



Report

CONCERNING THE INDEPENDENT SPECIAL INVESTIGATION

Wirecard AG,
Munich

April 27, 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

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Directory of abbreviations

Abbreviation	Explanation
Bank 1	
Bank 2	
Bank 3	
Card Systems Middle East	Cardsystems Middle East FZ LLC, Dubai, United Arab Emirates
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
DRS	German Accounting Standard
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EUR	Euro
EV Audit	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Audit
EYFIS	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Forensic & Integrity Services
EVGAAP	International GAAP, Ernst & Young LLP, 978-1119557760
FAQ	Frequently Asked Questions
FT	Financial Times
GI Philippines	GI Philippines Corp., Manila, Philippines, subsidiary of Hermes I Tickets Pte. Ltd
GI Technology	GI Technology Pte. Ltd., Chennai, India, subsidiary of Wirecard Acquiring & Issuing GmbH
Hermes	Hermes I Tickets Pte. Ltd, Chennai, India, subsidiary of Wirecard Sales International Holding GmbH
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
NR	Indian rupee
KYC	Know your customer
MCA	Merchant Cash Advance
Mio	million
Q	Quarter (of a year, for example Q1 for 1st quarter)

Abbreviation	Explanation
Law firm 1	
Law firm 2	
T	thousand (in conjunction with currency abbreviation)
TPA	Third Party Acquiring
TPA Partner 1	Third Party Acquiring Partner 1
TPA Partner 2	Third Party Acquiring Partner 2
TPA Partner 3	Third Party Acquiring Partner 3
Trustee 1	
Trustee 2	
USD	US dollars
Website 1	Website that publishes accusations against Wirecard
	AG on the internet
Wirecard Acquiring & Issuing	Wirecard Acquiring & Issuing GmbH, Aschheim, subsidiary of Wirecard AG
Wirecard Bank	Wirecard Bank AG, Aschheim, subsidiary of Wirecard Acquiring & Issuing GmbH
Wirecard Brazil	Wirecard Brazil S.A., Sao Paulo, Brazil, subsidiary of Wirecard Acquiring & Issuing GmbH
Wirecard Sales	Wirecard Sales International Holding GmbH, Aschheim, subsidiary of Wirecard AG
Wirecard Technologies	Wirecard Technologies GmbH, Aschheim, subsidiary of Wirecard AG
Wirecard Turkey	Wirecard Ödeme Ve Elektronik Para Hizmetleri A.S., Istanbul, Turkey
Wirecard UK & Ireland	Wirecard UK & Ireland Ltd., Dublin, Ireland
Wirecard AG	Wirecard AG, Aschheim

1 Investigation mandate and summary of results

1.1 Investigation mandate and object of the investigation

1.1.1 Investigation mandate

Wirecard AG, Munich,

(hereinafter "Wirecard AG" or "Company"), represented by the Supervisory Board,

has mandated **KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin** (hereinafter "KPMG"),

with confirmation of the assignment dated October 31, 2019 to conduct an independent special investigation.

The investigation was triggered by accusations against Wirecard AG published in the press and on the internet. The following topics were repeatedly addressed, which were the starting points of the investigation by KPMG described below:

- Alleged increase in revenue through fictitious customer relationships, especially in third party acquiring with a Third Party Acquiring partner (2016 to 2018);
- Internet publications (Website 1) (2016 to 2018);
- Accusations regarding accounting issues in Singapore (2015 to 2018).

1.1.2 Object of the investigation

In accordance with our assignment, the facts presented in press and internet publications **were the subject of our investigation,** particularly:

1. Alleged increase in revenue through fictitious customer relationships, especially in third party acquiring with a Third Party Acquiring partner (2016 to 2018)

The "FINANCIAL TIMES" (hereinafter "FT") published several articles accusing Wirecard AG of having reported higher consolidated revenues based on fictitious customer sales and hence an increased consolidated net income.

In this context, the cooperation with a Third Party Acquiring partner (hereinafter "TPA partner"), a business partner of Wirecard AG, was addressed. According to FT, in 2016, about half of the Company's profits before interest, tax and depreciation were generated from

transactions with one TPA partner and two other companies. FT is said to have contacted 34 customers whose payments, among other things, had been made via one TPA partner, and to have identified potential implausibilities. In particular, according to FT, there is a suspicion that there had been a concerted attempt to increase the reporting of sales and profits in Dubai and Ireland.

According to FT, the revenues generated by a TPA partner was channeled through the Wirecard companies Cardsystems Middle East FZ-LLC, Dubai, UAE ("Cardsystems Middle East") and Wirecard UK & Ireland Ltd, Dublin, Ireland ("Wirecard UK & Ireland"), whose accounts were not audited by the group auditor or its network companies.

2. Internet publications (Website 1) (2016 to 2018)

Website 1 contains, among other things, letters addressed to various corporate bodies and consultants of Wirecard AG. These contain accusations with regard to the so-called "Merchant Cash Advance" business. In particular, it is alleged that the credit volume from the "Merchant Cash Advance" business was not presented correctly and transparently by the Board of Management of Wirecard AG.

3. Accusations on accounting issues in Singapore (2015 to 2018)

Since January 30, 2019, FT has made accusations regarding irregularities in connection with the accounting of subsidiaries in Singapore. According to these accusations, revenues have been reported too high. In connection with this, there are accusations of backdating contracts and circular entries, among other things.

4. Accusations concerning a company transaction in India

In the course of the investigation, accusations relating to business activities in India, which were not originally covered by the investigation mandate, were also investigated. The background of this is that the documents submitted by Wirecard AG to KPMG identified substantive links to accusations in the press and on the internet concerning Wirecard AG's business activities in India. These accusations are connected to a corporate transaction of Wirecard AG in India, in which an excessive purchase price is said to have been paid to the seller for the acquisition of the "payment business" of the companies 9. In addition, accusations of so-called "roundtripping" of payments were published in press reports. These accusations were investigated by the group auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Audit, Stuttgart (hereinafter "EY Audit"), in the course of their audit of the annual financial statements. The results of this investigation were reconstructed in the course of the special investigation analogously to the procedure regarding accusations in connection with accounting issues in Singapore.

1.2 Nature and scope of the investigation

KPMG conducted the investigation on the premises of Wirecard AG, as well as at KPMG's branch offices between October 31, 2019 and April 24, 2020. In addition, KPMG inspected documents on the premises of the auditor and conducted interviews with Wirecard business partners on their premises in Dubai, the Philippines and, in one case, via video conferencing.

The results of the investigation illustrated below are based on the documents received and information provided up to and including April 24, 2020, 08:30 a.m.

KPMG determined the scope and nature of the relevant investigation activities independently and at our own discretion in accordance with our engagement.

KPMG conducted its own press research. Wirecard AG has provided KPMG with a list of accusations made against the company. KPMG has checked the list of accusations in the individual areas of investigation for the sake of completeness.

The following **procedure** was agreed in the engagement letter dated October 31, 2019:

- 1) Performing comprehensive investigation activities for the original three subjects of investigation.**
- 2) Investigation of the third party acquiring business with a TPA partner between 2016 and 2018**

In order to investigate the accusations made, KPMG carried out the following investigation activities:

1. Gaining an understanding of Wirecard AG's business activities, in particular with regard to the third party acquiring business ("Third Party Acquiring", hereinafter "TPA"), including using the example of one TPA partner.
2. Investigation of the payment settlement process, particularly in the TPA business, using the example of one TPA partner and - if KPMG, in consultation with the Supervisory Board, deemed it necessary - also in the issuing business, taking into account the roles of the Wirecard companies Cardsystems Middle East, Wirecard UK & Ireland and Wirecard Technologies Aschheim ("Wirecard Technologies").
3. Investigation of the process of revenue realization and commission of services and their recognition in the consolidated financial statements, also taking into account consolidation adjustments.
4. Other investigation activities

Analysis of the background of the accusation that payments from customers that allegedly no longer existed were made via a TPA partner and corresponding revenues were generated, in particular in view of FT's allegations concerning 34 alleged customers of a TPA partner.

We have included allegations regarding individual facts contained in various FT articles in the investigations to the extent we deemed it necessary in our own discretion to be able to assess the validity of the accusations made.

"Background information" published in the given context on the companies in question - Third Party Acquiring Partner (hereinafter "TPA Partner 1"), Third Party Acquiring Partner 2 (hereinafter "TPA Partner 2") and Third Party Acquiring Partner 3 (hereinafter "TPA Partner 3") - and other information obtained in the course of the investigation (for example, from letters addressed to corporate bodies of Wirecard AG or to KPMG as special investigator) were included in our investigation activities to the extent that this appeared necessary in our own discretion for the purposes of the investigation.

3) Investigation of the Merchant Cash Advance business in the period in the period 2016 to 2018

In order to investigate the accusations made, KPMG first reviewed the reports of the auditors of the consolidated financial statements and assessed whether they were insofar suitable for the purpose of investigating this matter. For this purpose, the business model with regard to the "Merchant Cash Advance" business (hereinafter "MCA") was also analyzed.

The following additional investigation activities were then conducted in consultation with the Supervisory Board:

1. Investigation of the regulatory permissibility of the business and the Merchant Cash Advance process to merchants, particularly in Turkey and Brazil;
2. Investigation of the process for recording the successes from the MCA business and their recognition in the consolidated financial statements, also taking consolidation adjustments into account;
3. Investigation of the volume of transactions in the MCA business during the investigation period, in particular in light of the accusations made on Website 1.

4) Understanding the results of the audit procedures relating to the investigation subject Singapore in the period 2015 to 2018

The auditor of Wirecard AG carried out "extended audit procedures" in the course of the 2018 audit of the annual financial statements and consolidated financial statements with regard to the accusations of accounting irregularities in Singapore.

KPMG initially reviewed the results of the investigation on the basis of the auditor's report and the results of the law firms and other consultants commissioned to conduct a compliance audit/internal investigation and assessed whether they were suitable for the purpose of investigating the subject matter of the investigation as defined by KPMG. To the extent that KPMG considered it necessary to investigate the facts alleged in the press, KPMG, in consultation with the Supervisory Board, carried out its own investigation activities.

5) Understanding the accusations concerning the company transaction in India

In December 2019, FT published accusations in connection with a transaction carried out by Wirecard AG in India in 2015, in which an excessive purchase price had been paid to Fund 1. In addition, accusations were made against Wirecard AG in connection with "roundtripping" of payments. These accusations had already been addressed in various articles before the start of our special investigation. The accusations are partly taken up in presentations on Website 1. EY Audit investigated these accusations in the course of its various audits of the consolidated financial statements since the transaction.

In the course of the project, the client asked KPMG to conduct an independent special investigation in order to understand the audit procedures carried out by the auditor in a manner analogous to the procedure used for the accusations concerning "extended audit procedures" in Singapore.

Extension of the assignment

With regard to the TPA business, our investigation revealed that the transaction data and corresponding settlement evidence for the 2016-2018 investigation period, contracts between the TPA partners and the merchants, as well as account statements and bank confirmations for trust accounts (so-called escrow accounts) so far had not been made available for the investigation period. At least for the periods 2016 and 2017, due to the lack of its own databases, it is necessary that for the purposes of the forensic special investigation the TPA partners cooperate, which has not happened so far. In the meantime, however, two business partners have indicated that they are willing to cooperate and provide transaction data - at least for certain periods of time.

In the 2019 fiscal year, transaction processing was migrated to a Wirecard platform that has now also been set up for the TPA business (so-called Elastic Engine for the TPA business). To this extent, own transaction databases have become available since the migration. This enables transaction data to be provided without the involvement of third parties. Therefore, towards the end of the investigation, KPMG was provided with transaction data for the period December 2019. Against this background, it was agreed with the client to extend the investigation of the Third Party Acquiring business conducted in accordance with the engagement letter dated October 31, 2019 to the month of December 2019 in some areas. The goal of the extended investigation activities is to reconstruct the amount and existence of the revenues in the Third Party Acquiring business under forensic aspects for the month of December 2019.

KPMG will report separately on the results of the expanded investigation activities following the completion of the expanded investigation activities. KPMG points out that the extended investigation activities in connection with the above-mentioned extension of the assignment for the Third Party Acquiring business have not yet been completed. KPMG points out that KPMG cannot draw any conclusions from the extended investigation activities about the 2016-2018 investigation period and that, due to the limited "December 2019" time period being considered, no conclusions can be drawn about the total revenues for the entire year of 2019.

Communication with the Supervisory Board

As the client, the Supervisory Board was regularly informed orally and, if necessary, in writing about the status of the investigation and the progress of the investigation. In addition, it was informed about the status of the investigation in the individual areas of investigation with two interim reports based on a slide presentation. In addition, we informed the Supervisory Board in a letter about a considerable delay in Wirecard AG's submission of the documents we had requested.

Further information regarding the assignment and processing of the assignment

The **detection and investigation of possible impermissible activities outside the** subjects of investigation described in more detail above was **not** the subject of KPMG's mandate.

According to the assignment confirmation dated October 31, 2019, the legal and regulatory assessment of the facts investigated was not the subject of the assignment. All statements regarding legal issues made in this report are to be understood as indications for legal follow-up. They do not represent a legal assessment. In addition, KPMG's advice is always limited to individual aspects and therefore does not replace a comprehensive review of the overall situation, including the relevant foreign jurisdictions, nor does it prejudice an overall assessment.

The limitation of our activities to individual aspects of certain facts or business areas also means that the results of our investigation cannot include an assessment of the accuracy of the published annual or consolidated financial statements as a whole. Our engagement does not include an assessment of the materiality of our findings for these annual or consolidated financial statements. KPMG has reviewed its own investigation activities to determine whether they are permissible under data protection law. KPMG has complied with the relevant requirements of data protection law.

The Board of Management submitted to KPMG the management representation letter dated March 4, 2020 attached as annex 2 (Annex 2) in connection with the escrow account. We had requested a final management representation letter, but it had not been submitted by the Board of Management by the end of our investigation on April 27, 2020.

The basis of our investigation and evaluation were the documents received and information provided, but it was not possible for us to verify the completeness and authenticity of the documents and documentations provided to us. Consequently, we cannot make any conclusive statement as to whether these documents and information are complete, accurate, and free of contradictions. Nor can we conclusively assess whether all information and evidence relevant to the assessment has been made available to us. In this respect, we also cannot rule out the possibility that

we would have come to a different conclusion if we had been aware of additional information or documents.

In the period from April 17, 2020 to April 24, 2020, some of the documents and evidence not previously provided were provided by the Company. In addition, KPMG was provided with further documents by the auditor EY on April 23, 2020. Against this background, the date for reporting was postponed.

KPMG points out that KPMG has not carried out an authenticity check, in particular for documents delivered on or after April 17, 2020.

KPMG has converted foreign currency amounts into Euro amounts and rounded the Euro amount. The exchange rate on the date of the respective document - if available - was used as the reference date for the conversion. All currency conversions in this report are for information purposes only.

The amounts listed in the individual review in the investigation area "Singapore" and "India" are net amounts. If invoice amounts are indicated with a tax (gross amounts), this is explicitly stated.

Numerous documents are only available to KPMG as copies or scans. KPMG cannot assess whether these versions correspond to the originals. We have assumed for our work that the copies submitted correspond to the originals.

KPMG points out that, to the extent that public sources of information were used for research, it was not possible to verify the accuracy of the information received. There is therefore a risk that information from these sources was incorrect, incomplete or no longer up to date.

The nature of KPMG's activities differs significantly from an audit of annual financial statements or similar activities, both in terms of their scope and their objectives. Accordingly, KPMG does not issue an audit opinion or other form of certification or assurance with regard to the annual financial statements used by KPMG for its work, if any, or the internal control system of Wirecard AG.

The forensic investigation we conducted differs significantly from an audit of annual financial statements in its nature and scope as well as the depth of detail. This means, among other things, that in some cases higher standards are applied to the investigation activities and evidence, so that, for example, chains of transactions are traced back to their origin.

The assignment, in the performance of which KPMG provided the above-mentioned services for Wirecard AG, was based on the General Terms and Conditions for Auditors and Auditing Companies dated January 1, 2017 (Annex 4). By taking note of and using the information contained in this letter, each recipient confirms that he/she is aware of and accepts the provisions set out therein (including the liability provision under no. 9 of the General Terms and Conditions) and acknowledges their validity in relation to KPMG.

1.2.1 Comprehensive investigation activities

In accordance with the investigation mandate to investigate the accusations made, KPMG has, in addition to the investigation activities listed in Section 1.2, carried out in particular the following comprehensive investigation activities:

1.2.1.1 Analysis of press releases

Press releases since January 1, 2016 in connection with Wirecard were evaluated with regard to possible accusations relating to the objects of investigation listed in Section 1.1.2.

1.2.1.2 Evaluation of minutes of the Board of Management and Supervisory Board meetings

According to Wirecard AG, no minutes were taken at Board of Management meetings. KPMG was presented with an overview of the Board of Management resolutions for the period 2015 to 2018. On this basis, KPMG requested individual Board of Management resolutions.

In the course of the special investigation, Wirecard AG provided KPMG with a Board of Management resolution that was not included in the overview of the Board of Management decisions. Accordingly, we cannot assess the completeness of the overview of the Board of Management resolutions submitted to us.

The following procedure was agreed between Wirecard AG and KPMG to evaluate the minutes of the Supervisory Board meetings: KPMG was provided with the agendas of all Supervisory Board meetings since January 1, 2016. KPMG requested and received minute extracts based on the agenda items.

1.2.1.3 Evaluation of audit and, if applicable, other reports from external third parties and, if applicable, reports to the Compliance Committee.

The basis for the evaluation was the respective "Multi Year Plan" of "Group Internal Audit" for the periods from 2016 to 2018, 2017 to 2019, and 2018 to 2020. For four audits, KPMG was provided with the respective Management Summary, which were taken into account in the course of the investigation activities conducted by KPMG.

1.2.1.4 Discussion with the auditor

KPMG discussed the accounting issues presented in this report with the auditor of Wirecard AG. In addition, the auditor provided to KPMG information on the auditing activities

and results conducted and derived in the course of its audit of the annual financial statements.

KPMG has not provided the auditor with any information on the status of KPMG's investigation. Our reporting is directed exclusively at the Supervisory Board of Wirecard AG.

1.2.1.5 Reports on the Internal Whistleblower System during the special investigation

All existing information and information submitted during the project period to Wirecard AG's internal whistleblower system regarding the objects of the investigation and the accusations mentioned in press and internet publications was to be forwarded to KPMG.

As no management representation letter was submitted, we have received no confirmation from Wirecard that no information was received during our investigation that in terms of its subject matter relates to the subject of the investigation. At the end of the investigation, we received confirmation that no information had been received through the whistleblower system.

1.2.1.6 Information provided to KPMG during the special investigation

During our special investigation, KPMG was provided with information and documents by third parties, in part anonymously. KPMG examined these pieces of information and documents with regard to their relevance to the areas under investigation and took them into account to the extent they were related to one of the areas under investigation. KPMG included these pieces of information and documents in its investigation to the extent that KPMG in its discretion considered this to be necessary for the purposes of the investigation.

KPMG had always informed the client about the contact. In individual cases, this information was also made available to the auditor.

1.2.1.7 Delayed delivery of documents

With respect to the execution of the assignment, the following circumstances must be reported :

- Wirecard AG did not supply some of the documents requested by KPMG in the course of the investigation, or supplied some of those documents only several months after they had been requested, as a result of which the investigation as a whole was delayed.
- Wirecard AG repeatedly postponed individual agreed upon interview appointments with key Wirecard internal contacts, which also resulted in considerable delays in the investigation activities.
- Some of the investigation activities that were originally brought to the attention of the client at the beginning of the investigation could not be carried out or could not be carried out in the originally planned manner due to a lack of available documentation or IT system accesses.
- The documents submitted to KPMG were almost exclusively electronic copies the authenticity of which could not be verified.
- The transfer of transaction data at least for the years 2016 and 2017 required the support of the TPA partners, which has so far been lacking.
- In addition, with regard to specific aspects relevant to the execution of the assignment, we refer to the contents of the relevant sections on the individual areas of investigation.

1.3 Summary of results

In the following, KPMG presents the results of the investigation in summarized form. To protect personal information and confidential business secrets, KPMG has included more detailed explanations on all of the issues investigated in the annexes to the report.

1.3.1 Summary of results Third Party Acquiring

1.3.1.1 Amount and existence of revenues

1.3.1.1.1 Accusations

Regarding the TPA business with TPA Partner 1, TPA Partner 2, and TPA Partner 3, the published FT articles questioned the amount and existence of revenues, in particular with reference to allegedly questionable customer relationships. In this context, the accusation of a lack of transparency was also made.

In particular, the following accusations were made:

Quote	Source
<i>"Half of the worldwide revenue and almost all of the reported profits of Wirecard, the German payments group that is battling an accounting scandal, have come from only three opaque partner companies in recent years, according to documents seen by the Financial Times."</i>	FT article dated April 24, 2019, title "Wirecard relied on three opaque partners" ¹
<i>"In 2016 (...) [...], [...] and [...] together contributed earnings before interest, tax, depreciation and amortisation of €290m on revenues of €541m, according to a spreadsheet created in July 2017 by a member of Wirecard's Munich accounting team. The total was equivalent to 95 per cent of the ebitda and just over half the revenues reported by the group for 2016."</i>	FT article dated April 24, 2019, title "Wirecard relied on three opaque partners" ¹
<i>"An Internal Wirecard spreadsheet shows that three partner companies contributed half the sales and more than 90 per cent of the profits to the scandal-hit German payments group in 2016 and early 2017."</i>	FT article dated May 20, 2019, title "Wirecard document points to reliance on 3 partners" ²
<i>"In the past five years CardSvstems has contributed €600m of ebitda, much of it from third-party partners. That has made up more than a third of the worldwide total ebitda reported by Wirecard in that period, according to information provided by whistleblowers. One whistleblower said the substantial business recorded for CardSvstems in Wirecard's books did not appear to be matched by flows of cash. The person said CardSvstems had accounts at Wirecard Bank as well as institutions in the Middle East, but said 'he revenues never passed through these accounts'."</i>	FT article dated May 20, 2019, title "Wirecard document points to reliance on 3 partners" ²
<i>"According to documents seen by the FT, CardSvstems chalked up €58m of commission due from [...] in 2017, equivalent to 4.4 per cent of the €1.3bn of payments processed by the Dubai-based partner. Such lucrative commissions (...) raise questions about where Wirecard finds merchants willing to pay such fees."</i>	FT article dated May 20, 2019, title "Wirecard document points to reliance on 3 partners" ²
<i>"A focal point of the FT's inquiries into Wirecard is one of these partner companies, a Dubai-based intermediary called [...], which documents indicate contributed half of the German company's worldwide profits in 2016. (...) Internal financial reports from 2016 and 2017 (...), detail the business which has supposedly flowed through [...]. The documents record about €350m of payments from 34 key clients as passing through [...], on behalf of Wirecard, each month during the period."</i>	FT article dated May 20, 2019, title "Wirecard document points to reliance on 3 partners" ²

Link: <https://www.ft.com/content/a7b43142-6675-11e9-9adc-98bf1d35a056>, last viewed on March 20, 2020

Link: <https://www.ft.com/content/7d394c4e-77c4-11e9-be7d-6d846537acab>, last viewed on March 20, 2020

Quote	Source
<i>„According to one of the spreadsheets, shared between executives in July 2017 and titled 'Übersicht Dritt-Acquirer' (overview of third-party acquirers), [...] was responsible for €265m of revenues in 2016 and an 'ebitda-effect' of €173m. That is equivalent to a quarter of Wirecard's worldwide sales that year and more than half of its earnings before interest, tax depreciation and amortisation. Somehow, the €4.2bn of payments routed through [...] in 2016 produced more profit for Wirecard than the rest of the €62bn worth of transactions it processed that year, if the figures in the overview are taken at face value. "</i>	FT article dated May 20, 2019, Title „Wirecard document points to reliance on 3 partners " ²
<i>"The group's Munich finance team appears to have prepared documents (...) which said CardSystems earned €69m of profit from €1.6bn of payments processed by [...] in 2017."</i>	FT article dated October 15, 2015, title „Wirecard suspect accounting practices revealed" ³
<i>„At the end of March 2017, [...] owed €123m to a German subsidiary of Wirecard [...] owed €27m to Wirecard units in Dubai and Gibraltar. [...] owed €37m to Wirecard units in Ireland and Dubai. The biggest total in the document was €334m ascribed to [...] in two items under the heading 'trustee account'."</i>	FT article dated May 20, 2019, title „Wirecard document points to reliance on 3 partners " ²
<i>„Internal Wirecard documents (...) suggest [...] was also important to the group's balance sheet, which held €1.45bn of cash and equivalents at the end of March 2017. Correspondence indicates [...] was associated with €334m held in 'trustee accounts' as of that date. "</i>	FT article dated December 9, 2019, title „Wirecard's singular approach to counting cash" ⁴
<i>For the first quarter of 2017, (...) 33 clients of [...] (...) generated €36.Bm of commission, equivalent to 45 per cent of the earnings before interest, tax, depreciation and amortisation reported by Wirecard in the period "</i>	FT article dated May 20, 2019, title „Wirecard document points to reliance on 3 partners " ²

Table 1: Accusations regarding amount and existence of TPA revenues

1.3.1.1.2 Results of the investigation activities

With regard to the amount and existence of revenues from the TPA business relationships between CardSystems Middle East, Wirecard UK & Ireland, as well as Wirecard Technologies and the respective relevant TPA partners, KPMG can, as a result of the forensic investigation conducted in relation to the investigation period 2016 to 2018, neither make a statement that the revenues exist and are correct in terms of their amount, nor make a statement that the revenues do not exist and are incorrect in terms of their amount. To this extent, there is an obstacle to the investigation.

Link: <https://www.ft.com/content/19c6be2a-ee67-11e9-bfa4-b25f11f42901>, last viewed on March 20, 2020

Link: <https://www.ft.com/content/845b0dce-1836-11ea-9ee4-11!260415385>, last viewed on March 20, 2020

This is due to deficiencies in the internal organization and, in particular, to the unwillingness of the Third Party Acquirers to participate in this special investigation in a comprehensive and transparent manner. For example, transaction data and corresponding settlement evidence for the 2016-2018 investigation period, contracts between the TPA partners and the merchants as well as account statements and bank confirmations for trust accounts (so-called escrow accounts) could so far not be provided for the investigation period for the purposes of the forensic investigation conducted by KPMG. The evidence provided in this respect, i.e. in particular the balance confirmations of the TPA partners to the auditor, the account statements of the TPA partners, the contracts with the TPA partners as well as the respective pricing schedules, the screenshots of transaction volumes from, inter alia, the systems of the TPA partners and minutes of quarterly meetings with the TPA partners, which document the reconciliation of relevant settlement parameters, did not constitute sufficient evidence for our forensic investigation, as they only consider the relationship with the TPA partner and not the entire transaction chain. In this respect, it was not sufficiently possible for KPMG to forensically trace the existence of the transaction volumes during the investigation period 2016 to 2018.

In the 2019 fiscal year, transaction processing was migrated to a Wirecard platform that has now also been set up for the TPA business (so-called Elastic Engine for the TPA business). To this extent, own transaction databases have become available since the migration. This enables transaction data to be provided without the involvement of third parties. Therefore, KPMG has received more than 200 million data sets with transaction data for the month of December 2019, which are currently being analyzed. KPMG points out that the investigation activities in connection with the Third Party Acquiring business, which are also planned in the context of an extension of the assignment (see section 1.2. of this report for details), have not yet been completed.

According to the current interim status of the data analyses, KPMG has no indications to date that the transaction volumes reported in the accounts for the month of December 2019 differ in any material respects from the transaction volumes determined by KPMG on the basis of the data provided to KPMG. KPMG points out that a substantive examination of the contract conformity and accuracy of these statements has not yet been conducted.

Furthermore, based on the current interim status of the data analyses, KPMG has not yet become aware of any facts that give rise to significant doubts about the authenticity of the data provided for December 2019. KPMG points out that neither the KPMG data analyses (including the investigation of the data extraction process) nor the further investigation activities by KPMG for the month of December 2019 have been completed and that the results presented may change as the investigation continues. Furthermore, KPMG points out that KPMG will not draw any conclusions about the total revenue for the full year 2019 for the purposes of our forensic investigation due to the limited "December 2019" investigation period.

In addition, KPMG has received bank confirmations from Bank 2 and Bank 3 as of the reporting date December 31, 2019 to the Wirecard auditor dated March 16, 2020 and March 17, 2020, respectively, which identify Wirecard companies as the economic beneficiaries of the funds. In view of the spread of the coronavirus, it has not yet been possible to provide KPMG with corresponding direct bank confirmations in a timely manner, which – against the background of the forensic aspects of the investigation – are to be made by the neutral offices of the respective banks responsible for corresponding inquiries. In this respect, KPMG has not yet been able to conclusively assess the reliability of the bank confirmations.

With regard to the results of the further investigation activities in connection with the extension of the assignment for the month of December 2019, KPMG will report as soon as the investigation activities in connection with the extension of the assignment for the Third Party Acquiring business described in section 1.2 have been completed. KPMG points out that KPMG will not draw any conclusions from the additional investigation activities for the investigation period 2016-2018.

In the course of the investigation, we first examined the processes and procedures implemented by the relevant Wirecard companies and the corresponding precautions of the accounting-related internal control system on which the recording of revenues from the Third Party Acquiring business was based. On this basis, we planned and, as far as possible, conducted detailed investigation activities with respect to the amount and existence of the revenues.

1.3.1.1.3 Volume of Third Party Acquiring business with TPA Partner 1, TPA Partner 2, and TPA Partner 3 2016 to 2018

The agreements concluded between Cardsystems Middle East, Wirecard UK & Ireland as well as Wirecard Technologies and each of the relevant TPA partners, which were valid during the investigation period, essentially stipulated that TPA Partner 1, TPA Partner 2 and TPA Partner 3 would each process credit card transactions for customers referred to these TPA partners by Wirecard. The processing fees paid by the respective customers were collected by the relevant Wirecard companies as (gross) revenues or reported as such. The TPA partners in turn received commissions for the processing services they provided, which were reported as "cost of materials" by the Wirecard companies. For the relevant Wirecard companies, the quarterly statements thus showed receivables vis-à-vis the TPA partners, which corresponded to the (gross) revenues reduced by the "cost of materials" (or commission claims of the TPA partners).

Through calculations, we have derived the following figures from the consolidated financial statements of Wirecard AG and the "reporting packages" prepared for the relevant companies and processed therein, as well as from booking journals. To that extent, they only summarize the figures processed in the "reporting packages."

The revenues of the companies Cardsystems Middle East, Wirecard UK & Ireland and Wirecard Technologies in the investigation period were essentially characterized by the revenues generated via TPA Partner 1, TPA Partner 2 and TPA Partner 3. In the investigation period, the vast majority of the revenues of these three Wirecard companies resulted from cooperation with the aforementioned TPA partners. According to the respective "reporting packages" prepared for the relevant companies, the booking journals and the information provided, the EBIT generated via these Wirecard companies in the investigation period accounted for the lion's share of the consolidated EBIT. According to the information provided to us, statements about the EBIT at the level of individual group companies are influenced by the offsetting of cost allocations. We point out that the share of Wirecard companies relevant to the TPA business in the consolidated EBIT is therefore dependent on the coding and offsetting of cost allocations within the group.

According to the agreements concluded between the parties during the investigation period, the Wirecard companies undertake to indemnify the respective TPA partner for any losses arising from the business relationship. This assumption of liability should include, in particular, any damages incurred by the TPA partners from rescinding payment transactions as well as any penalties possibly imposed by card network organizations.

According to the documents submitted and information provided, these agreed upon liabilities were secured in the years 2016 to 2018 by the respective Wirecard companies Cardsystems Middle East and Wirecard UK & Ireland through the provision of cash collateral held in escrow. During the investigation period, the escrow accounts held for this purpose for the account of Cardsystems Middle East and Wirecard UK & Ireland were managed by Trustee 1. The liabilities assumed by Wirecard Technologies for the benefit of TPA Partner 3 were secured in the 2016 and 2017 fiscal years by withholding payments to be made to Wirecard Technologies by TPA Partner 3. Since 2018, the collateral for TPA Partner 3 has also been provided via deposits in escrow accounts, which were also managed by Trustee 1.

The development of the security deposits in the escrow accounts for the benefit of the respective TPA partners corresponds relatively strongly with the development of the revenues generated via the TPA partners during the investigation period.

We point out that the above statements are based on figures that are derived exclusively from Wirecard's accounting.

The funds in trust accounts shown in the external accounts during the investigation period could be supported by balance confirmations from Trustee 1 in the course of the investigation. Bank confirmations and account statements from the bank managing the trust accounts were not submitted to us, as Trustee 1, according to the information provided, has terminated the contractual relationship with the Wirecard companies and no longer responds to inquiries from Wirecard. For this reason, the individual payments that, according to the information provided, had been made by the TPA partners into the trust accounts could not be verified by KPMG on the basis of account statements.

To that extent, it could not be sufficiently demonstrated, either, that the payments into the accounts had actually been made by the TPA partners during the investigation period.

In addition to these insufficiently documented payments into trust accounts amounting to around EUR 1 billion, the booking journal shows that in the investigation period, TPA Partner 1 and TPA Partner 3 made total payments in the amount of EUR 85 million into bank accounts held at Wirecard Bank for Wirecard Technologies and Cardsystems Middle East. These payments were verified on the basis of the account statements submitted by Wirecard Bank.

In this respect, according to the internal accounting journals, payments by TPA partners in the investigation period, which relate in particular to the results of settlements and thus to revenues of Wirecard companies, were made to a significant extent to trust accounts with Trustee 1 and only to a lesser extent to accounts of Wirecard companies with Wirecard Bank.

1.3.1.1.4 Information about the TPA partners and the trustees

According to the information provided by the TPA partners themselves on their websites, these companies are providers of payment processing solutions. In the given context, Trustee 1 and Trustee 2 managed as trustees collateral deposited on escrow accounts for the Wirecard companies Cardsystems Middle East, Wirecard UK & Ireland as well as Wirecard Technologies.

In the following, we will summarize the information concerning these companies that was obtained in the course of our investigation.

TPA Partner 1, TPA Partner 2 and TPA Partner 3

In the course of our background research, we could identify the relevant TPA partners in the company registers of the respective countries.

The information provided in the course of discussions in March 2020 with representatives of two TPA partners on the structure of the TPA partnership essentially corresponded to the information we had already received elsewhere.

In the course of the investigation, Wirecard provided us with audited annual financial statements of TPA Partner 1 as of December 31, 2018, as well as audited annual financial statements of TPA Partner 3 as of December 31, 2016, December 31, 2017 and December 31, 2018. Wirecard has not submitted to us any annual financial statements of TPA Partner 2 by the end of our investigation, although a respective information right existed under the contractual agreements beginning in 2018. In the course of our background research, we were able to obtain from public sources a copy of the annual financial statements as of December 31, 2017 for TPA Partner 2.

Trustee 1

According to the information provided, Wirecard did not have any annual financial statements for Trustee 1 for the investigation period.

We have not been provided with any evidence of assessments of the economic situation and the reliability of Trustee 1 as a trustee conducted during the investigation period.

We have not been provided with any evidence of a reliability assessment of this firm prior to the appointment of Trustee 1, also taking into account dependencies and corresponding considerations, especially with regard to possible conflicts of interest.

In the course of the investigation, KPMG was informed that the business relations between the relevant Wirecard companies and Trustee 1 had been terminated by Trustee 1 in Q4 of 2019. As a result, Trustee 2 is said to have been mandated to manage the trust accounts in December 2019 at the recommendation of Trustee 1.

Trustee 2

With regard to the new trustee, a law firm, we had also asked for the submission of the reliability assessment of this law firm carried out prior to the appointment, taking into account considerations of independence and the relevant assessments.

We have not been provided with any evidence of any such evaluations.

A resolution of the Board of Management of Wirecard AG requested by us in this context, by which the law firm had been appointed as the new trustee and the managing directors of the relevant Wirecard companies had been instructed to implement this resolution contractually, is dated February 20, 2020. However, the trustee relationship had already been transferred in November 2019. It is not apparent from the resolution minutes that any alternatives to the appointment of Trustee 2 were considered and that the reliability of Trustee 2 was examined in advance of the decision.

1.3.1.1.5 Evidence of revenues from settlements of the TPA partners, payments into escrow accounts and data analyses

As evidence of the amount and existence of revenues from the TPA business relationships between Cardsystems Middle East, Wirecard UK & Ireland as well as Wirecard Technologies and the respective relevant TPA partners during the investigation period, KPMG was provided, in particular, with contracts with the respective TPA partners, account statements of the respective TPA partners (TPA Partner 1, TPA Partner 2 and TPA Partner 3), balance confirmations of these TPA partners on the receivables resulting from the account statements at the end of the respective financial years in the investigation period and balance confirmations of Trustee 1. In addition, we were provided with bank account statements

evidencing payments received on receivables vis-à-vis TPA partners totaling EUR 85 million during the investigation period on accounts of group companies held at Wirecard Bank. Bank account statements confirming payments received in the amount of around EUR 1 billion on trust accounts held with Trustee 1 were not submitted to us. In this respect, only the above-referenced balance confirmations from Trustee 1 are available.

Contracts with the TPA partners as well as corresponding pricing schedules with the respective partners were available as the basis for the settlements with the TPA partners. With regard to the transaction volumes on which the settlements were based, screenshots of transaction volumes from, among others, the systems of the TPA partners and minutes of quarterly meetings with the TPA partners were available, documenting the reconciliation of relevant settlement parameters.

In our view, due to the existing doubts about the amount and existence of the revenues – as raised by the accusations in the press – this evidence is not sufficient for the purposes of our forensic investigation .

We have therefore conducted further investigation activities into the amount and existence of the revenues considering forensic aspects.

During the investigation period, the companies Cardsystems Middle East, Wirecard UK & Ireland Wirecard Technologies received quarterly statements in electronic form (e-mail) from TPA Partner 1, TPA Partner 2, and TPA Partner 3, respectively, about credit card transactions processed in the respective periods and the commissions subsequently due for these transactions.

The statements prepared by TPA Partner 1 and TPA Partner 2 provided information on the number and volume of credit card transactions processed and the commissions due, each broken down into "account name" designations for TPA Partner customers. In the statements prepared by TPA Partner 3, the information on the number and volume of transactions and the commission due was not shown at the level of individual "account name" designations, but only in summary form.

In addition to the statements, TPA Partner 1 and TPA Partner 2 each provided a file that could be processed in Microsoft Excel and contained information on the number and volume of transactions as well as the commissions due at the level of individual "account name" designations. For the Wirecard companies Cardsystems Middle East and Wirecard UK & Ireland, these Microsoft Excel files formed the basis for booking revenues and cost of materials accordingly, with foreign currency amounts having previously been converted where necessary. The statements prepared by TPA Partner 3 served directly as the basis for booking revenues and cost of materials of Wirecard Technologies.

According to the agreements concluded between the parties during the investigation period, the main parameters for the specific amount of commission claims were the transaction volumes

processed in the respective period, the number of transactions processed and specific commission rates, some of which were determined uniformly and some of which were determined at the level of individual "account names".

With the objective of examining the amount and existence of revenues, we first examined the internal control system implemented in this regard at the relevant Wirecard companies. According to the information provided, the Accounting division of Wirecard AG based its information on checks carried out by the companies Cardsystems Middle East, Wirecard UK & Ireland and Wirecard Technologies of the figures contained in the settlements of TPA Partner 1, TPA Partner 2 and TPA Partner 3. According to the information provided, the control activities carried out by Wirecard AG itself were limited to plausibility assessments, on the basis of which subsequent clarifications of the facts were initiated if necessary. These subsequent clarifications of the facts are said to have been carried out by employees of Cardsystems Middle East, Wirecard UK & Ireland and Wirecard Technologies.

With respect to the control activities carried out by the respective Wirecard companies, we were told that the transaction volumes and transaction figures reported in the respective settlements of the TPA partners had been reconciled with the original transaction data from the respective "payment platforms" of the TPA partners. Potential deviations of up to 5% are said to have been tolerated. Any differences are said to have been discussed with the TPA partners at the quarterly meetings and the results of these meetings are said to have been documented in the minutes by means of screenshots. For this purpose, we were provided with minutes of quarterly meetings with the TPA partners, each containing screenshots of the transaction volumes processed in the respective quarter.

In addition, the figures stated in the settlements of the TPA partners were regularly compared with the "sales forecasts" of the Wirecard sales units responsible for the respective customers, which were also documented in the above-referenced minutes.

According to the information provided to us, no other significant control activities had been performed by employees of the respective Wirecard companies apart from these control activities. On the basis of the information provided to us and the submitted settlements, accounting bases and the minutes of the quarterly meetings with the TPA partners, we have come to the following conclusion:

- Minutes for the quarterly meetings in 2016 and 2017, which constitute evidence of significant control, were provided to us by EY as the Company's auditor on April 23, 2020. Wirecard had previously told us the following about the list of requirements: "The process has evolved over the years and was then formally adopted in minutes beginning in 2018. In the prior years, the figures were checked on the screen with the partners, however, there are no formal minutes on this.
- No organizational guidelines or work instructions with regard to the control activities to be carried out were submitted to KPMG.

- According to the information provided to us, the contractual conformity of the settlements received, in particular with regard to the commission rates per "account name", was not verified during the investigation period.
- The foreign currency conversions as well as the entries in the inventory management systems were not carried out in a form secured by a documented four-eye-principle.
- A substantive analysis and review of the transaction data on which the settlement is based, including at an individual transaction level, is not evident from the documents submitted.

Against this background, KPMG believes that the internal controls in place are not fully sufficient to fully ascertain the amount and existence of the revenues in the investigation period. As a result, we were unable to derive in a sufficient manner the amount and existence of the revenues from control documentation, particularly for the purposes of our forensic special investigation.

Against this background, we have examined the accounts of the TPA partners and the accounting bases derived therefrom for the years 2016 to 2018 with regard to their computational accuracy and contractual conformity of the contracts concluded with the TPA partners.

After the submitted contracts with the TPA partners initially did not contain any annexes to the condition contracts in large parts, we were presented with a number of additional condition contracts between the individual TPA partners and the respective Wirecard companies on April 22, 2020. Since we received the corresponding documents only on April 22, 2020, we could not conduct any investigation activities with respect to their authenticity.

On this basis, in terms of the amount of revenues collected, the (specific) commission rates on which the settlements were based could only partially be reconciled with the related agreements and condition contracts in the investigation period, in particular because

- the contracts submitted for the years 2016 and 2017 did not contain any agreements on the conditions,
- in the case of the condition contracts submitted instead for the first time on April 22, 2020, it was not possible in all cases to clearly allocate the conditions contained in the agreements to the corresponding account designations, and
- in some cases, the settlements for the years 2016 to 2018 did not contain a breakdown of the transaction volumes/figures and commission rates.

Taking into account the limitations described above, our investigations revealed deviations regarding the computational accuracy and contractual conformity of the revenues in the amount of EUR 5 million and deviations regarding the cost of materials in the amount of EUR 9 million. These deviations in the amount of net EUR 14 million were insofar not collected as income by Wirecard.

With respect to the **computational accuracy** and **contractual conformity** of the settlements, our investigation activities showed that the verification was possible for approx. 75 % of the revenues of the TPA partners during the investigation period. Moreover, we were able to perform a plausibility check for an additional 12 % of the revenues. Our findings with regard to contractual conformity can be broken down as follows:

- For approx. 40 % of the TPA partners' revenues during the investigation period, we were able to almost fully verify the contractual conformity of the individual settlements.
- For another approx. 35 %, a verification of the contractual conformity was only partially possible because the conditions could not be clearly allocated to all account name designations.
- Since the settlements in part do not contain any information on transaction figures and volumes as well as due commissions on the level of individual account name designations, we were only able to check the plausibility of the revenues and cost of material for another approx. 12 % by applying the average commission rate to the entire transaction volume. The estimated value we generated through this process deviates from booked revenues and cost of material by approx. 6 % and approx. 10 %, respectively.
- Due to the above-referenced limitations, KPMG was not able to verify the contractual conformity during the investigation period for the remaining 13 % of the revenues.

With regard to the identified discrepancies between the contractual arrangements and the actual settlements, KPMG was informed that the contracts could only be characterized as 'framework agreements', from which 'for operational reasons' the parties deviated in some instances. According to the information provided, there was no written documentation on deviations or adjustments; rather, the mutual commercial agreement between the relevant contractual parties was said to have in all cases been established by implied action. With regard to the traceability of the respective applicable conditions by third parties, this procedure does not meet the requirements of proper documentation, in particular of the respective relevant contractual arrangements.

Some of the agreements and condition contracts requested in the course of the investigation were not submitted to KPMG, or were submitted only with delays, in some instances, of several months. On some of the copies of the contracts submitted to KPMG in the course of the investigation signatures of the contractual parties were missing. The copies of the contracts submitted to KPMG contain arrangements that were partially not complied with or contractually agreed-upon rights that were not shown to have been claimed. For example, the settlements of TPA Partner 1, TPA Partner 2 and TPA Partner 3 were – as a rule – issued on a quarterly basis during the investigation period, although a monthly settlement had been agreed upon.

The completeness of the documents relevant for accounting purposes, as well as their correct representation in the external accounting cannot be guaranteed without an appropriate contract archive or contract management. In view of the scope and complexity of the TPA business and, in particular, the accounting requirements and control measures to be derived from the contractual

arrangements, KPMG considers it absolutely necessary to have a contractual documentation covering all ancillary agreements entered into and which is complete and consistent also from a formal perspective available (at all times).

In order to verify the transaction volumes and transaction figures reported in the settlements of TPA Partner 1, TPA Partner 2 and TPA Partner 3, KPMG had planned in the course of the investigation to conduct forensic data analyses based on the original (credit card) transactions from the "payment platforms" and to reconstruct the actual processing of transactions based on payments in the investigation period 2016 to 2018 on the basis of settlement data.

This proved to be impossible, as we were not given access to the relevant data for the investigation period or were not given access to the relevant databases. According to the information provided to us, at least for the 2016-2017 fiscal years, the cooperation of the TPA partners would have been required for this, which, however, had not yet been provided.

In order to verify the existence of the transactions and the customer relationships underlying the transactions, we had also requested contracts between the TPA partners and their contract partners, who were allocated to the "account name" designations as shown on the respective settlements. The relevant contracts were not submitted to KPMG.

Furthermore, we had planned to verify the amount and existence of revenues by means of the actual payments received on accounts of the Wirecard companies. From the accounting journals of the relevant Wirecard companies, which were analyzed in the course of our investigation, it was evident that, based on the accounts of the TPA partners, booked receivables were predominantly settled by payments for the benefit of the escrow accounts. The analysis of the booking journals showed that the bookings for the benefit of the escrow accounts were not made on the basis of individual money or account transactions tracked by Wirecard. Rather, the quarterly balance confirmations issued by Trustee 1 on the credit balances held in the escrow accounts formed the basis for these bookings. The balance confirmations of Trustee 1 each showed only a balance for the benefit of the beneficiary company. Account transactions were not specified. The bookings were each made in one sum to the new balance confirmed by Trustee 1. It was therefore not possible to reconcile individual transactions on the escrow account with individual claims against the TPA partners as shown in the settlements of the TPA partners.

We have not identified any discrepancies between the amounts booked and the balances confirmed to the group auditor by Trustee 1.

According to the information provided, the cash collateral was managed in trust by Trustee 1 (exclusively) on accounts of Bank 1. In the course of the investigation, we requested account statements or bank confirmations from Bank 1 regarding the escrow accounts, which we considered absolutely necessary for the investigation of the payment flows and as proof of the existence of

the funds and, therefore, the revenues during the investigation period. However, account statements and bank confirmations for the investigation period 2016 to 2018 have not been provided to us. According to the information provided, Trustee 1 is said to no longer respond to respective requests. It was therefore also not possible to reconcile the balances of the escrow accounts with the – according to the information provided – underlying account statements of Bank 1.

According to the information provided, the business relations between the relevant Wirecard companies and Trustee 1 were terminated by Trustee 1 in Q4 of 2019. Upon recommendation of Trustee 1, already in December 2019, an Asian law firm, Trustee 2, had already been mandated to manage the trust accounts. Trustee 2 is said to continue the business on the basis of the agreements originally entered into with Trustee 1, as evidenced by an assumption agreement concluded between the trustees. New written contractual arrangements between the respective parties are said not to be available yet.

Furthermore, we were informed in this context that since Trustee 2 had taken over the management of these trust accounts in December 2019, the account balances had now been transferred to accounts of two other banks (hereinafter "Bank 2" and "Bank 3").

Scans of the bank confirmations of Bank 2 and Bank 3 addressed to the auditor, dated March 16, 2020 and March 17, 2020, respectively, which were provided to KPMG by the auditor, show Wirecard companies as the beneficial owners of the funds. Corresponding direct bank confirmations to KPMG, which, against the background of the forensic aspects of the investigation, are to be provided by the neutral offices of the respective banks responsible for such inquiries, could not be provided in a timely manner to date due to the spread of the coronavirus. Therefore, we have not yet been able to conclusively assess the reliability of the bank confirmations addressed to the auditor.

From a chronological point of view, we present our investigation results as follows :

As evidenced by available electronic copies of account statements of Bank 2 regarding two accounts in the name of Trustee 2 dated February 10, 2020

- EUR 1,000.00 were transferred to one of the two accounts on December 1, 2019 and EUR (...) on December 16, 2019 and
- EUR 1,000.00 were transferred to the other account on December 1, 2019 and EUR (...) on December 16, 2019 EUR.

The account statements from Bank 2 sent to us in the form of electronic copies on February 19, 2020, do not contain any references to Wirecard or Wirecard companies.

Bank statements from Bank 3 for two accounts in the name of Trustee 2, also in the form of electronic copies, submitted to us on March 5, 2020, show that

- on December 9, 2019, there was a first payment to one of these accounts in the amount of EUR 1,000.00 and a second payment on December 16, 2019 in the amount of EUR (...), and the account had an unchanged balance of EUR (...) in the period from January 9, 2020 to February 9, 2020,
- on December 9, 2019, there was a first payment to the other account in the amount of EUR 1,000.00 and a second payment on December 16, 2019 in the amount of EUR (...), and the account had an unchanged balance of EUR (...) in the period from January 9, 2020 to February 9, 2020.

The account statements submitted to us by Bank 3 on March 5, 2020 also do not contain any references to Wirecard or Wirecard companies or any beneficial owners other than the account holder, Trustee 2.

On the basis of these account statements, we were unable to establish any links between the bank accounts and the receivables settled by TPA Partner 1, TPA Partner 2 and TPA Partner 3 by payment into the escrow account, and thus the revenues generated. Consequently, even on the basis of the bank account statements, neither for the investigation period (2016 to 2018) nor for 2019 we could make any reliable statements about the origin of the funds in the accounts. To this extent, these investigation activities have not resulted in positive evidence of the existence of revenues through payments received from the respective TPA partner during the investigation period.

In the course of our on-site visit to the banks, on March 4, 2020, we were orally informed by an employee of a branch of Bank 2 that the corresponding account balances were being held for the account of Wirecard.

Scans of the bank confirmations of Bank 2 and Bank 3 addressed to the auditor, dated March 16, 2020, and March 17, 2020, respectively, which were provided to KPMG by the auditor, show Wirecard companies as beneficial owners of the funds.

However, a comparison conducted by KPMG of the confirmed account balances as of December 31, 2019 for both accounts held at Bank 3 led to the result that these were confirmed to be EUR 1,000.00 lower than would have been expected on the basis of the account statements submitted to us for the period from December 9, 2019 to January 9, 2020. According to the information provided to us, the reason for this is that an amount of EUR 1,000.00 was initially paid into the bank accounts by Trustee 2 when the account was opened. The balance of the account statement as of December 31, 2019 contains this initially deposited amount and the amounts transferred to the bank accounts following the opening of the account. However, the amount shown in the balance confirmation as of December 31, 2019 only includes the amounts transferred and not the amount of EUR 1,000.00 that was initially paid in. According to the information provided, in the balance confirmation, the bank takes into account the different beneficial owners for the account balances, in contrast to the account statement, and does not show the initial amount of EUR 1,000.00 that was paid

in (beneficial owner Trustee 2) in the balance confirmation, but only the amounts transferred to the accounts (beneficial owner Wirecard companies).

Corresponding direct bank confirmations to KPMG, which are to be made by the neutral departments of the respective banks responsible for corresponding inquiries against the background of the forensic aspects of the investigation, could not be provided in a timely manner due to the spread of the coronavirus. In this respect, we have not yet been able to assess the reliability of the bank confirmations addressed to the auditor.

1.3.1.1.6 Interim results of the extended investigation activities at the Third Party Acquiring business for the month of December 2019 (extension of the assignment)

Background

In the 2019 fiscal year, transaction processing was migrated to a Wirecard platform that has now also been set up for the TPA business (so-called Elastic Engine for the TPA business). To this extent, own transaction databases have become available since the migration. This enables transaction data to be provided without the involvement of third parties. Therefore, on April 15, 2020, in accordance with the schedule originally agreed upon for this purpose, KPMG has received more than 200 million data sets with transaction data for the month of December 2019, which are currently being analyzed. KPMG points out that the investigation activities in connection with the Third Party Acquiring business, which are also planned in the context of an extension of the assignment (see section 1.2. of this report for details), have not yet been completed.

Results of the data analyses and extended investigation activities

For the purpose of conducting the extended investigation activities for the month of December 2019, KPMG received on 15 April 2020, in accordance with the agreed-upon schedule for the extension of the assignment, the transaction data for the month of December 2019 for the transactions processed via TPA Partner 1, TPA Partner 2 and TPA Partner 3, which are currently being analyzed in KPMG's high-security environment and will be finally deleted once the analyses are complete. The database transmitted to KPMG included exclusively approved transactions from a total of 863 merchants accounts. The transaction data included comprised transactions for the currencies JPY, USD and EUR.

KPMG has carried out data analyses on KPMG servers and compared the transaction volume totals per TPA Partner based on the December 2019 transaction schedules with the respective settlement from the respective TPA Partner (TPA Partner 1, TPA Partner 2 and TPA Partner 3) for the month of December. As part of this comparison of transaction data with the settlements, KPMG compared the transaction volumes in original currency with the corresponding settlements for two TPA partners additionally at the level of the individual merchant accounts. In addition, KPMG was also able to compare the number of transactions for one of these two TPA partners

with the settlements on the merchant account level. For the third TPA partner, a comparison was made between the transaction data provided and the settlement for transaction volumes by currency and the number of transactions in total, as the settlement did not contain any information on the individual merchant accounts.

Further contents of our data analyses included the analysis of the frequency distribution of the transaction amounts, the identification of particularly high transaction amounts and the determination of the minimum, maximum and average transaction amounts per merchant account. Furthermore, KPMG investigated for each merchant account which fields are filled in completely, partially, or not filled in at all. In addition, KPMG examined the booking of settlements for the month of December 2019 in the accounting departments of the relevant Wirecard companies.

The comparison of the transaction data received with the settlements for the month of "December 2019" for the three TPA partners (TPA Partner 1, TPA Partner 2 and TPA Partner 3) did not lead to any significant differences. The differences in transaction volumes and the number of transactions ranged from 0 % to 0.017 %. KPMG was able to reconcile the settlements for the month of December 2019 with the accounting entries.

Based on the current status of the data analyses in this section, KPMG therefore has no indications to date that the transaction volumes set forth in the settlements for the month of December 2019 differ in material respects from the transaction volumes determined by KPMG on the basis of the data provided to KPMG. KPMG points out that a substantive examination of the contractual conformity and accuracy of these settlements has not yet been conducted.

Wirecard was able to comprehensively explain the facts identified and respond to the questions raised in the course of the above-referenced further data analyses.

Based on the current status of the data analyses, KPMG has not yet become aware of any facts that give rise to significant doubts about the authenticity of the data provided. KPMG points out that neither the KPMG data analyses (including the investigation of the data extraction process) nor the further investigation activities by KPMG have been completed for the month of December 2019 and that the results presented may change as the investigation continues.

KPMG also points out that KPMG will not draw any conclusions from the additional investigation activities with regard to the investigation period 2016-2018 and, due to the limited "December 2019" time period being considered, will not draw any conclusions regarding the total revenues for the entire year 2019.

As the investigation continues, we will conduct further data analyses and reconcile the results of the settlements for the month of December 2019 with corresponding payments received on the trust accounts. Furthermore, we will obtain transaction confirmations from the respective

merchants for a deliberate selection and a random sample of the transaction data provided.

KPMG will report separately on the final results of the further investigation activities in connection with the extension of the assignment for the month of December 2019.

1.3.1.2 Existence of certain customer relationships

1.3.1.2.1 Accusations

An FT article "Wirecard's suspect accounting practices revealed", published on October 15, 2019, contains, among other things, various allegations relating to (allegedly) questionable customer relationships in the TPA business with a TPA partner, which were taken up again in another FT article "Wirecard: the unanswered questions", dated October 18, 2019:

„At the heart of the matter are the names of 34 companies. Internal financial reports appeared to attribute substantial profits to payments processed for these companies on behalf of Wirecard by a third-party: [...]. (...)

Wirecard's statement said 'the 34 company names mentioned by the Financial Times refer to labels of customer clusters created for reporting and reconciliation purposes, each containing hundreds of individual genuine merchants. The conclusions drawn by the Financial Times are therefore not correct.'

Whistleblowers with experience of Wirecard operations in multiple countries said they were unaware of any practice of using aliases to mask client identities in financial reports."

The company referred to in the FT article is apparently a TPA partner with which the companies belonging to the Wirecard group, Cardsystems Middle East FZ-LLC, Dubai, United Arab Emirates ('Cardsystems Middle East') as well as Wirecard UK & Ireland Ltd, Dublin, Ireland ('Wirecard UK & Ireland'), maintained business relations during the investigation period 2016-2018.

The FT article of October 15, 2019 contains a link that allows for the download of a ZIP archive containing (allegedly) internal Wirecard documents. The FT published another article about this on October 15, 2019, entitled "The Wirecard documents, explained", which refers, in particular, to a Microsoft Excel file contained in the ZIP archive named "Overview Third Party Acquirer 2017-06-30 Status 20-07-2017 V1.xlsx". According to the FT information, the sheet "Q1 2017 [...] Card Systems" of this Microsoft Excel file allegedly contains details of transactions that have been processed for the 34 listed "companies."

Regarding the alleged questionable nature of the customer relationships maintained by the Wirecard companies in cooperation with a TPA partner, the FT article of October 15, 2019 in particular contains the following statements:

*"The FT found that eight of the 34 companies had shut down by the time their names appeared next to monthly financial data for transactions and sales in 2017.
(...)
"A further 15 of the 34 told the FT they had never heard of [...]."*

Thus, the FT articles cited ultimately called into question the authenticity of revenues generated from the business relationship with a TPA partner.

1.3.1.2.2 Results of the investigation activities

According to the information available, the names given in the press were "account name" designations or aliases under which the revenues of customers referred to a TPA partner were recorded at the time. As we could not be provided with the actual names of the 34 alleged customers (aliases) quoted in the press, KPMG was unable to verify the existence of these customer relationships for the investigation period 2016 to 2018.

In the course of the investigation, however, we were provided with lists of the (abbreviated) designations used in the settlements of a TPA partner in 2019 with the actual companies allocated to them. Our research on the 33 companies contained in the lists for 2019 led to the result that 32 of the 33 companies listed in total could be researched in the company registers of the respective countries.

Some of the customers referred to the TPA partners by Wirecard were, according to the information provided, companies that acted as so-called "aggregator merchants" or "payment facilitators", whereby the latter provided certain payment transaction services for their affiliated, "underlying" so-called "sub-merchants" or organized them on their behalf. According to the information provided, the original credit card transactions took place at the level of (merchant) companies (sub-merchants) which had no contractual relationship with the TPA partners, but had contractual relationships with the "aggregator merchants" or "payment facilitators". For this reason, the original (merchant) companies (sub-merchants) were neither contractually affiliated with Wirecard companies nor (according to the information provided, with the exception of a few major customers) known to Wirecard's sales organization.

The names mentioned in the FT article of October 15, 2019 were, according to the information provided, "account name" designations under which the revenues of customers referred to a TPA partner were reported at the time. According to the information provided, these names were not in all cases (throughout the investigation period) the abbreviated designations of companies whose revenues were actually reported in the settlements. Rather, the

names were retained even in cases where the customer relationship originally allocated to a particular name and which had originally 'shaped' the choice of name no longer existed at a later date. Against this background, in particular in Q1 of 2017, revenues processed via a TPA partner were partially combined under original "account name" designations which had actually been achieved with other companies. Wirecard AG stated as justification for retaining the originally chosen designations in those cases in which the original "name-name" customer relationship no longer existed at a later date that the adjustment effort associated with the change of designations should be avoided.

Regardless of this, we conducted background research on the names contained in the FT article of October 15, 2019, entitled "Wirecard suspect accounting practices revealed" ⁵ for the 34 (alleged) customers of a TPA partner.

Our background research was focused on the identification of those eight of the 34 companies which, according to the FT article, were no longer in existence or active in Q1 of 2017. In seven out of eight cases, companies identified on the basis of the account names contained in the accounts of a TPA partner may in fact no longer exist or may no longer have any relevant business activities in 2017. In one case, our background research revealed that a takeover by another company occurred only at the end of 2017.

Since, according to the information provided to us, the revenues allocated under the (short) designations ("account names") resulted at least partly from transactions with other companies, we have requested overviews of the allocations of the short names used to the actual customers for the years 2016-2018. As we were not provided with these overviews for the years 2016 to 2018, we were not able to verify the existence of these companies during the investigation period by means of reviews or background research.

After the requested overviews for the investigation period had not been submitted, in the course of the investigation we were, however, provided with lists of the (short) designations used by Wirecard in the settlements of a TPA partner in 2019, together with the company designations allocated to them. Some of the companies included in these lists are (simultaneously) allocated to different (short) designations. This means that the allocations are not unique. The list compiled for Cardsystems shows 20 (short) designations with a total of 17 allocated companies, the list compiled for Wirecard UK & Ireland shows 20 (short) designations with a total of 16 allocated companies.

Link: <https://www.ft.com/content/19c6be2a-ee67-11e9-bfa4-b25f11f2901>, last viewed on March 20, 2020

We conducted appropriate background research for these 33 companies. As a result of our background research on the 33 companies on the lists provided by Wirecard, it can be stated that

- at the company address given in the list drawn up for Cardsystems, a company 2 is registered instead of the listed company 1, which imports cosmetic products; company 1 and company 2 have largely the same name;
- the remaining 32 out of the total of 33 companies included in the above lists were registered in the company registers of the respective countries,
- the business profiles of these companies are very different and partly include payment processing services or IT services in payment transactions, where for one of the companies (company 3) no further information about the object of the company could be obtained.

According to the information provided to us, corresponding checks on the existence of customers are carried out by the TPA partners as part of the compliance checks (KYC) during the onboarding of the respective customers. However, Wirecard companies would neither retrace nor monitor these KYC compliance checks carried out by the TPA partners on the basis of the information provided to us, nor would they request corresponding evidence of the existence of customers within the framework of the onboarding of customers, since the respective TPA partner is responsible for this.

1.3.1.3 Presentations on the Third Party Acquiring business in annual reports and investor presentations of Wirecard AG

1.3.1.3.1 Accusations

The press also accused Wirecard AG of allegedly inappropriate descriptions of the TPA business in its annual reports and investor presentations.

In an FT article published on April 24, 2019, entitled "Wirecard relied on three opaque partners", the following is stated on this issue:

"(...) the revelations suggest Wirecard's executive leadership in Munich (...) have for years failed to disclose fundamental information about the nature and structure of the business."

It follows from the context that this accusation relates in particular to the TPA business conducted with TPA Partner 1, TPA Partner 2 and TPA Partner 3.

1.3.1.3.2 Results of the investigation activities

The presentation of debtor risk and existing customer risk in the report casts doubt on whether the scope of these risks in relation to the TPA business is sufficiently apparent to addressees of the financial statements.

With regard to the debtor risk, the presentation made in the management report could give the impression that the risk from chargebacks is exclusively related to the receivables from the acquiring area. However, according to the information obtained, the chargeback risk in Wirecard's TPA business actually affects a considerable portion of the escrow accounts reported as cash and cash equivalents, as these serve as collateral for the counterparty default risks assumed by the TPA partners and thus indirectly also by the acquiring banks in chargeback cases. This gives rise to doubts as to whether the addressee of the external reporting can correctly assess the amount of the chargeback risk, as it is not readily apparent that and to what extent the escrow amounts have been deposited as cash collateral to cover the chargeback risk.

With regard to the risk from existing customers, we have doubts as to whether reporting on the risks from the loss of existing customers is sufficient. In particular, it should be questioned whether risk reporting should not also cover the risks arising from a possible loss of the TPA intermediary partners and, where appropriate, whether rapid risk mitigation measures should be taken in this respect.

It is questionable whether the contractual relationship with the merchants could be continued without further ado (e.g. without significant time delays) if a TPA partner were to disappear. For the purposes of describing the risk in the management report, it should therefore at least be considered whether a termination of the business relationship with one of the TPA partners might not also result in a significant financial risk. In this respect, we believe that it would be questionable whether, on the one hand, this specific risk aspect is adequately taken into account in the risk management system in the risk reporting in the management report and, on the other hand, whether possible risk-compensating effects are taken into account which could mitigate the TPA concentration risk.

1.3.1.4 Accounting of the Third Party Acquiring business

1.3.1.4.1 Accusations

In an FT article entitled "Wirecard's problem partners" dated March 29, 2019, the accounting practice of the Third Party Accounting business conducted by companies of the Wirecard group, among other things, is questioned. The article includes the following formulation, which is ultimately called into question in the overall context of the article:

"For the purpose of its accounts, Wirecard argues it is sufficiently involved in some transactions to treat the revenues and costs of several third parties as its own."

In this context, among other things, the article states the following:

"Much of these profits from the three partners were booked through Wirecard's largest business, Cardsystems Middle East, in Dubai in 2016 and 2017, according to whistleblowers who said accounts for the unit were not audited in those years."

Furthermore, in an FT article published under the title "Wirecard's singular approach to counting cash" on December 9, 2019, the following accusation was made:

"Wirecard boosted its cash reserves in 2017 by including money held in 'trust accounts' used in its payments processing operations, raising fresh questions about the opacity and integrity of financial statements published by the German fintech.(...) internal Wirecard documents (...) suggest [...] was also important to the group's balance sheet, which held €1.45bn of cash and equivalents at the end of March 2017. Correspondence indicates [...] was associated with €334m held in 'trustee accounts' as of that date. It is not clear if that particular sum was included in Wirecard's calculation of cash reserves; nevertheless other Internal documents show an attempt to justify the general principle that money held in 'trust accounts' used in its payments processing operations, raising fresh questions about the opacity and integrity of financial statements published by the German fintech.(...)"

Asked by the FT to identify the nominated trustees for [...] accounts, Wirecard said: 'All funds are held with reputable financial institutions. (...) Trust accounts are only used to segregate our own cash from the operating cash of partner acquirers. Such trust accounts are held in the name of Wirecard and the funds can be accessed at any time.'

In this respect, press releases have questioned the accounting practices of Wirecard and its subsidiaries with regard to

- the accounting of the revenues generated via the TPA partners,
- the accounting of the escrow accounts.

In addition, the question was raised as to why the financial statements of Cardsystems Middle East and Wirecard UK & Ireland had allegedly not been audited by the group auditor.

1.3.1.4.2 Accounting of the revenues from Third Party Acquiring transactions with TPA partners

On the basis of the evidence and information received and our investigation conducted on this basis, we were not able to fully understand the appropriateness of the "gross accounting" of the revenues generated with the TPA partners as selected by Wirecard due to a lack of sufficient evidence regarding, among other things, the respective contractual relationships.

Wirecard accounted for the revenues from TPA transactions on a gross basis, as Wirecard considers itself the principal for the service obligations identified in the transaction chain within the meaning of IFRS. This is said to be the case because Wirecard had the control over the transactions and thus over the fulfillment of the service obligation vis-à-vis the respective merchant. Consequently, despite the lack of a direct contractual relationship between Wirecard and the respective merchant, the latter was nevertheless regarded as a customer in accounting terms under IFRS. The TPA partner was merely classified as a service provider required to provide services to the merchant and thus as an agent. Accordingly, all transaction fees paid by the merchant were recognized as revenues. The share of the above transaction fees attributable to TPA partners was recorded as cost of materials.

In order to be able to assess this on the basis of contractual rights, we believe that

- the contracts concluded between the relevant TPA partner and the acquiring banks affiliated with that TPA partner,
- the specifications given by the relevant Wirecard companies to the respective TPA partners with regard to the acceptance of individual customer relationships or transactions (so-called payment strategy)
- and the contracts between the respective distributors and the TPA partners

would be required.

Corresponding documents or contracts had not been made available to us by the time our investigation was completed.

In addition to contractual rights of intervention, "control of customer relations" within the meaning of IFRS could also be derived from actual business practices. In this context, Wirecard cited the importance of the payment strategy and the actual control over the operation of the payment platform.

Corresponding documents or the possibility of accessing the payment platforms in the investigation period, from which a "control of the customer relationship" within the meaning of IFRS could be derived from actual practices, had not been made available to us by the time our investigation was completed.

KPMG was therefore not in a position to fully understand Wirecard's own classification as a principal and thus the "gross accounting" of revenues.

1.3.1.4.3 Accounting of the escrow accounts

In summary, on the basis of the documents made available to KPMG and supplementary information provided to KPMG, KPMG comes to the conclusion that there are arguments against Wirecard's accounting of escrow accounts as cash or cash equivalents in the investigation period 2016-2018. In KPMG's view, there are

arguments that the funds in the escrow accounts could be other financial assets. However, there is room for interpretation and discretion in the pertinent areas of IFRS regulations, which Wirecard uses according to an expert opinion.

At the end of the investigation, Wirecard submitted a draft of an expert opinion (incomplete draft, for internal discussion purposes) to KPMG dated April 17, 2020, from a consulting firm specializing in accounting on the recognition of cash serving as collateral for contractual partners in the consolidated financial statements for the years 2016 to 2018. According to this expert opinion, there are no grounds to object to the accounting of the escrow accounts as cash or cash equivalents in the consolidated financial statements for the years 2017 and 2018.

The assumptions made in the expert opinion on the facts of the case and the conclusions drawn with reference to IFRS and the relevant specialist literature with regard to the accounting of the escrow accounts differ in key points from the assumptions underlying our argumentation and the conclusions drawn therefrom.

From KPMG's point of view, classification as **cash** should be questioned. In our opinion, there are arguments that this does not comply with the requirements for classifying funds in escrow accounts as cash, as there are doubts as to whether the IFRS requirements of "availability at all times without penalty" were met. In particular, the following arguments exist, which have different relevance for the respective fiscal years:

- If the credit balances were called up, Wirecard would have suffered economic disadvantages in form of a penalty.
- Wirecard would have had to deposit alternative collateral when calling up the credit balances on the escrow accounts below an agreed upon minimum amount. There were indications that Wirecard did not have the required amount of this collateral available.
- (In 2016) Wirecard would have needed the consent of the TPA partner to call up the credit balances.

Arguments against the classification as **cash equivalents** are that the funds deposited in the trust accounts were used for hedging purposes and, according to the written statements available to KPMG, should not be used to settle short-term payment obligations. However, the intended use of the funds in the trust accounts to settle short-term payment obligations is a requirement under IFRS for the classification as cash equivalents.

With regard to the aspects described above, there is room for interpretation and discretion, which Wirecard uses according to an expert opinion.

1.3.1.4.4 Audits of the financial statements of Cardsystems Middle East and Wirecard UK & Ireland

With regard to the accusation that the financial statements of Cardsystems Middle East and Wirecard UK & Ireland had allegedly not been audited by the group auditor, KPMG's investigations revealed the following:

The accounting information of Cardsystems Middle East as well as Wirecard UK & Ireland was included in the audit of the consolidated financial statements, taking into account the materiality of some areas ("full scope"), as shown in the corresponding consolidated financial statements audit reports of EY Audit for the years 2016 to 2018.

1.3.2 Summary of results Digital Lending Business

1.3.2.1 Wirecard definitions

Wirecard AG's "Digital Lending Business"⁶ combines the following products:

Product	Explanation
Fintech Loan	<ul style="list-style-type: none">- Support Fintechs with liquidity for their own products- Offered as service in addition to WD platform, banking license, etc.
Digital Credit	<ul style="list-style-type: none">- Access to liquidity and working capital for merchants- Customized credit based on historical and future expected transactions, as well as other scoring models
Merchant Cash Advance ("MCA")	<ul style="list-style-type: none">- Early settlement to the merchant to improve liquidity- Scoring based on historic transactions and other scoring models

Table 2: Explanations about the "digital lending business" (Source: Investor Presentation Q3/9M results, November 6, 2019)

According to Wirecard, the MCA product is characterized by the fact that an acquirer makes the amount to be paid out to a merchant available earlier than would normally be the case in the settlement of the card transaction ("early settlement"). The amount is paid to the merchant after the credit card payment by the customer and partly against the retention of an additional fee, among other fees, to be deducted from the original payment amount.

Definition "Digital Lending Business" according to the "Investor Presentation Q3/9M results, November 6, 2019", published at <https://ir.wirecard.com/websites/wc/English/500/overview.html>

1.3.2.2 Published figures on the Merchant Cash Advance business, including in Brazil and Turkey

1.3.2.2.1 Accusations

The following accusations were made in connection with published figures about the Merchant Cash Advance business, including in Brazil and Turkey:

Quote	Source
<p>„The issues regarding Wirecard's Merchant Cash Advance product are in two distinct areas:</p> <p>6. The Board of Management has been inconsistent in explaining the size of this lending, as well as where and how it is taking place. Conflicting information has been offered during company announcements and in meetings/calls with investment analysts.</p> <p>2. [Website 1] has compelling evidence demonstrating that the two countries in which Management has claimed MCA /ending is most significant - Brazil and Turkey- cannot possibly be offering any meaningful programme of this type.</p> <p>In combination, these inconsistencies strongly suggest that the Board of Management „S' attempting to hide the truth of its MCA- lending programme and disguise a significant hole in the balance sheet. "</p>	<p>Website 1, August 23, 2019: Letter to the Supervisory Board⁷</p>
<p>"Inconsistent disclosures</p> <p>The MCA programme was first disclosed to Investors in November 2018 at which time the balance was announced as €200M of lending. Management described this programme as a reason for Cashflow being weaker than otherwise expected Over the following quarters, the size of the programme grew, peaking at the end of Q 7 with lending of €400M.</p> <p>During the recent results announcement at the end of 02, the Board of Management claimed the total amount had shrunk to €370M. On multiple occasions, analysts have been told that most or at least 33 % (or €133M) was being lent in Brazil and Turkey, but this was backtracked in August 2019 when the firm claimed that 'Brazil and Turkey was a little bit under 7/3. '"</p>	<p>Website 1, August 23, 2019: Letter to the Supervisory Board⁸</p>

Table 3: Accusations regarding published figures for the Merchant Cash Advance business

In summary, the amount and composition of the Merchant Cash Advance business was questioned in the context of the Company's disclosures.

Website 1, accessed on November 5, 2019

Website 1, accessed on November 5, 2019

1.3.2.2.2 Results of the investigation activities

According to an internal memorandum submitted to KPMG, the published information on the volume of Merchant Cash Advance should be used to explain business models. It is said not to be a defined product, but a value-added service, which is in part an integral component of Wirecard's services. This volume is therefore a management estimate based on various assumptions and calculations. These were roughly rounded and therefore reflect more of a strategic guideline. Accordingly, there were no plans at any time to include them in the annual report. Against this background, no overviews of customers who are said to have received Merchant Cash Advance on the respective reporting dates could be provided to us. Wirecard has documented the procedure within the scope of estimating the Merchant Cash Advance volumes and the parameters used in each case in a memorandum prepared for the purposes of this investigation. The estimates are partly based on expert estimates of the management of local Wirecard companies (including the duration of pre-financing).

The Merchant Cash Advance volume, particularly with regard to Brazil and Turkey, is said not to be evident from the respective annual financial statements of the relevant Wirecard companies, as the relevant Wirecard companies only forward payments to their (merchant) customers after they themselves have received the corresponding liquidity from the respective acquiring banks.

Wirecard AG has stated the Merchant Cash Advance business volume in the document "Investor Presentation Q3/9M results, November 6, 2019" (hereinafter "Investor Presentation") for the presentation of the Q3 results 2019 as follows:

- Q4 2018: EUR 285 million
- Q1 2019: EUR 400 million
- Q2 2019: EUR 370 million
- Q3 2019: EUR 320 million

According to the information provided to KPMG, the MCA volumes have been determined

- 1) by adding the credit lines granted to and drawn by TPA Partner 1 and TPA Partner 3, and on the other hand
- 2) through estimates of the MCA volumes of other Wirecard companies on the basis of various bases of estimation (including the duration of pre-financing).

Regarding 1) Credit lines to TPA Partner 1 and TPA Partner 3:

The MCA volume attributable to these TPA partners is said to correspond to the balance sheet receivables of Wirecard AG vis-à-vis these TPA partners, i.e. the credit lines drawn by these TPA partners. In the 2018 fiscal year,

TPA Partner 1 was provided with an unsecured credit line of EUR 150 million by Wirecard AG and TPA Partner 3 with an unsecured credit line of EUR 100 million. The intended use stated in the respective credit agreements is "Merchant Cash Advance".

KPMG was not provided with an overview of the customers to whom these funds had been granted in the form of Merchant Cash Advance.

In the investigation period, there was no evidence, summarized in corresponding documentation and evaluated by Wirecard, of an examination and assessment of the financial circumstances of the TPA partners by Wirecard. In particular, no analyses of the economic circumstances of the borrowers (TPA partners) carried out in a structured process were submitted to us (e.g. substantive evaluations of annual financial statements, etc.).

**Re 2) Wirecard Brazil S.A., Wirecard Ödeme ve Elektronik Para Hizmetleri A.
Hermes I Tickets Pte Ltd, Wirecard Bank AG:**

According to the information provided to KPMG, the MCA volumes were estimated using estimation parameters with respect to the extent of "early settlements" based, among other things, on transaction data and the duration of pre-financing. According to a memorandum available to KPMG, these estimates were made because the product in question is said not to be a defined product, but a value-added service that is in part an integral part of Wirecard's services. This volume is therefore a management estimate based on various assumptions and calculations. These have been roughly rounded and therefore reflect more of a strategic direction.

1.3.2.3 Legal permissibility of the Merchant Cash Advance business in Turkey and Brazil

1.3.2.3.1 Accusations

The following accusations were made in connection with the legal permissibility of the Merchant Cash Advance business in Turkey and Brazil:

Quote	Source
<i>„Deloitte audited accounts for Wirecard Turkey show just €2.3M in revenue for 2018, and no net lending to merchants is shown. In addition, an opinion from a respected and experienced Turkish lawyer states that MCA as described by Wirecard is illegal in Turkey. “</i>	Website 1, August 23, 2019: Letter to the Supervisory Board ⁹
<i>“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”.</i>	Website 1, January 15, 2020: Letter to the Supervisory Board ¹⁰

Table 4: Accusations concerning the legal permissibility of the Merchant Cash Advance business in Turkey and Brazil

Accordingly, the legal permissibility of Wirecard's business activities in Turkey and Brazil in connection with the Merchant Cash Advance product was questioned.

1.3.2.3.2 Results of the investigation activities

In the course of the investigation of the permissibility of the MCA business in Turkey, KPMG reviewed the results summarized in the memorandum of a law firm commissioned by Wirecard. With regard to the appropriateness of the structure of the Merchant Cash Advance business with international customers ("international merchants"), including Wirecard Bank, KPMG came to the conclusion that the transactions with international customers in Turkey were legally permissible.

Against the background of the information provided on the structure of the “Merchant Cash Advance” business of the Wirecard companies in Turkey and Brazil, the results of our investigation did not reveal any indications of the illegality of the business activities in question.

⁹ Website 1, accessed on November 5, 2019

¹⁰ Website 1, accessed on April 18, 2020

Wirecard Ödeme ve Elektronik Para Hizmetleri A.Ş., Istanbul, Turkey ("Wirecard Turkey"), operated as a payment service provider in Turkey during the investigation period. Wirecard Turkey was licensed to provide payment services by the Banking and Supervision Agency (BRSA) in Turkey, but not to assume guarantees or grant loans.

Against the background of the change of the law in June 2013 (Law on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions, No. 6493 of June 27, 2013), Wirecard AG engaged a law firm in 2015 to develop alternative courses of action for the possible structuring of the Merchant Cash Advance business in accordance with the law now in force.

As evidenced by the memorandum of December 6, 2019, which summarizes the results of the advice provided by the law firm in 2015, early disbursements were only intended for clients domiciled outside of Turkey ("international merchants"). Wirecard Bank was to be integrated as acquirer for these customers and the MCA business with the international merchants was to be conducted exclusively in this constellation of roles. For customers residing in Turkey ("domestic merchants"), the local Wirecard company was only supposed to forward payments already received from acquiring banks, which is compatible with the present license.

In the course of the investigation, KPMG has retraced the results summarized in the memorandum of the law firm engaged by Wirecard. With regard to the appropriateness of the structure of the Merchant Cash Advance business with international customers ("international merchants"), including Wirecard Bank, KPMG did not come to any assessment that differed from the assessment of the law firm engaged by Wirecard AG.

According to the information provided by employees of Wirecard Turkey, payments by customers of Wirecard Turkey located in Turkey - also in the case of an "early settlement" within the meaning of the MCA product - were only forwarded to its (merchant) customers after Wirecard Turkey itself had received the corresponding liquidity from the respective acquiring banks.

According to the information provided, in Brazil, the MCA product was offered by Wirecard Brazil S.A., Sao Paulo, which is licensed as a payment service provider, only to those merchants for whom the respective acquiring partners have forwarded corresponding payments to Wirecard Brazil. According to the information we received, this means that payments received were only forwarded and no credit was granted.

Against the background of this structure, early settlements within the meaning of Wirecard's Merchant Cash Advance business are not apparent as a difference between the receivables and liabilities from the acquiring business in the financial statements of the respective Wirecard companies.

1.3.2.4 Business background of certain lending activities

1.3.2.4.1 Accusations

The following accusations were made in connection with certain lending activities:

Quote	Source
<p><i>"[...] has multiple close ties to Wirecard, making the timing of their MCA business launch interesting: [...] was formerly known as [...]. Wirecard lent €25M to [...], a related business, in May 2017. [...] was also widely reported as being a material driver of Wirecard revenues, EBITDA and receivables. (...)</i></p> <p><i>The FT has previously reported that [...] (now [...]) had significant unpaid receivables at Wirecard and that a substantial portion of their revenues and EBITDA come from [...]. It seems reasonable to conclude that Wirecard was the 3rd party that lent the €115M to [...]. If any of this money has made it back to Wirecard to pay-off the receivables that are owed by [...] [...] - that would be round-tripping. "</i></p>	<p>Website 1, September 9, 2019: Is Wirecard round tripping with Singapore entities ?¹¹</p>
<p><i>„ (...) business purpose of the €115M loan made to [...], formerly [...], in Singapore in 4Q2018? (...)</i></p> <p><i>[...] claims to have originated \$100M of MCA lending in 2017. This seems unlikely, as [...] had assets of only \$25M in 4Q2017 and all revenues reported in their audited accounts came from 'Ship management services' with zero revenues from 'interest income'. For all of 2018, [...] produced \$6M in total revenue. We do not understand how it is then that [...] could be a responsible partner/counterparty for over €100M of loans. (...)</i></p> <p><i>(...) substantial loan to a related party with negligible revenues from financial services/payments and previously reported delinquent receivables? If any of the funds loaned to [...] returned to Wirecard to pay down receivables, that is the definition of 'round-trip' transactions and could constitute accounting fraud. "</i></p>	<p>Website 1, September 9, 2019: Letter to the Legal Advisor of the Supervisory Board¹²</p>

Table 5: Accusations regarding the business background of certain lending activities

In particular, the business background of possible loans granted to Company 4 is thus questioned.

¹¹ Website 1, accessed on November 5, 2019

¹² Website 1, accessed on November 5, 2019

1.3.2.4.2 Results of the investigation activities

In 2018, Wirecard Asia Holding Pte. Ltd, Singapore, granted company 4 several unsecured loans with a total volume of EUR 115 million with a one-year term for the purpose of "Merchant Cash Advance business".

Since KPMG did not receive any information on the customers of company 4 in the course of the investigation - in particular, not on the customers forwarded by Wirecard to company 4 - KPMG could not determine which companies or persons participated economically and to what extent in the loans granted to company 4 for "Merchant Cash Advance purposes".

According to the results of KPMG's background research, company 4 is a company that traded as company 5 until October 9, 2017. Until all shares were acquired by company 7, company 5 was a wholly owned subsidiary of company 6, to which Wirecard's TPA Partner 2 belonged as well. According to the information provided, the shares of company 7 were resold to company 8 in November 2018. According to the information provided to KPMG, a registered subsidiary of a European insurance group is the sole owner of company 8 and is said to therefore benefit from the business development of company 4. The background research conducted by KPMG in this context confirmed the ownership structure of company 4, but could not verify the beneficial owners of company 8 on the basis of publicly available register information. According to the self-disclosure of the corporate secretary of company 8, which was submitted to KPMG as a copy, a subsidiary of a European insurance group holds more than 99 % of the shares in company 8. In addition, the annual accounts of company 4 as of December 31, 2018 of this subsidiary of a European insurance group show that it is the sole shareholder of company 8.

According to the information provided, approx. 60 % of the customers of company 4 are Wirecard customers in Asia. According to the information provided, Wirecard referred customers to company 4 and as a result, company 4 conducted prefinancing transactions with these Wirecard customers. There were no written contractual arrangements between Wirecard and company 4 for brokering or forwarding customers during the investigation period. According to a written confirmation provided to KPMG by Wirecard AG on February 4, 2020, the forwarding of customers to company 4 did not result in any revenues in the years 2016 to 2018. An overview of the customers or merchants forwarded to company 4 during the investigation period was not available to KPMG.

In 2017 and 2018, Wirecard Bank granted company 4 two loans partially secured by financial guarantees from Wirecard AG. The documents submitted to KPMG show that the intended use of these loans is to finance the operating activities of company 4.

1.3.3 Summary of results Singapore

1.3.3.1 Accusations

In the spring of 2018, the Compliance department of Wirecard AG received a report by a whistleblower alleging that there are indications of fraudulent acts at Wirecard AG subsidiaries in Singapore. According to the report, revenues are said to have been reported as too high. In connection with this, there are accusations of backdating of contracts and circular bookings. The accusations focused on subsidiaries of Wirecard AG in Singapore. In individual cases, other countries were also affected.

The accusations made by the whistleblower were investigated by a Law Firm 1 and subsequently by a Law Firm 2 with the involvement of a consulting firm from Great Britain within the scope of a compliance audit or an internal investigation. Corresponding results from the compliance audit or the internal investigation were reported to Wirecard AG.

In 2019, the accusations were taken up in various press reports. In addition, various documents (e.g. excerpts from e-mail correspondence) were sent anonymously to the auditors EY Audit on February 6, 2019 in Munich.

The following quotes in particular have been published in the press:

Quote	Source
<i>„A senior Wirecard executive was last year suspected of using forged and backdated contracts in a string of suspicious transactions that raise questions about the integrity of the accounting [...].“</i>	FT Article dated January 30, 2019, title: „Executive at Wirecard suspected of using forged contracts“ ¹³
<i>„The presentation also describes what appear to be so-called round-trip transactions - a fraudulent accounting technique. Money seems to have been routed from Wirecard businesses in Hong Kong and Singapore to those it owned in India - named Hermes and GI Technology- via external companies. Those transactions, apparently suspected to be fake, may have appeared to local auditors as legitimate business conducted with suppliers and customers.“</i>	FT article dated January 30, 2019, title: „Executive at Wirecard suspected of using forged contracts“ ¹³
<i>„Titled "Project Tiger Summary" and dated May 7 2018, the presentation outlined potential violations of Singapore law, including "falsification of accounts" and "money laundering"“</i>	FT article dated January 30, 2019, title: „Executive at Wirecard suspected of using forged contracts“ ¹³

¹³ Link: <https://www.ft.com/content/03a5e318-2479-11e9-8ce6-5db4543da632>, last accessed April 19, 2020

Quote	Source
<i>„Financial reports submitted by the company that controls the Australian business of payments processor Wirecard may have been intentionally altered by staff in Singapore before being sent on to head office in Germany [..].“</i>	The Australian article from February 1, 2019, Title „Wirecard: worker blows the whistle“ ¹⁴
<i>„The preliminary lawyers' report identified potential civil and criminal violations in at least five jurisdictions: Singapore, Hong Kong, India, Malaysia, and Germany.“</i>	FT article dated February 1, 2019, title: „Wirecard's law firm found evidence of forgery and false accounts“ ¹⁵
<i>„The lawyers uncovered evidence that at least a dozen agreements for sums in the millions of euros appeared to have been falsified. While small relative to Wirecard's reported revenues, the agreements appear to have been used to enable businesses to hit profit targets and mislead regulators. “</i>	FT article dated February 1, 2019, title: „Wirecard's law firm found evidence of forgery and false accounts“ ¹⁵
<i>„Documents backdated to 2017 purport to show \$3m of sales by Wirecard Hong Kong made when the entity was dormant. [...] According to the Project Tiger presentation, the general manager of Hong Kong was told the revenue was an "ebitda adjustment"“</i>	FT article dated February 1, 2019, title: „Wirecard's law firm found evidence of forgery and false accounts“ ¹⁵
<i>„Suspect transactions, while individually small in the context of Wirecard revenues, appear to have been designed to stop Wirecard entities missing profit targets, by filling holes after the end of a financial year with fake and backdated sales agreements according to the preliminary report and certain emails reviewed by the FT. “</i>	FT article of February 7, 2019, title "Wirecard inside an accounting scandal" ¹⁶
<i>„preliminary report on the investigation by one of Asia's most eminent legal firms, indicated it was part of a pattern of book-padding across Wirecard's Asian operations over several Years“</i>	FT article of February 7, 2019, title "Wirecard inside an accounting scandal" ¹⁶

Table 6: Press quotes on business activities in Singapore

EY Audit, together with specialists from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Forensic & Integrity Services (hereinafter "EY FIS"), audited the accusations contained in the press coverage in the audit of the 2018 annual financial statements using IDW Auditing Standard 210 "to detect irregularities in the course of the audit" as part of "extended audit procedures" and compiled the results.

¹⁴ Link: <https://www.pressreader.com/australia/the-australian/20190201/282557314438563>, last viewed on April 19, 2020

¹⁵ Link: <https://www.ft.com/content/79f23db0-260d-11e9-8ce6-5db4543da632>, last accessed April 19, 2020

¹⁶ link: <https://www.ft.com/content/d51a012e-1d6f-11e9-b126-46fc3ad87c65>, last viewed on April 19, 2020

EY Audit described the auditor's response in its auditor's report concerning the 2018 financial statements (Annual Report 2018 of Wirecard AG):

"For the audit of the recognition of revenue and purchase transactions, measurement of receivables and liabilities and the presentation of contracts in the financial accounting and in the consolidated financial statements, we examined the processes established by the management of the companies of the Wirecard Group to prepare the facts relating to the allegations. We compared insights obtained therefrom with the elaborations provided to us by independent third parties as well as those of the internal compliance department. On this basis, we performed extended audit procedures on similar matters. We also examined transactions and the related assessments of matters in discussion with officers of the companies concerned, suppliers, customers and the lawyers who have been involved, also including our own forensic experts. "

The accusations investigated by EY Audit in the course of the extended audit procedures have been allocated to four clusters of topics by KPMG:

- Accusation of manipulation of accounting data in the context of reporting from Singapore to Germany;
- Accusation of manipulation of financial data;
- Accusation of diversion of payments via several companies ("roundtripping");
- Accusation of unclear contract design and payments on the basis of "sham contracts".

1.3.3.2 Results of the investigation activities

1.3.3.2.1 Compliance audit and internal investigation by the law firms, respectively

The Compliance Audit of Law Firm 1 shows weaknesses.

The weaknesses of the compliance audit of Law Firm 1 could not be fully remedied by the investigation activities of Law Firm 2 and the audit activities of EY Audit within the framework of the "extended audit procedures".

In response to the whistleblower's accusations in spring 2018, Wirecard AG engaged Law Firm 1 to conduct a compliance audit and, at a later date, engaged Law Firm 2 to conduct an internal investigation. The background was that the compliance audit of Law Firm 1 has weaknesses. For example, the data basis, in particular consisting of accounting data and e-mail traffic, was not completely saved. The incompleteness of the data basis could not be fully remedied in the course of the investigation by Law Firm 2. EY Audit has supplemented individual results of the compliance audit and the internal investigation of the Law Firms 1 and 2, respectively, with its own auditing activities - including the use of EY FIS.

As a result, the investigation activities of Law Firm 2 and the auditing activities of EY Audit under the extended audit procedures were not carried out on a complete data and information basis. Therefore, it cannot be ruled out that the investigation activities of Law Firms 1 and 2 and the auditing activities of EY Audit within the framework of the extended audit procedures would have come to a different conclusion if a complete database had been available. EY Audit has carried out auditing activities on the basis of the available data in relation to the accusations made.

1.3.3.2.2 Understanding accusations Singapore

EV Audit has followed up on the accusations made in the press coverage in the extended audit procedures. Where the accusations were confirmed, they were taken into account in the accounting by EY Audit. The extended audit procedures were reconstructed by KPMG.

Based on the documents provided to KPMG, we do not believe that it is necessary at this point in time to go any further into the matters investigated by EV Audit within the framework of the extended audit procedures and the involved Law Firms 1 and 2.

In the cases investigated by KPMG, an accumulation of software contracts without any economic substance, which were not or not correctly recorded in the accounts of the respective company, is apparent. The knowledge gained by KPMG in relation to these transactions corresponds to the knowledge already gained by EY Audit and the law firms. The accusations are still the subject of an official investigation in Singapore.

An internal control system customary for the business activities of Wirecard AG was not set up in the circumstances on which the accusations were based. KPMG identified weaknesses in the areas of receivables management and dunning, contract management and control, as well as in reporting. This was also noted by EY Audit as part of the annual audit in 2018.

The facts investigated by EY Audit and reconstructed by KPMG allowed individual accusations to be confirmed within the framework of the extended audit procedures. In order to obtain a complete picture of individual accusations, it would have been necessary to extend the auditing activities of EY Audit to third parties outside the Wirecard group. In our opinion, the extended audit procedures conducted by EY Audit to examine the accusations from the individual facts were appropriate.

In the circumstances investigated by KPMG, which form the basis of the accusations in the Singapore investigation area, an accumulation of software contracts without economic substance is apparent. Wirecard has confirmed to KPMG that in these cases no purchase or sale of software has taken place at any time.

Most of the software contracts made available to KPMG had not been concluded correctly, for example because they had not been signed by both parties or because authorizations to sign such contracts were missing. To a large extent, no bookkeeping entries were made on the basis of these contracts. In individual cases, incorrect entries were made by the respective company, which - insofar as they were not abandoned in the same fiscal year - were corrected by Wirecard AG in the course of preparing the annual financial statements.

In the Annual Report 2018 of Wirecard AG, the corrections in accordance with IAS 8 are explained as follows:

"In connection with the investigations in Asia, errors were identified in the revenue recognition for the financial year 2017, which were corrected retrospectively. Revenues were reduced by a total of EUR 1.5 million.

One reason for this was that software transactions (purchase and sale of software) were initially recorded in the wrong entities of the Group with the sales agent as contractual partner. An intangible asset (purchase of software) and corresponding revenues (sale of software) in the amount of around EUR 10.0 million. After correction, the entire software transaction was recorded in the correct entity of the Group. Revenues were increased by EUR 1.0 million, trade receivables from customers in the amount of EUR 11.0 million and trade payables to software suppliers in the amount of EUR 10.0 million EUR were recorded."

The background as well as the motivation why bookings were made which increased the revenues, even though it was evident that there was no economic substance, could not be clarified by the law firms and the auditing activities documented in the extended audit procedures. KPMG was also unable to determine the reasons for the booking of these transactions.

In its auditor's report on the annual financial statements 2018, EY Audit made the following comments about the accusations in Singapore:

"Our audit procedures did not lead to any reservations regarding the accounting treatment of matters on the basis of the findings from investigations, which were performed in response to allegations of a whistleblower in Singapore. "

The accusations are still subject to an official investigation in Singapore. In the course of these investigations, documents had been partially confiscated, as a result of which Wirecard Singapore was not granted an audit opinion for the 2017 annual financial statements by the local auditor, as an obstacle to the audit had been identified.

In our opinion, the lack of an internal control system customary for the business activities concerned contributed to the fact that weaknesses underlying the accusations were not identified. EY Audit also noted far-reaching control and process weaknesses in the course of the audit of the annual financial statements.

In the area of receivables management, KPMG discovered in individual cases that receivables had not been settled over a very long period of time. In addition, it was not apparent to KPMG in the course of the special investigation that a sufficient dunning procedure existed at the Wirecard Group companies involved. Since KPMG only tracked a limited number of transactions, KPMG cannot make any statements as to whether further amounts are long overdue.

In individual cases, KPMG has determined that Wirecard companies have settled liabilities of other Wirecard companies and that intercompany liabilities have not been settled over long periods of time.

Particularly with regard to the infrastructure of internal financial reporting, a large number of process weaknesses and risks were identified in the cases on which the accusations were based.

In response to the results of the investigations conducted by the Law Firms 1 and 2 and the extended audit procedures of EY Audit, Wirecard AG has set up an internal compliance project for "Wirecard in Singapore". The evaluation of the content, such as the scope, the status of implementation, and the effectiveness of the project measures was not part of the assignment of KPMG and was therefore not carried out.

1.3.4 Summary of results India

1.3.4.1 Payment of an excessive purchase price to Fund 1 as "middleman"

1.3.4.1.1 Accusations

Regarding the accusation of paying an excessive purchase price to Fund 1 as "middleman", at the time of the acquisition of the "payment business" of company 9, the following quotes in particular were published in the press:

Quote	Source
<i>„In 2015 Wirecard agreed to pay up to €340m for a collection of Indian payments businesses, [...]. Yet a year before the acquisition the founders of that business failed to raise funding in a process which would have valued the key asset at just €46m."</i>	FT article of January 25, 2018, title: "Revisiting Wirecard's big Indian deal" ¹⁷
<i>„Wirecard said it "is not in a position to disclose the ultimate beneficial owner of [...]"."</i>	FT article dated December 19, 2019, title: „Middleman's profits draw India deal into Wirecard scandal" ¹⁸
<i>„[...] why did the German company agree to pay around €300m for an Indian business only weeks after it changed hands for €37m?" Wirecard said it "is not in a position to disclose the ultimate beneficial owner of [...]" "</i>	FT article dated December 19, 2019, title: „Middleman's profits draw India deal into Wirecard scandal " ¹⁸
<i>„The buyer was a Mauritius entity called [...] - effectively a middleman - which bundled Hermes together with an unrelated Bangalore chain of currency exchange kiosks, then sold the package straight on to Wirecard for €326m. "</i>	FT article dated December 19, 2019, title: „Middleman's profits draw India deal into Wirecard scandal " ¹⁸

Table 7: Press quotes on the payment of an excessive purchase price to Fund 1 as "middleman"

¹⁷ Link: <https://ftalphaville.ft.com/2018/01/25/2197959/revisiting-wirecards-big-indian-deal/>, last viewed on April 19, 2020

¹⁸ Link: <https://www.ft.com/content/b3672388-200a-11ea-b8a1-584213ee7b2b>, last accessed April 19, 2020

The accusation can be represented graphically as follows:

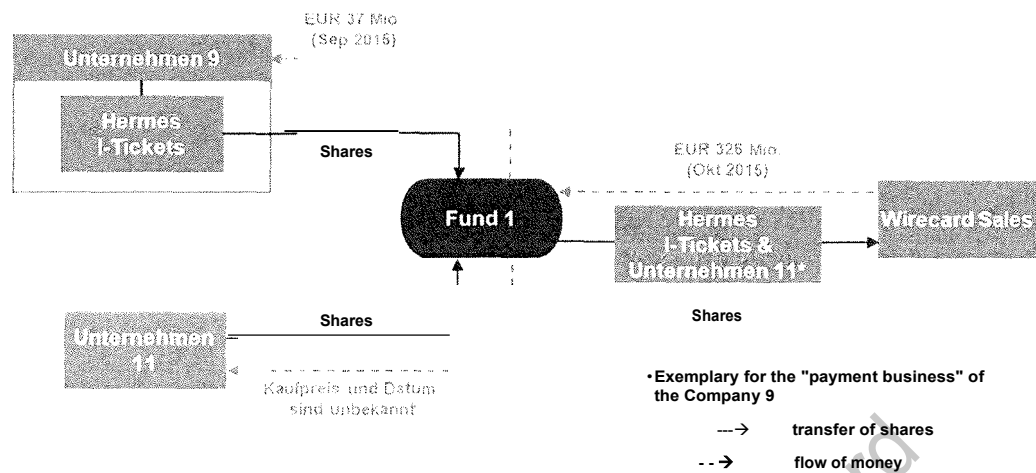


Figure 1: Graphical representation of the accusation "Payment of an excessive purchase price to Fund 1 as "middleman." "

1.3.4.1.2 Results of the investigation activities

The auditors were unable to identify the beneficial owner of Fund 1. The background research by KPMG also failed to identify the beneficial owner of Fund 1. Consequently, the accusation that Fund 1 is an intermediary cannot be conclusively clarified. Since knowledge of the beneficial owner is of essential importance for the question of who benefited from the purchase price, further investigations are not useful at this time as long as the identity has not been clarified.

According to the information provided to KPMG, Wirecard AG does not know the beneficial owner of Fund 1. The individual interlocutors of Wirecard AG have indicated to KPMG that they hold no shares in Fund 1. KPMG has not received any other indications in the documents submitted or in the investigation activities conducted.

The price that Fund 1 paid for Hermes prior to the transaction had been disclosed to Wirecard AG according to the available information and according to a letter from Law Firm 2, only after the signing date of the contract between Fund 1 and Wirecard Sales in October 2015. KPMG has not received any other indications in the documents submitted or in the investigative actions carried out.

According to Wirecard AG, market entry in India has been of great strategic relevance. According to Wirecard AG, the purchase price was influenced by various factors, such as corporate transactions by third parties and avoidance of minority shareholders. KPMG has not received any other indications in the documents submitted and the investigation activities carried out.

The purchasing company made all payments in connection with the takeover of the "payment business" of company 9 exclusively to Fund 1.

According to the information provided by a member of the Board of Management at the time, Wirecard AG wanted to enter the Indian market by means of a targeted corporate transaction. Organic growth had not been an option at that time. Wirecard AG decided to look for a strategic partner in order to use existing local connections and structures. Moreover, Wirecard AG considered it important to have a good merchant network and access to the banking system. Wirecard AG stated that the aim was to position itself as a "global player".

As a result, Wirecard Sales International Holding GmbH, Aschheim (hereinafter "Wirecard Sales"), acquired the "payment business" of Great India Retail from Fund 1 at a purchase price in the amount of EUR 216 million plus possible maximum earn-out payments of EUR 110 million. The last earn-out payment for the year 2017 has not yet been made. This transaction included the acquisition of Hermes I-Tickets Pte. Ltd, Chennai, India (hereinafter "Hermes").

The first Share Sale Agreement for the purchase of the "payment business" of company 9 between Wirecard Sales and Fund 1 was concluded on October 27, 2015. The results of the legal, financial and tax due diligence were reported to Wirecard Sales and Wirecard AG on November 17 and 24, 2015, respectively. The closing date was March 1, 2016. The timeline for the acquisition of the "payment business" of company 9 can be illustrated as follows:

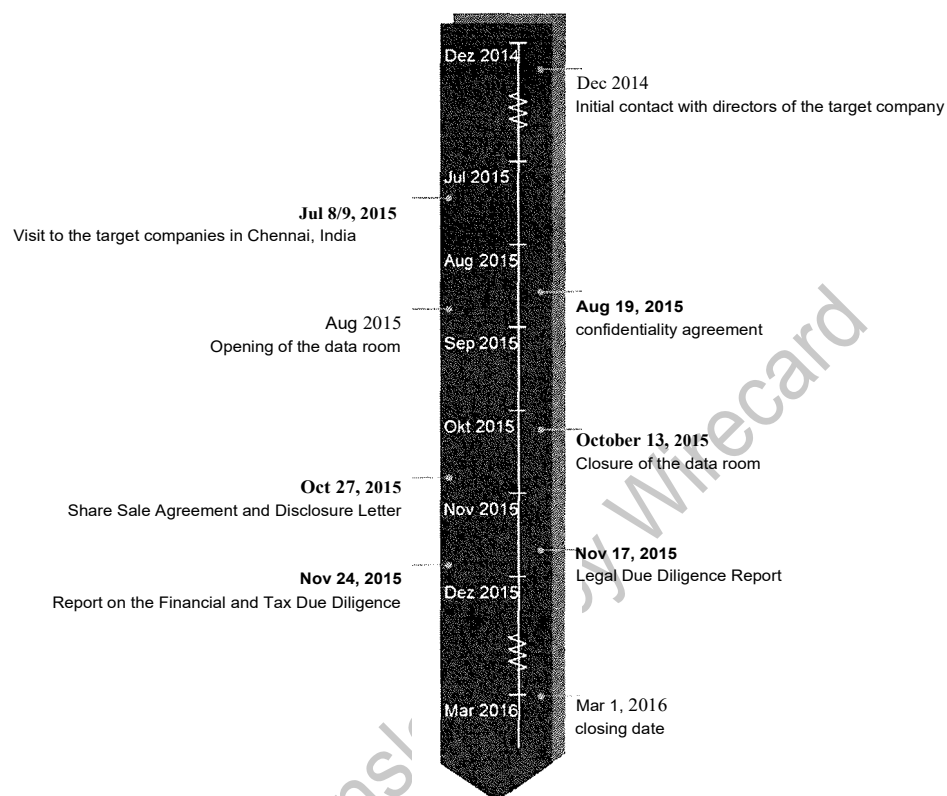


Figure 2: Timeline of the acquisition of the "payment business" of company 9

EY Audit could not identify the beneficial owner of Fund 1 in the course of the audit activities carried out. KPMG was also unable to identify the beneficial owner of Fund 1 through background research.

With regard to the accusation that Wirecard is not in a position to disclose the ultimate beneficial owner of Fund 1, KPMG has conducted numerous discussions in the course of the investigation. None of the interlocutors was able to name the beneficial owner of Fund 1 to KPMG. In addition, the interlocutors of Wirecard AG have indicated to KPMG that they do not hold any shares in Fund 1. KPMG has not received any other indications from the documents submitted or in the investigation activities carried out.

A former member of the Board of Management has informed KPMG that the question of the beneficial owner of Fund 1 was not raised in the course of the legal due diligence.

KPMG was provided with the legal due diligence regarding Hermes, carried out by an Indian law firm, dated November 17, 2015. The due diligence was provided after the signing date of the agreement between Fund 1 and Wirecard Sales on October 27, 2015, and before the closing date on March 1, 2016. Page 27 in the "Main Report" of the Legal Due Diligence states that Hermes, in a "board resolutions for authorizing transfer of shares to Emerging Markets Investment Fund 1A" on September 18, 2015, adopted the following resolution, among others:

"74,997 shares transferred from [...] to [...] @ Rs.35,067 per share totaling Rs. 262 crores (approx) pursuant to SPA dated September 7,2015".

Consequently, Fund 1 paid a total price of INR 2,629,919,799 to company 9 for 74,997 shares. At the time of the resolution this corresponded to approximately EUR 35,066,600. No prices have been noted in the legal due diligence for the purchase of 3,422 shares by resolution of May 26, 2015.

In addition, the legal due diligence conducted by the Indian law firm engaged by Wirecard Sales shows that Fund 1 owned 99.99 % of Hermes shares on September 18, 2015. The remaining 0.01 % of the shares (one share) remained in the possession of company 9.

With regard to the question underlying the accusation as to why Wirecard AG agreed to pay around EUR 300 million for an "Indian business" that had recently changed hands for around EUR 37 million, the following can be stated with regard to the knowledge of the purchase price of EUR 37 million:

In the course of the discussions conducted, KPMG was informed by all Wirecard AG's interlocutors that the purchase price from Fund 1 to company 9 was not known at the time of the signing date. However, the previous purchase price could have been known to the reader of the complete legal due diligence of November 17, 2015, after the signing date and before the closing date.

Law firm 2 has examined whether, at the time of the purchase of the "payment business" of company 9 by Wirecard AG, the purchase price of approx. EUR 37 million was known. Law Firm 2 evaluated documents and e-mails and conducted discussions on this matter. Law Firm 2 came to the following conclusion:

„We found nothing suspicious in relation to Wirecard's acquisition of the Hermes shares from [...]."

„Wirecard was not privy to [...] negotiations with the former Hermes shareholders at all, and was never shown the relevant share purchase agreements."

With regard to the mention of the purchase price in the legal due diligence of November 17, 2015, Law Firm 2 states

„ [Indian law firm] finalised its due diligence on November 17, 2015 and that report did refer to the share price of [. . .] to [. . .] but it was not flagged - it was a minor detail in a 155 page report. ”

Law Firm 2 further explains in a letter to Wirecard AG that under Indian law, "pricing of shares" is not typically covered by legal due diligence, as such due diligence focuses more on the validity of the transfer of ownership.

Employees of Wirecard AG informed KPMG in discussions that the purchase price for the "payment business" of company 9 was justified, as the market entry in India was of great strategic relevance. Wirecard AG's objective was to acquire 100% of a company in order to avoid minority shareholders. In the opinion of the Board of Management, this also influenced the purchase price.

The Board of Management of Wirecard AG informed KPMG that even if the previous price had been known, this would not have had any influence on the purchase price offer. According to the Board of Management, the determination of the purchase price was therefore not dependent on possible prior knowledge.

In this context, it was explained to KPMG that Wirecard AG had considered three companies as "potential targets" for the realization of its market entry in India before the entrepreneurial decision was finally taken to acquire the "payment business" of company 9. In the case of one of the other two shortlisted companies, company 10, according to press reports that company made an investment of approximately USD 680 million¹⁹ at a later date. According to a former member of the Board of Management of Wirecard AG, this purchase also increased the prices for other company transactions.

KPMG has not received any other indications in the documents submitted or in the investigation activities carried out.

According to SWIFT documents available to KPMG, Wirecard Sales made all contractually agreed payments, consisting of upfront payment, closing payment and earn-outs, exclusively to Fund 1.

¹⁹ corresponds to approx. EUR 611 million, exchange rate EUR 1 = USD 1.1122 on March 2, 2020 (source: ECB)

The press is also reporting on a capital increase of 14 million by Wirecard Acquiring & Issuing GmbH, Aschheim (hereinafter "Wirecard Acquiring & Issuing"), at GI Technology Pte. Ltd. This information was already confirmed by Wirecard AG in the Annual Report 2015:

"60 % of GI Technology Pte. Ltd. will be acquired only as of March 1, 2016, as the final closing steps required for the acquisition of the shares were completed at that time. In this context, an amount of EUR 14,000k was paid in the form of a capital increase."

In addition, Wirecard AG was aware from the financial and tax due diligence that company 11 had reported negative EBITDA in the 2014 and 2015 fiscal years. Wirecard AG could have been aware of this when making the business decision to acquire the "payment business" of company 9.

The accusation made in the FT article that, on the basis of the transaction preceding the purchase for the purchase price of approximately EUR 37 million, an excessive purchase price for the acquisition of the "payment business" of company 9 was paid by Wirecard Sales to Fund 1 as "middleman" cannot be confirmed on the basis of the information available. In order to conclusively clarify the accusation, the identity of the beneficial owner of Fund 1 would have to be clarified and his close relationship to the parties involved or to the transaction would have to be investigated. However, the beneficial owner of Fund 1 could not be identified.

1.3.4.2 "Roundtripping" of payments

1.3.4.2.1 Accusations

With regard to the accusation of "roundtripping" of payments, the following quotes in particular were published in the press:

Quote	Source
<i>„Wirecard is suspected of "round-tripping", where sales and profits are faked by sending money to a third party, who then uses it to buy goods and services from the sender in a pretence of real commerce."</i>	FT article of 19 December 2019, Title: „Middleman's profits draw India deal into Wirecard scandal" ²⁰

²⁰ Link: <https://www.ft.com/content/b3672388-200a-11ea-b8a1-584213ee7b2b>, last accessed April 19, 2020

Quote	Source
„Investors should also be aware that some of the proceeds paid to [...] appear to have flowed back to Hermes through multiple software deals - transactions that look like revenue roundtripping on the part of Wirecard and [...].“	Website 1, article: „Part 1: The Indian Round-trip - Was Wirecard's Indian acquisition deliberately structured to generate round-trip profits through [...]?“ ²¹

Table 8: Press quotes on "roundtripping" of payments

The accusation can be represented graphically as follows:

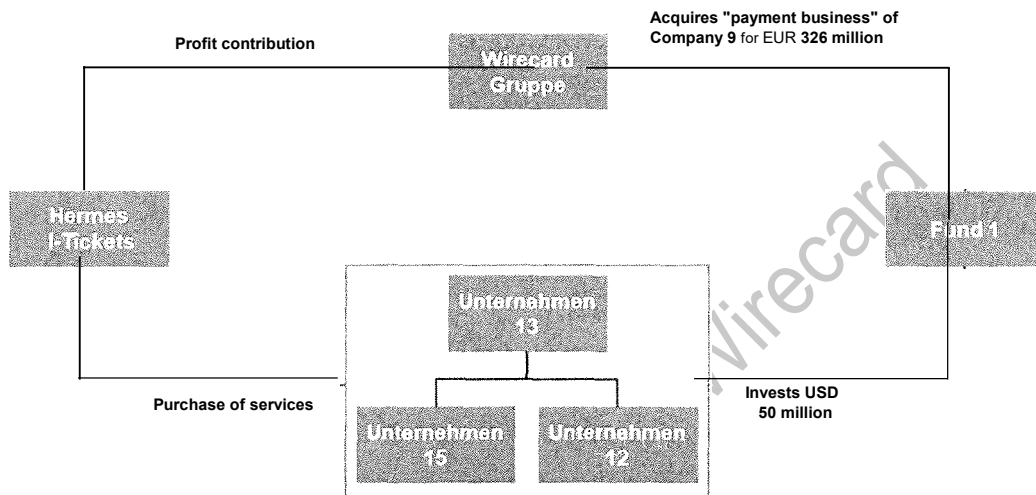


Figure 3: Graphical representation of accusation "roundtripping" of payments

1.3.4.2.2 Results of the investigation activities

Payments between the individual companies listed in the press and on the internet could be identified from the documents submitted to KPMG.

KPMG's investigation of the accusations shows that a business relationship between Hermes and company 12 (later company 13) has existed since 2015 at least.

The Board of Management of Wirecard AG has confirmed to KPMG that company 13 is an essential business partner.

²¹ Link: Website 1, last viewed April 19, 2020

KPMG has retraced the sale of individual assets from Hermes to company 12. The sales were fully traceable in terms of contract and settlement. However, KPMG was unable to determine the purchase price for these individual assets.

According to the documents submitted to KPMG and the investigation activities carried out, there were no indications of 'roundtripping'.

Within the scope of press and internet reporting, accusations were made against Wirecard in connection with "roundtripping" of payments. In particular, payments between company 12 and Hermes, which were made in the course of the acquisition of the "payment business" of company 9 by Wirecard Sales from Fund 1 were called into question.

The Board of Management of Wirecard AG explained to KPMG that Wirecard AG wanted to achieve market entry in India by means of a targeted corporate transaction. At that time, organic growth was not an option. Wirecard AG had decided to look for a strategic partner in order to use existing local connections and structures. Moreover, Wirecard AG had also felt it was important to have a good merchant network and access to the banking system.

According to a member of the Wirecard AG Board of Management at the time, it was decided at the beginning of the negotiations on the acquisition of the "payment business" of company 9 that the travel business should not be included for reasons of business policy ("carve-out"). The "travel business" included, among other things, the development and provision of travel solutions and services for customers and travel agents, which Wirecard AG spun off as part of the transaction on the grounds that it "did not wish to operate a travel business". On the basis of the documentation available to KPMG, as well as discussions with representatives of Wirecard AG, this business policy decision is understandable.

In the course of the acquisition of the "payment business" of company 9, at least two sales of assets related to the "travel business" of Hermes were made to company 12 (web domains and IT infrastructure). In addition, company 12 has entered into a service agreement with Hermes for support in the "travel business" (monthly hosting fee). Corresponding contractual documents were submitted to KPMG. No documents were submitted to KPMG to determine the purchase price or the monthly fee.

The documents available to KPMG show that the Wirecard companies generated sales revenues in the single-digit million range (EUR) with company 14 and Company 13 in the years from 2016 to 2019.

Revenues with company 14 in 2016 include the monthly hosting fee listed above. In addition, company 14 is said to use a multi-channel travel agency of Hermes and corresponding booking services. In 2016, this software was changed at the request and expense of company 14. Revenues for the period 2017 to 2019 include monthly hosting fees. In 2017 and 2018 Hermes provided services for call centers and helpdesks. Further revenues in the period from 2017 to 2019 were generated through commissions and incentives on the sale of travel tickets.

Revenues with company 13 were generated from software sales, support service assistance and the sale of Hermes' Travel Agents Business.

The background research conducted by KPMG identified Fund 1 as the sole shareholder of company 13 and owner of 50.2% of the shares of company 14. In addition, according to a press release, company 13 is said to have received a loan of USD 50 million²² from Fund 1. KPMG was not able to verify the business relationship and possible loan from Fund 1 to company 13, as these are third parties - not affiliated with Wirecard AG - and therefore no documents of these companies could be inspected.

Wirecard AG maintains a close business relationship with company 13. In addition, the seller of the "payment business" of company 9, Fund 1, is a shareholder of company 13.

On the basis of the documents submitted by KPMG and the investigation activities carried out, there were no indications of "roundtripping".

²² corresponds to approx. EUR 44.4 million, exchange rate EUR 1 =USD 1,1249 on June 5, 2017 (source: ECB)

2 Conclusion

KPMG issues this report to the best of its knowledge and belief on the basis of the documents submitted to KPMG, information provided and its own investigation activities, and with reference to the Code of Professional Conduct.

Munich, April 27, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Sven-Olaf Leitz
Certified Public Accountant

signed. Alexander Geschonneck

Annexes

Convenience translation by Wirecard

General Terms and Conditions

for

Auditors and Auditing Companies

as of January 1, 2017

1. Scope of application

(1) The terms and conditions of engagement apply to contracts between auditors or auditing companies (hereinafter referred to collectively as "auditors") and their clients for audits, tax advice, advice on economic matters and other engagements, unless otherwise expressly agreed in writing or required by law.

(2) Third parties can only derive claims from the contract between auditor and client if this is expressly agreed upon or results from mandatory legal regulations. With regard to such claims, these Terms and Conditions of Engagement shall also apply to these third parties.

2. Scope and execution of the assignment

(1) The subject of the contract is the agreed service, not a specific economic success. The assignment shall be executed in accordance with the principles of proper professional practice. The auditor does not assume any management tasks in connection with his services. The auditor is not responsible for the use or implementation of the results of his services. The auditor is entitled to use the services of expert persons to carry out the engagement.

(2) The consideration of foreign law requires - except for business audits - an express written agreement.

(3) If the factual or legal situation changes after the final professional statement has been made, The auditor is not obligated to inform the client of changes or the consequences thereof.

3. Client's obligation to cooperate

(1) The client must ensure that The auditor is provided in good time with all documents and other information necessary for the performance of the engagement and that he is informed of all events and circumstances that may be of significance for the performance of the engagement. This also applies to the documents and further information, procedures and circumstances that only become known during The auditor's work. The client will name suitable persons to provide The auditor with information.

(2) At The auditor's request, the client must confirm the completeness of the submitted documents and further information as well as the information and explanations given in a written statement formulated by The auditor.

4. Ensuring independence

(1) The client must refrain from any action that would compromise the independence of the auditor's staff. For the duration of the engagement, this applies in particular to offers of employment or the assumption of board functions and to offers to take on engagements for its own account.

(2) Should the performance of the engagement compromise the independence of the auditor, of his affiliates, network companies, or associated companies to which the independence rules apply in the same way as to the auditor, in other engagements, the auditor is entitled to extraordinary termination of the contract.

5. Reporting and oral statements

If The auditor has to present results in writing in the course of the engagement, only this written presentation is authoritative. Drafts of written representations are not binding. Unless otherwise agreed, oral statements and information provided by the auditor are only binding if they are confirmed in writing. Any statements and information provided by The auditor outside of the engagement are always non-binding.

G. Transmission of a professional statement of the auditor

(1) The passing on of professional statements of the auditor (working (whether in draft or final form) or the information about the activities of the auditor on behalf of the client to a third party requires written approval. The auditor's opinion is binding on The auditor, unless the client is obliged to pass on or provide information due to a law or an official order.

(2) The use of professional statements of the auditor and the information about The auditor's activities for the engagement for advertising purposes by the client is not permitted.

7. Defect correction

(1) In the event of any defects, the customer shall be entitled to subsequent performance by the auditor. Only in the event of failure, omission or unjustified refusal, unreasonable demands or impossibility of subsequent performance the contract, he may reduce the remuneration or withdraw from the contract. If the order was not placed by a consumer, the client may only withdraw from the contract due to a defect if the service provided is deemed to be unreasonable or unacceptable due to failure, omission or impossibility of subsequent performance is of no interest to him. Insofar as claims for damages exist beyond this, No. 9 shall apply.

(2) The claim for rectification of defects must be asserted by the client immediately in text form. Claims according to paragraph 1, which are not based on an intentional act, shall become statute-barred after the expiry of one year from the start of the statutory limitation period.

(3) Obvious inaccuracies, such as spelling mistakes, arithmetical errors and formal deficiencies, which may be found in a professional statement (report, expert opinion and similar things) of the auditor, can be corrected at any time by the auditor, including in relation to third parties. Any inaccuracies that are suitable to call into question the results contained in The auditor's professional statement, The auditor is entitled to withdraw the statement from third parties. In the cases mentioned above, the engagement is The auditor should be consulted by the auditor if possible beforehand.

8. Confidentiality towards third parties, data protection,.

(1) The auditor is a certified public accountant in accordance with the laws (§ 323 (1) HGB, § The client is obliged to maintain secrecy about facts and circumstances which are entrusted to him or become known to him in the course of his professional activity, unless the client releases him from this obligation of secrecy.

(2) When processing personal data, the auditor will observe the national and European regulations on data protection.

9. Liability

(1) For legally prescribed services of the auditor, in particular special audits, the respective applicable statutory limitations of liability, in particular the limitation of liability pursuant to § 323 para. 2 HGB.

(2) If neither a statutory limitation of liability applies nor an individual contractual limitation of liability exists, the liability of the auditor for claims for damages of any kind, with the exception of damages resulting from injury to life, body and health, as well as damages which constitute a liability of the manufacturer to pay compensation in accordance with § 1 ProdHaftG, in the case of an individual damage caused by negligence, the amount of damages is limited to 4 million € in accordance with § 54a para. 1 No. 2 WPO.

(3) The auditor is also entitled to pleas and objections arising from the contractual relationship with the client in relation to third parties.

(4) If several claimants make claims arising from a negligent breach of duty under the contractual relationship with the auditor, they shall be liable to the auditor. If the auditor's opinion is not satisfied, the maximum amount referred to in paragraph 2 shall apply to the relevant claims of all claimants in total.

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(5) A single case of damage within the meaning of para. 2 shall also be deemed to exist with regard to a uniform damage resulting from several breaches of duty. The individual case of damage includes all consequences of a breach of duty without regard to whether damage occurred in one or in several consecutive years. Multiple actions or omissions based on the same or similar sources of error shall be deemed to constitute a single breach of duty if the matters in question have a legal or economic connection with one another. In this case, the auditor can only be called upon up to the amount of € 5 million. The limitation to five times the minimum sum insured does not apply to statutory audits.

(6) Any claim for damages shall lapse if no action is brought within six months of the written refusal to provide compensation and the client has been informed of this consequence. This shall not apply to claims for damages which are attributable to willful conduct, to culpable injury to life, limb or health or to damages which establish a liability for compensation on the part of the Contractor in accordance with § 1 ProdHaftG. The right to assert the plea of limitation remains unaffected.

6. Supplemental provisions for auditing assignments

(1) If the client subsequently changes the financial statements or management report audited by the auditor and issued with an audit opinion, the auditor may not continue to use this audit opinion.

If the auditor has not issued an audit opinion, a reference to the audit conducted by the auditor in the management report or at any other place intended for the public is only permissible with the written consent of the auditor and with the wording approved by him.

(2) If the auditor revokes the auditor's certificate, the auditor's certificate may not be used further. If the client has already made use of the audit opinion, he must announce the revocation at The auditor's request.

(3) The client is entitled to five copies of the report. Additional copies will be invoiced separately.

11. Additional provisions for assistance in tax matters

(1) The auditor is entitled, both when giving advice on individual tax issues and in the case of ongoing advice, to consider the facts stated by the client, in particular numerical data, as correct and complete; this also applies to bookkeeping engagements. However, he must inform the client of any inaccuracies he has discovered.

(2) The tax consulting engagement does not include the actions required to meet deadlines, unless The auditor has expressly accepted the engagement for this purpose. In this case, the engagement shall submit to The auditor all documents, in particular tax assessment notices, which are essential for the observance of deadlines, in such a timely manner that The auditor has an appropriate amount of time to process them.

(3) In the absence of any other written agreement, current tax consultancy comprises the following activities falling within the term of the contract:

- a) Preparation of annual tax returns for income tax, corporate tax and trade tax as well as property tax returns, based on the annual financial statements and other statements and documents required for taxation purposes
- b) Verification of tax assessments for the taxes mentioned under a)
- c) Negotiations with the tax authorities in connection with the declarations and notices mentioned under a) and b)
- d) Participation in tax audits and evaluation of the results of tax audits regarding the taxes mentioned under a)
- e) Participation in opposition and appeal proceedings concerning the taxes mentioned under a).

In the aforementioned tasks, the auditor takes into account the main published case law and administrative opinions.

(4) If The auditor receives a lump-sum fee for ongoing tax advice, the activities mentioned in paragraph 3 letters d) and e) must be honored separately, unless otherwise agreed in writing.

(5) If The auditor is also a tax advisor and the German Tax Advisor Remuneration Ordinance (Steuerberatervergütungsverordnung) is applicable for the assessment of the remuneration, a higher or lower remuneration than the statutory remuneration may be agreed in writing.

(6) The handling of special individual questions of income tax, corporation tax, trade tax, uniform valuation and net worth tax as well as all questions of turnover tax, wage tax, other taxes and duties is carried out on the basis of a special assignment. This also applies to

- a) the handling of one-off tax matters, e.g. in the field of inheritance tax, capital transfer tax, real estate transfer tax.
- b) participation and representation in proceedings before the courts of finance and administrative jurisdiction and in criminal tax cases
- c) consulting and expert opinions in connection with conversions, capital increases and reductions, restructuring, entry and withdrawal of a shareholder, sale of a business, liquidation and the like and
- d) support in the fulfilment of display and documentation.. obligations

(7) Insofar as the preparation of the annual VAT return is also undertaken as an additional activity, this does not include the examination of any special accounting requirements and the question of whether all the possible VAT benefits have been taken advantage of. No guarantee is given for the complete recording of the documents required to assert the input tax deduction.

12. Electronic communication

The communication between the auditor and the client can also take place by e-mail. If the client does not wish to communicate by e-mail or if it has special security requirements, such as the encryption of e-mails, the client will inform The auditor accordingly in text form.

13. Compensation

(1) The auditor is entitled to reimbursement of his expenses in addition to his fee or charge; value added tax is charged additionally. He may demand reasonable advances on fees and expenses and make the delivery of his services dependent on the full satisfaction of his claims. Several clients are jointly and severally liable.

(2) If the client is not a consumer, a set-off against claims of The auditor for remuneration and reimbursement of expenses is only permissible with undisputed or legally established claims.

14. Dispute Resolution

The auditor is not prepared to participate in dispute resolution proceedings before a consumer arbitration board within the meaning of § 2 of the Consumer Dispute Resolution Act.

15. Applicable law

Only German law shall apply to the order, its execution and the resulting claims.