

Munich, December
2019



Dear shareholders, employees, business partners and friends of UMT Group,

It is already a nice tradition that I inform you in the Advent season about the developments and most important events of the year at UMT AG. I would like to adhere to this principle again this year and take a look into the future with you in order to think about the opportunities of the market, our company and our prospective strategy, which is the basis for the continued strong positioning of the UMT Group. Take a few minutes to have a look at your UMT AG.

Once again, an eventful year lies almost behind us. And this year we have again set the course for the future of the UMT Group. Thus, our business model was further sharpened and adapted to the requirements of the market with a view to the future.

This market, in which we operate, is characterized by the advancing digitalization, which is fundamentally changing everything and affects all areas of life: our working life, our media consumption behavior and our communication. And last but not least, of course, the way we pay our bills. While in Asia payment by mobile phone is the daily routine even for street vendors around the corner, customers in Europe and especially in Germany remain restrained. But even in Germany, more and more people are paying without cash. 48 percent of Germans are already using this option or plan to do so in the future. This was the result of the study "Digitale Bankservices 2019", which was commissioned by Creditplus Bank AG. In comparison: in 2018 it was still 42 percent. According to the analysis, people up to the age of 40 in particular appreciate their mobile phones in order to pay for purchases in supermarkets or at petrol stations. In the population as a whole, only one in six has practiced this.

And this is where our enormous potential comes from. Although 88% of Germans reject the complete abolition of cash, cashless payments - even without PINs or signatures - are becoming increasingly popular. In industries such as the bakery trade, where the majority of business is done with countless small amounts, contactless payment leads to great efficiency gains. The Kingdom of Sweden is on its way to becoming the world's first cashless country. Already today, cash accounts for only about 1 % of the country's economic output. The Swedish National Bank expects only 0.5 % of citizens to pay for their purchases with cash by 2020. The first shops are already refusing to accept cash.

Of course, we in Germany are far from there. But especially the possibilities of online shopping have changed the behaviour of consumers in our country. They are increasingly making less of a distinction between online and offline shopping and expect the same convenience and quality they are used to when shopping online. Paying by smartphone is therefore the next logical step at the checkout. Good for us.

As I have always told you in the past, I welcome the market entry of other large payment providers such as Google Pay, Apple Pay, WeChat or Alipay and see it as an opportunity for UMT. In fact, following the market entry of Google Pay and Apple Pay, the technology has also picked up speed. How does this affect UMT?

Following the acquisition of the licence rights by our long-standing cooperation partner PAYBACK in December 2018, we now have the opportunity to offer our white label solution and related consulting services to an extended range of customers. Among other things, we are focusing our attention on the Industrial Internet of Things (IIoT). In Germany alone, there are over a thousand medium-sized companies that are world market leaders with their respective products. Here, our technology is particularly suitable for implementing pay-per-use and machine-to-machine (M2M) payment applications across manufacturers and production lines, in particular also using 5G. And this market is characterized by an enormous transaction volume generated by a large number of customers. We have to and intend to use these possibilities as UMT.

At the Annual General Meeting in August, our shareholders were once again convinced of our expanded Group strategy, which resulted in high approval rates for the proposed resolutions. One of the key items on the agenda was the reduction of the company's share capital. The existing share capital of EUR 23,533,560.00 was reduced by EUR 21,180,204.00 to EUR 2,353,356.00 for the purpose of creating a free capital reserve. The aim is to increase the attractiveness of the share in line with operating performance.

We also launched our LOYAL app in August of this year. The app will now be successively expanded to include all essential features in order to offer users discounts, bonuses or cashbacks customized to their needs. To this end, we are introducing the latest artificial intelligence (AI) methods such as Unsupervised Learning, Reinforcement Learning and NLP (Natural Language Processing), which we are currently training. In this way, new standards are set in the selection of the best deals and user relevance, and cross-language and multi-country distribution is made possible. With the Meta-App we use the considerably higher scalability of the B2C market and prove our flexibility and high implementation competence in entering new business sectors.

According to a survey conducted by GS1 Germany among leading brand manufacturers, retailers and payment providers, the trend seems at least clear: cash is on the decline at the point of sale, and mobile payment is the most popular option. And digital additional benefits such as the linking of payment services with bonus and loyalty programs provide a significant competitive advantage. How do we, as UMT AG, intend to make the most of this momentum?

In addition to the existing of products and services of the UMT Group, in future we will offer a multitude of further solutions for digital and financial services using the latest, innovative technologies. By expanding our business model to include industrial applications and exploiting the potential of the consumer market, combined with the use of state-of-the-art technologies such as AI, pay-per-use and 5G, we are ideally positioned to fulfil our key role in the constantly growing FinTech sector in the future.

In addition, the new EU Payment Services Directive (PSD2) in particular is boosting competition in payment transactions by granting external service providers access to account data, thus opening up completely new possibilities. In this context, we joined the European initiative "Berlin Group NextGenPSD2" as part of the Advisory Group in November 2019. This step underlines our claim to technological and creative leadership within the framework of the EU Payment Directive PSD2. By joining the NextGenPSD2 initiative, UMT is contributing to the spread of modern and secure cashless digital payment transactions. We believe that the digitization and standardization of payment protocols will enable FinTech companies like us to develop and operate new digital products for consumers at significantly lower costs. This is in line with our vision of constructive pan-European cooperation. Only in this way can we achieve high technical quality and safety at an optimal cost structure and at the same time meet the requirements of PSD2 and our customers.

How can we accelerate future business development for consulting and services in existing markets and use it for our purposes? The entry of large companies with products such as Apple Pay and Google Pay into the German mobile payment market was a wake-up call for many slow-moving companies. For us this step opens up massive catch-up potential for German and European solutions based on UMT's unique technology, IP and outstanding operational track record. And we will take these steps together with our strategic partner, the London-based private equity fund Kingsbridge Capital Advisors Ltd. The new partnership and the exchange with leading representatives of the financial industry will enable UMT to gain an early insight into the ongoing far-reaching changes in the financial sector and to identify an urgent need for cost-saving digital solutions. Here, too, we intend to and will be pioneers.



As part of the announcement of our strategic cooperation with Kingsbridge Capital Advisors Ltd., we have also increased the existing positive revenue guidance for UMT for the full year 2019 to TEUR 11,500 with an expected EBITDA margin of 35 %.

It is therefore already foreseeable today that 2020 will be once again an exciting and promising financial year for UMT AG. We are looking forward to it. And we look forward to continuing to pursue our path together with you, our shareholders, employees, business partners and friends.

I wish you and your families a Merry Christmas and a Happy New Year.

With best regards,
yours

A handwritten signature in blue ink, appearing to read "Wahl", written over a light blue horizontal line.

Dr. Albert Wahl (CEO)