April 1, 2005 until May 25, 2005)

In the period under review, EUR 280,000 was paid out to the members of the Management Board.

Mr. Burkhard Ley, a banking professional, was appointed Chief Financial Officer by the Supervisory Board on November 17, 2005, effective as of January 1, 2006.

Supervisory Board

Members of the Supervisory Board:

- Klaus Rehnig (Chairman), businessman
  Other supervisory board mandates:
  ebs Holding AG, Grasbrunn (until November 10, 2005)
  Wire Card Technologies AG, Grasbrunn
  RLPR2000 AG, Bad Camberg
  Proteosys AG, Mainz, Germany
  ONDAS S. A., Madrid

- Alfons Henseler (Deputy Chairman), business consultant
  Other supervisory board mandates:
  LBI Leasingbrokers International AG, Tutzing
  Pensionata AG, Hamburg

- Ralf Stark, management coach
  no other supervisory board man-dates; until August 30, 2005

- Paul Bauer-Schlichtegroll, businessman
  patrioplus AG, Hamburg as of August 31, 2005

According to § 14 of the articles of incorporation of Wire Card AG, Supervisory Board members are paid the following each year:

Chairman: EUR 30,000, Deputy: EUR 22,500, members: EUR 15,000.

Name	Function	from	to	Remuneration
Klaus Rehnig	Chairman	01/01/2005	12/31/2005	30,000 EUR
Alfons Henseler	Deputy	01/01/2005	12/31/2005	22,500 EUR
Ralf Stark	Member	01/01/2005	08/30/2005	15,000 EUR
Paul Bauer-Schlichtegroll	Member	08/31/2005	12/31/2005	5,000 EUR
Total remuneration				**72,500 EUR**

Remuneration paid to the Supervisory Board in fiscal 2005 totaled TEUR 73 (previous year: TEUR 113, including the subsequent payment for 2003 (TEUR 45).

Personnel expenses

Personnel expenses in fiscal 2005 amounted to TEUR 8,318 (previous year: TEUR 1,050) in line with the following breakdown:

	Payroll	Social expenditure	Total
Wire Card AG	1,044	111	1,155
InfoGenie Ltd.	82	13	95
Wire Card Beteiligungs GmbH	0	0	0
Click2Pay GmbH	196	35	231
Wire Card Technologies AG	4,671	766	5,437
United Payment GmbH	281	66	347
United Data GmbH	1,872	339	2,211
	8,146	**1,330**	**9,476**
Consolidation	50	0	50
Consolidation	- 1,039	- 169	- 1,208
	7,157	**1,161**	**8,318**

Personnel expenses are contained under special operating costs under personnel expenses.

The sum of TEUR 50 from the payroll consolidation relates to personnel expenses arising from the issue of the convertible bonds included to the same extent in the capital reserve.

Employees

As at December 31, 2005, the Group workforce (excluding the Board of Management) comprised 321 employees, 154 of whom were employed part-time (previous year: 17). These were engaged in the following functions:

	2005	2004
Board of Management	2	1
Distribution	48	7
Administration	41	7
Customer Service	192	0
Research and Development	40	3
Total	323*	18

* of whom 154 were part-time employees

16. Significant differences between IFRS and the German Commercial Code

General

The consolidated annual financial statements of Wire Card as at December 31, 2005 were prepared in accordance with IFRS/IAS as was mandatory in terms of § 315 a HBG. 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 Wire Card 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, long-term 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 cassh & 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 current provisions.

Other liabilities are itemized into non-current (long-term) liabilities, which correspond to deferred taxes or other long-term liabilities (special items for grants) and current liabilities (trade payables, interest-bearing liabilities and other financial liabilities).

Deferred tax liabilities are allocated to long-term 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).

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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).

Deferred taxes on loss carry-forwards

In accordance with IAS/IFRS, future tax reduction entitlements are capitalized (IAS 12). Their value depends on the probability of the loss carry-forwards being utilized within the planning period, i.e. whether they can be netted against taxable profits at a later stage. Taking account of the uncertainty concerning the realizability of these loss carry-forwards, the company made a TEUR 2,001 adjustment to its deferred tax assets as at December 31, 2005 amounting to TEUR 2,426, to TEUR 425. On account of the earnings situation of the taxable entities Wire Card Technologies AG and Click2Pay GmbH, it is assumed that it will be possible to realize the deferred tax assets on loss carry-forwards of TEUR 425 within the next twelve months.

17. Declaration of compliance

The declaration of compliance required pursuant to § 161 of the German Companies Act (AktG) for the calendar year 2005 was signed in March 2006 and also made available for download to the shareholders from the website of Wire Card AG in March 2006.

18. Transactions with related parties

Business combination relating to Wire Card AG

Wire Card has the following business relations with the companies listed below.

Controlling enterprises

As at January 1, 2005, ebs Holding GmbH (formerly ebs Holding AG) including its subsidiary ebs Mobil GmbH held 63% of the shares in Wire Card AG. Following the contribution of Wire Card Technologies AG and its subsidiaries, the stake rose to reach 92% on March 14, 2005. Due to capital measures on the part of Wire Card AG and minor stock related transactions, the share declined to 83% in September.

In the wake of transactions in the period from October through December, the stake of ebs Holding GmbH (including its subsidiary, ebs mobil GmbH) fell below 25%. At the end of March 2006, ebs Holding GmbH held fewer than 10% of the shares.

Controlled enterprises (affiliates)

In addition to the consolidated companies, Wire Card AG had a controlling influence over the following enterprises:

	Shares in %
■ **Wire Card Inc.**, Sacramento, California (USA)	100.0
■ **Wire Card ESP S.L.**, Palma de Mallorca (Spain)	100.0
■ **Paysys Ltd.**, Port-Louis (Mauritius)	100.0

Related parties

In accordance with IAS 24 (related party disclosures), persons closely related to Wire Card AG are the entity members of the Board of Management and of the Supervisory Board along with their family relatives. The details in this respect are reported below.

In 2005, Wire Card AG entered into the following legal transactions and measures with the controlling enterprise (ebs Holding GmbH, Grasbrunn, (formerly ebs Holding AG)) or one of its associated above-mentioned companies or on the instructions or in the interests of the companies in question:

1. Legal transactions

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Trade receivables
Extent in TEUR
3.000
Explanatory notes
In accordance with an agreement of June 30, 2005, ebs Holding AG purchased EUR 3 million in receivables from the Wire Card Group and will now be responsible for collection thereof. These receivables relate to trade receivables of Wire Card Technologies AG as well as the assignment of a receivable to InfoGenie Global GmbH (which has meanwhile been merged to form Wire Card AG) from former telephony-based operations. In addition, ebs Holding GmbH assumed a risk of default relating to a receivable in connection with litigation on the part of Wire Card Technologies AG.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Marketing agreement
Extent in TEUR
Explanatory notes
The subject matter of this agreement is the exclusive marketing of the CLICK2PAY solution. Irrespective of the contractual duration, ebs Holding GmbH transferred the software including license and copyrights and the marketing agreement to Wire Card AG as at August 31, 2005 at the carrying amount. The minimum lifetime is until December 31, 2008. After that date, the period of notice will be one year to the end of a calendar quarter.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Corporate contribution
Extent in TEUR
42,136
Explanatory notes
The company ebs Holding GmbH contributed Wire Card Technologies AG as a non-cash capital contribution to Wire Card AG in return for 42,135,788 shares. The annual general meeting agreed to this contribution on December 14, 2004.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Software purchase agreement
Extent in TEUR
3,988
Explanatory notes
Sale of the CLICK2PAY software and license and copyrights to cardSystems FZ-LLC.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Procurement of onward billing and services
Extent in TEUR
849
Explanatory notes
The company ebs Holding GmbH charged TEUR 265 for advertising, telephone and other costs, TEUR 302 for legal and auditing costs, and TEUR 282 for renting terminals to United Payment GmbH.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Revenue derived from onward billing and services
Extent in TEUR
2,019
Explanatory notes
The Wire Card Group charged TEUR 63 for advertising, telephone and other costs, TEUR 1,129 for services in the field of consultancy and software programming, and it assumed TEUR 800 in costs arising from contracts entered into in the field of POS terminal activities.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Loans
Extent in TEUR
2,000
Explanatory notes
The company ebs Holding GmbH granted Wire Card AG a loan of EUR 2 million, which was terminated and repaid in 2005. This resulted in TEUR 83 in interest expenses.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Corporate sale
Extent in TEUR
2.200
Explanatory notes
ebs Holding GmbH sold Wire Card AG to Wire Card Beteiligungs GmbH effective as of September 12, 2005.

Related parties
ebs Holding GmbH (formerly ebs Holding AG)
Type of legal relations
Sale of fixed assets
Extent in TEUR
433
Explanatory notes
ebs Holding GmbH sold its inventory of terminals to United Payment GmbH at price in line with their carrying amount.

Related parties
Wire Card ESP S.L.
Type of legal relations
Liability
Extent in TEUR
274
Explanatory notes
In 2005, the Wire Card Group assumed payments for its non-consolidated subsidiary for various expenditure items.

Related parties
Klaus Rehnig
Type of legal relations
Aufsichtsratsmandat
Extent in TEUR
10
Explanatory notes
Mr. Klaus Rehnig is also engaged a a member of the Supervisory Board of Wire Card Technologies AG and receives TEUR 10 in remuneration. In addition, he was refunded TEUR 7 as travel expenses against presentation of third-party statements.

Related parties
Ralf Stark
Type of legal relations
Consultancy agreement
Extent in TEUR
39
Explanatory notes
Mr. Ralf Stark was engaged as a consultant with Wire Card Beteiligungs GmbH and received TEUR 39 in remuneration for fiscal 2005.

Related parties
Paul Bauer-Schlichtegroll
Type of legal relations
Staff participation (option) program
Explanatory notes
In August 2005, Mr. Bauer-Schlichtegroll subscribed to 37,500 convertible bonds within the scope of the Staff Option Program of the company as a former member of the Board of Management of Wire Card Technologies AG.

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 Wire Card AG

Wire Card 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 Wire Card AG. Wire Card AG did not suffer a detrimental impact on account of measures being omitted in the interests 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 (1) No. 9 HGB):

	Total TEUR	of which, subsidiaries TEUR
Audit of the annual financial statements	171,500	81,500
Tax consultancy services	30,000	30,000
Other services	90,925	90,925

Berlin, March 2005
Wire Card AG

Dr. Markus Braun

Rüdiger Trautmann

Burkhard Ley

Developement of Non-Current Assets

OVERVIEW
THE COMPANY
PRO-FORMA
CONSOLIDATED FINANCIAL STATEMENTS

	Cost						Accumulated Depreciation					Net book value	Net book value	Deprecia-tion of the year
	01/01/2005 EUR	Adjustments from currency changes EUR	Additions first consolidation EUR	Additions EUR	Disposals EUR	12/31/2005 EUR	01/01/2005 EUR	Adjustments from currency changes EUR	Additions EUR	Disposals EUR	12/31/2005 EUR	12/31/2005 EUR	12/31/2004 EUR	EUR
NON-CURRENT ASSETS*														
1. INTANGIBLE ASSETS														
a) Goodwill	5,933,236.07	0.00	45,609,987.43	0.00	0.00	51,543,223.50	1,398,211.24	0.00	169,896.00	0.00	1,568,107.24	49,975,116.26	4,535,024.83	169,896.00
b) Self-provided intangible assets	299,408.10	0.00	0.00	0.00	0.00	299,408.10	62,302.70	0.00	99,800.40	0.00	162,103.10	137,305.00	237,105.40	99,800.40
c) Other intangible assets	514,474.26	0.00	188,400.79	4,298,920.97	2,214.00	4,999,582.02	376,923.26	0.00	416,466.56	135.00	793,254.82	4,206,327.20	137,551.00	416,466.56
	6,747,118.43	**0.00**	**45,798,388.22**	**4,298,920.97**	**2,214.00**	**56,842,213.62**	**1,837,437.20**	**0.00**	**686,162.96**	**135.00**	**2,523,465.16**	**54,318,748.46**	**4,909,681.23**	**686,162.96**
2. TANGIBLE ASSETS														
PROPERTY, PLANTS AND EQUIPMENT	1,027,227.71	9,865.04	445,223.91	469,202.31	65,537.75	1,885,981.22	721,029.25	5,935.47	244,621.59	15,418.03	956,168.28	929,812.94	306,198.46	244,621.59
3. FINANCIAL ASSETS	342,850.00	0.00	1,673,152.14	4,043,162.35	300,000.00	5,759,164.49	0.00	0.00	0.00	0.00	0.00	5,759,164.49	342,850.00	0.00
	8,117,196.14	9,865.04	47,916,764.27	8,811,285.63	367,751.75	64,487,359.33	2,558,466.45	5,935.47	930,784.55	15,553.03	3,479,633.44	61,007,725.89	5,558,729.69	930,784.55

* without (deferred) taxes

Auditors' Report

We have audited the consolidated financial statements prepared by the Wire Card 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 2005.

The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs) 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. 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 20, 2006
Control5H GmbH, audit firm

Roland Weigl
auditor

Ulrich Burkhardt
auditor

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