



2017 Annual Report

Consolidated Financial Statements and Management Report
as of 31 December 2017*

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Foreword of the Management Board

Dear shareholders,

UMT Group was able to report successful performance in Financial Year 2017, with an improvement in key performance indicators due to significant growth in revenues, total performance and earnings. UMT Group's total performance was up 94.4 percent last year, to TEUR 9,224 (year before: TEUR 4,745). This improvement was largely due to its revenues, in the amount of TEUR 6,503 (year before: TEUR 1,518). Consolidated gross income in the reporting year came to EUR 4,450 (year before: TEUR 3,759). Earnings before interest and taxes (EBIT) also improved significantly, climbing to TEUR 550 from TEUR 347 the year before. Consolidated earnings before taxes (EBT), increased to TEUR 328 (year before: TEUR 208). UMT Group finished Financial Year 2017 with TEUR 328 in consolidated net income, up from TEUR 207 the year before.

2017 was an eventful year not just for UMT Group but for the entire industry in general. It is clear that cashless payment is continuing to gain ground. Its growth rate is increasing almost exponentially, driven above all by the willingness of businesses to invest in innovative solutions. Mobile payment, loyalty programs and e-commerce are key drivers of this trend. Meanwhile, developments like Blockchain technology and crypto-currencies like Bitcoin are permanently changing the way we pay.

UMT Group's goal is to influence and shape the future development of cashless payment with its technology and innovations.

The focus of UMT Group's operations in the reporting period was on intensive development of the PAYBACK PAY project. Working together with our partner PAYBACK, we were able to equip even more big retail chains for the PAYBACK PAY mobile payment solution in Financial Year 2017, including the supermarket chain REWE and the German market leaders in book and tea retail respectively, Thalia and TeaGschwendner. The discount supermarket chain PENNY followed in April of this year, with 2,180 stores. We are very pleased to announce that the PAYBACK app has already been downloaded 14.5 million times, and the trend is rising. Our technology is now being used in around 16,000 stores, with 71,000 connected points of sale. As one of the leading technology providers in Europe, UMT Group is continuing to extend its position in the mobile payment segment. The big success of the PAYBACK app was completed by receipt of the "Golden Transaction" award at the start of 2017, recognizing outstanding and innovative mobile payment solutions. We also see the first-place finish of the PAYBACK app, whose integrated payment function offers the year's best payment solution, as a recognition and appreciation of our know-how.

In addition to the significant successes we have achieved in the course of our operations, we have also made lasting extensions to our investment portfolio in the reporting period. In May, we decisively extended our value chain through acquisition of a majority interest in UMT Peaches Mobile GmbH.

Moreover, with prelado, one of the leading German online portals in the digital prepaid market, UMT Group is now operating as a B2C provider in this fast-growing segment. The focus will be on extending prelado's product range by adding customer loyalty tools like gift certificates and coupons, as well as continuing and extending its international positioning. In addition, we were able to forge a strategic partnership with Berlin-based solarisBank at the end of June, which will take payment processing to a new level. Because of its banking license and years of experience in payment processing and clearing, solarisBank will allow the Group to expand its service range all along the value chain.

We are not of the opinion that crypto-currencies are just a temporary phenomenon. Accordingly, our R&D activities are focusing on Blockchain technology. We entered into a partnership with London-based Coinsilium Group Ltd. In mid-September 2017 in order to enable optimal integration of crypto-currencies and to continue to develop Blockchain technology in mobile payment. In addition to big trends like mobile payment, Blockchain and cryptocurrencies, the company has also continued to develop its activities in an established field: e-commerce. In early November, a strategic partnership in this area was formed with TapReason Ltd.

This partnership primarily involves expanding UMT's current mobile payment and in-app services with the addition of TapReason's artificial intelligence (AI) platform. A partnership was also formed in late November 2017 with Cologne-based Evy Solutions GmbH, under which UMT will process payments for Evy Solutions. Evy offers its customers a digital assistant, which will include an app-based payment function.

With the Letter of Intent announced in December with mybet Holding SE, a licensed provider of sports betting and online casino games, the stage has been set for a joint effort to develop and introduce a new payment solution for mybet's gambling offerings. The primary goal of this partnership will be to generate sustained economic benefits for both companies. The new electronic payment services and UMT's associated customer loyalty program will help mybet expand its customer base and generate significant competitive advantages.

Within the framework of our international investment portfolio as well, important steps were taken in 2017 to lay the groundwork for a strong 2018. The Spanish subsidiary Mobile Payment System Espana S.L., based in Barcelona, is already engaged in very advanced discussions and negotiations with major international multipliers, e.g. in the retail, hotel, football and entertainment sectors.

The focus of these talks is on integrating the UMT mobile payment platform and associated value-added services like ticket management, reducing wait times and additional interactive data programs, which significantly improve customer appeal and enable analysis of customer data.

We have been able to significantly expand our service range and platform and extend our international operations. Based on ongoing negotiations with potential new customers and the partnerships which have already been formed, we expect a significant improvement in UMT Group's performance in 2018, with revenue and earnings growth in the high double digits. 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.

I would like to thank you for the trust you have placed in us by investing in UMT United Mobility Technology AG and I look forward to continuing on this path with you.

I would also like to thank our employees and colleagues and our Supervisory Board for their hard work and commitment and for our excellent relationship.

Best regards,

Dr. Albert Wahl / CEO

Dr. Albert Wahl
CEO



Report of the Supervisory Board

The Supervisory Board reports as follows on its activity in Financial Year 2017:

The Supervisory Board once again performed its required tasks in Financial Year 2017 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 2017, on the following dates: 23 March, 23 May, 30 June and 20 November. 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 23 March were recent developments in the PAYBACK project, the PWC software audit and the status of the Prelado project.

At the Supervisory Board's meeting on 23 May, the audited and certified financial statements for 31 December 2016 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 2016. The date and agenda of the annual meeting were also discussed.

At the meeting of 30 June, the Supervisory Board discussed changes in the Group's personnel and recent sales activities.

The subjects of the Supervisory Board meeting on 20 November 2017 were the status of current business operations and the strategic (re-)alignment in light of the emergence of new technologies (Blockchain).

No Supervisory Board committees existed in Financial Year 2017 and no new committees were formed.

The 2017 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 2017 was made available to the Supervisory Board in a timely manner prior to the meeting of 4 May 2018. These financial statements were discussed together with the Management Board and the auditor at the Supervisory Board meeting of 4 May 2018. 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 2017 were adopted on 4 May 2018 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 2017.

Munich, 4 May 2018

For the Supervisory Board
Walter Raizner

Walter Raizner
Chairman of the Supervisory Board



Highlights of 2017

02 February 2017

PAYBACK app, featuring UMT mobile payment technology, wins the "Golden Transaction" award

The PAYBACK app was awarded first place at the "Payment Exchange 2017" conference in Berlin, as UMT's integrated mobile payment function made it the year's best payment solution. This recognition afforded to UMT technology reinforces the view that the future lies in a user-friendly combination of payment applications and loyalty solutions.

10 May 2017

UMT acquires a majority interest in PEACHES Mobile GmbH and extends its value chain with prelado

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

01 June 2017

UMT voluntarily publishes 2016 consolidated financial statements and an outlook for 2017

The consolidated financial statements, prepared in accordance with the German Commercial Code, show an improvement in total performance by 109.2 percent in Financial Year 2016, to TEUR 4,745 (year before: TEUR 2,268), while consolidated gross income more than tripled, to TEUR 3,759 (year before: TEUR 1,052). Consolidated net income came to TEUR 207 (year before: TEUR -917) with earnings per share of EUR 0.01 (year before: EUR -0.06). Based on its strong current position and ongoing negotiations with potential customers, UMT management expects double-digit growth in consolidated revenues and earnings in 2017.

7 June 2017

UMT AG adopts share buyback

The UMT Management Board has adopted a share buyback program. The company will buy back up to 10 percent of its capital stock through 31 May 2020 based on the authorization issued by the shareholders on 12 June 2015. The Management Board plans to acquire up to 900,000 shares through 30 June 2018.

30 June 2017

UMT forms partnership with Berlin-based solarisBank to extend its value chain

UMT and Berlin-based solarisBank have formed a strategic partnership which will allow UMT to provide licensed services in the future under solarisBank's banking license. Thanks to this relationship, UMT will transition from a technical service provider to a full-service provider, offering customers a full range of mobile payment services, from technical processing to payment transactions and e-money solutions, from a single source.

30 June 2017

UMT AG's 2017 annual meeting

The 2017 annual meeting of UMT United Mobility Technology AG was held on 30 June 2017 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 2016 and answered their questions. The shareholders discharged the Management Board and Supervisory Board and approved all agenda items by a large majority.

17 July 2017

UMT technology continues to establish itself: PAYBACK PAY now usable at more major partners

Starting now, PAYBACK customers will be able to collect points, activate coupons and make payments with their cell phones at REWE, Thalia and TeeGeschwendner through the PAYBACK app. The PAYBACK app is one of the most popular and successful German shopping apps, with 11.5 million downloads. For UMT, whose payment technology is a key component of the PAYBACK app, these developments further strengthen its position as a leading provider of mobile payment technology in Germany and Europe.

27 July 2017

UMT AG adopts strategic cash and non-cash capital increase to expedite growth and permanently strengthen its capital base

The increase in the company's capital stock, in the form of a cash and non-cash contribution, was adopted based on the shareholder authorizing resolution of 30 June 2017. The shares will be subscribed exclusively by SWM Treuhand AG Wirtschaftsprüfungsgesellschaft (Grünwald). The cash capital increase will raise the capital stock by EUR 1,223,380.00, from EUR 17,476,856.00 to EUR 18,700,236.00, through the issuance of 1,223,380 new no-par-value common bearer shares, each representing EUR 1.00 of the capital stock.

UMT AG's capital stock will be increased by another EUR 2,333,333.00, to a total of EUR 21,033,569.00, by issuing 2,333,333 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 in exchange for non-cash contributions.

20 September 2017

UMT invests in Blockchain technology and the integration of cryptocurrencies

UMT AG has announced strategic extensions to its value chain. The FinTech company will soon be integrating stored value products and digital currencies, or cryptocurrencies. In order to expedite development in the area of Blockchain technology and as an initial demonstration of UMT Group's positioning in this segment, a partnership has been formed with the publicly traded London-based company Coinsilium Group Ltd.

29 September 2017

UMT publishes financial report for the first half of 2017: revenues more than triple; strong boost from Blockchain technology

UMT Group publishes its financial report for the first half of 2017. The Group's total performance was up 52 percent in the first half, to TEUR 4,176 (year before: TEUR 2,755). Revenues more than tripled over the same period of last year (TEUR 1,031), to TEUR 3,107.

Consolidated gross income came to TEUR 2,619 in the first half (year before: TEUR 2,701). In all, UMT Group finishes the first half of 2017 with a consolidated net income of TEUR 225. Consolidated net income was TEUR 1,324 in the first half of 2016, a result which was attributable to the soft launch of PAYBACK PAY in June 2016.

07 November 2017

New Supervisory Board member at UMT AG

Mr. Clemens Jakopitsch has joined the Supervisory Board of UMT AG. The business consultant, 34 years of age, was nominated by UMT AG and appointed by the Local Court of Munich. Mr. Roderich Schaetze, a former member of the UMT AG Supervisory Board, resigned his post at the end of August 2017.

29 November 2017

UMT AG gains Evy Solutions as a strategic partner and customer

UMT AG has formed a partnership with Cologne-based Evy Solutions GmbH, under which UMT will process payments for Evy Solutions. Evy Solutions offers its customers a digital assistant which digitizes and manages all documents. This service will now include an app-based payment function.

UMT will collect funds from customers using SEPA direct debit and transfer these funds to the recipient, creating the framework for this innovative fiduciary payment model.

8 December 2017

UMT AG and mybet Holding SE sign a Letter of Intent to develop a new payment and customer loyalty program

The Management Board of UMT AG has signed a Letter of Intent with mybet Holding SE defining the terms for a joint effort to develop and introduce a new payment solution for mybet's gambling offerings.

Management Report

Foundations of UMT Group

As a publicly traded parent company, UMT United Mobility Technology AG (UMT) supports innovative companies using a practical and highly entrepreneurial approach. UMT Group offers customers such as PAYBACK (American Express Group) customized services and solutions for mobile and electronic payment systems, as well as in Blockchain and data analytics. 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 around 16,000 stores and 71,000 points of sale based on UMT's mobile payment and loyalty platform and related services, which are offered primarily as white label solutions as part of a licensing model. These offerings make UMT Europe's leading provider of mobile payment technology and integration services. UMT also provides services in connection with customer loyalty programs and smart data all along the value chain, as well as consulting services relating to ICOs (Initial Coin Offerings).

Subsidiaries and Investments:

UMT holds shares in UMS United Mobile Services GmbH (UMS) in Munich and in 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, 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), based in Wiesbaden.

Innovation, 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. Innovations 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 innovative processes and products, opening new markets and forging global partnerships, FinTech companies like UMT are contributing to the success of the German economy.

According to forecasts of the International Monetary Fund (IMF), the global economy grew at a pace of 3.7 percent in 2017, up from 3.2 percent in the previous year. This growth was driven by an increase in business investment, particularly in industrialized countries, and higher production in Asia as preparations are made for the launch of new smart phone models.

After the first half was stronger than expected, the IMF raised its forecasts for economic growth in the Euro zone for 2017 as a whole by 0.3 percentage points to 2.4 percent, up from 1.8 percent in the previous year. Growth was driven by an improvement in private household spending, as participation in the labor force increased, as well as by growth in business investments and a robust export sector. Inflation in the Euro zone continued to increase, climbing to 1.5 percent from 0.2 percent in the previous year. The IMF had expected an inflation rate of 1.7 percent.

German GDP grew by 2.2 percent in 2017, according to the Federal Statistical Office (Destatis), up from 1.9 percent in the year before. With this strong result, the German economy has now posted growth for eight years in a row. This growth was driven primarily by domestic demand, as private consumer spending was higher than it was a year before. German exports also continued to grow in 2017, although imports grew at an even faster rate.

Incomes last year grew at an even faster pace than business and investment income. Consumer spending improved along with the growth in income. Germany's inflation rate increased by 1.8 percent in 2017, which was within range of the target rate for European monetary policy of just below 2 percent. The labor participation rate in Germany grew at its fastest pace since the year 2000 last year, so that unemployment fell to 3.7 percent, its lowest point since Reunification.

All over the world, the rapid spread of smart phones is changing the way in which businesses come into contact with consumers. At the same time, the European Payment Services Directive (PSD II) is revolutionizing the way consumers pay for goods and services. Not only does it standardize and improve the efficiency of payments throughout the European Union, but it also promotes competition for innovations between banks and new payment services providers. FinTech companies are also increasingly challenging traditional financial institutions by processing payments more quickly and making the payment process easily understandable for consumers and as secure as possible. For example, the new two-factor identity verification and risk management processes offer improved fraud protection without restrictions for the consumer.

Meanwhile, the smart phone market continues to grow at a fast rate. Global market volume was 5.2 billion devices in 2017, but an interim report to the Ericsson Mobility Report projects that 8.5 billion smart phones will be in use by 2023. This would represent an average growth rate of around 9 percent per year. Experts estimate that mobile data traffic by smart phone will increase at a rate of around 34 percent per year over this period.

The evolution of fifth-generation (5G) mobile networks enables a broader range of new applications, particularly in light of the data-intensive expectations of the millennium generation. The dissemination of mobile devices like smart phones and tablets has also created strong growth in the mobile payment market. Equipped with technology from companies like UMT, mobile devices enable consumers to make purchases from stationary retail stores, e.g. using PAYBACK PAY, activate coupons and collect loyalty points in a digital wallet. The market research firms TrendForce and NFC World+ expect global mobile payment transaction volume to increase from USD 780 billion in 2017 to USD 1,080 billion in 2019, for a gain of 38.5 percent

Conditions in the sector and in the economy as a whole continue to offer a fast-growing and promising market for UMT'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. 14.5 million customers in Germany already use UMT mobile payment technology.

Course of Business

In addition to strategic extensions to its the investment portfolio and acquiring new projects, the company's focus in Financial Year 2017 was on the operational implementation of ongoing projects and technical developments at the product level. The focus of day-to-day operations was on implementing the PAYBACK project, as well as further development of the mobile payment function within the new PAYBACK app. PAYBACK, Germany's leading bonus program and largest multi-channel marketing platform with 30 million active users in Germany, launched the new shopping app nationwide in June 2016. Among the first retailers to join the program was the pharmacy chain dm, followed by Real stores, Aral, GALERIA Kaufhof and Alnatura. The retailers REWE, Thalia and TeeGschwendner have been equipped for the PAYBACK PAY since July 2017. 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.

With the acquisition of a majority interest in Wiesbaden-based UMT Peaches Mobile GmbH (formerly 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.

Thanks to an attractive product mix, gift certificates and online coupons will be available in the future in addition to its existing offering of prepaid cell phones.

The high-quality software of UMT Peaches Mobile GmbH/prelado offers optimal additional benefits for customers, such as an efficient proprietary risk management system and expertise in digital and electronic payment transactions.

Another strategic partner was obtained at the end of June 2017, in the Berlin-based solarisBank. In response to the demands of large international customers, UMT Group has transitioned from a technical service provider to a full-service provider of mobile payment services. The partnership with solarisBank also sets the course for further growth on the part of UMT Group. solarisBank has extensive expertise in banking and payment processes, as well as a banking license. This relationship will allow UMT to licensed services and design innovative mobile payment products, as well as intensifying existing customer relationships, under solarisBank's banking license. This step secures UMT's ability to provide these services to all existing and future customers, extending its service range substantially.

The investment in Blockchain technology serves to demonstrate the company's steady growth. This technology, which forms the basis for crypto-currencies and trading of those currencies, is also a key element of the extension of UMT's product range. UMT entered into a partnership with London-based Coinsilium Group Ltd. In mid-September 2017 in order to enable optimal integration of crypto-currencies and to continue to develop Blockchain technology in mobile payment. As an operating subsidiary, Coinsilium will serve to help innovative Fintech and Blockchain companies develop and realize digital growth opportunities.

In addition to big trends like mobile payment, Blockchain and cryptocurrencies, the company has also continued to develop its activities in an established field: e-commerce. In early November, a strategic partnership in this area was formed with TapReason Ltd. This partnership primarily involves expanding UMT's current mobile payment and in-app services with the addition of TapReason's artificial intelligence (AI) platform.

A partnership was also formed in late November 2017 with Cologne-based Evy Solutions GmbH, under which UMT will process payments for Evy Solutions. Evy offers its customers a digital assistant, which will include an app-based payment function. UMT will collect funds from customers using SEPA direct debit and transfer these funds to the recipient. Transaction fees will be charged for these services.

With the Letter of Intent announced in December with mybet Holding SE, a licensed provider of sports betting and online casino games, the stage has been set for a joint effort to develop and introduce a new payment solution for mybet's gambling offerings. The primary goal of this partnership will be to generate sustained economic benefits for both companies. The new electronic payment services and UMT's associated customer loyalty program will help mybet expand its customer base and generate significant competitive advantages.

Position of UMT Group in Financial Year 2017

Earnings Position

Major changes in the earnings position of UMT Group in 2017 compared to the corresponding period from the previous year:

UMT Group posted a total performance of TEUR 9,224 in Financial Year 2017 (year before: TEUR 4,745). This result was based on operating revenues (software as a service, licensing and transaction business) in the amount of TEUR 6,503 (year before: TEUR 1,518), other operating income in the amount of TEUR 220 (year before: TEUR 1.763) and own work capitalized in the amount of TEUR 2,502 (year before: TEUR 1,463), with the latter relating to software developed in the Financial Year 2017 which will be of relevance for future revenues. Other operating income largely consists of income from the sale of financial assets. Cost of materials (TEUR 4,775) was up from the same period of last year (TEUR 986).

Personnel expenses (TEUR 1,291) increased over the previous year (TEUR 1,016). Depreciation increased to TEUR 605 in the reporting period, from TEUR 314 in the year before. Other operating expenses decreased from TEUR 2,104 in the year before to TEUR 1,841. The largest single item in this category is UMT AG's legal and consulting expenses, in the amount of TEUR 1,537 (year before: TEUR 718). The increase in this item is attributable to spending on outside development services which were purchased by UMT AG on behalf of the Group. UMT expects these expenses to gradually decrease over the course of 2018. Interest income amounted to TEUR 42 at the end of the reporting year (previous year: TEUR 33), compared to TEUR 264 in interest and similar expenses (previous year: TEUR 172). UMT Group finished 2017 with a net income of TEUR 328 (previous year: TEUR 207).

Financial and Liquidity Position

Major changes in UMT Group's financial situation in 2017:

The Group had TEUR 28,107 in total assets as of the reporting date, 31 December 2017 (31 December 2016: TEUR 8,135). This increase is largely attributable to intangible assets in the amount of TEUR 21,498 (31 December 2016: TEUR 2,876), consisting primarily of the difference arising from the capital consolidation, which was recognized as goodwill (TEUR 16,708; 31 December 2016: TEUR 0). Non-marketable securities amounted to TEUR 1,832 (31 December 2016: TEUR 1,339). 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 2017.

Liquid funds as of 31 December 2017 amounted to TEUR 338 (31 December 2016: TEUR 304). UMT Group's shareholders' equity increased by TEUR 4,242, to TEUR 22,625 (31 December 2016: TEUR 18,383). This is largely attributable to the consolidated net income of TEUR 207, the increase of UMT AG's capital increase in the third quarter of 2017 and the increase in the capital reserve by TEUR 1,770. Debt fell from TEUR 7,833 in the year before to TEUR 5,482.

The consolidated cash flow statement shows a net operating cash flow of TEUR -2,405 (year before: TEUR 965), a net cash flow from investment activity of TEUR -3,048 (year before: TEUR -4,625) and a net cash flow from financing activity of TEUR 5,487 (year before: TEUR 2,094).

Financial and Non-Financial Performance Indicators

Financial Performance Indicators

Earnings before interest and taxes (EBIT) improved significantly, climbing to TEUR 550 from TEUR 347 the year before. Consolidated earnings before taxes (EBT), increased to TEUR 328 (year before: TEUR 208).

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.

Forecast, Opportunities and Risks

Forecast

After continuing to improve last year, the global economy is expected to benefit from favorable financing conditions and the economic recovery in the industrialized economies, according to forecasts of the International Monetary Fund (IMF), which project a growth rate of 3.9 percent in both 2018 and 2019. This growth outlook is 0.2 percent higher than the October 2017 forecast and reflects the continuing acceleration in global economic growth and the expected impact of the recently adopted tax cuts in the US.

The higher growth forecast for the next two years is primarily the result of economic performance in the industrialized economies.

The European economy will continue to post robust growth both this year and next year, according to a forecast by the European Commission. The GDP growth rate in both the Euro zone and the European Economic Area recently climbed to 2.4 percent, the highest it has been in ten years. In its winter forecast, the European Commission called for growth of 2.3 percent in both 2018 and 2019 in the Euro zone and the EU28. This represents a slight upward revision over the autumn forecast. Uncertainties remain in light of the United Kingdom's withdrawal from the European Union and the emergence of protectionist tendencies all over the world.

The German economy is in the midst of a powerful upswing, according to the German government, and is expected to grow by another 2.4 percent this year. It will be boosted by the improvement in the global economic environment, which should stimulate foreign trade and investments. Economic growth will also be driven by the job market and public finances. The market research firm GfK expects real private consumer spending to increase by around 2 percent in 2018, about the same as the growth rate in 2017. The job market continues to show outstanding improvement, laying the foundation for strong consumer spending in 2018.

Smart phone demand was up only slightly in 2017, by around 1 percent, but revenues in the smart phone market were up 11 percent. The market research firm GfK expects this number to continue to grow in the reporting period. Communications technology company Ericsson expects 7.3 billion smart phones to be in users' hands by 2023, which would represent an annual growth rate of around 9 percent.

Mobile smart phone data volume is expected to increase by around 42 percent a year over this period. As was the case in previous year as well, the highest data volume in the world is expected in Western Europe.

As smart phones become increasingly widespread, the number of users taking advantage of mobile payment applications is growing. The future of retail will increasingly be determined by consumers' preference for mobile business models and payment options.

As consumer shopping patterns change, e-commerce and mobile payment solutions, as well as in-app and one-click shopping, are not only becoming more popular but are also offering a wide range of new payment options with the growing expansion of the Internet of Things (IoT). Given the variety of retail chains and sales channels, omni-channel payment solutions like the UMT platform will play a decisive role in the competition for customers. This includes eliminating barriers to use, protecting against fraudulent abuse, boosting sales efficiency, improving customer service and generally increasing customer satisfaction.

According to network provider Transaction Network Services (TNS), 50 percent of consumers in developed markets will be using smart phones or wearables to make payments in 2018. As a result, mobile payment volume could climb above the USD 95 billion mark this year. The success of mobile payment methods largely depends on their availability day in and day out. Especially promising, due to their user-friendliness, are in-app shopping options like Amazon Go. In Germany, where consumers prefer to carry cash, mobile payment options will allow consumers to benefit from additional innovations at new-model ATMs as well, including personalized banking services such as video conferencing to verify their identity and payment processing.

But peer-to-peer messaging systems are also beginning to integrate mobile payment options, which are being used more and more for micro-payments to family and friends. In many countries, such as the US, India, Europe and Australia, lawmakers have enacted laws and regulations designed to promote the development of real-time payment systems. As the number of devices connected to the Internet of Things grows, we are beginning to see the emergence of an "Internet of Payments."

While TNS estimates that the global cost of credit card fraud will exceed USD 31 billion in 2018, the new payment methods are also increasingly vulnerable to cyber-attacks on sensitive consumer data. Methods of verifying identity using biometric data, such as fingerprint and voice recognition, are especially promising as a possible means of ensuring security in the mobile payments sector. As voice recognition technology becomes increasingly familiar, more and more consumers are expected to make payments using voice assistants like Alexa and Siri.

The speed and precision with which biometric data is processed and verified are improving so rapidly, that it may soon be possible to process payments in real time. Fingerprint recognition in particular is being used more and more. An outstanding example of this is the UMT technology within the PAYBACK app, which has been downloaded more than 14.5 million times in Germany alone.

Germany's digital association, Bitkom, is also firmly convinced of the need for German retail to reinvent itself. Consumers appreciate the opportunity to do their shopping both online and offline, so that they can have the best of both worlds and seamlessly transition from one to the other.

For example, consumers would like to be able to search online to see whether a store has an article of clothing in their size. At the store, they appreciate innovative services such as a tablet which allows them to request different sizes from the changing room. According to Bitkom, the hybrid consumer has long since become a reality. Retailers now face the challenge of developing concepts and offerings which make it possible for consumers to shop seamlessly through multiple channels.

This also applies to cryptocurrencies which, in Bitkom's view, are a good example of how digitization can change the financial sector. The vital development in its view is not the individual currency itself but the Blockchain technology behind it, which will impact the entire economy. Micro-transactions in particular are viewed by Bitkom as a future application in the Internet of Things.

In Bitkom's estimation, the entire financial sector is in the process of transformation, and has been for years. Digitization is the main driver of this process, raising the transparency and security of payment transactions to a new level. Online banking is already a matter of course for a broad range of age groups and mobile online banking, banking apps and online lending are becoming increasingly popular, as these solutions offer consumers a greater degree of convenience and security. The mobile payments business is a market with growing potential, according to Bitkom, although the fragmented state of the market on the supply side has hindered market penetration until now.

According to the market research firm ReportBuyer, the global prepaid card market is expected to grow at an average rate of around 23 percent per year through 2022, to USD 3,653 billion. Prepaid cards allow consumers to make payments by loading the balance directly onto a card: a bank account is not required.

Prepaid cards are reloadable and are frequently used in retail, e-commerce and for cell phones. Prepaid card transactions have established themselves as a separate form of payment processing in recent years. Anyone can use a prepaid card, regardless of credit, income or bank account: they provide an alternative to a traditional bank account and a new way of managing money. Prepaid cards work like credit and debit cards, so that they can be used abroad as well. In the future, new options such as combination with loyalty platforms and customer retention measures should result in greater acceptance of prepaid cards for a wide range of transactions, and the growing popularity of prepaid cards in foreign travel is expected to drive market growth.

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 so as to extend its value chain in the mobile environment.

Due to extensions to its value chain, UMT Group will also be enabling users to integrate stored value products and digital currencies, or "crypto-currencies." 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 the financing and operation of a transaction platform for crypto- and fiat currencies based on innovative and forward-looking Blockchain technology.

In this new relationship, UTRUST will license the UMT technology platform as a new customer and pay a transaction-based fee for processing. This move and the extension of its service range in the sphere of Blockchain and cryptocurrencies will significantly extend UMT's value chain.

With its majority interest in UMT Peaches Mobile GmbH, UMT Group will be extending prelado's product range by adding customer loyalty tools like gift certificates and coupons, as well as continuing to develop and accelerate its international positioning.

An impressive number of customers, more than 48 million, already use the prepaid cards issued by the big network operators, Deutsche Telekom, Vodafone and Telefonica, and the total for Germany is 60 million. UMT Group expects to benefit from the considerable potential associated with this trend. Management anticipates that UMT Peaches Mobile GmbH will contribute substantially to consolidated revenues.

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 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 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. But 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.

The recognition of UMT technology at the Payment Exchange 2017 conference reinforces the view that the future lies in a user-friendly combination of payment applications and loyalty solutions. With 30 million customers in Germany and more than 120 million worldwide, PAYBACK creates added value which other providers in this segment cannot offer.

UMT 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.

Through its partnership with PAYBACK GmbH and the associated integration of the point-of-sale system, UMT already accommodates a large number of mobile payment processes in German retail.

This number will continue to increase over the course of 2018 with the addition of even more large retail chains, including the connection of all 2,180 PENNY supermarkets in April of this year. This will further strengthen UMT's position in the German mobile payment market.

In general, UMT 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 platform creates clear competitive advantages by enabling very rapid market entry, high technological penetration in retail and highly efficient development processes.

UMT'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, 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 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.

Financial risks are a key aspect, and particularly securing capital for UMT. With the capital increase it executed in the third quarter of 2016, with preemption rights excluded, UMT was able to secure adequate liquidity for its operational alignment. A total of 1,223,380 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 1.50 per share. With an entry of 17 August 2017 into the Commercial Register, the capital stock was increased by EUR 1,223,380.00, to EUR 18,700,236.00. The company earned a total of EUR 1,835,070.00 in gross issue proceeds from this placement. UMT's capital stock was increased by another EUR 2,333,333.00, to a total of EUR 21,033,569.00, by issuing 2,333,333 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 in exchange for non-cash contributions. The issue price for these new shares was EUR 1.50 per share. 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 3,500,000.00 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 a lasting fashion. With an entry of 19 December 2017 into the Commercial Register, the capital stock was increased by EUR 2,333,333.00, to EUR 21,033,569.00.

Management continues to ensure 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 at 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 the use of the individual services are of the greatest importance for the future of UMT and its subsidiaries. The company continues to view itself as being in a strong starting position in this regard, which has been built up over the recent years.

UMT, together with UMS, expects double-digit revenue growth in Financial Year 2018 over the year before. 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.

One of UMT's main goals has always been to promote technologies which create lasting added value, replace outdated business models and render 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, as it was able to do in Financial Year 2017, 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, crypto-currency and loyalty market, and negotiations with major customers in the retail, banking and industrial sector have 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, together with UMS, expects EBIT to show significant improvement in Financial Year 2018 despite the need to invest heavily in specialized personnel and to further develop its technical infrastructure.

UMT 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.

Munich, May 2018

Dr. Albert Wahl
Chief Executive Officer

2017 Financial Statements

CONSOLIDATED BALANCE SHEET

for 31 December 2017

ASSETS / in EUR	31/12/2017 EUR		31/12/2016 EUR
A. FIXED ASSETS			
I. Intangible assets			
1. Self-created industrial property rights and similar rights and duties	4,790,220.00		2,876,018.00
2. Goodwill	16,707,793.14	21,498,013.14	0.00
II. Property, plant and equipment			
1. Other equipment, fixtures, fittings and equipment	20,688.00		33,896.00
2. Advance payments and assets in process of construction	0.00	20,688.00	0.00
III. Financial assets			
1. Shares in affiliated companies	13,846.00		23,846.00
2. Investments	1,041,602.90		1,186,274.82
3. Non-marketable securities	1,832,031.79	2,887,480.69	1,339,102.02
B. CURRENT ASSETS			
I. Inventories			
Finished products and merchandise	788.03		788.03
II. Accounts receivable and other assets			
1. Trade receivables	2,874,160.05		174,820.41
2. Accounts receivable from affiliated	0.00		1,465,786.48
3. Accounts receivable from Group companies	42,315.15		87,578.74
4. Other assets	433,871.06	3,350,346.26	608,538.93
III. Cash on hand, Bundesbank balance, cash in banks and checks		338,400.02	304,087.30
C. DEFERRED CHARGES AND PREPAID EXPENSES		11,423.26	34,56.77
	28,107,139.40	8,135,301.50	

LIABILITIES / in EUR

	31/12/2017		31/12/2016
A. SHAREHOLDERS' EQUITY			
I. Subscribed capital	21,033,569.00		17,476,856.00
Own shares	11,229.00-		72,230.00-
Called capital		21,022,340.00	17,404,626.00
II. Capital reserve		4,022,911.05	2,252,809.05
III. Earnings reserves			
1. Statutory reserve	6,704.66		6,704.66
2. Other earnings reserves	745,955.92	752,660.58	646,927.28
IV. Loss carry-forward		1,934,606.40-	2,135,084.09-
V. Consolidated net income		328,384.78	207,420.35
VI. Carry-forward to new account		0.00	7,701.17
VII. Minority shares		1,566,632.52-	7,701.17-
B. Difference from capital consolidation		0.00	18,080,993.58-
C. PROVISIONS			
Other provisions	111,488.88		65,800.00
D. ACCOUNTS PAYABLE			
1. Trade payables	1,147,114.87		552,553.31
- thereof with residual term of less than one year: EUR 1,147,114.87 (previous year: EUR 552,553.31)			
2. Accounts payable to affiliated companies	0.00		4,992,483.95
- thereof with a residual term of less than one year: EUR 0.00 (previous year: EUR 1,316,145.33)			
3. Accounts payable to other Group companies	3,942,690.56		2,191,152.41
- thereof with a residual term of less than one year: EUR 622,954.18 (previous year: EUR 2,191,152.41)			
4. Other accounts payable	280,787.60	5,370,593.03	30,902.16
- thereof, for taxes: EUR 28,419.13 (previous year: EUR 15,172.40);			
- thereof for social security: EUR 3,056.92 (previous year: EUR 3,056.92);			
- thereof with a residual term of less than one year: EUR 280,787.60 (previous year: EUR 28,229.32).			
	28,107,139.40	8,135,301.50	

CONSOLIDATED INCOME STATEMENT

from 1 January 2017 to 31 December 2017

	2017 / EUR	2016 / EUR
1. Revenues	6,502,628.90	1,518,143.49
2. Own work capitalized	2,502,000.00	1,463,000.00
3. Other operating income	219,549.55	1,763,361.34
4. Cost of materials		
a. Cost of raw materials and supplies and purchased merchandise	3,126,091.99	877,185.04
b. Cost of purchased services	1,648,581.13	108,791.33
	4,774,673.12	985,976.37
5. Personnel expenses		
a. Wages and salaries	1,122,877.70	870,365.72
b. Social security, pensions and other benefit costs	168,585.47	145,201.01
- thereof for pensions: EUR -328.40 (EUR 0.00)	1,291,463.17	1,015,566.73
6. Depreciation on intangible assets and property, plant and equipment	605,213.34	314,209.10
7. Other operating expenses	1,840,969.92	2,104,481.67
8. Income from investments	0.00	22,572.00
9. Other interest and similar income	42,423.79	32,824.14
10. Depreciation on financial assets and marketable securities	162,165.92	0.00
11. Interest and similar expenses	263,703.77	171,593.03
12. Taxes on income	17.89-	0.00
13. After-tax income	328,430.89	208,074.07
14. Other taxes	46.11	653.72
15. Consolidated net income	328,384.78	207,420.35

2017 CONSOLIDATED NOTES

I. General Disclosures

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 cost summary method in accordance with § 275 (2) of the Commercial Code 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 Peaches Mobile GmbH (in the future: UMT Peaches Mobile GmbH), in which the company holds more than half of the voting capital directly.

The following subsidiaries were therefore consolidated for the 2017 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	Munich	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 / TEUR	Equity / 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
UMT USA Inc., Orange, California	10 %	0	8

*Only the 2016 financial statements were available for these companies.

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 2017.

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 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 2017 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 will first be performed in Financial Year 2018.

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. Deferred tax assets

The option to claim deferred tax assets was not exercised.

2. Deferred tax liabilities

No deferred tax liabilities were recognized.

3. 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.

4. Distribution freeze

No capital was available for distribution as of 31 December 2017.

In addition, the following distribution freezes existed, for a grand total of TEUR 5,496.

Firstly, a distribution freeze in the amount of TEUR 706 existed as of 31 December 2017 based on own shares held by the company (year before: TEUR 805; reduction in earnings reserve through the purchase of own shares).

Secondly, a total of TEUR 4,790 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.

VI. Disclosures Concerning the Consolidated Income Statement

Own work capitalized consists of capitalized expenses in Financial Year 2017 (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.

VII. 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 22,248 own shares in the financial year (statement of equity, additions: own shares acquired), for which EUR 22,248 was subtracted from the capital stock and EUR 14,754.46 from the earnings reserves. 82,349 own shares were sold for sales proceeds of EUR 197,032.10 (statement of equity: shares issued), for which EUR 83,249.00 was added to the capital stock and EUR 113,783.10 to the company's earnings reserves. The proceeds were used for investments in current projects and strengthen the capital base. As of 31 December 2017, the company held 11,229 own shares (year before: 72,230).

Disclosures concerning share classes

As of 31 December 2017, 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 17,476,856 bearer shares with a par value of EUR 1.00 each.

Disclosures concerning authorized capital

The authorized capital adopted by the shareholders on 12 June 2015, in an amount of up to EUR 7,394,775.00, was cancelled by the shareholders on 30 June 2017.

At the annual meeting on 30 June 2017, the Management Board was authorized, with the consent of the Supervisory Board, to raise the capital stock by up to EUR 8,738,428.00, 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 8,738,428 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 percent 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.

The capital stock was raised by EUR 1,223,380.00, to EUR 18,700,236.00 based on the authorization issued by the shareholders on 30 June 2017.

By resolution of the Supervisory Board of 28 July 2017, §§ 6 and 7 of the Articles of Association (Capital Stock, Authorized Capital) were amended. The new capital stock in the amount of EUR 18,700,236.00 was entered into the Commercial Register on 17 August 2017.

The capital stock was increased by another EUR 2,333,333.00, to EUR 21,033,569.00, based on the authorization issued by the shareholders on 30 June 2017.

By resolution of the Supervisory Board of 11 December 2017, §§ 6 and 7 of the Articles of Association (Capital Stock, Authorized Capital) were amended. The new capital stock in the amount of EUR 21,033,569.00 was entered into the Commercial Register on 19 December 2017

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.

Deputy Chairman: Roderich Schaetze, self-employed attorney, accountant and auditor; Munich (through 28 August 2017).

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

Member: Clemens Jakopitsch, self-employed business consultant; Ludmannsdorf, Austria (as of 3 November 2017).

The total remuneration paid to the Supervisory Board in Financial Year 2017 was TEUR 33.

Munich, May 2018



Dr. Albert Wahl

Chief Executive Officer
UMT United Mobility Technology AG

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

for 31 December 2017 (in TEUR)

UMT United Mobility Technology AG, Munich

	Subscribed Capital	Own Shares acquired	Capital Reserve	Earnings Reserves	Earned Equity	Total
Balance as of 1 January 2017	17,477	-72	2,253	654	-1,928	18,384
Shares issued	3,557	83	1,770	114		5,524
Shares purchased/redeemed		-22		-15		-37
Net income for period	0		0	0	328	328
Balance as of 31 December 2017	21,034	-11	4,023	753	-1,600	24,199

CONSOLIDATED CASH FLOW STATEMENT

UMT United Mobility Technology AG, Munich

	2017 / TEUR	2016 / TEUR
Net income for period (before appropriation of earnings)	328	-207
- Depreciation of fixed assets	605	314
Increase in short- and mid-term provisions (- = decrease)	46	39
Increase in assets not attributable to investment or financing activity (- = decrease)	-989	-1,025
Increase in liabilities not attributable to investment or financing activity (- = decrease)	-2,395	1,844
Net cash flow from current business activity	-2,405	965
Payments received from the sale of property, plant and equipment	0	10
Payments received from the sale of financial assets	183	
Payments made for investments in financial assets	-725	-1,444
Payments made for investments in property, plant and equipment	-4	-19
Payments made for investments in intangible assets	-2,502	-3,172
Net cash flow from investment activity	-3,048	-4,625
Payments received from shareholders	5,487	2,094
Payments made to shareholders		
Net cash flow from financing activity	5,487	2,094
Net change in cash and cash equivalents	34	-1,566
Cash and cash equivalents at start of period	304	1,803
Change in cash and cash equivalents due to changes in group of consolidated companies	0	67
Cash and cash equivalents at end of period	338	304
Composition of cash and cash equivalents		
Cash on hand	0	0
Current account balances	338	304
Cash and cash equivalents at end of period	338	304



Annual Report 2017

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