

15/1/20

Dear Mr. Eichelmann,

Congratulations and good luck on your new role as Chairman of the Supervisory Board. We published our first article on Wirecard's merchant cash advance (MCA) program a few days before you joined the Wirecard Board, and we hope, under your captaincy, we can finally put our concerns to rest.

We write today to highlight that Wirecard Brazil's recently filed audited financials for 2018 show no merchant cash advance lending in Brazil in 2018. This corroborates a UBS report from September stating that Wirecard cannot lend in Brazil without an acquiring license, and it corroborates our earlier work indicating that any lending in Brazil was tiny.

As we have shown before, at least three members of the management board have directly and repeatedly misled investors about €400M of lending. We believe that it is now incumbent on you to suspend the management board until these assets can be traced, and appropriately disclosed to investors.

We are providing a summary for you and KPMG to review as you continue your investigation.

### Summary of MCA Allegations

We started publishing via our website, [www.mca-mathematik.com](http://www.mca-mathematik.com) in June last year as our research concluded that Wirecard's Management Board was misleading investors about the scale and scope of the new Merchant Cash Advance (MCA) product. This was of such magnitude that we felt it was important to share with the wider investment community.

Analysts were [told by management](#) in May 2019 that Wirecard was lending €400M "mainly in Brazil". By June, perhaps realising the absurdity of the comment, Wirecard management amended its statement, then claiming 1/3 of the €400M merchant cash lending portfolio was to individual merchants in Brazil and Turkey. We believed this to be false based on the size of Wirecard's businesses in Brazil and Turkey. Our research findings were later strengthened by Wirecard's monthly balance sheet [submissions to the Brazilian Central Bank](#) and [audited financials in Turkey](#). The lack of lending in Brazil was also highlighted given Wirecard Brazil did not have the necessary acquiring license, so could not lend from its balance sheet. This has been verified by UBS, who published on this issue on the 24<sup>th</sup> of September, stating:

*Additionally, we understand that Wirecard's Brazilian has been operating as a sub-acquirer, and therefore cannot directly facilitate MCA, meaning exposure has to sit on the books of the BIN sponsor already.*

We have legal advice that non-bank lending as described by Wirecard is also [illegal in Turkey](#).

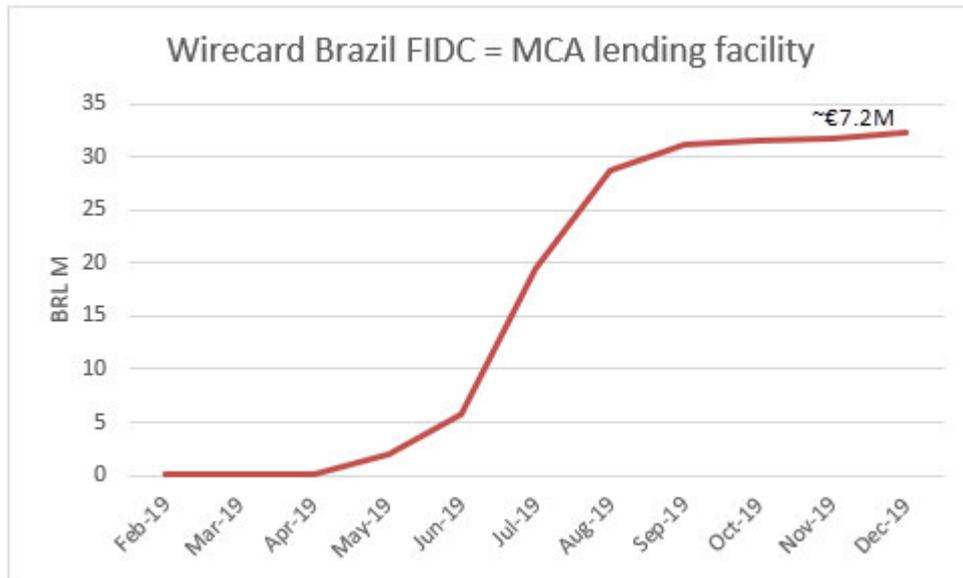
Today we confirm this point as Wirecard Brazil has finally filed its audited accounts for 2018. The financials show:

- a) No evidence of customer lending on the balance sheet**
- b) A business far too small to sustain monthly lending volumes of >€100M+**

*Click here to download Wirecard Brazil's annual financial statements [in Portuguese](#), or a translated extract [in English](#).*

### Wirecard Brazil MCA: 2019 Update

As of 31 December 2019, the outstanding balance in the Wirecard Brazil FIDC (Wirecard's regulated receivables fund) was R\$32.3M. This translates to about €7.2M. In fact, this number has been fairly consistent for months. In 2018, when Wirecard first claimed to be pre-funding receivables in Brazil, this facility had not been set up. It does now exist, but lending volumes are very small.



Source: Wirecard Brazil FIDC can be tracked <http://cvmweb.cvm.gov.br/SWB/defaultCPublica.asp> or via the Bloomberg ticker WIREDJR BZ.

Data from Wirecard’s monthly accounting filings at the Brazilian central bank confirms the FDIC balances; only a small amount of MCA is occurring in Brazil. The delta between receivables + deposits & payables has remained at a low level, <€11M for each month of 2019 up until October, confirming it is not possible that the business is lending more than €11M, closely corresponding to the FIDC amount above. The full accounts can be [downloaded here](#).

### KPMG and the Supervisory Board

We have written several letters to the Wirecard Supervisory board highlighting our concerns and have called for the management board to be suspended to protect shareholder assets. Wirecard’s own filings confirm that management’s statements in 2018 and throughout 2019 about MCA were, and remain, false. KPMG and the Supervisory Board will easily see that in the accounts. But we reiterate our earlier question, “why are they misleading investors about MCA lending?” Our answer to this remains consistent: to hide something.

We believe Wirecard management are concealing a substantial overstatement of profits at CardSystems Middle East, Wirecard’s un-audited Dubai subsidiary, whose client transactions bear hallmarks of [being fake/fraudulent](#). These dubious “clients” have contributed 58% of Wirecard AG profits in 2018.

**We are confident KPMG will not find evidence of the money supposedly directly lent as MCA to merchants in Brazil or Turkey. In turn it seems unlikely that they will find evidence supporting the unaudited profits supposedly generated in Dubai.**

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