

Sandpiper Digital Payments AG
Interim Financial Statements
as per 30 June 2018

Financial review

Environment

Sandpiper Digital Payments AG (“Group”, “SDP” or “SANDPIPER”), www.sandpiper.ch, is a stock-listed technology holding based in St. Gallen, Switzerland. The company is focused on the consolidation of the fragmented payment landscape in Europe by pursuing a “buy & build” strategy in the area of digital cashless payments, multi-application solutions, identity management, as well as digital security services and technologies. Digital security represents the fundament for seamless interoperable and interactive ID, mobile and digital payment systems and adjacent multiple applications, like physical and logical access and enhanced data or loyalty services. Digital Payment is based on Digital Security. SANDPIPER’s shares are listed on BX Swiss and Frankfurt Stock Exchange.

SANDPIPER provides closed-loop payment and loyalty systems as well as digital security services. The Group focuses on hard-to-reach end-customers and industries with long-term cooperation effects, e.g. educational institutions, public authorities, event and mobility operators, retailers and brands. SANDPIPER aims to be market leader in each of these segments by international growth, corporate acquisitions and realizing synergy and cross-selling potentials within the group.

SANDPIPER shapes digital payment solutions and digital security services through innovation, quality and commitment. SANDPIPER uses its technology and expertise to simplify the world of payment. SANDPIPER strives to build long-term client relationships based on mutual trust, integrity and respect for a more secure future.

Business year

After the growth in the last years, SANDPIPER entered into a phase of consolidation. Operational measures were taken to significantly improve the company's operating result and to build a basis for a continued positive development in 2018.

The disposal of the subsidiary Polyright AG led to the derecognition in August 2017. Since InterCard invested in Polyright AG, SANDPIPER again has an indirect minority investment of 29.3% and keeps a leading market position in Switzerland for universities. In March 2018 InterCard AG Informationssysteme signed a convertible loan agreement with Polyright AG of EUR 0.4 million. With this investment InterCard has the right to increase its stake in Polyright AG to 52% until January 2021.

In February 2018 SANDPIPER participated in BH Capital Management AG’s, a 100% daughter of Mountain Partners AG, carve-out. With the purchase of its own shares SANDPIPER is prepared to attract new investors without having to perform a capital increase and thus avoiding further dilution. The portfolio of Mountain Partners AG and SANDPIPER shares could potentially generate the liquidity to fund further growth.

E24 AG entered into a strategic partnership with OPS360 GmbH. OPS360 has extensive experience in strategic and operational parking management and control and complements the e24 solution portfolio. Together they fulfil all the requirements of holistic parking management. In the future, they will be able to offer the customer a fully integrated overall solution with a coordinated range of services for all areas from a single source. As part of the partnership OPS360 acquired 20% of e24 AG.

Key figures:

| EUR | 30.06.2018 | 31.12.2017 | Change |
|---|-------------|-------------|---------|
| Total assets | 17'385'847 | 19'729'425 | -11.9% |
| Shareholders equity attributable to SDP shareholder | -1'993'003 | 355'422 | -660.7% |
| Shares outstanding | 203'455'778 | 211'695'028 | -3.9% |
| NAV per share | -0.01 | 0.00 | -683.5% |

| EUR | 01.01.2018 30.06.2018 | 01.01.2017 30.06.2017 | Change |
|--|--------------------------|--------------------------|---------|
| Operating income | 12'834'112 | 16'421'670 | -21.8% |
| Earnings before interests and taxes (EBIT) | -986'452 | 3'154'654 | -131.3% |
| Earnings before interests, taxes, depreciation and amortization (EBITDA) | -364'901 | 3'769'256 | -109.7% |
| Net profit (loss) attributable to SDP shareholder | -1'097'528 | 5'489'464 | -120.0% |
| Basic earnings per share | -0.01 | 0.03 | -120.7% |
| Diluted earnings per share | -0.01 | 0.02 | -122.3% |

Total assets decreased by EUR 2.3m compared to 31 December 2017. The decrease equivalents to the disposal of Mountain Partners AG shares. Shares in the amount of EUR 1.1 million were used to buy treasury shares in BH Capital Management AG's carve out. Shares in the amount of EUR 1.2 million were sold on the market.

The acquisition of treasury shares in the amount of EUR 1.3 million and the period loss of EUR 1.1 million reduced Shareholders equity attributable to SDP shareholder to EUR -2.0 million.

The number of shares issued is unchanged 211'695'028. The purchased treasury shares reduce the shares outstanding to 203'455'778.

Operating income decreased due to the disposal of Polyright AG and Sandpiper Digital Payments Asia Private Ltd in prior year by EUR 2.5m. While Ergonomics lost and Multicard NL lost sales volume, InterCard AG Informationssysteme could generate organic growth of EUR 0.6m.

Prior period's profit attributable to SANDPIPER shareholders of EUR 5.5 million was heavily impacted by one-time effects like the derecognition of payment solution ag (+EUR 3.7 million) and the fluctuation of the SANDPIPER share price (EUR +3.3 million). Also, the prior periods profit of the disposed Polyright AG of EUR 0.4 million is not recurring. Despite these effects SANDPIPER could increase its profitability by reducing its cost base at the holding level by EUR 1.2 million.

Outlook

The operative restructuring continues in 2018. SANDPIPER focuses on cost efficiency, while leveraging adjacent sales channels and shared services, like coordinated purchasing of goods and services.

Multicard Nederland B.V. is focusing on its core business: mybility, cashless payment and smart city projects. This leads to a stronger collaboration with German SANDPIPER companies regarding smart city projects in Germany, as well as Benelux.

PAIR Solutions GmbH will increase its efforts to leverage the channel contacts of its sister companies. This includes contacts of IDpendant and InterCard, due to their complementary channels and solutions.



IDpendant, InterCard and Intrakey will more tightly coordinate their core competencies in logical and physical access solutions to offer converged and seamlessly interoperable systems. IDpendant and Ergonomics will cooperate increasingly on projects as well as on the technology side.

Ergonomics focuses on recurring revenues by broadening its product base and by increasing its license as well as service portion.

Playpass NV is focusing on a steady internationalization strategy, forth running other SANDPIPER companies. Playpass and SANDPIPER could win a financial investor for Playpass who will help grow the business over the next years. The capital increase let to a dilution of SANDPIPER.

On 13 July 2018 InterCard AG Informationssysteme raised capital in the total amount of EUR 0.4 million. Sandpiper Digital payments AG participated in that capital increase and was not diluted.

Consolidated balance sheet of Sandpiper Digital Payments AG

Assets

| EUR | 30.06.2018 | 31.12.2017 | Change |
|---------------------------------|-------------------|-------------------|---------------|
| Cash and cash equivalents | 1'162'871 | 1'342'412 | -13.4% |
| Marketable Securities | 18'894 | 18'894 | 0.0% |
| Trade receivables | 2'488'227 | 2'940'607 | -15.4% |
| Other short-term receivables | 1'393'036 | 1'699'855 | -18.0% |
| Inventories | 2'886'027 | 2'501'113 | 15.4% |
| Prepayments and accrued income | 647'797 | 545'245 | 18.8% |
| Total current assets | 8'596'851 | 9'048'126 | -5.0% |
| Property, plant and equipment | 1'048'098 | 1'142'208 | -8.2% |
| Financial assets | 4'082'216 | 6'069'018 | -32.7% |
| Intangible assets | 3'658'681 | 3'470'074 | 5.4% |
| Total non-current assets | 8'788'995 | 10'681'300 | -17.7% |
| TOTAL ASSETS | 17'385'847 | 19'729'425 | -11.9% |

Equity and liabilities

| EUR | Notes | 30.06.2018 | 31.12.2017 | Change |
|---|-------|-------------------|-------------------|----------------|
| Financial debts | | 4'417'395 | 4'096'638 | 7.8% |
| Trade payables | | 2'281'468 | 2'505'492 | -8.9% |
| Other liabilities | | 1'048'064 | 1'480'954 | -29.2% |
| Provisions | | 567'265 | 1'085'073 | -47.7% |
| Accrued expenses | | 1'413'943 | 1'070'691 | 32.1% |
| Total current liabilities | | 9'728'135 | 10'238'848 | -5.0% |
| Financial debts | | 8'148'383 | 7'798'432 | 4.5% |
| Provisions | | 299'383 | 172'264 | 73.8% |
| Total non-current liabilities | | 8'447'766 | 7'970'695 | 6.0% |
| Total liabilities | | 18'175'901 | 18'209'543 | -0.2% |
| Share capital | | 1'661'554 | 1'661'554 | 0.0% |
| Capital reserves | | 14'618'264 | 14'603'283 | 0.1% |
| Treasury shares | | -1'278'018 | 0 | 100.0% |
| Retained earnings and translation differences | | -15'897'274 | -22'171'019 | -28.3% |
| Net profit (prior year loss) | | -1'097'528 | 6'261'604 | -117.5% |
| Equity of the Sandpiper Digital Payments AG shareholders | | -1'993'003 | 355'422 | -660.7% |
| Non-controlling interests | | 1'202'948 | 1'164'461 | 100.0% |
| Total equity | | -790'055 | 1'519'882 | -152.0% |
| Total equity and liabilities | | 17'385'847 | 19'729'425 | -11.9% |

Consolidated income statement of Sandpiper Digital Payments AG

| EUR | Notes | 01.01.2018 30.06.2018 | 01.01.2017 30.06.2017 | Change |
|--|-------|--------------------------|--------------------------|----------------|
| Net Revenue | | 12'700'997 | 16'039'514 | -20.8% |
| Other operating income | | 133'115 | 382'156 | -65.2% |
| Total operating income | | 12'834'112 | 16'421'670 | -21.8% |
| Change in inventories | | 355'213 | 0 | 100.0% |
| Material expenses | | -5'485'813 | -5'673'685 | -3.3% |
| Personnel expense | | -6'049'585 | -8'217'709 | -26.4% |
| Depreciation and impairment on tangible assets | | -221'173 | -282'095 | -21.6% |
| Amortization and impairment of intangible assets | | -400'377 | -332'507 | 20.4% |
| Other operating expenses | | -2'018'932 | -2'591'982 | -22.1% |
| Total operating expenses | | -13'820'668 | -17'097'978 | -19.2% |
| Operating result | | -986'555 | -676'308 | 45.9% |
| Share of results from associates | | -24'621 | -106'322 | -76.8% |
| Financial expense | | -269'105 | -218'174 | 23.3% |
| Financial income | | 223'454 | 2'570'034 | -91.3% |
| Financial result | | -70'272 | 2'245'538 | -103.1% |
| Ordinary result | | -1'056'827 | 1'569'230 | -167.3% |
| Non-operating income | | 104 | 3'909'833 | -100.0% |
| Non-operating expense | | 0 | -78'871 | -100.0% |
| Non-operating result | | 104 | 3'830'962 | -100.0% |
| Profit (loss) before taxes | | -1'056'724 | 5'400'192 | -119.6% |
| Income taxes | | -34'664 | -68'540 | -49.4% |
| Net profit (prior year loss) | | -1'091'387 | 5'331'653 | -120.5% |
| Attributable to: | | | | |
| Shareholders of Sandpiper Digital Payments AG | | -1'097'528 | 5'489'464 | -120.0% |
| Non-controlling interests | | 6'141 | -157'812 | -103.9% |
| Earnings per share (EPS) – expressed in EUR per share: | | | | |
| Basic earnings per share | | -0.01 | 0.03 | -118.0% |
| Diluted earnings per share | | -0.01 | 0.02 | -127.0% |
| Shares outstanding as per 30 June | | 203'455'778 | 210'923'057 | |

Consolidated statement of cash flows of Sandpiper Digital Payments AG

| EUR | Notes | 01.01.2018 30.06.2018 | 01.01.2017 30.06.2017 | Change |
|---|-------|--------------------------|--------------------------|----------------|
| Net profit (loss) | | -1'091'387 | 5'331'653 | -120.5% |
| Depreciation and amortization of non-current assets | | 621'550 | 614'602 | 1.1% |
| Non-cash income | | 39'534 | 0 | 100.0% |
| Share-based compensation | | 14'981 | -415'064 | -103.6% |
| Changes in provisions | | -390'688 | -7'024'830 | -94.4% |
| Changes in trade receivables | | 452'380 | 723'303 | -37.5% |
| Changes in inventories | | -384'914 | -499'818 | -23.0% |
| Changes in other receivables and accrued income | | 204'267 | -511'710 | -139.9% |
| Share of result from associates | | 24'621 | 106'322 | -76.8% |
| Changes in trade payables | | -224'025 | -481'980 | -53.5% |
| Changes in other liabilities and accrued expenses | | -89'638 | -850'640 | -89.5% |
| Cash flow from operating activities | | -823'318 | -3'008'163 | -72.6% |
| Investments in property, plant and equipment | | -127'063 | -207'791 | -38.9% |
| Investments in financial assets | | -343'139 | 0 | -221.9% |
| Proceeds from sale of financial assets | | 1'162'549 | 281'495 | 100.0% |
| Investments in intangible assets | | -588'985 | -731'209 | -19.5% |
| Investments in subsidiaries | | 0 | 0 | 100.0% |
| Cash flow from investing activities | | 103'362 | -657'504 | -115.7% |
| Capital increase (incl. agio) | | 0 | 240'881 | -100.0% |
| Dividend paid to shareholders | | -74'473 | 0 | 100.0% |
| Disposal of 20% of E24 | | 108'450 | 0 | 100.0% |
| Deconsolidation of payment solution ag (net) | | 0 | 288'621 | -100.0% |
| Purchase/sale of treasury shares | | -174'782 | 203'519 | -185.9% |
| Change in current financial debts | | 320'758 | -286'006 | -212.2% |
| Change in non-current financial debts | | 349'952 | 2'081'452 | -83.2% |
| Cash flow from financing activities | | 529'905 | 2'528'467 | -79.0% |
| Net impact of foreign exchange rate differences on cash | | 10'510 | -7'515 | -239.9% |
| Change in cash and cash equivalents | | -179'540 | -1'144'715 | -84.3% |
| Verification: | | | | |
| At beginning of year | | 1'342'412 | 2'029'196 | -33.8% |
| At end of year | | 1'162'871 | 884'481 | 31.5% |
| Change in cash and cash equivalents | | -179'540 | -1'144'715 | -84.3% |

Consolidated statement of changes in equity of Sandpiper Digital Payments AG

| EUR | Share capital | Capital reserves | Treasury shares | Retained earnings | Equity attributable to SDP shareholders | Minority shareholders | Total equity |
|---|-------------------|-------------------|-------------------|--------------------|---|-----------------------|--------------------|
| Balance at 31.12.2016 | 16'615'540 | 33'266'072 | -280'325 | -62'797'079 | -13'195'792 | 395'921 | -12'799'871 |
| Net profit | 0 | 0 | 0 | 5'489'464 | 5'489'464 | -157'812 | 5'331'653 |
| Share-based compensation | 0 | -415'064 | 0 | 0 | -415'064 | 0 | -415'064 |
| Capital increase InterCard | 0 | 0 | 0 | 0 | 0 | 240'881 | 240'881 |
| Deconsolidation payment solutions group | 0 | 0 | 0 | -179'863 | -179'863 | 468'483 | 288'621 |
| Transactions with treasury shares | 0 | 0 | 203'519 | 0 | 203'519 | 0 | 203'519 |
| Currency translation | 0 | 0 | 0 | 1'692 | 1'692 | -9'208 | -7'516 |
| Balance at 30.06.2017 | 16'615'540 | 32'851'008 | -76'806 | -57'485'785 | -8'096'043 | 938'266 | -7'157'777 |
| Net income | 0 | 0 | 0 | 772'140 | 772'140 | 745'785 | 1'517'925 |
| Share-based compensation | 0 | 11'964 | 0 | 0 | 11'964 | 0 | 11'964 |
| Capital reduction | -14'953'986 | -18'259'689 | 0 | 33'213'675 | 0 | 0 | 0 |
| Capital increase InterCard | 0 | 0 | 0 | 0 | 0 | 1'894 | 1'894 |
| Acquisition / Goodwill offsetting | 0 | 0 | 0 | 7'697'297 | 7'697'297 | -468'483 | 7'228'814 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -81'192 | -81'192 |
| Transactions with treasury shares | 0 | 0 | 76'806 | 0 | 76'806 | 0 | 76'806 |
| Currency translation | 0 | 0 | 0 | -106'742 | -106'742 | 28'192 | -78'550 |
| Balance at 31.12.2017 | 1'661'554 | 14'603'283 | 0 | -15'909'415 | 355'422 | 1'164'461 | 1'519'882 |
| Net profit | 0 | 0 | 0 | -1'097'528 | -1'097'528 | 6'141 | -1'091'387 |
| Share-based compensation | 0 | 14'981 | 0 | 0 | 14'981 | 0 | 14'981 |
| Disposal of 20% of E24 | 0 | 0 | 0 | 0 | 0 | 108'450 | 108'450 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -74'473 | -74'473 |
| Transactions with treasury shares | 0 | 0 | -1'278'018 | 0 | -1'278'018 | 0 | -1'278'018 |
| Currency translation | 0 | 0 | 0 | 12'141 | 12'141 | -1'631 | 10'510 |
| Balance at 30.06.2018 | 1'661'554 | 14'618'264 | -1'278'018 | -16'994'803 | -1'993'003 | 1'202'948 | -790'055 |

Share capital of Sandpiper Digital Payments AG consists of 211'695'028 registered shares with a nominal value of CHF 0.01 each.

There are no non-distributable, statutory or legal reserves (prior year EUR 0).

The shareholders decided on the shareholders' meeting on 30 June 2017:

| | | |
|---------------------------------------|-----|-----------|
| Authorized capital increase, maximum | CHF | 1'058'475 |
| thereof used | CHF | 0 |
| Conditional capital increase, maximum | CHF | 344'006 |
| thereof used | CHF | 0 |

Further, the shareholders' meeting on 30 June 2017 decided to decrease the nominal value of the shares from CHF 0.10 to CHF 0.01 and to net the loss carry-forward with the capital reserves. Based on this decision the bylaws were updated and the changes registered in the commercial register in July 2017.

Notes to the consolidated interim financial statements of Sandpiper Digital Payments AG as per 30 June 2018

Summary of significant accounting policies

Basis of preparation

The financial statements provide a true and fair view of the assets, financial position and earnings of Sandpiper Digital Payments AG's and its subsidiaries ("Group" or "SANDPIPER") and have been prepared in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER 31. Swiss GAAP FER 31 permits condensations in presentation and disclosure compared to an annual financial statement.

The interim financial statements of the Group are based upon the financial statements of the Group companies as at 30 June and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and on the going concern principle. The statements are presented in Euro (EUR).

Consolidation policies

The Group includes all companies that are directly or indirectly controlled by Sandpiper Digital Payments AG. In this respect, control is defined as the power to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights of the share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Within the scope of acquisitions, potentially existing but until now not capitalized intangible assets such as brands, usage rights and client lists are not recognized separately, but instead remain part of goodwill. Goodwill may also arise from investments in associated companies and is defined

as the difference between the acquisition costs of the investment and its proportional revalued net assets. The goodwill resulting from acquisitions is recognized directly in the Group's equity. The notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the acquired goodwill would have.

In the event that shares of the Group companies or associated companies are sold, the difference between the proceeds from the sale and the proportional book value, including historical goodwill, is recognized as a gain or loss in the income statement. Non-controlling interests in equity and in net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between group companies are eliminated in full.

Associates are all companies on which the Group exerts significant influence, but does not control. This is generally evidenced when the Group holds voting rights of 20% to 50% of a company. Representation on the board of directors or access to the current financial information of a company are also indicators of significant influence. Investments in associated companies are accounted for using the equity method and are initially recognized at cost. Unrealized gains and losses from transactions with associated companies are eliminated to the extent of the Group's participation in the associated company. The accounting policies of associated companies are adjusted where necessary in order to ensure consistency with the policies observed by the Group.

Proportionate consolidation is applied for participations in joint ventures.

Participations in companies where the Group has no significant influence nor control are carried at costs less impairment, if needed.

Foreign currency translation

The financial statements of the Group are presented in the reporting currency of Euro (EUR). The financial statements of the individual companies to be consolidated are translated into the Group's currency at the effective date with the current rate method. This currency translation is carried out

- λ for the assets and liabilities at the year-end exchange rates,
- λ for equity at historical exchange rates,
- λ and for the income statement and statement of cash flows at average annual exchange rates.
- λ Any translation differences are recognized in equity without affecting the income statement.

In the event that a foreign entity is sold, the cumulative translation differences recognized in equity, which are a result of the translation of the financial statements and intercompany loans, are reversed from the equity and reported in the income statement as part of the gain or loss on the sale.

Accounting principles

The financial statements are based on the principle of historical acquisition costs. The following accounting policies were applied for the assets and liabilities included in the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value.

Marketable securities

Purchases and sales of securities are recognized in accordance with the settlement date principle. The securities are initially measured at cost, and the transaction costs are charged to the income statement. Subsequently, the listed securities are recorded in the balance sheet at market value on the balance sheet date. All realized and

unrealized gains and losses resulting from variations in market values and foreign currencies are recorded in the income statement.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

Trade receivables

Trade receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Provision is made for balances overdue more than 12 months or for receivables where specific risks have been identified. Bad debts are written off when there is objective evidence that the Group will not be able to collect the receivables.

Other receivables

Other receivables are recognized and carried at nominal value less an allowance for any specifically impaired receivables.

Inventories

Inventories are valued at the lower of cost or net realizable value. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition. Acquisition costs are determined according to the weighted average method. Inventories with unsatisfactory inventory turnover are revalued accordingly.

Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

| | | |
|---|-------------------------------|-----------------|
| λ | Land | no depreciation |
| λ | Buildings | 30-35 years |
| λ | Technical equipment, machines | 8-12 years |

Other fixed assets:

| | | |
|---|--------------|-----------|
| λ | Furniture | 3-5 years |
| λ | IT equipment | 3-5 years |
| λ | Vehicles | 3-5 years |

The Group does not capitalize any interest expenses incurred during the construction period.

Financial assets

Non-current financial loans to associates or third parties are recorded at historical costs less allowance for any specifically impaired loan. Investments in associated companies are accounted for using the equity method.

Participations in companies where the Group does not have significant influence are carried at costs less impairment, if needed.

Derivative financial instruments

Derivative financial instruments are only used for hedging risks from fluctuations in interest rates or foreign exchange rates. The valuation of derivative financial instruments is according the same principles like the hedged items.

Intangible assets

Intangible assets comprise acquired licenses, capitalized development cost and trademarks. Intangible assets are recorded in the balance sheet at historical cost less accumulated amortization and any impairment. They are amortized on straight-line basis over their useful life (max. 6 years).

Internally generated intangible assets are capitalized if all the following criteria are met:

- λ The self-generated intangible asset must be separately identifiable and is controlled by the Group.
- λ It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.
- λ The cost of the asset can be measured reliably.

Goodwill

The difference between the acquisition costs and the actual value of the net identifiable assets of the acquired company at the time of the purchase represents goodwill from business combinations. The goodwill resulting from acquisitions is recognized in Group equity at the time of the acquisition. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the goodwill would have. Goodwill may also arise from investments in associated companies, calculated as the difference between the acquisition costs of the investment and its proportional revalued net assets.

In the case of a sale of a company, an acquired goodwill previously offset against equity must be recognized at its original cost in order to determine the gain or loss recognized in profit or loss.

Impairment of assets

The recoverable value of non-current assets (including goodwill recognized in equity) is verified on every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement. As the goodwill is already recognized in equity at the time at which it was acquired, a goodwill impairment would not result in a charge being recorded in the income statement but leads to a disclosure in the Notes to the financial statements. In the event that a Group company is sold, any goodwill acquired at an earlier point in time and recognized in equity is taken into consideration when determining the gain or loss in the income statement.

Liabilities

Liabilities are recognized at nominal values.

Provisions

Provisions are recognized:

- λ when the Group has a present legal or constructive obligation as a result of past events
- λ when it is probable that an outflow of resources will be required to settle the obligation, and
- λ when a reliable estimate of the amount of the obligation can be made.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate receivable, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision in function of time is recognized as interest expense.

Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply.

Deferred tax assets are recognized for all deductible temporary differences and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is not intended that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pension obligations

Group companies participate in various pension schemes, which conform to the legal regulations and provisions in force in the respective countries. The actual economic effects of pension schemes on the Group are calculated at balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a provision are met. An economic benefit is capitalized provided that this can be used for future Group pension expenses. Freely available employer contribution reserves are capitalized.

Employees of the Swiss group companies are insured as part of the "Sammelstiftung BVG der Allianz Suisse Lebensversicherungsgesellschaft", which is a separate legal entity and is financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

There are subsidiaries outside Switzerland which participate in pension schemes. These funds are treated in the same way as the Swiss plan in terms of accounting, i.e. paid contributions as well as any effects from the excess/shortfall are recorded as expenses. In some countries, there are also pension plans that do not have own assets, whereby the corresponding benefit provisions are recognized directly in the balance sheet and any changes are recognized in the income statement.

Annotations to the consolidated financial statements

1. Business combinations and disposals

E24 AG entered into a strategic partnership with OPS360 GmbH. OPS360 has extensive experience in strategic and operational parking management and control and complements the e24 solution portfolio. Together they fulfil all the requirements of holistic parking management. In the future, they will be able to offer the customer a fully integrated overall solution with a coordinated range of services for all areas from a single source. As part of the partnership OPS360 acquired 20% of e24 AG. The consideration received of EUR 0.1 million is allocated to the Minority shareholders in shareholder equity.

In 2017 SANDPIPER participated in the capital increases of InterCard AG Informationssysteme and Playpass NV. While the stake in InterCard Informationssysteme is kept at 50.4%, the share in Playpass NV decreased from 36% to 34.6%.

Payment solution AG filed for insolvency in 2017 is therefore derecognized. The subsidiary Polyright AG was fully disposed and is no longer consolidated. Further 85% of Sandpiper Digital Payments Asia Private Ltd were sold. The residual 15% are carried at cost less allowances.

At the time of the deconsolidation payment solution AG and its subsidiaries main balance sheet items were:

| EUR | | EUR | |
|-------------------------------|----------------|-------------------------------------|----------------|
| Licenses and other rights | 0 | Equity | -14'872'491 |
| Property, plant and equipment | 0 | Non-current liabilities | 1'812'043 |
| Financial assets | 270'645 | Current liabilities to 3rd parties | 2'751'219 |
| Receivables and other assets | 358'209 | Current liabilities to SANDPIPER | 10'938'084 |
| Cash | 0 | | |
| Total assets | 628'854 | Total liabilities and equity | 628'854 |

The deconsolidation of payment solution AG led to the derecognition of net liabilities of EUR 14.9 million. On the other hand, SANDPIPER had to impair loans of EUR 10.9 million. Considering currency exchange differences, the derecognition left a net gain of KEUR 3.9 million, whereof EUR 3.7 million in the first semester 2017.

When Polyright AG was disposed in August 2017 the main balance sheet items were:

| EUR | | EUR | |
|-------------------------------|------------------|-------------------------------------|------------------|
| Licenses and other rights | 314'976 | Equity | 7'686'947 |
| Goodwill (recycled) | 7'517'434 | Non-current liabilities | 0 |
| Property, plant and equipment | 1 | Current liabilities | 928'219 |
| Financial assets | 9'026 | | |
| Receivables and other assets | 768'761 | | |
| Cash | 4'969 | | |
| Total assets | 8'615'167 | Total liabilities and equity | 8'615'167 |

The consideration received of EUR 2.3 million could not cover the derecognised net equity of EUR 7.7 million and other expenses of EUR 0.1 million, leaving a net loss of EUR 5.4 million.

At the time of the deconsolidation of Sandpiper Digital Payments Asia Private Ltd the financial statements included the following balance sheet items:

| EUR | | EUR | |
|-------------------------------|----------------|-------------------------------------|----------------|
| Licenses and other rights | 127'100 | Equity | -81'543 |
| Property, plant and equipment | 51'005 | Liabilities to SANDPIPER | 298'685 |
| Financial assets | 3'050 | Current liabilities | 65'453 |
| Receivables and other assets | 6'038 | | |
| Cash | 95'402 | | |
| Total assets | 282'595 | Total liabilities and equity | 282'595 |

2. Financial assets

| EUR | 30.06.2018 | 31.12.2017 | Change |
|--|------------------|------------------|---------------|
| Investments in associates | 388'592 | 413'213 | -6.0% |
| Other investments | 4'177'157 | 6'139'522 | -32.0% |
| Other non-current financial receivables from third parties | 73'649 | 73'465 | 0.3% |
| Allowance on non-current financial assets | -557'181 | -557'181 | 0.0% |
| Total | 4'082'216 | 6'069'018 | -32.7% |

Investments in associates contain the 36% in Playpass NV. The decrease is due to the net loss of the period.

Other investments contain fully impaired investments in companies in liquidation and participations in companies where the Group does not have significant influence.

During 2017 shares of Mountain Partners AG (EUR 5.2 million) and Polyright AG (EUR 0.2 million) were acquired and are presented in other investments. SANDPIPER received the Mountain Partners AG shares in connection with the purchase price adjustment for past acquisitions. During 2018 SANDPIPER sold Mountain Partner AG shares of total EUR 2.3 million. InterCard AG Informationssysteme entered into a convertible loan agreement with Polyright AG (0.3 million) increasing the total investment to EUR 0.5 million.

The investment in Polyright AG is carried at cost. Even though SANDPIPER holds 29.4% no significant influence is assumed. SANDPIPER is not represented on the Board of Directors of Polyright AG today or for the foreseeable future. All three current members of the Board of Directors are members of the operational management and have no relation to SANDPIPER. Transactions requiring approval, restrictions of management or authority to issue instructions did not exist as per 30 June 2018. There were also no shareholder agreements with SANDPIPER. The Articles of Association of Polyright AG do not provide for separate rights for shareholders holding less than 30% of the shares. For substantial decisions or changes of Polyright AG's bylaws, a majority of two-thirds of the voting rights is required. Beyond the bylaws, there were no regulations which could influence the control over Polyright AG, which acted independently and free of SANDPIPER.

3. Goodwill accounting

Goodwill is recognized in equity at the time of purchase of a subsidiary or an investment in an associated company. The theoretical capitalization of goodwill, based on a useful life up to 5 years, would have the following impact:

| Balance sheet in EUR | 30.06.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| Reported equity including minority shareholders | -790'055 | 1'519'882 |
| Equity financing | n/a | n/a |
| Historical cost goodwill | | |
| At the beginning of the financial year | 20'133'335 | 43'085'166 |
| Additions | 0 | 0 |
| Disposals (recycled in equity) | 0 | -7'517'434 |
| Derecognition | 0 | -15'434'397 |
| At the end of the financial year | 20'133'335 | 20'133'335 |
| Accumulated amortization | | |
| At the beginning of the financial year | 12'695'721 | 29'501'173 |
| Additions | 2'013'334 | 4'274'670 |
| Impairments | 0 | 1'871'709 |
| Disposals | 0 | -7'517'434 |
| Derecognition | 0 | -15'434'397 |
| At the end of the financial year | 14'709'054 | 12'695'721 |
| Theoretical net book value of goodwill | 5'424'281 | 7'437'615 |
| Theoretical equity including minority shareholders and goodwill | 4'634'227 | 8'957'497 |
| Theoretical equity financing | 20.3% | 33.0% |
| Impact of the theoretical amortization of goodwill on net income: | | |
| Income statement in EUR | 01.01.2018 | 01.01.2017 |
| | 30.06.2018 | 30.06.2017 |
| Reported net income | -1'091'387 | 5'331'653 |
| Theoretical amortization of goodwill | -2'013'334 | -2'700'741 |
| Net income after amortization of goodwill | -3'104'721 | 2'630'912 |

In 2017, the goodwill paid for Multicard Nederland B.V. in 2014 is impaired by KEUR 1'872 due to a change in the strategic positioning of the company.

In 2017, the fully amortized goodwill related to payment solution AG has been derecognized. The goodwill initially recognized for Polyright AG, has been recycled in the in the second semester 2017, since SANDPIPER lost control over Polyright AG.

4. Segment information

Net revenue in the operating segments (in EUR):

| 01.01.2017 30.06.2017 | Mobility & Retail | Education & Corporate | Security & Services | Investing activities | Elimination | Total |
|--------------------------|----------------------|--------------------------|------------------------|-------------------------|-------------|------------|
| Third parties | 955'440 | 8'673'973 | 6'410'101 | 0 | 0 | 16'039'514 |
| Group | 0 | 0 | 65'995 | 0 | -65'995 | 0 |
| Net Sales | 955'440 | 8'673'973 | 6'476'096 | 0 | -65'995 | 16'039'514 |
| Net income | 3'675'569 | -129'360 | 260'315 | 1'525'129 | 0 | 5'331'653 |

| 01.01.2018 30.06.2018 | Mobility & Retail | Education & Corporate | Security & Services | Investing activities | Elimination | Total |
|--------------------------|----------------------|--------------------------|------------------------|-------------------------|-------------|------------|
| Third parties | 795'308 | 7'101'224 | 4'804'465 | 0 | 0 | 12'700'997 |
| Group | 0 | 0 | 26'417 | 0 | -26'417 | 0 |
| Net Sales | 795'308 | 7'101'224 | 4'830'882 | 0 | -26'417 | 12'700'997 |
| Net income | -244'829 | -132'543 | -229'262 | -484'753 | 0 | -1'091'387 |

Net revenue in the regional markets:

| EUR | 01.01.2018 30.06.2018 | 01.01.2017 30.06.2017 | Change |
|----------------|--------------------------|--------------------------|---------------|
| Switzerland | 3'280'649 | 6'272'186 | -47.7% |
| Germany | 8'578'644 | 8'490'663 | 1.0% |
| Netherlands | 795'308 | 955'440 | -16.8% |
| United Kingdom | 49'294 | 18'150 | 171.6% |
| Other | 23'519 | 369'071 | -93.6% |
| Eliminations | -26'417 | -65'995 | -60.0% |
| Total | 12'700'997 | 16'039'513 | -20.8% |

5. Earnings per share

Basic earnings per share

| EUR | 01.01.2018 31.06.2018 | 01.01.2017 31.06.2017 |
|--|--------------------------|--------------------------|
| Net income attributable to shareholders of SANDPIPER | -1'097'528 | 5'489'464 |
| Number of shares outstanding | 203'455'778 | 210'923'057 |
| Basic earnings per share | -0.01 | 0.03 |

Diluted earnings per share

| EUR | 01.01.2018 31.06.2018 | 01.01.2017 31.06.2017 |
|--|--------------------------|--------------------------|
| Net income attributable to shareholders of SANDPIPER | -1'097'528 | 5'489'464 |
| Interest on convertible loans | 0 | 40'617 |
| Adjusted net income | -1'097'528 | 5'530'081 |

| EUR | 30.06.2018 | 30.06.2017 |
|---|-------------|-------------|
| Number of shares issued | 211'695'028 | 211'695'028 |
| Treasury shares | -8'239'250 | -771'971 |
| Potential number of shares from convertible loans | 0 | 17'906'247 |
| Potential number of shares outstanding | 203'455'778 | 228'829'304 |
| Diluted earnings per share | -0.01 | 0.02 |

6. Treasury shares

In 2017 9 million shares were purchased at nominal value. They were used for the settlement of the liabilities resulting from the Playpass and Ergonomics acquisitions in prior year.

Mountain Partners AG shares in the amount of EUR 1.1 million were used to buy treasury shares in BH Capital Management AG's carve out. Further treasury shares EUR 0.2 million were purchased on the market.

| | Number | Value | Volume |
|----------------------------|------------|-------|-----------|
| Opening balance 1.1.2017 | 1'349'577 | | 280'325 |
| Disposals | -757'606 | 0.21 | -157'364 |
| Acquisitions | 9'000'000 | 0.09 | 831'374 |
| Disposals | -8'820'000 | 0.10 | -877'529 |
| Closing balance 30.06.2017 | 771'971 | 0.10 | 76'806 |
| Acquisitions | 33'862 | 0.09 | 2'951 |
| Disposals | -805'833 | 0.10 | -79'757 |
| Closing balance 31.12.2017 | 0 | 0.00 | 0 |
| Acquisitions | 6'139'250 | 0.18 | 1'103'237 |
| Acquisitions | 2'100'000 | 0.08 | 174'782 |
| Closing balance 30.06.2018 | 8'239'250 | 0.16 | 1'278'018 |

7. Events after the balance sheet date

On 13 July 2018 InterCard AG Informationssysteme raised capital in the total amount of EUR 0.4 million. Sandpiper Digital payments AG participated in that capital increase and was not diluted.

There were no other subsequent events with effect on the financial statements as per 30 June 2018.

The interim financial statements as per 30 June 2018 were approved by the board of directors on 21 August 2018.

8. Subsidiaries and participations

| Company name | Country | Registered Office | Segment | Share capital in 1'000 | Share of capital in % | Share of voting rights in % | Method |
|---|-------------|------------------------|---------|------------------------|-----------------------|-----------------------------|--------|
| AZEGO Technology Services (US) Inc. | USA | Ramsey | IA | USD 50 | 15 | 15 | B |
| AZEGO TS Ltd. | UK | Reading | IA | GBP 400 | 10 | 10 | B |
| Control Systems GmbH & Co. KG | Germany | Villingen-Schwenningen | EC | EUR 15 | 26 | 26 | V |
| COSMO.ID GmbH | Germany | Villingen-Schwenningen | EC | EUR 25 | 26 | 26 | V |
| E24 AG | Switzerland | Zurich | SS | CHF 250 | 80 | 80 | V |
| Ergonomics AG | Switzerland | Zurich | SS | CHF 800 | 100 | 100 | V |
| hattrick payments GmbH | Germany | Hamburg | IA | EUR 13 | 0 | 0 | B |
| IDpendant GmbH | Germany | Unterschleißheim | SS | EUR 25 | 54 | 54 | V |
| InterCard AG Informationssysteme | Germany | Villingen-Schwenningen | EC | EUR 1'599 | 50 | 50 | V |
| InterCard GmbH Kartensysteme | Germany | Villingen-Schwenningen | EC | EUR 1'600 | 50 | 50 | V |
| IntraKey technologies AG | Germany | Dresden | EC | EUR 100 | 50 | 50 | V |
| Mobile Services GmbH | Germany | Villingen-Schwenningen | EC | EUR 105 | 50 | 50 | V |
| Multi-Access AG | Switzerland | Adliswil | EC | CHF 100 | 50 | 50 | V |
| Multicard GmbH | Germany | Villingen-Schwenningen | EC | EUR 30 | 50 | 50 | V |
| Multicard Nederland B.V. | Netherlands | Oud-Beijerland | MR | EUR 18 | 100 | 100 | V |
| PAIR Solutions GmbH | Germany | Elmshorn | EC | EUR 25 | 100 | 100 | V |
| payment solution AG | Germany | Hamburg | IA | EUR 1'190 | 0 | 0 | B |
| payment solution services GmbH | Germany | Hamburg | IA | EUR 13 | 0 | 0 | B |
| payment solution services Ltd. | UK | London | IA | GBP 2 | 0 | 0 | B |
| Playpass NV | Belgium | Antwerp | SS | EUR 166 | 35 | 35 | E |
| Polyright AG | Switzerland | Sion | EC | CHF 850 | 29 | 29 | B |
| Prima Live Ltd. | Malta | Mosta | IA | EUR 7 | 17 | 17 | B |
| Professional Services GmbH Datentechnik | Germany | Villingen-Schwenningen | EC | EUR 60 | 35 | 35 | V |
| Rumble Media GmbH | Germany | Karlsruhe | IA | EUR 160 | 1 | 1 | B |
| Sandpiper Digital Payments Asia Private Ltd | Singapore | Singapore | SS | SGD 150 | 15 | 15 | B |
| SmartLoyalty AG | Germany | Wiesbaden | IA | EUR 190 | 15 | 15 | B |
| smava GmbH | Germany | Berlin | IA | EUR 1'743 | 0 | 0 | B |

| Consolidation method | | Segments | |
|-------------------------------|-----------------|--------------------------|------------------------|
| V Full consolidation | E Equity Method | IA Investing activities | MR Mobility & Retail |
| Q Proportionate consolidation | B Current Value | EC Education & Corporate | SS Security & Services |

E24 AG entered into a strategic partnership with OPS360 GmbH. As part of the partnership OPS360 acquired 20% of e24 AG. SANDPIPER still holds 80% of e24 AG.

SANDPIPER participated in the capital increase of Playpass NV in 2017. Nevertheless, SANDPIPER's stake in Playpass NV is reduced from 36% to 35% mainly due to the Playpass NV's employee stock option plan.

Payment solution AG and its subsidiaries are no longer consolidated and the investments are fully impaired.

The subsidiary Polyright AG was completely sold to the management in 2017. InterCard converted a loan reaching a new stake in Polyright AG of 29%.

The foundation in 2016 auf Sandpiper Digital Payments Asia Private Ltd and the acquiring the assets of Singapore-based cashless payment start-up, GoGORILLA, enhanced SANDPIPER's footstep in Asia. In 2017 SANDPIPER disposed 85% of the shares to the management, keeping a minority investment of 15%.

The minority investment in smava GmbH was disposed.