



2016 Annual Report

*Consolidated Financial Statements and
Management Report
as of 31 December 2016**

Contents

To our Shareholders

Foreword of the Management Board	03
Report of the Supervisory Board	05
Highlights of 2016	07

Consolidated Management Report

Foundations of UMT Group	10
Economic Report	11
Position of UMT Group, Including Earnings, Financial and Liquidity Position	15
Forecasts, Risks and Opportunities	17

Consolidated Financial Statements

Consolidated Balance Sheet	22
Consolidated Income Statement	23
Consolidated Notes	24
Consolidated Statement of Shareholders' Equity	34
Consolidated Cash Flow Statement	35

Foreword of the Management Board

Dear shareholders, dear employees, dear business partners of UMT Group:

UMT Group was able to report substantial improvements in Financial Year 2016, with significant growth in total performance, earnings and shareholders' equity. The Group's total performance was up 109.2% last year, to TEUR 4,745 (year before: TEUR 2,268). Consolidated gross earnings in the reporting year came to TEUR 3,759 (year before: TEUR 1,052). There was also significant improvement in Financial Year 2016 in consolidated earnings before interest and taxes (EBIT), which climbed to TEUR 324 (year before: TEUR -802) and consolidated earnings before taxes (EBT), which improved to TEUR 208 (year before: TEUR -916). UMT Group finished the year 2016 with TEUR 207 in consolidated net income, compared to a net loss of TEUR -917 in the year before. UMT Group's healthy balance sheet structure also showed clear improvement in the past financial year. In particular, subscribed capital increased by EUR 1,588,805, from EUR 15,888,051 to EUR 17,476,856.

I would now like to stress a few issues and developments which are particularly important for assessing Financial Year 2016 and for UMT's future outlook, in my view.

UMT Group reached a key milestone in the company's history when our technology successfully went live as PAYBACK's mobile payment solution. The nationwide rollout began in June 2016. Already, customers are using the PAYBACK app to execute mobile payments and collect points at Alnatura, Aral, dm, GALERIA Kaufhof and Real stores.

Other major PAYBACK partners, including REWE, will be launching the mobile payment function this year. All major PAYBACK partners already allow their customers to collect points and activate coupons.

As a result, for the first time, a homogenous mobile payment technology is being used in stationary retail all across Germany. A major advantage of this development is that more and more customers are now able to use the same payment method at all of the stores they visit on a daily and weekly basis. We have always emphasized how decisive this factor is for the acceptance of mobile payment systems, and we are all the more pleased that we have been able to achieve visible success in this area. At the same time, this achievement represents a significant competitive advantage for us. Our interfaces allow us to guarantee customers flexible and time-efficient access to retailers' point-of-sale systems at all times, with UMT Group acting as a key link between all relevant parties, including large retail chains, banks, loyalty program providers and consumers. UMT technology is currently being used live in more than 10,000 stores and 50,000 points of sale, with 11 million users in Germany alone.

Two additional strategic partnerships were formed in Financial Year 2016. In early 2016, UMT formed a partnership with GTD Group, a well-known partner in the aviation and aerospace industry and in the maritime and port engineering sectors. Another strategic partner was added in October 2016 with Point4More, a leading provider of state-of-the-art customer loyalty solutions. This partnership will focus on cooperation with regard to sales and research and development.

We were also able to achieve another key milestone in Financial Year 2016 in the internationalization of our business. With the formation of UMT USA Inc. in North America, which was announced in July 2016, UMT Group has laid the groundwork for further strengthening its global presence.

As in previous years, UMT United Mobility Technology AG once again exceeded its reporting duties in Financial Year 2016 in accordance with the law and stock exchange rules in keeping institutional investors, financial analysts and shareholders informed in a timely manner about the present course of business and events of significance for the company's share performance. It also actively addressed the course of business in the course of national and international capital market conferences and in conversations with investors and the financial and business press.

Unfortunately, the UMT share price has yet to benefit from UMT Group's successful course of business. A major reason for this is that existing confidentiality agreements concluded in the course of routine business operations impose severe limitations on IR and PR work. UMT Group will continue to post strong growth in light of the extension of our investment portfolio, the associated expansion of our own value chain, and the expected impact from the internationalization of UMT Group's business. We are confident that these developments will have a lasting positive impact on our share price in the future.

Finally, I would like to thank our employees for their tireless work and commitment, our business partners for their strong cooperation and the Supervisory Board for its constructive dialogue.

I would especially like to thank our shareholders for their trust in our company. I am looking forward to continued success together in the future.

Munich, May 2017



Dr. Albert Wahl
Management Board

Report of the Supervisory Board

The Supervisory Board reports as follows on its activity in Financial Year 2016:

The Supervisory Board once again performed its required tasks in Financial Year 2016 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.

Four meetings of the Supervisory Board were held in Financial Year 2016, on the following dates: 21 March, 29 April, 23 September and 21 December. All Supervisory Board members took part in each meeting. Resolutions of the Supervisory Board were also adopted over the phone, with all members taking part. 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 21 March were recent developments in the PAYBACK project, sales forecasts and the stock option program. In addition, the Management Board made a presentation about changes in the law arising from the Market Abuse Ordinance taking effect on 8 July 2016 and the associated reporting and documentation requirements.

At the Supervisory Board's meeting on 29 April 2016, the audited and certified financial statements for 31 December 2015 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 2015. The date and agenda of the annual meeting were also discussed.

The subjects of discussion at the meeting of 23 September 2016 particularly included recent sales activities and implementation of the stock option program adopted by the shareholders on 5 June 2014.

The subjects of the Supervisory Board meeting of 21 December 2016 included the status of current business operations and an update on sales activities, as well as an in-depth analysis of the provisions of the Market Abuse Ordinance.

No Supervisory Board committees existed in Financial Year 2016 and no new committees were formed.

The 2016 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 2016 was made available to the Supervisory Board in a timely manner prior to the meeting of 23 May 2017. These financial statements were discussed together with the Management Board and the auditor at the Supervisory Board meeting of 23 May 2017. 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 2016 were adopted on 23 May 2017 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 2016.

Munich, May 2017

For the Supervisory Board:



Walter Raizner
Chairman of the Supervisory Board

Highlights of 2016

25 January 2016

UMT AG announces strategic partnership with GTD Group

UMT AG is announcing a strategic partnership with the Spanish GTD Group. The goal of both companies is to provide their respective customers with an even broader portfolio of individual high-tech and mobile payment solutions, as well as loyalty programs and advisory IT services.

27 January 2016

UMT management acquires another 100,000 shares in UMT

The management of UMT AG has acquired another 100,000 shares in UMT on the stock market. This brings the total number of UMT shares purchased by management in December 2015 and January 2016 to 350,000.

27 April 2016

PAYBACK launches new app with multiple functions, including payment technology from UMT

PAYBACK, the leading bonus program, and its partners will be launching the new PAYBACK app in June 2016. The successful PAYBACK app has been completely redeveloped and now allows customers to activate coupons, collect points and pay using their smart phones. UMT AG will be providing the payment technology, which represents a key component of the new PAYBACK app.

29 April 2016

UMT AG presents audited figures for 2015 and forecast for 2016

UMT AG finished Financial Year 2015 with significant revenue and earnings growth. Revenues nearly tripled and earnings before interest and taxes, but after depreciation and amortization (EBIT), were up by more than 500 percent in Financial Year 2015. UMT Group is confident about Financial Year 2016 and expects strong double-digit growth in revenues and earnings.

18 June 2016

UMT AG successfully places capital increase

UMT AG has successfully executed the capital increase adopted on 24 May 2016. 1,588,805 new shares were placed with institutional investors in Germany and abroad at an issue price of EUR 1.25 per share in the course of a private placement with preemption rights excluded. The company earned around EUR 2.0 million in gross issue proceeds.

24 June 2016

UMT AG's 2016 annual meeting

The 2016 annual meeting of UMT United Mobility Technology AG was held on 24 June 2016 in the conference room of Bayerische Börse AG in Munich. The Management Board reported to the shareholders and guests about the positive course of business in 2015 and answered their questions. Around 48 percent of UMT AG's capital stock was represented at the meeting. The shareholders discharged the Management Board and Supervisory Board and approved all agenda items by a large majority.

6 July 2016

UMT AG announces market entry in North America

UMT AG is extending its international position by forming a subsidiary in the US, based in California. In doing so, the company is responding to the strong demand situation while at the same time meeting the requirements of the capital market and potential key accounts. Its customers consist primarily of international financial institutions.

30 September 2016

UMT AG publishes its report on the first half of 2016: strong earnings and further potential for profitable growth

UMT AG's results in the first half of 2016 represented a continuation of its successful performance in 2015. The company posted a 14 percent improvement in total performance in the reporting period, from January to June 2016, with gross earnings of TEUR 1,251. Revenues in the reporting period amounted to TEUR 1,031. Net income from ordinary business activities was up 64 percent, to TEUR 992. On the whole, net income in the first half of the year came to TEUR 987.

10 October 2016

UMT AG and Point4More form sales and development partnership

UMT AG and the loyalty specialist Point4More have formed a strategic partnership in the areas of sales, research and development. The companies plan to work together intensively to consistently provide optimal mobile payment and loyalty solutions to their current and future customers as technical service providers.

18 October 2016

UMT technology establishes itself: PAYBACK app now usable at more major partners

Following upon dm pharmacies and Real stores, which have been offering mobile points collection and payment since June and July 2016 respectively, the next series of major partners will now be adding the app to their shopping options. Effective immediately, customers will also be able to use the app's PAY function at Alnatura, Aral and GALERIA Kaufhof stores. For the technology company UMT AG, this is an important milestone on its way to securing the market leadership in Europe.

21 November 2016

UMT AG announces consolidated data and publishes letter to shareholders

In connection with the publication of a letter to shareholders, UMT AG announced consolidated data in accordance with the German Commercial Code for the first half of 2016. UMT Group's total performance amounted to TEUR 2,755 in the first half of Financial Year 2016, and was comprised of TEUR 2,305 in revenues and operating income and TEUR 450 in own work capitalized from software development. Consolidated gross earnings came to TEUR 2,701 at the end of the first half, with a consolidated net income of TEUR 1,324.

Foundations of the Company

Business Model

As a fintech company, UMT United Mobility Technology AG (UMT) specializes in the development and implementation of customized mobile payment solutions, particularly for major customers such as PAYBACK (American Express Group). UMT Group operates one of the largest mobile payment platforms in Europe as a white label technology provider. UMT acts as a key link between all relevant partners, including large retail chains, banks, bonus program providers and consumers. UMT technology is currently being used live in more than 10,000 stores and 50,000 points of sale, with 11 million users in Germany alone.

UMT also provides services in connection with customer loyalty programs and smart data all along the value chain.

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 in Barcelona and delinski GmbH in Vienna, as well as UMT USA Inc. in California. As of May 2017, UMT also holds a majority interest in UMT Peaches Mobile GmbH (formerly PEACHES Mobile GmbH) in Wiesbaden.

Innovation, Research and Development

Innovations and new mobile technologies are a key component of the Group's strategy. UMT Group offers its customers innovative and flexibly customized solutions along the mobile payment and loyalty value chain and in the field of data analytics. 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

With more than 20 billion devices and machines connected over the internet, a number which experts expect to grow to around half a trillion by 2030, the digitization and networking of society are already playing a decisive role in driving growth and prosperity in Germany.

Aside from being a major sector of the economy and a key technological segment, the digital sector is driving digitization in businesses, society and the workplace. As an export-driven economy, Germany's digital sector is driven both by domestic growth and the performance of the global economy.

The global economy continued to grow at a moderate pace in 2016, with forecasts from the International Monetary Fund (IMF) calling for 3.1 percent growth. This is attributable to the British exit from the EU and weaker-than-expected growth in the United States. The economic situation in Germany in 2016 was once again characterized by solid and steady economic growth. According to data from the Federal Statistical Office, Germany's inflation-adjusted gross domestic product (GDP) grew at an unexpectedly strong pace of 1.9% in 2016, up from 1.7% in the previous year. This was one half percent about the average of 1.4% for the past ten years.

Smart phones are the technological product which is most used most intensively by consumers. Demand for smart phones is being driven by a wide range of exciting innovations, such as mobile payment and mobile health care services, as well as smart home functions and virtual reality.

Moreover, smart phones are themselves driving the growth of digitization and networking and will therefore become increasingly important for consumers, even in developed economies. The smart phone market continued to grow in 2016. According to forecasts from the market research firm GfK, a total of 1.4 billion smart phones were sold worldwide in the past year.

Mobile payment is also enjoying growing popularity. According to a study by the payment services provider Visa, the number of Europeans who regularly use a mobile device for payment tripled between October 2015 and October 2016. More than half of the European consumers surveyed regularly use a mobile device to pay for products and services, compared to less than one fifth one year before. Acceptance of digital payment in Europe has also shown strong growth in the past 12 months. In the survey conducted one year before, 38 percent of consumers said that they did not use a mobile device for payment and had no plans to do so. But in the period from October 2015 to October 2016, this share fell to just 12 percent. A total of 59 percent of consumers in Germany use digital payment.

48 percent have used electronic devices to book travel or make purchases, 40 percent have used mobile devices to transfer money to friends and families and 88 percent have used them to order take-out food online. According to the Visa study, 87 percent of Germans use mobile devices to buy bus or train tickets. Overall, trust in mobile payment is growing with respect to both expensive and inexpensive products and services.

According to this study by the payment services provider Visa, the growing use of digital payment is closely associated with the increasing availability of contactless payment, which has become accepted as a routine payment method among all age groups. More than a third of German respondents (35%) used contactless cards in the study period, compared to 15 percent in the previous year. Users of contactless cards are more open to new payment methods than consumers who do not use contactless payment. In addition, more than half of users of contactless payment methods generally show a strong interest in paying with mobile devices, doing their shopping using a retailer's app or ordering food using mobile devices. Among consumers who do not use contactless payment, less than one third showed interest in mobile payment.

The Visa study shows that, for the first time, more than half of European respondents over all age groups use mobile banking. Millennials, i.e. "digital natives" born between 1980 and 1999, continue to comprise the largest group of users.

However, the highest rate of growth, 88 percent, was recorded among the "silver surfer" group, i.e. those between the ages of 55 and 64: one third of this group used mobile devices for banking in the study period from October 2015 to October 2016 compared to 18 percent in the previous year. One factor contributing to the general increase in use, according to Visa, is that the future of mobile payment has already begun with the introduction of numerous new payment methods, such as wearables and smart watches.

With millions of devices connected, routine payments are becoming simpler and more secure and can be integrated into nearly any technology and adapted to any lifestyle.

The development of the mobile payments market also began to gather speed last year on the supply side, as banks and retailers unveiled customized mobile payment solutions in 2016. Banks and retailers are realizing that they need to take part in the development of the mobile payment business. Mobile wallet providers are also improving their products so as to make them more attractive to consumers.

In a market which is fragmented by providers like Apple, Google and Samsung, as well as banks, providers of white label mobile payment and mobile wallet solutions benefit in particular from being able to offer platform-independent access to retail point-of-sale systems. By integrating its technology into one of the world's leading loyalty programs, UMT Group is taking on a leading role in this regard, as market observers ultimately expect development of an integrated app in which payment functions are only one of many uses available to consumers.

Conditions in the sector and in the economy as a whole continue to offer a fast-growing and promising market environment for UMT Group's business model. By establishing its own mobile payment and loyalty platform, UMT Group will be able to profit significantly from the international growth in mobile payment users and the increasing availability of mobile devices. UMT's full-service platform and associated services fully meet the individual requirements of retailers and partners and is capable of creating sustained added value, and particularly long-term revenue growth. 11 million customers in Germany already use UMT mobile payment technology for their shopping needs with the mobile services of the PAYBACK app, making UMT one of the leading providers of mobile payment technology in Germany. The formation of a subsidiary in the US in response to strong demand and the requirements of international financial services providers affirms UMT's strategy of establishing a global presence. This will allow UMT to decisively shape the globalization of its business.

Course of Business

Financial Year 2016 was marked by the operational implementation of ongoing projects and technical developments at the product level. The company was also focused on acquiring new projects and strategic extensions to its investment portfolio.

The focus of day-to-day operations was the joint project with PAYBACK and implementation of the mobile payment function within the new PAYBACK app. PAYBACK, Germany's leading bonus program and largest multi-channel marketing platform, launched the new shopping app nationwide in June 2016, which combines mobile activation of coupons, points collection and mobile payment.

Among the first retailers to join the program was the pharmacy chain dm, followed shortly after by Real stores. Partners like Aral, GALERIA Kaufhof and Alnatura were equipped for the app in September 2016 and two more major partners, including REWE, will begin offering a payment function in 2017. All major PAYBACK partners already allow their customers to collect points and activate coupons.

With the launch of PAYBACK PAY, a homogenous mobile payment technology is now available for use in stationary retail all across Germany, with UMT acting as a leading provider of mobile payment technology in Germany.

UMT's successes also brings a significant competitive advantage, as the consistent focus on connectivity in the company's development work has led to the creation of numerous proprietary interfaces which allow flexible and time-efficient access to retailers' point-of-sale systems at all times.

At the start of 2016, UMT gained yet another well-known international partner in GTD Group. GTD's many years of experience and established reputation in the aviation and aerospace industry and in the maritime and port engineering sectors should help drive the international positioning of the UMT platform in the B2B segment. The goal of this strategic partnership is to provide customers with an even broader portfolio of customized high-tech and mobile payment solutions, as well as loyalty programs and advisory IT services.

Another strategic partner, as of October 2016, is Point4More, a leading provider of state-of-the-art customer loyalty solutions. This partnership will focus on collaboration in sales and research and development. The companies plan to work together intensively to consistently provide optimal mobile payment and loyalty solutions to their current and future customers as technical service providers.

UMT's investment portfolio was expanded once again in Financial Year 2016. With the formation of UMT USA Inc. in North America, which was announced in July 2016, UMT Group has laid the groundwork for further strengthening its global presence. Its goal is to establish its mobile payment and loyalty platform internationally as a white label solution, using a licensing model, now that the platform has been successfully launched in Germany. UMT took this step in response to strong demand, as well as the requirements of the capital market and potential key accounts, consisting primarily of international financial institutions. The widespread use of smart phones and its openness to technological innovations demonstrate that the North American market has great potential for mobile payment applications. Experts estimate the mobile payment transaction volume in the US market will increase to more than USD 814 billion by 2020.

Position of UMT Group

Earnings Position

Major changes in the earnings position of UMT Group in 2016 compared to the corresponding period from the previous year:

UMT Group finished 2016 with a net income of TEUR 207 (previous year: TEUR -917). This was largely due to revenues in the amount of TEUR 1,518 (previous year: TEUR 2,262), other operating income in the amount of TEUR 1,763 (previous year: TEUR 6) and own work capitalized in the amount of TEUR 1,463 (previous year: TEUR 0). Personnel expenses (TEUR 1,016) increased over the previous year (TEUR 695). Depreciation increased to TEUR 314 in the reporting year, from TEUR 16 in the year before. Other operating expenses increased by a total of TEUR 961, from TEUR 1,143 in the year before to TEUR 2,105 in Financial Year 2016.

The cost of preparing and auditing UMT AG's financial statements (TEUR 33) was up TEUR 11 over the year before (TEUR 22). Interest income amounted to TEUR 33 at the end of the reporting year (previous year: TEUR 2), compared to TEUR 172 in interest and similar expenses (previous year: TEUR 117).

Financial and Liquidity Position

Major changes in UMT Group's financial situation in 2016:

The Group had TEUR 8,135 in total assets as of the reporting date, 31 December 2016 (year before: TEUR 3,288). This increase is largely attributable to intangible assets in the amount of TEUR 2,876 (year before: EUR 0) and an increase in financial assets TEUR 2,549; year before: TEUR 1,105). Non-marketable securities amounted to TEUR 1,339 (year before: EUR 0). This item is comprised of funds which are invested in a manner similar to money market investments. The Group had adequate funds as of 31 December 2016. Liquid funds as of 31 December 2016 amounted to TEUR 304 (year before: TEUR 1,803). The decrease in liquid funds from the year before is largely attributable to investments in non-marketable securities.

UMT Group's shareholders' equity increased by TEUR 8,014, to TEUR 18,383 (year before: TEUR 10,369). This is largely attributable to the consolidated net income of TEUR 207, the increase of the capital stock based on the capital increase in the second quarter of 2016 in the amount of TEUR 1,589 and contributions to the capital reserve in this context in the amount of TEUR 397. Debt amounted to TEUR 7,833 (year before: TEUR 2,047).

The consolidated cash flow statement shows a net operating cash flow of TEUR 965, a net cash flow from investment activity of TEUR -4,625 and a net cash flow from financing activity of TEUR 2,094.

Financial and Non-Financial Performance Indicators

Financial Performance Indicators

UMT Group posted EBIT of TEUR 324 in 2016 (year before: TEUR -802), with a return on equity of 1.13% (year before: -8.84%).

Non-Financial Performance Indicators

Personnel

As of the reporting date, UMT Group had an average of 25 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.

Supplemental Report

On 9 May 2017, UMT acquired a 51-percent interest in UMT Peaches Mobile GmbH (formerly PEACHES Mobile GmbH), with registered office in Wiesbaden. The purchase price was paid in cash and in the form of UMT shares. With its acquisition of a majority of shares in UMT Peaches Mobile GmbH, UMT also acquires prelado, one of Germany's leading online portals for digital prepaid cell phones and gift certificates. These services are to be integrated into the existing UMT mobile payment and loyalty platform. UMT expects this transaction to make a positive contribution to future growth and earnings.

Forecast, Opportunities and Risks

Following a moderate upturn last year, global economic growth is expected to pick up in 2017 and 2018 according to the estimates of the International Monetary Fund, especially in developing and emerging economies. The outlook in the advanced economies has improved due to stronger economic activity in the second half of 2016 and expectations of a fiscal incentive in the United States. A particular source of uncertainty with regard to the forecast of global economic performance is future US policy and its impact on the global economy. At the same time, the US and China may contribute to stronger growth than assumed in the current forecasts. Global GDP is expected to grow by 3.4% this year and by 3.6% in 2018.

According to a forecast by the European Commission, the European economy will continue to recover this year and next, posting growth for the entirety of the 2016-2018 forecast period for the first time in around ten years. In its winter forecast, the European Commission calls for 1.6 percent growth in the Euro zone in 2017 and 1.8 percent growth in 2018, representing a slight upward adjustment relative to the autumn forecast. Growth for the EU as a whole is expected to be 1.8 percent both this year and next year.

The German economy is in very good shape, according to the German government. Inflation-adjusted GDP growth is expected to be 1.4 percent this year, as Germany's growth trend continues. The market research firm GfK confirmed the forecast of 2 percent growth in real private consumer spending in 2017. As a result, consumer spending will continue to be a key pillar of economic performance in Germany.

This smart phone market is also in an uptrend. GfK is expecting growth of as high as 5 percent in 2017. According to the communications technology company Ericsson, there will be 6.8 billion smart phones in users' hands by the year 2022, which would correspond to an annual growth rate of over 10 percent.

Mobile smart phone data volume will grow by around 50 percent a year in this period, so that it will be ten times as high as in 2016. The highest data volume is expected in Western Europe.

The future of retail increasingly lies in mobile business models and payment options. While more than half of mobile transactions in 2016 were executed in China according to Euromonitor, and more payments are executed using mobile device than using computers, consumers in the US and the UK should start to catch up by 2020.

In a market which is fragmented due to the variety of mobile payment solution providers, providers of white label mobile payment and mobile wallet solutions benefit in particular from their platform-independent access. UMT Group is playing a leading role in this regard, as experts ultimately expect an integrated app which combines e.g. payment functions and loyalty programs. Experts also expect millennials to drive the transition from credit card payments to mobile payment. The decisive factor in this transition is ease of use and seamless integration of mobile wallets. The growing availability of near-field communication (NFC) terminals will further facilitate this transition. Juniper Research expects mobile wallet transactions to increase by around 82 percent in 2017, to USD 1.85 trillion. However, spending will be concentrated in the Far East and China. With solutions for both online and stationary retail, the mobile wallet is expected to penetrate additional markets.

Juniper also expects implementation of the Payment Services Directive in the European Union to stimulate development of the market. Nevertheless, mobile wallets may develop at a slower pace outside of emerging markets. But regardless of these circumstances, the key to the success of mobile wallets in each market, according to Juniper Research, is their ability to boost retail sales. Providers like UMT Group, which offer customized loyalty programs, are considered to have the best chances of success.

UMT Group will continue to focus its business model on seamless and customer-oriented integration of its technology platform using a licensing model.

Multipliers, umbrella organizations, retail chains and payment services providers play a key role in this regard, allowing UMT to further establish its technology and increase its penetration rate. In addition to potentially implementing their own mobile payment technology in existing applications, customers will also have the option of offering mobile wallet solutions which are customized to meet the needs of their individual customers. UMT technology uses the retailer's existing hardware and software infrastructure so as to minimize implementation expenses. The wallet technology developed by UMT enables seamless integration of mobile payment and loyalty transactions. This clearly separates UMT from its competitors, whose wallets only feature a digital credit or debit card.

In this way, UMT creates clear and lasting added value for retailers and users. Since the UMT platform supports all major operating systems (Android, iOS, Windows, etc.) with the desired business logic, it can continue to target the large majority of smart phone users and capture a significant market share.

Because of its modular structure, the UMT mobile payment and loyalty platform offers the necessary flexibility with regard to the integration of various transmission technologies, such as QR code, NFC and Bluetooth, so as to include the maximum possible number of users, unlike competitors which offer purely NFC-based solutions.

Aside from seamless integration of point-of-sale systems, UMT's technical infrastructure also enables the inclusion of a wide variety of payment methods, coupons and loyalty cards, individually customized to meet the needs of each specific retailer and payment services provider.

The success of UMT's mobile payment platform was underscored by receipt of the "Golden Transaction" award at the start of the year. The PAYBACK app was awarded first place at the "Payment Exchange 2017" conference in Berlin, as the app's integrated payment function made it the year's best payment solution. This award and the recognition of UMT's technology reinforces the argument that the future lies in a user-friendly combination of payment applications and loyalty solutions. With a total of 29 million customers in Germany and 110 million worldwide, PAYBACK therefore creates added value which other providers in this segment lack.

In the future, UMT Group will continue to generate revenues from implementation and associated recurring royalties and transaction fees through a licensing model along the lines of its relationship with PAYBACK. 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.

Consulting and integration services with conceptual support for customized sales-boosting mobile payment, loyalty and data analytics solutions are offered as an additional building block to generate revenues in additional segments.

The focus in this regard is on project management with conceptual support, with the aim of covering broad sections of the value chain in the mobile environment.

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

Since UMT Group operates in a market environment which is shaped by a highly consolidated vendor landscape, there continues to be a risk that large market operators which already hold significant market power and/or with considerable funds at their disposal will divide the market among themselves. Providers of white label mobile payment and mobile wallet solutions benefit from the fragmentation of the market by providers such as Apple, Google, Samsung and the banks, particularly in the form of platform-independent access.

UMT 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, independence of individual retailers and the option for integration of targeted marketing actions. Through its partnership with PAYBACK GmbH and the associated integration of the point-of-sale system, UMT Group already accommodates a large number of mobile payment processes in German retail (currently around 20%). It is highly likely that this number will continue to increase significantly over the course of 2017 with the addition of even more large German retail chains.

In general, UMT Group offers all retailers the option of technical integration in the entire sales and loyalty process, ensuring utmost protection of user data. UMT 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. UMT's mobile payment and loyalty platform creates clear competitive advantages by enabling very rapid market entry, high technological penetration in retail and highly efficient development processes.

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 significant risk.

Based on the fact that the company is already set up with the relevant specialists, UMT Group 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 will continue to strategically invest in and acquire companies all along the value chain provided they offer added value for UMT's mobile payment and loyalty platform and for distribution of the mobile wallet. Moreover, additional strategic partnerships will be formed through foreign investments.

The investment risk is mitigated by the fact that the subsidiaries in Germany, Spain and Latvia are largely capitalized with equity alone. This is also true of the company's minority interests in Austria, Spain, Turkey and the US, as well as for other planned investments and partnerships.

With its majority interest in UMT Peaches Mobile GmbH, UMT Group achieved another major milestone in the extension of its value chain. With prelado, one of the leading online portals in the digital prepaid market, UMT Group is now operating as a B2C provider in this fast-growing segment.

With an attractive product mix, to include gift certificates and online coupons in addition to its existing offering of prepaid cell phones, management is convinced that it will be able to post double-digit revenue growth based on existing contacts with loyalty program providers, retailers, and industrial companies, as well as through the gradual internationalization of its business. The high-quality software of UMT Peaches Mobile GmbH/prelado, which is to be integrated into the UMT platform, offers optimal additional benefits for customers, such as an efficient proprietary risk management system and expertise in digital and electronic payment transactions. Management is confident that the new investment will contribute EUR 3.2m - 3.5m in consolidated revenues in Financial Year 2017.

Financial risks are a key aspect, and particularly securing capital for UMT Group. With the capital increase it executed in the second quarter of 2016, with preemption rights excluded, UMT was able to secure adequate liquidity for its strategic alignment.

A total of 1,588,805 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. The shares were successfully placed with institutional investors in Germany and abroad at an issue price of EUR 1.25 per share. With an entry of 29 June 2016 into the Commercial Register, UMT AG's capital stock was increased by EUR 1,588,805.00, to EUR 17,476,856.00. The company earned a total of TEUR 1.986 in gross issue proceeds from this placement.

The Management Board will ensure full and routine reporting and careful supervision over UMT's business activities and the investment in UMS, in which the Group's operations are largely concentrated. The Management Board will constantly monitor liquidity by exercising supervision over the Group's 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. Implementing services as part of the licensing model for other major national and international market operators, in the role of multipliers, is of particular importance for the future of UMT Group and its subsidiaries. Also of major importance is use of the mobile payment and loyalty platform as a mobile payment system and customer retention tool, as well as the revenues associated with this use. The Group continues to view itself as being in a strong starting position.

UMT Group expects double-digit revenue growth in the current financial year.

The timing of revenue realization continues to depend heavily on the course of individual customer projects, over which UMT had only limited control due to various dependencies between the project participants. Given the scale and complexity of these projects, several months can elapse between the initial discussions for a new project and the signing of the agreement.

Additional revenues are to be generated not only by attracting new customers, but also through strategic partnerships such as the one which was formed with loyalty specialist Point4More. UMT Group expects significant improvement in its operating results in Financial Year 2017 despite the need to invest heavily in specialized personnel and in further improving its technical infrastructure. This improvement will be attributable in part to lower selling and marketing expenses, which are far lower under the licensing model than is the case with direct sales.

UMT Group views itself as being well-positioned in the market with its present operational alignment. Based on conversations and negotiations which are already underway with major customers and multipliers in the retail, banking, industrial and hospitality sectors, as well as the active targeting of major national and international market operators and participation in calls to tender as part of its licensing model, the Management Board expects continued positive performance in the current financial year despite the risks presented above.

Munich, May 2017

Dr. Albert Wahl
Management Board

2016 Financial Statements

CONSOLIDATED BALANCE SHEET

as of 31 December 2016

ASSETS		
	31.12. 2016	Previous Year
A. FIXED ASSETS	EUR	EUR
I. Intangible assets		
Self-created industrial property rights and similar rights and duties	2,876,018.00	0
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on non-owned land	0.00	1.00
2. Other equipment, fixtures, fittings and equipment	33,896.00	31,513.00
3. Advance payments and assets in process of construction	0.00	0.00
	33,896.00	31,514.00
III. Financial assets		
1. Shares in affiliated companies	23,846.00	13,846.00
2. Investments	1,186,274.82	1,091,130.74
3. Non-marketable securities	1,339,102.02	0
	2,549,222.84	1,104,976.74
B. CURRENT ASSETS		
I. Inventories		
Finished products and merchandise	788.03	0.00
II. Accounts receivable and other assets		
1. Trade receivables	174,820.41	7,645.34
2. Accounts receivable from affiliated companies	1,465,786.48	0.00
3. Accounts receivable from Group companies	87,578.74	15,531.62
4. Other assets	608,538.93	298,901.87
	2,336,724.56	322,078.83
III. Cash on hand, Bundesbank balance, cash in banks and checks		
	304,087.30	1,803,200.36
C. DEFERRED CHARGES AND PREPAID EXPENSES		
	34,564.77	26,023.47
	8,135,301.50	3,287,793.40

LIABILITIES		
	31.12.2016	Previous Year
A. SHAREHOLDERS' EQUITY	EUR	EUR
I. Subscribed capital	17,476,856.00	15,888,051.00
Own shares	72,230.00	154,314.00
Called capital	17,404,626.00	15,733,737.00
II. Capital reserve	2,252,809.05	1,855,607.80
III. Earnings reserves		
1. Statutory reserve	6,704.66	6,704.66
2. Other earnings reserves	646,927.28	621,476.46
	653,631.94	628,181.12
IV. Loss carry-forward	2,135,084.09-	6,931,265.26-
V. Consolidated net income	207,420.35	916,866.11-
VI. Carry-forward to new account	7,701.17	0.00
VII. Minority shares	7,701.17-	0.00
B. Difference from capital consolidation	18,080,993.58-	9,129,000.00-
C. PROVISIONS		
VII. Other provisions	65,800.00	21,000.00
D. ACCOUNTS PAYABLE		
1. Accounts payable to banks thereof with a residual term of less than one year: EUR 0.00 (previous year: EUR 27.00)	0.00	27.00
2. Trade payables thereof with residual term of less than one year: EUR 552,553.31 (previous year: EUR 319,318.29)	552,553.31	319,318.29
3. Accounts payable to affiliated companies thereof with a residual term of less than one year: EUR 1,316,145.33 (previous year: EUR 0)	4,992,483.95	0.00
4. Accounts payable to other Group companies thereof with a residual term of less than one year: EUR 2,191,152.41 (previous year: EUR 1,478,417.73)	2,191,152.41	1,478,417.73
5. Other accounts payable thereof, for taxes: EUR 15,172.40 (previous year: EUR 190,035.40); thereof for social security: EUR 3,056.92 (previous year: EUR 3,720.43); thereof with a residual term of less than one year: EUR 28,229.32 (previous year: EUR 228,635.83).	30,902.16	228,635.83
	7,767,091.83	2,026,398.85
	8,135,301.50	3,287,793.40

CONSOLIDATED INCOME STATEMENT

from 1 January 2016 to 31 December 2016

	2016 EUR	Previous Year EUR
1. Revenues	1,518,143.49	2,261,808.06
2. Own work capitalized	1,463,000.00	0.00
3. Other operating income	1,763,361.34	5,736.05
4. Cost of materials		
a) Cost of raw materials and supplies and purchased merchandise	877,185.04	25.93-
b) Cost of purchased services	108,791.33	1,215,200.00
	985,976.37	1,215,174.07
5. Personnel expenses		
a. Wages and salaries	870,365.72	587,708.42
b. Social security, pension and other benefit costs	145,201.01	107,292.17
	1,015,566.73	695,000.59
6. Depreciation on intangible assets and property, plant and equipment	314,209.10	15,675.43
7. Other operating expenses	2,104,481.67	1,143,298.47
8. Income from investments	22,572.00	0.00
9. Other interest and similar income	32,824.14	2,287.33
10. Interest and similar expenses	171,593.03	116,898.03
11. Taxes on income	0.00	198.04-
12. After-tax income	208,074.07	916,017.11-
13. Other taxes	653.72	849.00
14. Net income	207,420.35	916,866.11-

2016 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:	Local Court of 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, the consolidated notes, the consolidated cash flow statement and the statement of shareholders' equity.

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

The total cost method was selected for the consolidated income statement.

1. Impact of the Accounting Directive Implementation Act

Although these consolidated financial statements were the first to be prepared in accordance with the Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz, BilRUG*), it was not necessary to modify any disclosures, so that the disclosures of revenues and other operating income are fully comparable to those of previous years. If the Accounting Directive Implementation Act were to be applied to the previous year's financial statements, last year's revenues would still amount to TEUR 2,282 pursuant to Article 75(2) Sentence 8 of the Introductory Act to the Commercial Code. Accordingly, an adjustment of the previous year's figures was not necessary.

2. Disclosure and explanation of the different form of presentation relative to the year before

2016 was the first year that UMT United Mobility Technology AG prepared consolidated financial statements. However, the previous year's figures are disclosed to facilitate comparison.

3. Disclosure and explanation of non-comparable figures from the year before

Since Financial Year 2016 is the first year that consolidated financial statements were prepared, they contain individual figures which are not comparable with the figures from the year before, which are disclosed merely for informational purposes.

This applies to the following items:

The loss carry-forward of TEUR 6,931 which was disclosed from the year before includes net losses in the amount of TEUR 5,713 which were posted by the subsidiary UMS United Mobile Services GmbH in prior years. Upon the consolidation of UMS United Mobile Services GmbH on 1 January 2016, this loss carry-forward was absorbed into the "difference from capital consolidation" item pursuant to § 310(2) Sentence 3 of the Commercial Code, so that the "loss carry-forward" and "difference from capital consolidation" items for the two years are not comparable. Rather, the loss carry-forward disclosed for 31 December 2016 includes only the loss carry-forward attributable to UMT AG, while the "difference from capital consolidation" item includes the loss carry-forward of UMS United Mobile Services GmbH as of 1 January 2016.

II. Consolidated Companies

1. Disclosures about all Group companies

In addition to UMS United Mobile Services GmbH, the consolidated financial statements also include Peaches Mobile GmbH (in the future: UMT Peaches Mobile GmbH), in which the company holds more than half of the voting capital.

The following changes to the group of consolidated companies took place as of 15 September 2016: with the Partnership Agreement of 3 June 2016, the company formed UMS Prepayment GmbH & Co. KG. The general partner, with no share in the partnership's assets, is UMS United Mobile Services GmbH. The limited partner, and the owner of all of the partnership's assets, is UMT United Mobility Technology AG. By agreement of 9 May 2017, UMS Prepayment GmbH & Co. KG was merged into Peaches Mobile GmbH retroactively to 15 September 2016 and, at the same time, the capital stock of Peaches Mobile GmbH was raised by EUR 26,000.00, from EUR 25,000.00 to EUR 51,000.00.

Upon entry of the aforementioned merger into the Commercial Register, the company acquired a 51% interest in Peaches Mobile GmbH as of 15 September 2016. Peaches Mobile GmbH was renamed UMT Peaches Mobile GmbH in this context and its registered office changed from Wiesbaden to Munich. Based on the retroactive effect pursuant to § 24 of the Transformation Act (*Umwandlungsgesetz*), Peaches Mobile GmbH was therefore consolidated as of 15 September 2016 and its income and expenses for the period from 15 September to 31 December 2016 were therefore included in the consolidated income statement. The entry had not been made as of the time the consolidated notes were prepared. However, the company expects the entry to be made shortly

The following subsidiaries were therefore consolidated for the 2016 Financial Year:

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

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	Equity
		TEUR	TEUR
UMT Turkey Mobil Anonim Sirketi, Istanbul	26 %	-92	-196
Mobile Payment System Espana S.L., Barcelona	70 %	-9	56
iPAYst LLC, Riga	100 %	0	-2
Delinski GmbH, Vienna	23 %	-32	130
UMT USA Inc., Orange, California	10 %	0	8

Only the 2015 financial statements were available for 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.

The consolidated financial statements were prepared for the parent company's reporting date.

1. Disclosures about the consolidation date

The consolidated 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 2016.

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 has 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 in the "difference from capital consolidation item" on the liabilities side of the balance sheet (§ 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 from deliveries and services between Group companies requiring elimination in the consolidated financial statements were not posted in the 2016 Financial Year.

IV. Disclosures Concerning Accounting Policies

1. 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.

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:

- Binvestments at the cost of acquisition;
- loans at par value;
- other securities at the cost of acquisition.

Inventories are recognized at the cost of acquisition or production.

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.

2. Change in accounting policies from the year before

31 December 2016 was the first date for which the company prepared consolidated financial statements.

V. Notes to the Consolidated Balance Sheet

1. Asset statement

A breakdown of the Group's assets, as well as a statement of changes in those assets, can be found in the statement of consolidated assets (an annex to the Notes).

2. Deferred tax assets

The option to claim deferred tax assets was 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. In addition, the accounts payable to SWM Treuhand AG are secured through the assignment of assets by UMS United Mobile Services GmbH by way of security.

5. Distribution freeze

No capital was available for distribution as of 31 December 2016.

In addition, the following distribution freezes existed, for a grand total of EUR 3,680,939.05:

Firstly, a distribution freeze in the amount of TEUR 805 existed as of 31 December 2016 based on own shares held by the company (year before: TEUR 830; reduction in earnings reserve through the purchase of own shares).

Secondly, a total of TEUR 2,876 is subject to a distribution freeze pursuant to § 268(8) of the Commercial Code. This amount conforms to 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.

6. 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. In addition, the accounts payable to SWM Treuhand AG are secured through the assignment of assets by UMS United Mobile Services GmbH by way of security.

VI. Disclosures Concerning the Consolidated Income Statement

Consolidated revenues include the revenues of Peaches Mobile GmbH as of 16 September 2016. The income and expenses of Peaches Mobile GmbH in the period from 16 September to 31 December 2016 are also included in the consolidated income statement.

Own work capitalized consists of capitalized expenses in Financial Year 2016 (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, including the Group's share of indirect expenses.

Other operating income includes development expenses for the core system incurred in the previous year, 2015, in the amount of TEUR 1,709, as well as development of the software used in the PAYBACK PAY app, including the Group's share of indirect expenses.

VII. Disclosures Concerning the Consolidated Cash Flow Statement

The cash flow statement shows the change in the Group's cash and cash equivalents over the course of the year as a result of cash flow from operating activity, investment activity and financing activity.

The cash flow statement was prepared in accordance with German Accounting Standard (GAS) 21.

Investments made by the Group in intangible assets include TEUR 3,172 in own work capitalized and expenses for freelance employees and outside companies for the capitalized self-created intangible assets.

With the consolidation of Peaches Mobile GmbH, it was necessary to make changes to the group of consolidated companies, which were taken into account in the cash flow statement.

Cash and cash equivalents are comprised of bank balances. The cash flow statement provides information about how the Group obtained its funds and which financing measures were taken.

VIII. Disclosures Concerning the Consolidated Statement of Shareholders' Equity

The statement of shareholders' equity shows the changes in consolidated shareholders' equity.

IX. Other Disclosures

1. Average number of employees during the financial year

The average number of Group employees during the financial year was 25.

2. Other mandatory disclosures in accordance with the Corporations Act

Disclosures concerning the holding, purchase and sale of own shares

The company purchased 45,228 own shares in the financial year (statement of equity, additions: own shares acquired), for which EUR 45,228 was subtracted from the capital stock and EUR 14,683.52 from the earnings reserves. 127,312 own shares were sold for sales proceeds of EUR 167,446.34 (statement of equity: shares issued), for which EUR 127,312.00 was added to the capital stock and EUR 40,134.34 to the company's earnings reserves. The proceeds were used for investments in current projects and strengthen the capital base. As of 31 December 2016, the company held 72,230 own shares (year before: 154,314).

Disclosures concerning share classes

The capital stock consists of 17,476,856 bearer shares with a par value of EUR 1.00 each. As of last year's reporting date, the capital stock consisted of 15,888,051 bearer shares with a par value of EUR 1.00 each.

Based on the authorization issued by the shareholders on 12 June 2015, the capital stock was raised by EUR 1,588,805.00, to EUR 17,476,856.00.

By resolution of the Supervisory Board of 16 June 2016, Articles 6 and 7 of the Articles of Association (Capital Stock and Authorized Capital) were amended. The new capital stock, in the amount of EUR 17,476,856.00, was entered into the Commercial Register on 29 June 2016.

Disclosures concerning authorized capital

The authorized capital adopted by the shareholders on 5 June 2014, in an amount of up to EUR 6,573,491.00, was cancelled by the shareholders on 12 June 2015.

At the annual meeting on 12 June 2015, the Management Board was authorized, with the consent of the Supervisory Board, to raise the capital stock by up to EUR 7,394,775.00, 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 7,394,775 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 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;
- if the capital increase is in the well-understood interest of the company.

This authorization has not yet been exercised.

3. Auditor's fee

The total (net) expense for the services performed by the auditor of the consolidated financial statements attributable to Financial Year 2016 is EUR 32,900.00

This expense is comprised as follows:

- a) Auditing services: EUR 32,900.00.
thereof for the previous year: EUR 0.00

4. Names of the Management Board members

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

Dr. Albert Wahl
Chief Executive Officer

5. Supervisory Board

Composition of the parent company's Supervisory Board as of 5 June 2014:

Chairman: Walter Raizner, self-employed consultant; Zug.

Deputy Chairman: Roderich Schaetze, self-employed attorney, accountant and auditor; Munich.

Member: Markus Wenner, Managing Partner at GCI Management Consulting GmbH; Munich.

The total remuneration paid to the Supervisory Board in Financial Year 2016 was TEUR 25.

6. Supplemental report

UMS Prepayment GmbH & Co. KG, Munich, was merged into Peaches Mobile GmbH, Wiesbaden, in accordance with the merger agreement of 9 May 2017. An entry into the Commercial Register has yet to be made and is scheduled for June 2017.

Munich, May 2017



Dr. Albert Wahl
Management Board

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

as of 31 December 2016 (in TEUR)

Handelsrecht	Subscribed capital	Own shares acquired	Capital reserve	Earnings reserves	Earned equity	Total
Balance as of 1 January 2016	15,888	-154	1,856	628	-2,135	16,083
Shares issued	1,589	127	397	40		2,153
Shares purchased/redeemed		-45		-14		-59
Net income for period	0		0	0	207	207
Balance as of 31 December 2016	17,477	-72	2,253	654	-1,928	18,384

CONSOLIDATED CASH FLOW STATEMENT

From 1 January 2016 to 31 December 2016 (in TEUR)

	2016
Net income for period (before appropriation of earnings)	-207
Depreciation of fixed assets	314
Increase in short- and mid-term provisions (- = decrease)	39
Increase in assets not attributable to investment or financing activity (- = decrease)	-1,025
Increase in liabilities not attributable to investment or financing activity (- = decrease)	1,844
Net cash flow from current business activity	965
Payments received from the sale of property, plant and equipment	10
Payments made for investments in financial assets	-1,444
Payments made for investments in property, plant and equipment	-19
Payments made for investments in intangible assets	-3,172
Net cash flow from investment activity	-4,625
Payments received from shareholders	2,094
Payments made to shareholders	
Net cash flow from financing activity	2,094
Net change in cash and cash equivalents	-1,566
Cash and cash equivalents at start of period	1,803
Change in cash and cash equivalents due to changes in group of consolidated companies	67
Cash and cash equivalents at end of period	304
Composition of cash and cash equivalents	
Cash on hand	0
Current account balances	304
Cash and cash equivalents at end of period	304



2016 Annual Report

UMT United Mobility Technology AG

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