



**UMT** United Mobility **Technology** AG

# 2018 Annual Report

Consolidated Financial Statements and Management Report  
as of 31 December 2018\*

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## Foreword of the Management Board

Ladies and gentlemen,  
Dear shareholders,

We took decisive action in Financial Year 2018 to set our course for the future. Our objective in making these moves was and continues to be ensuring that UMT Group remains competitive and on track for future growth. Surely the most important of these moves was the acquisition of a license by our longstanding customer PAYBACK, which brings us to a new strategic focus within our business model which ensures a higher degree of independence. The course highlights of the past financial year are presented below, along with our expectations for the future.

UMT Group was able to report successful performance in Financial Year 2018, with improvements in key performance indicators due to significant growth in revenues, total performance, gross earnings and EBITDA. In particular, UMT benefited from the strong growth in demand for state-of-the-art cashless payment alternatives. The Group's total performance was up 35 percent, to TEUR 12,431 (previous year: TEUR 9,224), based on revenues of TEUR 9,520 (previous year: TEUR 6,503). Consolidated gross earnings improved by 75 percent in the reporting year, to TEUR 7,788 (previous year: TEUR 4,450).

While consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) more than doubled, to TEUR 2,713 (from TEUR 1,317 in the previous year), consolidated earnings before interest and taxes (EBIT) fell to TEUR 250 (previous year: TEUR 550). As indicated in the Notes to the 2017 financial statements, this was driven in part by the amortization of goodwill, which was performed for the first time in 2018. The goodwill recognized on the Group's balance sheet results from the positive difference remaining after the consolidation of PEACHES Mobile GmbH and UMS United Mobile Services GmbH based on the consolidation of capital. In addition, substantial investments were made in Financial Year 2018 in the form of development performances for UMT's transaction platform in order to keep up with the fast pace of market growth in this business segment and ensure that UMT Group will remain competitive in the future. Consolidated earnings before taxes (EBT) fell to TEUR 117 (previous year: TEUR 328) because of depreciation in the reporting year, despite a significant decrease in interest expenses. UMT Group finished Financial Year 2018 with TEUR 117 in consolidated net income (previous year: TEUR 328).

The acquisition of a license by our longstanding customer and partner PAYBACK involves a refinement of our Group strategy. From now on, PAYBACK will be managing the customer-specific functional model developed by UMT on its own. In exchange, we will now be able to offer the functionalities which had previously been used by PAYBACK exclusively to other customers as part of an open-loop solution. This will create entirely new opportunities for us in the fast-growing cashless payment market, where we are known as a reliable service provider thanks to our extensive experience and established platform. Our white label solution allows our customers to benefit from the numerous advantages offered by state-of-the-art cashless payment solutions in combination with loyalty programs at the point of sale (POS). In other words, we make it possible for every provider to combine loyalty programs with mobile payment, with the goal of winning over new customers with our proven, practical and secure payment method, combined with additional functionalities, and decisively expediting the scaling of the UMT platform. The transaction platform's functionalities will be gradually extended from pure payment functions to complete business processes.

On 21 May of this year, we introduced our innovative loyalty app LOYAL, which will be available for download in summer 2019 from the Apple App Store and the Google Play Store for iOS and Android operating systems (for more about LOYAL, visit [umt.ag/loyal](http://umt.ag/loyal)).

With this revolutionary meta-app, UMT will offer its customers greater clarity, freedom and flexibility in selecting their favorite coupon and incentive programs (loyalty) while at the same time allowing them to access one of the largest and densest networks of participating retailers in Germany, along with mobile payment at the point of sale using either credit cards or cryptocurrencies like Bitcoin (BTC) or Ethereum (ETH). For us, the launch of LOYAL represents a significant logical extension of our value chain and a key step in our strategy of moving from pure mobile payment to greater digital integration of cashless payment, loyalty programs and current deals.

By offering the UMT transaction platform with extended functionalities and launching the LOYAL app, we have taken a big step towards scaling our business model. In the future, UMT will earn revenues not only from retailers' use of installed and market-tested technology, but also on the other side of the checkout counter: from users of UMT's LOYAL app.

We are now observing a cashless payment market in flux. This is especially true in Germany, where preference for cash as a means of payment is strongest of all. A three-year study conducted by Deutsche Bundesbank on payment practices in Germany shows that three in four transactions in 2017 were settled in cash, a category which particularly included payments of relatively small amounts. This number was about five percent lower than in 2014, as cash lost ground to cashless payment alternatives such as credit cards, contactless payment and mobile payment, i.e. payment via smart phone. Among respondents aged 18-24 especially, around one in four prefer to pay their bills with their cell phone. Cell phone payment is our future in two respects: it is the future for payment practices in Germany, and the future for UMT.

The steady trend away from cash as a payment option is evident not only from the way consumers prefer to pay at the cash register: the recent move by the European Central Bank (ECB) to abolish the 500-Euro bill undeniably reinforces this trend, and ultimately raises the question as to which other bills will follow.

Other payment providers in the German market have discovered this trend for themselves, as Google Pay, Apple Pay, WeChat and Alipay are moving forward energetically. And that's a good thing. With our LOYAL app, which acts as an integration app, as described above, users can combine solutions from various providers on their smart phone, so that they always have access to their favorite app. We are convinced that the launch of LOYAL will allow us to target a new and attractive customer group.

We reached another milestone by offering direct processing of prepaid cash flows and services through the UMT mobile payment and loyalty platform. Since further development of the platform means that there will no longer be any benefit or advantage in maintaining a separate online portal like prelado for digital prepaid mobile and gift vouchers, we sold all of our shares in prelado's parent company, UMT PEACHES Mobile GmbH, in the fourth quarter of 2018. Because of the disposal of liabilities in connection with the deconsolidation of UMT PEACHES Mobile GmbH, the sale has also had the effect of substantially strengthening UMT Group's equity base.

The course has also been set to scale the UMT platform beyond mobile payment and LOYAL: We have significantly extended our value chain by adding new technology in the area of Blockchain and cryptocurrencies, e.g. by forging a strategic partnership with UTRUST Switzerland AG in March 2018. At the same time, we are pursuing a strategy of diversifying our business model by selectively expanding our service range in the area of financial services and settlement and by acquiring additional investments. We also see a great deal of potential growth for UMT Group as the link between central bank-regulated payment transactions and the world of cryptocurrencies.

Over the entire duration of our relationship with PAYBACK, we have succeeded in positioning UMT in the market as a reliable technology partner, raising the profile of innovative cashless payment systems and reaching key development milestones. We will now build on this foundation and remain on track to generate growth and create sustainable value. Given the high level of orders on hand and the strong interest from potential customers, as well as the course we have set, we expect UMT Group's successful performance to continue in Financial Year 2019, which is already underway. The Management Board expects to see improvements in revenues and earnings based on general market conditions, which continue to change to the Group's benefit.

I would like to take this opportunity to thank all UMT Group employees for their passionate and unyielding commitment. Our business partners deserve our thanks for their loyal and enriching cooperation and I would also like to thank the Supervisory Board for our constructive dialogue and especially our shareholders for their confidence and trust.

Munich, July 2019

With best regards

Dr. Albert Wahl



**Dr. Albert Wahl**  
CEO

## Report of the Supervisory Board

Dear shareholders,

The Supervisory Board reports as follows on its activity in Financial Year 2018:

The Supervisory Board once again performed its required tasks in Financial Year 2018 in accordance with the law and the Articles of Association, exercising careful and routine supervision over the Management Board. The Management Board routinely reported to the Supervisory Board, verbally and in writing, with regard to company forecasts and strategic planning, operational performance, risk management and all major transactions. Decisions of fundamental importance for the company were discussed with the Supervisory Board and presented for its approval.

Six meetings of the Supervisory Board were held in Financial Year 2018, on the following dates: 23 February, 4 May, 29 June, 12 July, 22 November and 3 December. All Supervisory Board members took part in each meeting, with the exception of the final meeting in December, from which one Supervisory Board member was excused. The Supervisory Board was also kept constantly informed of recent developments in the company in personal conversations outside of these meetings.

The Management Board regularly reported on the course of business and presented operational performance indicators over the course of the year.

The subjects discussed at the meeting on 23 February were recent developments in the PAYBACK project, the status of other operations and a possible strategic (re-) alignment, including the addition of new technologies.

At the Supervisory Board's meeting on 4 May, the audited and certified financial statements for 31 December 2017 were presented to the Supervisory Board by the Management Board. As in the year before, an earnings appropriation resolution was not proposed because, despite reporting a net income, the company showed a net accumulated loss at the end of the year. After deliberation by the members of the Supervisory Board, and after hearing the auditor, the Supervisory Board unanimously approved the financial statements for 31 December 2017. The date of the 2018 annual meeting was also set and the agenda items which are to be discussed at that meeting were adopted as well.

At the meeting on 29 June, the Supervisory Board discussed the course of the annual meeting which had just been conducted, as well as recent sales activities.

The status of current operations and an update from the Management Board on the UMT PEACHES Mobile GmbH project (prelado) were discussed at the Supervisory Board meeting on 12 July.

At the meeting on 22 November, the Supervisory Board unanimously approved the Management Board's resolutions for partial utilization of Authorized Capital 2018/I. The Supervisory Board also received a report from the Management Board on the current status of the PAYBACK, UMT PEACHES Mobile GmbH (prelado) and LOYAL projects.

The subject of the Supervisory Board meeting on 3 December was an update on PAYBACK user behavior and recent sales activities, as well as setting dates for the 2019 financial calendar.

No Supervisory Board committees existed in Financial Year 2018 and no new committees were formed.

The 2018 financial statements and management report, prepared by the Management Board in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch), were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft of Nuremberg. The auditor has issued an unqualified auditor's opinion.

The report on the audit of the financial statements and management report of 31 December 2018 was made available to the Supervisory Board in a timely manner prior to the meeting of 5 July 2019. These financial statements were discussed together with the Management Board and the auditor at the Supervisory Board meeting of 5 July 2019. The Supervisory Board approvingly took note of the results of the audit, raising no objections. The Supervisory Board examined the financial statements and management board pursuant to § 171 of the Corporations Act (Aktiengesetz) and approved the financial statements. Accordingly, the financial statements for Financial Year 2018 were adopted pursuant to § 172 of the Corporations Act.

The Supervisory Board would like to express its thanks and recognition to the company's Management Board for its hard work and professionalism in Financial Year 2018.

Munich, 8 July 2019

Für den Aufsichtsrat

Walter Raizner



**Walter Raizner**  
Vorsitzender des Aufsichtsrats

# Consolidated Management Report

## Foundations of UMT Group

### Business Model

As a publicly traded parent corporation, UMT United Mobility Technology AG (UMT) supports innovative enterprises with a highly entrepreneurial, implementation-oriented approach. UMT Group offers its customers customized services and solutions, particularly for mobile and electronic payment systems and in Blockchain and data analytics. In doing so, UMT acts as the central interface between all relevant parties, such as large retail chains, banks, bonus program providers and consumers. UMT's technology is currently live in around 16,000 stores and 71,000 points of sale. In Germany alone, more than 14 million users use UMT's mobile payment technology. This is based on the company's mobile payment and loyalty platform and the associated services, which are primarily offered using a licensing model, as white label solutions. These offerings make UMT one of the leading providers of mobile payment technology and integration services in Europe. UMT also offers its clients services throughout the value chain in connection with customer loyalty programs and smart data, as well as consulting services in connection with ICOs (initial coin offerings). With its innovative LOYAL app, UMT Group offers its users the ability to use loyalty programs efficiently, as well as a mobile payment solution which meets current standards.

## Subsidiaries and Investments

UMT holds shares in UMS United Mobile Services GmbH (UMS) in Munich and in the Riga-based iPAYst LLC. Another subsidiary is Mobile Payment System Espana S.L. in Barcelona. UMT Group also holds shares in the Istanbul-based UMT Turkey Mobil A.S., SEKS – Serial Entrepreneurship Knowledge Society S.L. in Barcelona and UMT USA Inc. in California. As of May 2017, UMT also holds a majority of shares in Wiesbaden-based UMT Peaches Mobile GmbH (formerly PEACHES Mobile GmbH). In November 2018, UMT's Management Board resolved to sell its entire majority stake.

## Innovations, Research and Development

UMT Group offers its customers innovative and flexibly customized solutions along the mobile payment and loyalty value chain and in the field of smart data. Innovation and new mobile technologies are a key component of the Group's strategy. Its focus is on optimizing and developing the basic technology behind its own platform and services, with a particular focus on the white label area. A large percentage of the Group's investments flow to UMS. The use of new technologies ensures that resources are utilized efficiently and effectively in a highly dynamic market environment. UMT Group will continue to adapt to the market's requirements with regard to changes in financial technology in order to remain attractive and competitive on a lasting basis.

## Economic Report

### Conditions in the Sector and the Economy as a Whole

Technological progress is the engine of our company's growth and data are the key commodity powering digital change and the decisive factor in the success of companies today. According to the Federal Ministry for Economic Affairs and Energy, Germany's GDP may grow by an additional EUR 82 billion through the year 2020 if German companies continue to develop digital technologies and the infrastructure for their use. Already, digital technologies have enabled massive productivity gains and new business models, especially in the services sector. In addition to sectors like the entertainment and creative industries, the banking, retail and tourism sectors have already taken significant steps in this direction. By developing new processes and products, entering and opening new markets and forging global partnerships, digital financial services companies like UMT United Mobility Technology AG, or "FinTechs," are contributing to the success of the German economy.

According to forecasts of the International Monetary Fund (IMF), global economy grew at a pace of 3.7 percent in 2018, down from 3.8 percent in the previous year. Despite weaker performance in some economies, particularly in Europe and Asia, the IMF adhered to its forecast of October 2018, which already took into account a slight decrease in growth because of the trade dispute between the US and China.

After an unexpectedly weak first half, the International Monetary Fund cut its 2018 forecast for GDP growth in the Euro zone to 1.8 percent, down 0.2 percent from October 2018. In the previous year, 2017, GDP in the Euro zone grew at a rate of 2.4 percent. Euro zone inflation was 1.4 percent in 2018, down from 1.5 percent in the previous year.

According to the Federal Statistical Office, the German economy grew at a rate of 1.5 percent in 2018, for its ninth straight year of growth, although growth was weaker than the year before. Consumer spending was once again the key growth driver in 2018, although its rate of growth was significantly lower than in recent years. German exports also grew at a slower pace than in previous years. Germany's average inflation rate for 2018 was 1.9 percent, as it continued to approach the target rate for European monetary policy of just under 2 percent. The inflation rate was 1.8 percent in 2017.

Meanwhile, the smart phone market continues to grow at a strong pace. Global market volume was 5.0 billion devices in 2018, but the Ericsson Mobility Report projects that 7.2 billion smart phones will be in use by 2024. This would represent an average growth rate of around 6 percent per year. Experts estimate that mobile data traffic by smart phone will increase at a rate of around 24 percent per year over this period. A survey from the industry association Bitkom shows how extensively smart phone owners use the functions available on their devices: according to the survey, more than three quarters of users (79 percent) use their devices to search the internet and one half use them for online banking (46 percent) and online shopping (43 percent). 17 percent of users are already using ticket functions.

Payments today serve the same purpose as they did thousands of years ago: goods and services are exchanged between buyer and seller at an agreed upon price. But the type of currencies and the methods for identifying and exchanging value have changed as new technologies have become available: from cattle to gold coins and from paper money to digital wallets and cryptocurrencies. The dissemination of mobile devices like smart phones and tablets has created strong growth in the mobile payment market. Technology from companies like UMT United Mobility Technology AG also enables consumers to make purchases from stationary retail stores, activate coupons and collect loyalty points in a digital wallet. A total of at least 140 online payment methods were available in 2018 in 36 different countries. Consumers prefer to pay their bills with an e-wallet. Worldpay estimates that the share of transactions in which consumers paid with an e-wallet at the point of sale (POS) reached 16 percent in 2018, for fourth place among retail sales. This share is expected to grow to 28 percent by 2022.

According to a three-year study conducted by Deutsche Bundesbank on payment practices in Germany, 75 percent of transactions were settled in cash in 2017, a category which particularly included payments of relatively small amounts. This number was about five percent lower than in 2014, as cash lost ground to cashless payment alternatives such as credit cards. The cash share in retail sales fell below 50 percent for the first time since Deutsche Bundesbank began conducting these studies in 2018. Payments using contactless cards and smart phones will become increasingly significant, as online payment methods have made a breakthrough in online retail. The number of point-of-sale (POS) terminals, i.e. payment terminals for cashless payment transactions, e.g. in retail, more than doubled in the period from 2000 to 2017, to 1.2 million.

Conditions in the sector and in the economy as a whole offer a fast-growing and promising market for UMT Group's mobile payment and loyalty solutions. UMT's full-service platform fully meets the individual requirements of retailers and partners and is capable of creating sustained added value in the B2B and B2C segments, e.g. as a continuous driver of revenue growth. By establishing its own platform as the market standard, UMT Group will be able to profit from the international growth in mobile payment users and the increasing availability of smart phones.

## Course of Business

The Management Board of UMT took decisive action in Financial Year 2018 in order to ensure that the Group remains competitive and on track for future growth.

In March 2018, UMT Group announced a strategic decision to pursue vertical integration all along its value chain, including payment, acquiring and banking services, and resolved to extend its service range by adding payment services (PSP) and acquiring, as well as e-money payments and banking services for corporate and private clients. UMT, whose payment and loyalty platform were previously offered to corporate clients primarily as a white label solution, thus extended its value chain significantly and transformed itself into a European payment, banking and loyalty service provider in both the B2B and the B2C markets.

Also in March of 2018, UMT announced that it had forged an extensive payment partnership with UTRUST Switzerland AG, consistent with the strategic extension of its value chain. UTRUST the world's first payment platform for cryptocurrencies with full-scale consumer protection features. The partnership includes the financing and operation of a transaction platform for crypto- and fiat currencies based on innovative and forward-looking Blockchain technology. As part of this relationship, UTRUST licenses the UMT technology platform as a new customer and pays a transaction-based fee for processing of payment transactions.

With a view towards further integrating its value chain, UMT United Mobility Technology AG sold all its shares in UMT PEACHES Mobile GmbH in November 2018. As development of UMT's platform continues, companies will be able to process prepaid cash flows and services directly through UMT's mobile payment and loyalty platform, so that there will no longer any benefit or advantage in maintaining a separate portal (prelado).

Based on an authorizing resolution adopted by the shareholders on 29 June 2018, the Management Board of UMT also resolved in November 2018 to raise the company's capital stock, utilizing the existing Authorized Capital 2018/1. A total of 2,500,000 new no-par-value common bearer shares were issued on this occasion, with a mathematical share in capital stock of EUR 1.00 per share. All of the shares were placed with the founding shareholder and with SWM Treuhand AG Wirtschaftsprüfungsgesellschaft in Grünwald, a major original shareholder in the company, at an issue price of EUR 1.00 per share. With an entry of 28 March 2019 into the Commercial Register, the capital stock was increased by EUR 2,500,000.00, to EUR 23,533,569.00.

These new shares were not paid for in cash, but rather through the contribution of a loan claim against UMT in the amount of EUR 2,500,000.00 held by SWM Treuhand AG Wirtschaftsprüfungsgesellschaft. Contribution of this loan claim decreased the company's interest expenses significantly, as accounts payable to shareholders were substantially reduced with no impact on liquidity and shareholders' equity increased by a significant amount.

In December 2018, UMT and PAYBACK redefined their successful longstanding partnership. The UMT platform has served as the technological basis of the market-leading mobile payment function PAY in the PAYBACK app since 2016. In the course of further development of the UMT platform, however, PAYBACK has now acquired a license from UMT to operate PAYBACK PAY on its own, and will be taking responsibility for managing the customer-specific functional model developed by UMT by itself. In exchange, UMT will now be able to offer the functionalities which had previously been used by PAYBACK exclusively to other customers as part of an open-loop solution.

This development should be viewed in conjunction with the announcement in May 2019 of next summer's launch of UMT's aggregation app LOYAL, which allows customers to combine payment services from various providers in a single application: UMT is offering users an even greater degree of flexibility and freedom, while at the same time ensuring the broadest possible acceptance. For UMT, this means greater independence and a promising future in the fast-growing cashless payment market.

## Position of UMT Group

The basis for the presentation of the earnings, liquidity and financial situation as well as for the key ratios is the annual financial statements as of 31 December 2018 in accordance with the German Commercial Code and UMT Group internal reporting for the period from 1 January to 31 December 2018.

UMT generally publishes all data in thousands of Euros (TEUR). Due to rounding, it is possible that individual figures may not add up exactly to the totals indicated, and that the numbers and percentages shown may not precisely reflect the absolute values to which they refer.

## Earnings Position

Major changes in the earnings position of UMT Group in 2018 compared to the corresponding period from the previous year:

UMT Group's total performance was up 35 percent in the past year, to TEUR 12,431 (previous year: TEUR 9,224), based on revenues of TEUR 9,520 (previous year: TEUR 6,503). Consolidated gross earnings improved by 75 percent in the reporting year, to TEUR 7,788 (previous year: TEUR 4,450). While consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) more than doubled, to TEUR 2,713 (from TEUR 1,317 in the previous year), consolidated earnings before interest and taxes (EBIT) fell to TEUR 250 (previous year: TEUR 550). As indicated in the Notes to the 2017 financial statements, this was driven in part by the amortization of goodwill, which was performed for the first time in 2018.

The goodwill recognized on the Group's balance sheet results from the positive difference remaining after the consolidation of PEACHES Mobile GmbH and UMS United Mobile Services GmbH based on the consolidation of capital. In addition, substantial investments were made in Financial Year 2018 in the form of development performances for UMT's transaction platform in order to keep up with the fast pace of market growth in this business segment and ensure that UMT Group will remain competitive in the future. Consolidated earnings before taxes (EBT) fell to TEUR 117 (previous year: TEUR 328) because of depreciation in the reporting year, despite a significant decrease in interest expenses. UMT Group finished Financial Year 2018 with TEUR 117 in consolidated net income (previous year: TEUR 328).

### **Financial and Liquidity Position**

Major changes in the financial situation of UMT Group in 2018:

The Group had TEUR 22,186 in total assets as of the reporting date, 31 December 2018 (31 December 2017: TEUR 28,107). This decrease is attributable to a decrease in intangible assets and in non-marketable securities.

Total intangible assets fell from TEUR 21,498 (31 December 2017) to TEUR 18,349.

The "self-created industrial property rights and similar rights and assets" item, in the amount of TEUR 4,790 (31 December 2017: TEUR 6,115) includes capitalized expenses in the Financial Year (including expenses for freelance employees and outside companies) for development of the core system, as well as development of the software used in the PAYBACK PAY app and the new meta-app LOYAL, including the Group's share of indirect expenses. Non-marketable securities (funds which are invested in a manner similar to money market investments) were reclassified as current assets in 2018 and partially reversed.

Among current assets, trade receivables decreased significantly, from TEUR 2,874 on 31 December 2017 to TEUR 305. UMT Group had adequate funds as of 31 December 2018. Liquid funds amounted to TEUR 483 on 31 December 2018 (31 December 2017: TEUR 338). UMT Group's shareholders' equity decreased by TEUR 3,653, to TEUR 18,972 (31 December 2017: TEUR 22,625). This is largely attributable to the increase in non-controlling interests by TEUR 3,765, to TEUR 5,333 (31 December 2017: TEUR 1,567). Debt fell from TEUR 5,482 in the previous year to TEUR 3,214. Both effects are largely attributable to the deconsolidation of UMT Peaches GmbH.

The consolidated cash flow statement shows a net operating cash flow of TEUR 2,240 (year before: TEUR -2,405), a net cash flow from investment activity of TEUR -1,067 (year before: TEUR -3,048) and a net cash flow from financing activity of TEUR -4 (year before: TEUR 5,487).

## **Financial and Non-Financial Performance Indicators**

### **Financial Performance Indicators**

While consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) more than doubled, to TEUR 2,713 (from TEUR 1,317 in the previous year), consolidated earnings before interest and taxes (EBIT) fell to TEUR 250 (previous year: TEUR 550).

### **Non-Financial Performance Indicators**

### **Personnel**

As of the reporting date, UMT Group had an average of 24 full-time employees not including the management board and other members of management. The Group's staff is supplemented by a changing number of outside software developers. This is common practice in the industry and allows the company to adapt flexibly to the order situation.

## **Forecast, Opportunities and Risks**

### **Forecast**

Global GDP growth weakened to 3.7 percent last year, and the International Monetary Fund (IMF) expects to see growth rates of 3.5 percent in 2019 and 3.6 percent in 2020, lower than expected in October 2018. This represents a reduction of 0.2 percent in the forecast for 2019 and 0.1 percent for 2020, reflecting weaker performance in key economies, particularly in Europe and Asia. The lower GDP growth forecast for the next two years is also a result of the higher tariffs enacted in the US and China as a result of their trade dispute.

The European Commission expects the European economy to grow at just a moderate pace in 2019. In the second half of 2018, growth weakened from a high of 2.4 percent and fell to 1.9 percent for 2018 as a whole in both the Euro zone and the EU. According to the Commission, the causes for this slowdown include global uncertainty as well as domestic factors in the major EU economies, particularly in the Euro zone. In its winter forecast, the European Commission calls for Euro zone GDP growth of 1.3 percent in 2019 and 1.6 percent in 2020. This represents a downward adjustment of 0.6 percent for 2019 and 0.1 percent for 2020 relative to its autumn forecast. Growth expectations for the EU were also downgraded, by 0.4 percent in 2019 and by 0.1 percent in 2020.

According to the German government, the German economy will continue to grow in 2019, marking its tenth consecutive year of growth. GDP growth of 1.0 percent is expected for the current year. However, the German economy is now entering a period of greater uncertainty as foreign trade risks begin to mount. In its forecast, the market research firm GfK nevertheless projects that real private consumer spending will increase by around 1.5 percent in 2019. The improvement in the job market and the associated prospect of rising incomes laid the foundation for strong consumer spending in 2018.

Smart phone demand was down around 3 percent in 2018, but revenues in the smart phone market were up 5 percent thanks to the trend towards premium smart phones. The market research firm GfK expects this number to continue to grow in the reporting period. Communications technology company Ericsson expects 7.2 billion smart phones to be in users' hands by 2024, which would represent an annual growth rate of around 6 percent. Mobile smart phone data volume is expected to increase by around 24 percent a year over this period, to 21 Gigabytes per month per device.

As smart phones become increasingly widespread, the number of users taking advantage of mobile payment applications is growing as well. The payment service provider Worldpay estimates that the share of transactions in which consumers paid with an e-wallet at the point of sale (POS) reached 16 percent in 2018, for fourth place among retail sales. This share is expected to grow to 28 percent by 2022. Online shopping and mobile payment require secure and user-friendly applications. Digital wallets offer both and offer the advantage of seamlessly integrating payment into consumers' lifestyle and daily routine through mobile applications. E-wallets have even more levels of security, with encryption, tokenization and device authentication. Given the growing number of users in China and the US, Worldpay expects digital wallets to be the leading e-commerce payment function within five years. Retail is expected to undergo a process of transformation, although a completely cashless world is still far away and cash will continue to play a significant role at the point of sale. Nevertheless, use of cash is steadily decreasing all over the world and, by 2022, cash is expected to rank behind debit cards, credit cards and e-wallets in consumers' favor. Bitkom, Germany's digital association, has also concluded that consumers believe retailers will adopt smart technology. In a study of internet users aged 14 or older, 54 percent of respondents expect card or mobile payment to become the prevailing form of payment and believe that stationary retail will no longer accept cash in the year 2030. Among respondents aged 14-29, 58 percent describe this scenario as "very" or "rather likely."

To the management consulting firm AlixPartners, the future of retail lies in global, cross-channel point-of-sale solutions which are integrated into retailers' back-office solutions and supplemented with financing options in order to ensure the desired scope of services. Technology providers, like UMT United Mobility Technology AG, which have mastered the effective development and management of ecosystems through standardized APIs will be able to prevail in competition.

For retailers, the key to success will be rapidly constructing ecosystems which offer their customers added value based on analysis of selected data in the purchase process. According to AlixPartners, the focus of innovations in 2019 will be on improved solutions for account management, fraud detection and prevention, points collection and loyalty and integrated payment offerings.

According to the management consulting firm Capgemini, the issue of data compliance will increasingly capture the public's attention. Regulatory authorities all over the world, whose focus in recent years has been on promoting innovation and upgrading payment systems, may respond by placing greater emphasis on standardization in order to ensure stability and security in light of the sheer number of products and solutions. This also means that the issue of data protection will be important as the payment industry becomes increasingly transparent. To Germany's Federal Ministry of Justice and Consumer Protection, data protection also means protection of privacy and self-determination.

Accordingly, data security is an issue which must be kept in mind by technology developers from the start, among the many advantages of new digital payment methods, in order gain acceptance and trust among both consumers and retailers.

While German businesses see great opportunities in Blockchain, the technology behind digital currencies, they have been reluctant to introduce this technology within their own companies, according to Bitkom. Challenges include the continuing lack of cases where this technology is used in practice, the shortage of Blockchain experts and legal uncertainty. The majority of companies, 60 percent, have yet to engage with the issue of Blockchain. Only 2 percent are currently discussing using it, 4 percent are in the planning or testing phase and another 2 percent already have ongoing projects. Companies see the greatest potential in using the technology as a decentralized trading platform or transaction system, such as the one offered by UMT United Mobility Technology AG. Around one half of companies see opportunities in the secure and transparent transmission of title documents using Blockchain. For example, a real estate purchase agreement could be stored on Blockchain, where it would be secure from manipulation, so that there would be no further need for notarization. Of companies which are already using Blockchain, or which are planning or discussing such use, 98 percent say that they will be able to adapt existing products or services for use with Blockchain. Another 82 percent plan to offer new products and services based on Blockchain technology and 66 percent say that Blockchain will allow them to develop new business models.

UMT Group's focus will continue to be on seamless and customer-oriented integration of its technology platform using a licensing model and customized consulting and integration services with conceptual support for sales-boosting mobile payment, loyalty, Blockchain and data analytics solutions. In the future, the company will continue to generate revenues from implementation and associated recurring royalties and transaction fees through a licensing model. The targeting of multipliers to maximize acceptance will continue to play a key role. In addition, the optimization of existing products and services, in the data analytics segment above all, will have a positive impact on operating results in the medium term.

UMT will also be relying upon its extensive technical and operational experience in the spheres of mobile payment, loyalty and capital markets to advise companies and start-ups in the successful implementation of Initial Coin Offerings (ICOs) based on Blockchain technology. In this context, the company will be further extending its value chain over the long term by adding payment services (PSP) and acquiring, as well as e-money payments and banking services for corporate and private clients. These services will make it possible for UMT, as the operator of one of Germany's largest mobile payment platforms, to save on costs for third-party providers and provide a platform which offers customers an even greater diversity of payment, financial and loyalty products. The company also plans to invest in a sustained and continuous fashion in developing its product and service portfolio.

As it extends its value chain in the mobile environment, UMT will also be enabling the integration of stored value products and digital currencies, or "cryptocurrencies." The strategic partnership forged in March 2018 with UTRUST Switzerland AG serves to extend and further develop UMT technology in order to integrate UTRUST's escrow function in the crypto-market. The partnership includes operation of a transaction platform for crypto- and fiat currencies based on innovative and forward-looking Blockchain technology.

In summary, it can be stated that forecasts of any kind concerning UMT's future business performance depend on the continuing market penetration of mobile payment options in stationary retail and e-commerce. As stated above, the future development of the mobile payment market itself will be determined by the degree to which consumers not only accept cell phones as a means of payment, but actually use them as such. Because of the difficulty in ensuring the validity of statements relating to future developments, any forecasts will carry a great deal of uncertainty and, in particular, will depend on many different variables.

In an active effort to counteract this risk of forecasting uncertainty, UMT has continually extended the range of services it offers throughout its history, offering additional customized services and solutions, e.g. for mobile and electronic payment systems and in the areas of cryptocurrencies and consulting, in addition to pure mobile payment and loyalty applications. Accordingly, UMT's goal of extending its value chain was the key driver in development of the innovative loyalty app LOYAL. For UMT AG, LOYAL represents a significant logical extension of its value chain, and a key development for its strategy of moving from pure mobile payment to greater digital integration of cashless payment, loyalty programs and current deals. With this meta-app, UMT will offer its customers greater clarity, freedom and flexibility in selecting their favorite coupon and incentive (loyalty) programs while at the same time offer mobile payment at the point of sale using either credit cards or cryptocurrencies like Bitcoin (BTC) or Ethereum (ETH).

By offering the UMT transaction platform with extended functionalities and launching the LOYAL app, UMT has taken a big step towards scaling its business model. In the future, UMT will earn revenues not only from retailers' use of installed and market-tested technology, but also on the other side of the checkout counter: from users of UMT's LOYAL app.

UMT technology places its customers in a position to benefit from the numerous advantages offered by the latest cashless payment solutions in combination with loyalty programs at the point of sale (POS). The transaction platform's functionalities will be gradually extended from pure payment functions to complete business processes.

### **Opportunities and Risks**

Within the context of value-based management, consistent exploitation of arising opportunities continues to form the basis for UMT's business operations. Critical developments and evident risks are identified early on in order to ensure lasting and sustainable success. Opportunities are identified at an early stage, analyzed and exploited in order to secure trends for future growth and to improve earnings.

UMT Group operates in a highly fragmented market environment which is becoming increasingly consolidated. As a result, there continues to be a risk that large market operators like Apple, Google, Alipay or WeChat which already hold significant market power and/or have considerable funds at their disposal will be able to divide the market among themselves in the long term. But providers of white label mobile payment and mobile wallet solutions like UMT benefit from the fragmentation of the market, particularly in the form of platform-independent access.

The Group believes that it remains well-positioned in this regard as its mobile payment and loyalty technology, when combined with a customer loyalty tool, provides a payment method with key unique selling points. These particularly include universal applicability, lack of dependence on individual retailers and the ability to integrate targeted marketing actions and a variety of payment options. The business performance of UMT Group largely depends on the future performance of UMS United Mobility Services GmbH, where the Group's operations are largely concentrated.

Germany is an exciting market for innovative payment service providers and FinTech companies like UMT. In recent years, we have observed a clear trend away from cash payment and towards cashless payment alternatives. A study by Deutsche Bundesbank last year concluded that cash accounted for only 48 percent of payment transactions in 2017, down about 6 percent from 2014 and 10 percent from 2008. Among respondents aged 18-24 especially, around one in four prefer to pay their bills with their cell phone. This is a great opportunity for retail and for UMT Group as well.

Through its partnership with the multi-partner bonus program PAYBACK and the associated integration of the point-of-sale system, UMT Group already accommodates a large share of mobile payment processes in German retail. UMT's share of mobile payment processes in Germany continued to increase over the course of 2018 with the addition of even more large retail chains, including the addition of all 2,180 PENNY supermarkets in April 2018. On this basis, UMT Group will further strengthen position in the German mobile payment market in the coming year as well.

Developments in the market in recent years and in the year just ended support the argument that the future lies in the user-friendly combination of payment applications with loyalty solutions. For example, eight out of ten Germans are familiar with the PAYBACK brand. According to a study by TNS Emnid (2014), the PAYBACK card has already captured third place in German consumers' wallets, rights after EC cards and credit cards. The PAYBACK app is third in the brand rankings among shopping apps, next to Amazon and eBay. With 30 million customers and 7 million active users in Germany, the PAYBACK app creates added value which other providers in this segment do not offer. And UMT participates directly in this success with its proven technology.

In December 2018, UMT and PAYBACK redefined their successful longstanding partnership. The UMT platform has served as the technological basis of the market-leading mobile payment function PAY in the PAYBACK app since 2016. In the course of further development of the UMT platform, however, PAYBACK has now acquired a license from UMT to operate PAYBACK PAY on its own, and will be taking responsibility for managing the customer-specific functional model developed by UMT by itself. In exchange, UMT will now be able to offer the functionalities which had previously been used by PAYBACK exclusively to other customers as part of an open-loop solution. This will create the opportunity to extend its potential customer base in a lasting fashion and decisively expedite the existing scaling of the UMT platform.

This development should be viewed in conjunction with the announcement in May 2019 of next summer's launch of UMT's aggregation app LOYAL, which allows customers to combine payment services from various providers in a single application: UMT is offering users an even greater degree of flexibility and freedom, while at the same time ensuring the broadest possible acceptance. For UMT Group, this means greater independence and a promising future in the fast-growing cashless payment market.

The most important requirement cited by consumers for switching to mobile payment is data security, followed by access to intuitive integrated technology in apps which offer additional services. In general, UMT Group offers all retailers the option of integrating its technology throughout the sales and loyalty process, ensuring utmost protection of user data.

These requirements happen to represent the major strengths of UMT's technology. For example, the payment technology which is integrated in the PYABACK app is TÜV-tested and the company's security and encryption mechanisms conform to the standards for banks. No banking data is stored on the smart phone, so that abuses of the payment process are practically impossible. UMT technology also allows consumers to collect points and activate coupons. UMT Group views itself as a facilitator for retailers for the entire sales process, and not merely as a payment processor. As a result, the company is not engaged in competition with other payment service providers, which comes with margin pressure. With its highly efficient development processes, UMT's platform creates clear competitive advantages by enabling very rapid market entry and high technological penetration in retail.

UMT Group's partially transaction-based business model may be indirectly impaired by consumer behavior. In the event of a significant worsening in the economy and a sharp decrease in consumer spending, there may be a negative impact on the company's course of business. If the willingness of consumers to spend is negatively affected due to changes in the general economic situation, this may affect the course of business of UMT's various B2B customers. A large portion of revenues are currently generated from implementation and set-up fees, as well as licensing fees. For this reason, and in view of the growing demand for mobile payment and the positive forecast for private consumer spending, the company does not view this as a significant risk for the current financial year.

Well-trained and motivated employees play a very important role in ensuring the lasting financial success of UMT Group. The ability to successfully execute projects also depends in large part on the availability of highly qualified employees. In order to achieve positive operating results, it will be necessary e.g. to retain existing employees for the long term and to recruit qualified specialists and executives. The company views its ability to recruit highly qualified specialists and executives, as well as the need to secure full staffing levels as soon as possible for ongoing and future projects, as a risk.

Based on the fact that the company is already set up with the relevant specialists, the company will be quick to respond to future growth and hire new employees. It will also rely upon outside expertise for project-related orders in order to save time and money. In doing so, management will be guided at all times by highly effective and efficient personnel planning, with all IP and system-related know-how remaining in-house.

In the course of its investments, UMT Group will continue to strategically invest in and acquire companies all along the value chain provided they offer added value for UMT's technology platform. The investment risk is mitigated by the fact that the subsidiaries and investments are largely capitalized with equity alone. This is also true for other planned investments and partnerships.

In May 2017, UMT AG acquired a 51-percent interest in PEACHES Mobile GmbH in exchange for cash and UMT shares. The key to the transaction was prelado, one of the leading online portals for digital prepaid mobile and gift vouchers in Germany. As development of UMT's platform continues, companies will be able to process prepaid cash flows and services directly through UMT's mobile payment and loyalty platform, so that there will no longer any benefit or advantage in maintaining a separate portal. As a result, the UMT Management Board resolved to sell all shares in PEACHES Mobile GmbH in November 2018.

Financial risks are a key aspect, and particularly securing capital for UMT United Mobility Technology AG.

Through the capital increase with preemption rights excluded which was announced in December 2018 and executed in March 2019, UMT was able to strengthen the company's capital base in a lasting fashion for its operational alignment. A total of 2,500,000 new no-par-value common bearer shares were issued on this occasion, with a mathematical share in capital stock of EUR 1.00 per share. All of the shares were placed with the founding and major original shareholder in the company SWM Treuhand AG Wirtschaftsprüfungsgesellschaft in Grünwald, at an issue price of EUR 1.00 per share. With an entry of 28 March 2019 into the Commercial Register, the capital stock was increased by EUR 2,500,000.00 to EUR 23,533,569.00.

These new shares were not paid for in cash, but rather through the contribution of a loan claim against UMT in the amount of EUR 2,500,000.00 held by SWM Treuhand AG Wirtschaftsprüfungsgesellschaft. Contribution of this loan claim decreased the company's interest expenses significantly, as accounts payable to shareholders were substantially reduced with no impact on liquidity and shareholders' equity increased by a significant amount. As a result, the conversion of these claims against UMT into equity went a long way towards strengthening the company's capital base in lasting fashion.

At all times, the management of UMT Group ensures full and routine reporting and careful supervision over UMT's business activities and the key investment in UMS, in which the Group's operations are largely concentrated. The Management Board will constantly monitor liquidity by exercising supervision over investments and routine accounting reports. Liquidity requirements will be coordinated with capital providers at all times. The Management Board will ensure that planned spending will only be executed if adequate funding is available. In this way, it will be possible to ensure that all times that the continued existence of the company will not be jeopardized regardless of individual capital measures.

Implementation of the mobile payment and loyalty platform as a mobile payment and customer retention tool as part of a licensing model, as well as the revenues associated with use of the individual services are of the greatest importance for the future of UMT Group. UMT Group continues to view itself as being in a strong starting position in this regard, which has been built up over the recent years.

Based on present conditions, and in light of the course which was set last year, UMT Group expects to see continued growth in its operational business in Financial Year 2019, as well as a slight improvement in revenues and earnings over the year before. The timing of revenue realization continues to depend heavily on the course of individual customer projects, over which UMT has only limited control due to various dependencies between the project participants.

One of UMT's main goals has always been to promote technologies which create lasting added value, replace outdated business models and render expensive and unnecessary processes obsolete. To this end, UMT will continue to work on its core competence, mobile payment and loyalty solutions. The prospects for success in this area are excellent thanks to the partnerships which the company has been able to form. The company will also be focusing on strategic extensions to its value chain and developing its Blockchain business. The groundwork has been laid for the company to profit in a lasting fashion from the fast-growing mobile payment, cryptocurrency and loyalty market, and negotiations with major customers in the retail, banking and industrial sector have already reached an advanced stage. The company plans to generate additional revenues not only by attracting new customers, but also through strategic partnerships and relationships.

UMT Group views itself as being well-positioned in the market with its present operational alignment and the extension of its value chain and expects continued positive performance in the current financial year despite the risks presented above. In summary, it can be stated that forecasts of any kind concerning UMT's future business performance depend on the continuing market penetration of mobile payment options in stationary retail and e-commerce. As stated above, the future development of the mobile payment market itself will be determined by the degree to which consumers not only accept cell phones as a means of payment, but actually use them as such. Because of the difficulty in ensuring the validity of statements relating to future developments, any forecasts will carry a great deal of uncertainty and, in particular, will depend on many different variables.

In an active effort to counteract this risk of forecasting uncertainty, UMT Group has continually extended the range of services it offers throughout its history, offering additional customized services and solutions, e.g. for mobile and electronic payment systems and in the areas of cryptocurrencies and consulting, in addition to pure mobile payment and loyalty applications. Accordingly, UMT Group's goal of extending its value chain was the key driver in development of the innovative loyalty app LOYAL. For UMT Group, LOYAL represents a significant logical extension of its value chain, and a key development for its strategy of moving from pure mobile payment to greater digital integration of cashless payment, loyalty programs and current deals.

With this meta-app, UMT will offer its customers greater clarity, freedom and flexibility in selecting their favorite coupon and incentive (loyalty) programs while at the same time offer mobile payment at the point of sale using either credit cards or cryptocurrencies like Bitcoin (BTC) or Ethereum (ETH).

By offering the UMT transaction platform with extended functionalities and launching the LOYAL app, UMT Group has taken a big step towards scaling its business model. In the future, UMT will earn revenues not only from retailers' use of installed and market-tested technology, but also on the other side of the checkout counter: from users of UMT's LOYAL app.

UMT technology places its customers in a position to benefit from the numerous advantages offered by the latest cashless payment solutions in combination with loyalty programs at the point of sale (POS). The transaction platform's functionalities will be gradually extended from pure payment functions to complete business processes.

Reference is made to the statements made in the Notes in accordance with § 160(1) No. 2 of the Corporation Act.

Munich, 5 July 2019

Dr. Albert Wahl  
Chief Executive Officer

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

as of 31 December 2018

| ASSETS / in EUR  | 31/12/2018           | 31/12/2017           | LIABILITIES / in EUR   | 31/12/ 2018          | 31/12/2017           |
|--|----------------------|----------------------|--|----------------------|----------------------|
| <b>A. FIXED ASSETS</b>   |                      |                      | <b>A. SHAREHOLDERS' EQUITY</b>   |                      |                      |
| I. Intangible assets   |                      |                      | I. Subscribed capital  | 21,033,569.00        | 21,033,569.00        |
| 1. Self-created industrial property rights and similar rights and duties   | 6,115,070.00         | 4,790,220.00         | Own shares   | -2,461.00            | -11,229.00           |
| 2. Purchased concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets | 49,404.00            | 0.00                 | Called capital   | 21,031,108.00        | 21,022,340.00        |
| 3. Goodwill  | 12,184,999.67        | 18,349,473.67        | II. Capital reserve  | 4,022,922.05         | 4,022,911.05         |
| II. Property, plant and equipment  |                      |                      | Earnings reserves  |                      |                      |
| 1. Other equipment, fixtures, fittings and equipment   | 10,243.00            | 20,688.00            | 1. Statutory reserve   | 6,704.66             | 6,704.66             |
| 2. Advance payments and assets in process of construction  | 0.00                 | 10,243.00            | 2. Other earnings reserves   | 733,028.46           | 739,733.12           |
| III. Financial assets  |                      |                      | IV. Loss carry-forward   |                      | -1,606,221.62        |
| 1. Shares in affiliated companies  | 13,985.15            | 13,846.00            | V. Consolidated net income   | 0.00                 | 328,384.78           |
| 2. Investments   | 994,527.20           | 1,041,602.90         | VI. Carry-forward to new account   | 116,727.32           | 0.00                 |
| 3. Non-marketable securities   | 0.00                 | 1,008,512.35         | VII. Minority shares   | -5,332,614.52        | -1,566,632.52        |
| <b>B. CURRENT ASSETS</b>   |                      |                      | <b>B. PROVISIONS</b>   |                      |                      |
| I. Inventories   |                      |                      | Other provisions   | 53,990.23            | 111,488.88           |
| Finished products and merchandise  | 0.00                 | 788.03               | <b>C. ACCOUNTS PAYABLE</b>   |                      |                      |
| II. Accounts receivable and other assets   |                      |                      | 1. Accounts payable to banks   | 882.51               | 0.00                 |
| 1. Trade receivables   | 304,515.53           | 2,874,160.05         | - thereof with residual term of less than one year:<br>EUR 882.51 (EUR 0.00)   |                      |                      |
| 2. Accounts receivable from affiliated companies   | 8,875.03             | 42,315.15            | 2. Trade payables  | 335,317.27           | 1,147,114.87         |
| 3. Other assets  | 1,049,843.48         | 1,363,234.04         | - thereof with residual term of less than one year:<br>EUR 335,317.27 (EUR 1,147,114.87)   |                      |                      |
| III. Securities  |                      |                      | 3. Accounts payable to other Group companies   | 2,703,578.33         | 3,942,690.56         |
| Other assets   | 962,540.00           | 0.00                 | - thereof with residual term of less than one year:<br>EUR 2,676.99 (EUR 622,954.18)   |                      |                      |
| IV. Cash on hand, Bundesbank balance, cash in banks and checks   | 483,223.39           | 338,400.02           | 4. Other accounts payable  | 121,082.97           | 3,160,861.08         |
| <b>C. DEFERRED CHARGES AND PREPAID EXPENSES</b>  | 9,268.21             | 11,423.26            | - thereof for taxes: EUR 116,642.51 (EUR 28,419.13)<br>- thereof for social security: EUR 3,056.92<br>(EUR 3,056.92)<br>- thereof with residual term of less than one year:<br>EUR 121,082.97 (EUR 280,787.60) | 280,787.60           |                      |
|  | <b>22,186,494.66</b> | <b>28,107,139.40</b> |  | <b>22,186,494.66</b> | <b>28,107,139.40</b> |

## CONSOLIDATED INCOME STATEMENT

from 1 January to 31 December 2018

|   | 2018 / EUR          | 2017 / EUR          |
|---|---------------------|---------------------|
| <b>1.</b> Revenues  | 9,520,423.35        | 6,502,628.90        |
| <b>2.</b> Own work capitalized  | 2,358,000.00        | 2,502,000.00        |
| <b>3.</b> Other operating income  | 552,532.50          | 219,549.55          |
| <b>4.</b> Cost of materials   |                     |                     |
| <b>a.</b> Cost of raw materials and supplies and purchased merchandise        | 4,478,350.00        | 3,126,091.99        |
| <b>b.</b> Cost of purchased services  | 164,825.17          | 1,648,581.13        |
|   | <b>4,643,175.17</b> | <b>4,774,673.12</b> |
| <b>5.</b> Personnel expenses  |                     |                     |
| <b>a.</b> Wages and salaries  | 867,937.47          | 1,122,877.70        |
| <b>b.</b> Social security, pensions and other benefit costs                   | 138,041.87          | 168,585.47          |
| - thereof for pensions: EUR -98.52 (EUR -328.40)                              |                     |                     |
|   | <b>1,005,979.34</b> | <b>1,291,463.17</b> |
| <b>6.</b> Depreciation on intangible assets and property, plant and equipment | 2,400,295.81        | 605,213.34          |
| <b>7.</b> Other operating expenses  | 4,068,588.31        | 1,840,969.92        |
| <b>8.</b> Other interest and similar income                                   | 2,221.64            | 42,423.79           |
| <b>9.</b> Depreciation on financial assets and marketable securities          | 62,912.19           | 162,165.92          |
| <b>10.</b> Interest and similar expenses                                      | 134,901.33          | 263,703.77          |
| - thereof to affiliated companies: EUR 134,901.33 (EUR 0.00)                  |                     |                     |
| <b>11.</b> Taxes on income  | 0.00                | 17.89               |
| <b>12.</b> <b>After-tax income</b>  | <b>117,325.34</b>   | <b>328,430.89</b>   |
| <b>13.</b> Other taxes  | 598.02              | 46.11               |
| <b>14.</b> <b>Consolidated net income</b>                                     | <b>116,727.32</b>   | <b>328,384.78</b>   |

# Consolidated Notes

## I. General Disclosures

Identifying information about the company according to the court of register

|   |                                   |
|---|-----------------------------------|
| Corporate name according to court of register:    | UMT United Mobility Technology AG |
| Registered office according to court of register: | Munich                            |
| Register entry:                                   | Commercial Register               |
| Court of register:                                | AG Munich                         |
| Register No.:                                     | HRB 167884                        |

The consolidated financial statements of UMT United Mobility Technology AG were prepared based on the accounting rules of the German Commercial Code (Handelsgesetzbuch; HGB).

The consolidated financial statements conform to statutory requirements with due regard for generally accepted accounting principles and convey a true and fair view of the company's financial, earnings and liquidity position.

The consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement and the consolidated notes.

All disclosures which could have been made in the consolidated balance sheet, the consolidated income statement or the consolidated notes were made in the consolidated notes.

The cost summary method was selected for the income statement.

## II. Consolidated Companies

### 1. Disclosures about all Group companies

In addition to UMS United Mobile Services GmbH, the consolidated financial statements also include UMT Peaches Mobile GmbH, in which the company held more than half of the voting capital directly until 22 November 2018.

The following subsidiaries were therefore consolidated for the Financial Year:

| Name of the company             | Registered office | Share in capital EUR | Consolidation basis |
|---------------------------------|-------------------|----------------------|---------------------|
| UMS United Mobile Services GmbH | Munich            | 270,000.00           | Subsidiary          |
| UMT Peaches Mobile GmbH         | Munich            | 26,000.00            | Majority interest   |

UMT Peaches Mobile GmbH was withdrawn from the group of consolidated companies on 22 November 2018. Accordingly, UMT Peaches GmbH's income statement was – on the basis of estimated data – consolidated on a prorated through 22 November 2018 and UMT Peaches GmbH was then deconsolidated on 22 November 2018.

UMT Peaches GmbH has not made available to UMT United Mobility Technology AG any management analyses, annual or interim financial statements for Financial Year 2018, so that its data could only be included by means of estimates. Since no such data was available to the Company, the estimated data must be regarded as uncertain.

## 2. Disclosures about unconsolidated subsidiaries

The following companies were not included in the consolidated financial statements in accordance with the materiality principle: Mobile Payment System España S.L., Barcelona, and iPAYst LLC, Riga.

## 3. Disclosure of investments in terms of § 271 (1) of the Commercial Code

Investments in the following companies are reported pursuant to § 313(2) No. 4 of the Commercial Code:

| Corporate name/registered office             | Share ownership | Net income TEUR | Equity TEUR |
|--|-----------------|-----------------|-------------|
| UMT Turkey Mobil Anonim Sirketi, Istanbul*   | 26%             | -92             | -196        |
| Mobile Payment System España S.L., Barcelona | 70%             | 2               | 34          |
| iPAYst LLC, Riga*                            | 100%            | 0               | -2          |
| UMT USA Inc., Orange, California             | 10%             | 0               | 41          |

\* Only the 2016 financial statements were available for UMT Turkey Mobil Anonim Sirketi, Istanbul, and iPAYst LLC, Riga.

## III. Consolidation Principles

The financial statements of consolidated subsidiaries were prepared in accordance with statutory rules and uniformly in accordance with the accounting policies in effect for UMT United Mobility Technology AG.

### 1. Disclosures about the consolidation date

The consolidated interim financial statements were prepared for the reporting date in effect for the parent company's individual financial statements.

The reporting date for all companies included in the consolidated financial statements is 31 December 2018.

### 2. Consolidation of capital

Capital was consolidated using the remeasurement method, subtracting the cost of acquisition from the Group's share in each company's capital at the time of acquisition or at the time of initial consolidation.

### 3. Consolidation date

The date on which the capital requiring consolidation is determined in terms of § 301(2) of the Commercial Code is generally the date on which the subsidiaries are first included in the consolidated financial statements. In the case of UMT Peaches Mobile GmbH, this date is 15 September 2016. Since 2016 is the first year in which UMT AG prepared consolidated financial statements, the date of initial consolidation for UMS United Mobile Services GmbH is 1 January 2016 pursuant to § 301(2) Sentence 3 of the Commercial Code.

#### 4. Differences arising from capital consolidation

In accordance with German Accounting Standard (GAS) No. 23, the negative difference arising from the consolidation of Peaches Mobile GmbH, as a result of the capital consolidation has been disclosed separately on the assets side of the balance sheet as goodwill (§ 301(3) Sentence 1 of the Commercial Code).

#### 5. Consolidation of debt

In the course of debt consolidation, reciprocal accounts receivable and payable between the consolidated companies are netted out and eliminated.

#### 6. Consolidation of income and expenses

Internal Group income is netted out with corresponding internal Group expenses.

Income and expenses arising from other transactions between consolidated companies are also netted out.

#### 7. Elimination of interim results

Interim results arising from deliveries and services between Group companies requiring elimination in the consolidated financial statements were not posted in the Financial Year.

#### IV. Disclosures Concerning Accounting Policies

The provisions of § 298 of the Commercial Code were observed insofar as they applied to the consolidated financial statements.

In addition to the above provisions, the provisions of the Corporations Act (Aktiengesetz) and the LLC Act (GmbH-Gesetz) were also observed.

Positive differences arising from capital consolidation are recognized as goodwill. Depreciation was first performed in the 2018 consolidated financial statements.

Purchased intangible assets are recognized at cost and depreciated, to the extent that they are depreciable.

Self-created intangible assets are recognized in the amount of the development cost. The cost of production includes not only direct expenses but also necessary indirect expenses and depreciation attributable to the production.

Property, plant and equipment are recognized at the cost of purchase or production and depreciated to the extent that it is depreciable.

Shares in non-consolidated affiliated companies are recognized at the cost of purchase or at fair value, if lower.

Depreciation is performed in a straight-line manner based on the expected useful life of the asset.

Financial assets are recognized and measured as follows:

- shares in affiliated companies at cost
- investments at the cost of acquisition
- other securities at the cost of acquisition

Inventories are recognized at the cost of acquisition or production or at fair value as of the reporting date, whichever is lower.

Accounts receivable and securities are measured with due regard for all identifiable risks.

Other provisions are formed for all other contingent liabilities. All identifiable risks are taken into account in this regard.

Liabilities are recognized at their settlement value.

## V. Notes to the Consolidated Balance Sheet

### 1. UMT Peaches GmbH

UMT Peaches GmbH has not made available any financial data for 31 December 2018. Accordingly, it was included in the consolidated interim financial statements based on available forecasts and estimates.

UMT Peaches GmbH was deconsolidated as of 22 November 2018.

### 2. Deferred tax assets

The option to claim deferred tax assets was not exercised.

### 3. Deferred tax liabilities

No deferred tax liabilities were recognized.

### 4. Liabilities arising from undisclosed other financial obligations

Liabilities in terms of § 268(7) of the Commercial Code in conjunction with § 251 of the Commercial Code exist based on the company's liability towards PAYBACK arising from the 5th Additional Agreement, which is limited to EUR 1 million. The risk that claims will be asserted is considered to very low. UMT AG has obtained a bank guarantee in the same amount to cover this risk. A securities account has been pledged as collateral.

### 5. Distribution freeze

No equity was available for distribution as of 31 December 2018.

In addition, the following distribution freezes existed, for a grand total of EUR 6,834:

Firstly, a distribution freeze in the amount of TEUR 719 existed as of 31 December 2018 based on own shares held by the company (year before: TEUR 706) (reduction in earnings reserve through the purchase of own shares).

Secondly, a total of TEUR 6,115 is subject to a distribution freeze pursuant to § 268(8) of the Commercial Code. This amount equals the total capitalized development expenses in the financial year (less depreciation) for companies included in the consolidated financial statements. Research is not conducted. This amount relates to the capitalization of self-created intangible assets.

## **VI. Disclosures Concerning the Consolidated Income Statement**

Own work capitalized consists of capitalized expenses in Financial Year 2018 (including expenses for freelance employees and outside companies) for development of the core system, as well as development of the software used in the PAYBACK PAY app and the new LOYAL application, including the Group's share of indirect expenses.

## **VII. Other Disclosures**

### **1. Average number of employees during the financial year**

The average number of Group employees during the financial year was 24.

### **2. Other mandatory disclosures in accordance with the Corporations Act**

#### **Disclosures concerning the holding, purchase and sale of own shares**

The company purchased 52,374 own shares in the financial year (statement of equity, additions: own shares acquired), for which EUR 52,374.00 was subtracted from the capital stock and EUR 20,507.12 from the earnings reserves. 61,142 own shares were sold for sales proceeds of EUR 68,721.66 (statement of equity: shares issued), for which EUR 61,142.00 was added to the capital stock and EUR 7,579.66 to the company's earnings reserves. The proceeds were used for investments in current projects and to strengthen the capital base. As of 31 December 2018, the company held 2,461 own shares (year before: 11,229).

#### **Disclosures concerning share classes**

As of 31 December 2018, the capital stock consists of 21,033,569 bearer shares with a par value of EUR 1.00 each. As of last year's reporting date, the capital stock consisted of 21,033,569 bearer shares with a par value of EUR 1.00 each.

## Disclosures concerning authorized capital

At the annual meeting on 29 June 2018, the Management Board was authorized, with the consent of the Supervisory Board, to raise the capital stock by up to EUR 10,516,784.00, at once or in multiple stages, until the passage of five years since entry of the amendment to the Articles of Association into the Commercial Register, by issuing up to 10,516,784 new shares in exchange for cash and/or non-cash contributions, while excluding shareholder preemption rights.

- in order to eliminate fractional amounts,
- for capital increases in exchange for cash contributions provided the issue price for the new shares for which preemption rights are excluded is not substantially lower than the market price for shares already listed on the stock exchange and the number of shares issued with preemption rights excluded does not exceed 10% of the capital stock in all,
- for capital increases in exchange for non-cash contributions, if the increase is conducted for the purpose of acquiring companies, business units or investments in companies or other assets;
- insofar as the new shares are subscribed by a third party which is not a bank and it is ensured that the shareholders will be granted indirect preemption rights insofar as the new shares are subscribed by a third party which is not a bank;
- if the capital increase is in the well-understood interest of the company.

The authorization has yet to be exercised.

## 3. Names of the Management Board members

The parent company's business was conducted by the following person in the past financial year:

Dr. Albert Wahl, Chief Executive Officer

## 4. Supervisory Board

Composition of the parent company's Supervisory Board:

- Chairman: Walter Raizner, self-employed consultant, Zug, Switzerland;
- Deputy Chairman: Clemens Jakopitsch, self-employed business consultant, Ludmannsdorf, Austria;
- Member: Markus Wenner, Managing Partner at GCI Management Consulting GmbH, Munich (through 29 June 2018), Germany;
- Member: Stefan Krach, attorney, Munich, (as of 29 June 2018), Germany.

The total remuneration paid to the Supervisory Board in the Financial Year 2018 was TEUR 36.



**Dr. Albert Wahl**  
CEO

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

for 31 December 2018 (in TEUR)

|                                | Subscribed Capital | Own Shares acquired | Capital Reserve | Earnings Reserves | Earned Equity | Total  |
|--------------------------------|--------------------|---------------------|-----------------|-------------------|---------------|--------|
| Balance as of 1 January 2018   | 21,034             | -11                 | 4,023           | 753               | -1,606        | 24,193 |
| Shares issued                  | 0                  | 61                  | 0               | 8                 |               | 69     |
| Shares purchased/redeemed      |                    | -52                 |                 | -21               |               | -73    |
| Net income for period          | 0                  |                     | 0               | 0                 | 117           | 117    |
| Balance as of 31 December 2018 | 21,034             | -2                  | 4,023           | 740               | -1,489        | 24,306 |

## CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 31 December 2018 (in TEUR)

|   | 2018          | 2017          |
|---|---------------|---------------|
| Net income for period (before appropriation of earnings)                                    | 116           | 328           |
| Depreciation of fixed assets  | 2,400         | 605           |
| Increase in short- and mid-term provisions (- = decrease)                                   | -57           | 46            |
| Increase in assets not attributable to investment or financing activity (- = decrease)      | 1,990         | -989          |
| Increase in liabilities not attributable to investment or financing activity (- = decrease) | -2,209        | -2,395        |
| <b>Net cash flow from current business activity</b>   | <b>2,240</b>  | <b>-2,405</b> |
| Payments received from the sale of property, plant and equipment                            | 0             | 0             |
| Payments received from the sale of financial assets   | 1,343         | 183           |
| Payments made for investments in financial assets   | 0             | -725          |
| Payments made for investments in property, plant and equipment                              | -2            | -4            |
| Payments made for investments in intangible assets  | -2,408        | -2,502        |
| <b>Net cash flow from investment activity</b>   | <b>-1,067</b> | <b>-3,048</b> |
| Payments received from shareholders   | -4            | 5,487         |
| Payments made to shareholders   |               |               |
| <b>Net cash flow from financing activity</b>  | <b>-4</b>     | <b>5,487</b>  |
| <b>Net change in cash and cash equivalents</b>  | <b>1,168</b>  | <b>34</b>     |
| Cash and cash equivalents at start of period  | 338           | 304           |
| Change in cash and cash equivalents due to changes in group of consolidated companies       | -60           | 0             |
| <b>Cash and cash equivalents at end of period</b>   | <b>1,446</b>  | <b>338</b>    |
| <b>Composition of cash and cash equivalents</b>   |               |               |
| Money market investments  | 963           | 0             |
| Cash on hand  | 0             | 0             |
| Current account balances  | 483           | 338           |
| <b>Cash and cash equivalents at end of period</b>   | <b>1,446</b>  | <b>338</b>    |



**UMT** United Mobility **Technology** AG

# 2018 Annual Report

UMT United Mobility Technology AG  
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