13/12/2019

Dear Wirecard Supervisory Board,

Our correspondence dated 26/11/19 commended your decision to hire KPMG and highlighted the importance of asset preservation. We also provided details of our research that substantiates what we believe to be material accounting fraud. Our last letter highlighted our concerns with the proposed China acquisition, given a deeply conflicted alleged "due-diligence" process from Frank Stahl at Baker Tilly, and an acquisition that looks very similar in nature to the suspicious Indian acquisition.

We write now to highlight a filing made on the 10th of December at the New Zealand Companies Office that suggests that Wirecard Technologies has made a capital injection of close to **€100M** to Wirecard NZ Limited, a wholly owned-subsidiary in New Zealand. It seems likely to us that such a large capital injection is destined for the Allscore China acquisition and, if so, we would strongly suggest the Supervisory Board swiftly intervene to preclude the risk of permanent loss of capital. It's noteworthy that the Wirecard NZ annual financial statements for 2018, which were due in May of 2019 have not yet been filed. Such a significant amount of capital should not be sent onwards without Supervisory Board approval, particularly while Wirecard is under material fraud investigations. If this money is subsequently lost, there may be personal liability or other ramifications for members of the Supervisory board.

2019: The proposed China acquisition. Is Allscore Payments GI Retail part 2?

The Indian acquisition was concerning as the assets that were purchased had changed hands just one month earlier, and Wirecard paid 8x the prior valuation. Wirecard never disclosed the first transaction to investors, implying that they had bought the asset directly from the founders who are currently suing Wirecard in Madras, following a suit in London. Wirecard has refused to disclose the beneficial owners of EMIF, the "private equity firm" that generated €290M in profits for a €39M investment that lasted just one month, even though Jan Marsalek, a member of the Management Board, met with the founders of GI Retail in Europe almost a year earlier, to discuss an acquisition at a lower price. This meeting was organised by Henry O'Sullivan, the Senjo founder and close Wirecard associate.

The China deal looks worryingly similar:

- The margins and implied multiple look unlikely to the point of being implausible. The payments markets in India and China are incredibly competitive, with high marketing spend and aggressive price competition driving substantial losses. High quality assets come at high quality prices, and there are no growing and profitable assets for sale for 2.4x fwd EBITDA, as promised by Wirecard. We have previously highlighted the high margin revenues earned by Hermes in India that came via EMIF & O'Sullivan related businesses – in our view a clear case of revenue round-tripping. This Allscore transaction is highly suggestive of more the same.
- According to Wirecard, Allscore Payments is partly owned by "Shanghai Aiwu Investment Management Co. Ltd" ("SAIMC"). Is this the previously unknown or private equity equivalent to EMIF? Can the management board confirm that related parties are not involved in SAIMC?
- The due-diligence has also been provided by the same team at Baker Tilly that did the Indian transaction. They appear to have either wilfully ignored or not discovered the EMIF "flip". The lead partner, Frank Stahl, is substantially conflicted as he is the former audit partner at Wirecard.
- Wirecard has stated that Allscore needs a capital injection. This is alarming for a business that Wirecard claims to be so profitable.

If €100M of recently raised investor money is transferred to China for another asset that ultimately proves to be structured for round-tripping rather than a fundamental investment, there is increased liability for both the Management Board and the Supervisory Board as it increases the risk of a permanent loss of investor capital.

A troubling pattern

This late-year transaction appears to mirror previous strange transactions close to year-end which, taken together, are suggestive of continued acts to obfuscate reality from the auditors. If cash leaves the business in December to secretly controlled entities, it can be recycled back into the business as EBITDA, or used to pay down aged receivables. It would not be the first time the Wirecard Management Board performed an unusual transaction close to the end of the year:

> **2015**: On the 30th of December, Wirecard transferred €131M to EMIF1A for the acquisition of Hermes and related assets, though the deal was not finalised until March 2016. There would be no business reason to transfer assets to a related-party intermediary financial buyer ahead of the closing of a deal such as this;
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> **2017**: On the 22nd of December, Dr Braun pledged 4.2m shares of stock, collateral worth €380M at the time, for a substantial loan from Deutsche Bank which could have found its way back into the business to shore up cash reserves;
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> **2018**: On the 8th of November, Wirecard announced MCA to the public, claiming €200M of lending outstanding at the time in Brazil, Asia, Germany and Europe. There is also, in our view, compelling evidence that Wirecard Asia Holdings also made a €115M loan to Ocap, for the alleged purpose of MCA, which management previously denied to investors. We have since shown that there has never been MCA lending in Brazil or Asia as Wirecard does not hold the proper banking nor acquiring licenses in those geographies.

Protect the assets of Wirecard

At this stage, it is imperative to preserve investor assets. If ~€100M was moved to Wirecard NZ Limited in December, we urge the board to act fast before the money disappears to China. Given the level of concern, the Supervisory Board needs to take full responsibility on a transaction of this magnitude.

Yours,
MCA