

Sandpiper Digital Payments AG

Interim Financial Statements

as per 30 June 2020



Financial review

Environment

Sandpiper Digital Payments AG (“Group”, “SDP” or “SANDPIPER”), www.sandpiper.ch, is a stock-listed technology holding company based in St. Gallen, Switzerland. SANDPIPER is focused on the consolidation of the fragmented payment landscape in Europe in the area of digital payments, access control and identity management. Sandpiper Digital Payments AG’s shares are listed on Berne Stock Exchange.

SANDPIPER is a global multi-application platform provider enabling mobile commerce, proximity marketing and loyalty, as well as digital payments based on strong digital security services and technologies. The platform combines easy-to-use hard- and software, apps and management solutions for universities, libraries, events, festivals, municipalities, fleet, transport and mobile network operators. SANDPIPER provides a range of capabilities, services and solutions enabling financial institutions and other corporates, event organizers, caterers, retailers and brands to rapidly deploy highly secure digital payments and data or loyalty services. SANDPIPER solutions are secure, interoperable, interactive and therefore convenient, by seamless integration of digital security technologies and data services, social media and apps, smart and connected devices, as well as multiple applications like:

- Cashless closed- and open-loop payment at point-of-sales (POS), kiosk, self-service machines, printing, ticketing and parking facilities
- Digital security and identification / ID solutions for secure physical, logical and converged access, time and attendance
- Easy integration of various 3rd party solutions.

SANDPIPER offers its technologies, capabilities and expertise to simplify the world of payment. It delivers innovation, quality and commitment to build long-term client relationships based on mutual trust, integrity and respect for a more secure future.

Digital security technologies build 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.

Business year

SANDPIPER has been able to grow in a tough business environment. For the first time, Polyright AG made a sales contribution to the group of EUR 2.0 million for the first 6 months, after the consolidation only started in May 2019 with sales of EUR 0.7 million compared to the previous year.

In spite of COVID-19-related order and project postponements, InterCard AG Informationssysteme recorded only a slight decline in sales and were essentially in line with the planning for 2020. The increase in InterCard's share in Swiss Polyright AG to 61% in December 2019 generated an additional contribution to sales. Polyright and InterCard have already been working together intensively both operationally and technologically.

Ergonomics AG could reach its planned revenues. After the sharp decline in 2nd HY 2019 Ergonomics AG could not reach its prior year revenue level. Compared to 1st HY 2019 Ergonomics lost EUR 0.8 million in revenues.

IDpendant GmbH grew by around 20% or EUR 0.4 million. IDpendant GmbH was well positioned and could provide security products to its customers and be a valuable partner in digitalization projects.

Playpass NV is affected maximally as a festival and event season is suspended completely in 2020. In 1st HY 2020, SANDPIPER granted an additional convertible loan of EUR 0.3 million for Playpass to overcome the current crisis and to be prepared for the next event season in 2021. Key figures:

| EUR | 30.06.2020 | 31.12.2019 | Change |
|---|-------------|-------------|--------|
| Total assets | 15'876'930 | 15'772'809 | 0.7% |
| Shareholders equity attributable to SDP shareholder | -3'775'710 | -3'333'411 | -13.3% |
| Shares outstanding | 208'325'028 | 208'325'028 | 0.0% |
| NAV per share | -0.02 | -0.02 | |

| EUR | 01.01.2020 30.06.2020 | 01.01.2019 30.06.2019 | Change |
|--|--------------------------|--------------------------|---------|
| Operating income | 14'305'080 | 13'919'498 | 2.8% |
| Earnings before interests and taxes (EBIT) | 230'988 | 469'754 | -50.8% |
| Earnings before interests, taxes, depreciation and amortization (EBITDA) | 814'416 | 1'229'509 | -33.8% |
| Net result attributable to SDP shareholder | -446'312 | 64'622 | -790.7% |
| Basic earnings per share | 0.00 | 0.00 | |
| Diluted earnings per share | 0.00 | 0.00 | |

The number of shares issued is unchanged 211'695'028. The treasury shares reduce the shares outstanding to 208'325'028.

The growth and the cost savings led to a significantly improved profitability. Prior year's result was impacted by the deconsolidation of the overindebted and bankrupt Multicard Nederland BV which led to a positive consolidation effect of EUR 0.7 million.

Outlook

The existing portfolio of SANDPIPER with its product offerings constitutes an essential part of SANDPIPER's value proposition. Beginning of 2020, COVID-19 crisis has also hit SANDPIPER portfolio. Whereas some portfolio companies with digital product offerings are affected less, others like Playpass are affected with maximum force as a festival and event season is suspended completely in 2020. Playpass, that has already been in a restructuring phase, has been downsizing its team, re-incentivized the remaining core team and prepares its technology and clients for the next season in 2021. The global crisis also leaves SANDPIPER with a higher degree of uncertainty and a recovery from the COVID-19 situation is expected towards next year 2021. On the other side, SANDPIPER management is confident towards its portfolio as well as the portfolio's products and pipeline and feels well prepared for 2020 and the years thereafter.

Besides COVID-19 and all necessary ad-hoc measures for a rapid recovery of the companies, SANDPIPER targeted to further simplify the structure of its companies towards a less complex and leaner portfolio approach, e.g. through business consolidation of existing portfolio companies. In addition, SANDPIPER is pursuing opportunities to sell certain parts of its business and will start M&A processes in 2020. In the years to come, SANDPIPER wants to keep improving its operational efficiency on holding level as well as within its portfolio companies.

Consolidated balance sheet of Sandpiper Digital Payments AG

Assets

| EUR | 30.06.2020 | 31.12.2019 | Change |
|---------------------------------|-------------------|-------------------|--------------|
| Cash and cash equivalents | 2'873'223 | 3'308'422 | -13.2% |
| Trade receivables | 2'544'587 | 2'772'364 | -8.2% |
| Other short term receivables | 2'178'452 | 1'452'819 | 49.9% |
| Inventories | 3'004'805 | 2'891'787 | 3.9% |
| Prepayments and accrued income | 894'469 | 718'713 | 24.5% |
| Total current assets | 11'495'537 | 11'144'106 | 3.2% |
| Property, plant and equipment | 489'471 | 518'590 | -5.6% |
| Financial assets | 1'036'131 | 860'502 | 20.4% |
| Intangible assets | 2'786'792 | 3'180'611 | -12.4% |
| Other non-current assets | 69'000 | 69'000 | 0.0% |
| Total non-current assets | 4'381'393 | 4'628'703 | -5.3% |
| TOTAL ASSETS | 15'876'930 | 15'772'809 | 0.7% |

Equity and liabilities

| EUR | Notes | 30.06.2020 | 31.12.2019 | Change |
|---|-------|-------------------|-------------------|---------------|
| Financial debts | | 1'566'821 | 1'558'816 | 0.5% |
| Trade payables | | 1'528'435 | 2'452'873 | -37.7% |
| Other liabilities | | 1'875'562 | 1'019'217 | 84.0% |
| Provisions | | 1'560'888 | 1'357'029 | 15.0% |
| Accrued expenses | | 1'469'697 | 1'410'265 | 4.2% |
| Total current liabilities | | 8'001'404 | 7'798'199 | 2.6% |
| Financial debts | | 9'143'696 | 8'351'393 | 9.5% |
| Provisions | | 787'267 | 1'416'163 | -44.4% |
| Total non-current liabilities | | 9'930'963 | 9'767'556 | 1.7% |
| Total liabilities | | 17'932'366 | 17'565'755 | 2.1% |
| Share capital | | 1'661'554 | 1'661'554 | 0.0% |
| Capital reserves | | -175'819 | -175'819 | 0.0% |
| Treasury shares | | -448'731 | -448'731 | 0.0% |
| Retained earnings and translation differences | | -4'366'401 | -3'670'103 | -19.0% |
| Net result | | -446'312 | -700'313 | 36.3% |
| Equity of the Sandpiper Digital Payments AG shareholders | | -3'775'710 | -3'333'411 | -13.3% |
| Non-controlling interests | | 1'720'273 | 1'540'465 | 11.7% |
| Total equity | | -2'055'437 | -1'792'946 | -14.6% |
| Total equity and liabilities | | 15'876'930 | 15'772'809 | 0.7% |

Consolidated income statement of Sandpiper Digital Payments AG

| EUR | Notes | 01.01.2020 30.06.2020 | 01.01.2019 30.06.2019 | Change |
|--|-------|--------------------------|--------------------------|----------------|
| Net Revenue | | 14'004'262 | 13'636'455 | 2.7% |
| Other operating income | | 300'818 | 283'043 | 6.3% |
| Total operating income | | 14'305'080 | 13'919'498 | 2.8% |
| Change in inventories | | -240'871 | 130'269 | -284.9% |
| Material expenses | | -4'844'603 | -5'692'462 | 14.9% |
| Personnel expense | | -6'228'897 | -5'704'699 | -9.2% |
| Depreciation and impairment on tangible assets | | -116'212 | -180'367 | 35.6% |
| Amortization and impairment of intangible assets | | -467'216 | -579'389 | 19.4% |
| Other operating expenses | | -2'172'297 | -2'058'137 | -5.5% |
| Total operating expenses | | -14'070'097 | -14'084'785 | 0.1% |
| Operating result | | 234'984 | -165'287 | 242.2% |
| Share of results from associates | | 0 | -199'352 | 100.0% |
| Financial expense | | -340'018 | -109'433 | -210.7% |
| Financial income | | 163'601 | 203'693 | -19.7% |
| Financial result | | -176'417 | -105'091 | -67.9% |
| Ordinary result | | 58'567 | -270'378 | 121.7% |
| Non-operating income | | 0 | 683'954 | -100.0% |
| Non-operating expense | | -3'996 | -48'914 | 91.8% |
| Non-operating result | | -3'996 | 635'040 | -100.6% |
| Profit before taxes | | 54'571 | 364'662 | -85.0% |
| Income taxes | | -168'138 | -88'066 | -90.9% |
| Net result | | -113'567 | 276'596 | -141.1% |
| Attributable to: | | | | |
| Shareholders of Sandpiper Digital Payments AG | | -446'312 | 64'622 | -790.7% |
| Non-controlling interests | | 332'746 | 211'974 | 57.0% |
| Earnings per share (EPS) – expressed in EUR per share: | | | | |
| Basic earnings per share | | 0.00 | 0.00 | |
| Diluted earnings per share | | 0.00 | 0.00 | |
| Shares outstanding as per 30 June | | 208'325'028 | 208'325'028 | |

Consolidated statement of cash flows of Sandpiper Digital Payments AG

| EUR | Notes | 01.01.2019 30.06.2019 | 01.01.2018 30.06.2018 | Change |
|---|-------|--------------------------|--------------------------|----------------|
| Net result | | -113'567 | 276'596 | -141.1% |
| Depreciation and amortization of non-current assets | | 583'428 | 759'756 | -23.2% |
| Non-cash income | | 434'460 | 550'904 | -21.1% |
| Changes in provisions | | -425'037 | -53'038 | -701.4% |
| Changes in trade receivables | | 227'777 | -549'194 | 141.5% |
| Changes in inventories | | -113'018 | -657'800 | 82.8% |
| Changes in other receivables and accrued income | | -901'390 | -979'535 | 8.0% |
| Share of result from associates | | 0 | 199'352 | -100.0% |
| Changes in trade payables | | -924'438 | 243'993 | -478.9% |
| Changes in other liabilities and accrued expenses | | 915'778 | 1'107'429 | -17.3% |
| Cash flows from operating activities | | -316'005 | 898'463 | -135.2% |
| Investments in property, plant and equipment | | -80'882 | -951'688 | 91.5% |
| Investments in financial assets | | -253'529 | -104'348 | -143.0% |
| Proceeds from sale of financial assets | | 13'748 | 0 | 100.0% |
| Investments in intangible assets | | -36'096 | -897'950 | 96.0% |
| Cash flow from investing activities | | -356'758 | -1'953'986 | 81.7% |
| Dividend paid to non-controlling interests | | -151'041 | -70'911 | -113.0% |
| Purchase/sale of non-controlling interests | | 0 | -273'009 | 100.0% |
| Repayment of current financial debts | | -70'000 | -3'721'339 | 98.1% |
| Borrowing of non-current financial debts | | 500'000 | 4'765'346 | -89.5% |
| Cash flow from financing activities | | 278'959 | 700'088 | -60.2% |
| Net impact of foreign exchange rate differences on cash | | -41'395 | 14'780 | -380.1% |
| Change in cash and cash equivalents | | -435'199 | -340'654 | -27.8% |
| Verification: | | | | |
| At beginning of year | | 3'308'422 | 3'259'134 | 1.5% |
| At end of year | | 2'873'223 | 2'918'480 | -1.6% |
| Change in cash and cash equivalents | | -435'199 | -340'654 | -27.8% |

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 31.12.2018 | 1'661'554 | 14'525'054 | -480'511 | -18'225'469 | -2'519'372 | 1'471'923 | -1'047'449 |
| Net result | 0 | 0 | 0 | 64'622 | 64'622 | 211'974 | 276'596 |
| Acquisition / Goodwill offsetting | 0 | 0 | 0 | -206'003 | -206'003 | -67'005 | -273'009 |
| Dividends paid | 0 | -14'736'247 | 0 | 14'736'247 | 0 | -70'911 | -70'911 |
| Currency translation | 0 | 0 | 0 | 11'331 | 11'331 | 3'449 | 14'780 |
| Balance at 30.06.2019 | 1'661'554 | -211'193 | -480'511 | -3'619'273 | -2'649'423 | 1'549'431 | -1'099'992 |
| Net income | 0 | 0 | 0 | -764'934 | -764'934 | 171'549 | -593'385 |
| Share-based compensation | 0 | 52'979 | 0 | 0 | 52'979 | 0 | 52'979 |
| Purchase of minority interests | 0 | -17'605 | 0 | 0 | -17'605 | -63'826 | -81'432 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -120'616 | -120'616 |
| Purchase of treasury shares | 0 | 0 | -8'166 | 0 | -8'166 | 0 | -8'166 |
| Disposal of treasury shares | 0 | 0 | 39'946 | 0 | 39'946 | 0 | 39'946 |
| Currency translation | 0 | 0 | 0 | 13'792 | 13'792 | 3'928 | 17'720 |
| Balance at 31.12.2019 | 1'661'554 | -175'819 | -448'731 | -4'370'415 | -3'333'411 | 1'540'465 | -1'792'946 |
| Net result | 0 | 0 | 0 | -446'312 | -446'312 | 332'746 | -113'567 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -151'041 | -151'041 |
| Currency translation | 0 | 0 | 0 | 4'014 | 4'014 | -1'897 | 2'117 |
| Balance at 30.06.2020 | 1'661'554 | -175'819 | -448'731 | -4'812'714 | -3'775'710 | 1'720'273 | -2'055'437 |

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

The SANDPIPER shareholders decided on the shareholders' meeting on 28 June 2019 to reclassify capital reserves of EUR 14.7 million to retained earnings.

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

The shareholders decided on the shareholders' meeting on 28 June 2019:

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

Notes to the consolidated interim financial statements of Sandpiper Digital Payments AG as per 30 June 2020

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.

Rounding differences

The tables disclosed in these financial statements may contain rounding differences.

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.

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 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. Derivatives without hedging purpose are carried at fair market value.

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.

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.

Annotations to the consolidated financial statements

1. Business combinations and disposals

With the conversion of the loan in May 2019 SANDPIPER gained the control in Polyright AG. At the time of the initial consolidation the main balance sheet items were:

| EUR | 01.05.2019 | EUR | 01.05.2019 |
|-------------------------------|------------------|-------------------------------------|------------------|
| Licenses and other rights | 733'846 | Equity | 274'016 |
| Property, plant and equipment | 1 | Non-current liabilities | 316'954 |
| Financial assets | 234'312 | Current liabilities | 415'802 |
| Receivables and other assets | 473'444 | Accrued expenses | 925'624 |
| Cash | 490'793 | | |
| Total assets | 1'932'396 | Total liabilities and equity | 1'932'396 |

For the takeover of control in Polyright AG, SANDPIPER converted the loan of EUR 338k. Goodwill of EUR 404k resulted from the transaction.

No business units of the company were bought or sold in the current financial year.

2. Financial assets

| EUR | 30.06.2020 | 31.12.2019 | Change |
|--|------------------|----------------|--------------|
| Investments in associates | 0 | 0 | 0.0% |
| Other investments | 429'681 | 429'681 | 0.0% |
| Non-current financial receivables from associates | 654'266 | 400'736 | 63.3% |
| Other non-current financial receivables from third parties | 116'917 | 285'665 | -59.1% |
| Deferred tax assets | 264'949 | 329'101 | -19.5% |
| Allowance on non-current financial assets | -429'681 | -584'681 | -26.5% |
| Total | 1'036'131 | 860'502 | 20.4% |

Investments in associates contain the 26.7% investment in Playpass NV. Due to the losses in 2019 and 2020 Playpass NV's net equity is negative. The net book value of the company is consequently reduced to zero in 2019.

The non-current financial receivables from associates contain the convertible loan to Playpass NV and accumulated interests. The convertible loan was increased in 2020.

Other investments contain fully impaired investments in companies in liquidation and participations in companies where the Group holds less than 20% of the voting rights and does not have significant influence.

Other non-current financial receivables from third parties contained loans to PAIR Solutions GmbH of EUR 155k which were settled in 2020. Deposits of EUR 117k (2018: EUR 131k) remained.

Allowance on non-current financial assets refers to loans to third parties with solvency risks and the mentioned impairments on investments.

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 | 30.06.2020 | 31.12.2019 |
|---|-------------------|-------------------|
| Reported equity including minority shareholders | -2'055'437 | -1'792'946 |
| Equity financing | n/a | n/a |
| Historical cost goodwill | | |
| At the beginning of the financial year | 9'117'847 | 20'133'335 |
| Additions | 0 | 403'928 |
| Derecognition | -4'643'095 | -11'419'416 |
| At the end of the financial year | 4'474'752 | 9'117'847 |
| Accumulated amortization | | |
| At the beginning of the financial year | 7'035'978 | 16'658'753 |
| Additions | 916'624 | 1'796'641 |
| Impairments | 236'830 | 0 |
| Derecognition | -4'643'095 | -11'419'416 |
| At the end of the financial year | 3'546'337 | 7'035'978 |
| Theoretical net book value of goodwill | 928'415 | 2'081'869 |
| Theoretical equity including minority shareholders and goodwill | -1'127'021 | 288'923 |
| Theoretical equity financing | -6.7% | 1.6% |
| Impact of the theoretical amortization of goodwill on net income: | | |
| Income statement in EUR | 01.01.2020 | 01.01.2019 |
| | 30.06.2020 | 30.06.2019 |
| Reported net income | -113'567 | 276'596 |
| Theoretical amortization of goodwill | -1'153'454 | -885'016 |
| Net income after amortization of goodwill | -1'267'021 | -608'420 |

The residual goodwill from the acquisition of Playpass NV was fully impaired because of COVID-19.

Fully amortized goodwill from the acquisitions of Playpass NV and Ergonomics AG were derecognized. Already in prior year fully amortized goodwill relating to Multicard Nederland BV was derecognized.

The acquisition of Polyright AG in 2019 led to goodwill of EUR 0.4 million.

4. Segment information

Net revenue in the operating segments (in EUR):

| 01.01.2019 30.06.2019 | Sport & Events | Campus & Corporate | Security & Services | Investing activities | Elimination | Total |
|--------------------------|-------------------|-----------------------|------------------------|-------------------------|-------------|------------|
| Third parties | 0 | 8'411'306 | 5'225'149 | 0 | 0 | 13'636'455 |
| Group | 0 | 0 | 21'153 | 0 | -21'153 | 0 |
| Net Sales | 0 | 8'411'306 | 5'246'302 | 0 | -21'153 | 13'636'455 |
| Net income | 0 | 296'926 | -275'239 | 254'909 | 0 | 276'596 |

| 01.01.2020 30.06.2020 | Sport & Events | Campus & Corporate | Security & Services | Investing activities | Elimination | Total |
|--------------------------|-------------------|-----------------------|------------------------|-------------------------|-------------|------------|
| Third parties | 0 | 9'200'208 | 4'804'054 | 0 | 0 | 14'004'262 |
| Group | 0 | 0 | 58'091 | 0 | -58'091 | 0 |
| Net Sales | 0 | 9'200'208 | 4'862'145 | 0 | -58'091 | 14'004'262 |
| Net income | 0 | 420'971 | -229'939 | -304'599 | 0 | -113'567 |

Net revenue in the regional markets:

| EUR | 01.01.2020 30.06.2020 | 01.01.2019 30.06.2019 | Change |
|----------------|--------------------------|--------------------------|-------------|
| Switzerland | 2'513'759 | 4'001'383 | -37.2% |
| Germany | 11'456'930 | 9'382'071 | 22.1% |
| Netherlands | 0 | 0 | 100.0% |
| United Kingdom | 0 | 168'681 | -100.0% |
| Other | 91'664 | 105'473 | -13.1% |
| Eliminations | -58'091 | -21'153 | 174.6% |
| Total | 14'004'262 | 13'636'455 | 2.7% |

Due to the insolvency of Multicard Nederland BV revenues in Sport & events and revenues in the Netherlands dropped to zero.

5. Earnings per share

Basic earnings per share

| EUR | 01.01.2020 30.06.2020 | 01.01.2019 30.06.2019 |
|--|--------------------------|--------------------------|
| Net income attributable to shareholders of SANDPIPER | -446'312 | 64'622 |
| Number of shares outstanding | 208'325'028 | 208'325'028 |
| Basic earnings per share | 0.00 | 0.00 |

Diluted earnings per share

| EUR | 01.01.2020 30.06.2020 | 01.01.2019 30.06.2019 |
|--|--------------------------|--------------------------|
| Net income attributable to shareholders of SANDPIPER | -446'312 | 64'622 |
| Interest on convertible loans | 0 | 0 |
| Adjusted net income | -446'312 | 64'622 |

| EUR | 30.06.2020 | 30.06.2019 |
|---|-------------|-------------|
| Number of shares issued | 211'695'028 | 211'695'028 |
| Treasury shares | -3'370'000 | -3'370'000 |
| Potential number of shares from convertible loans | 0 | 0 |
| Potential number of shares outstanding | 208'325'028 | 208'325'028 |
| Diluted earnings per share | 0.00 | 0.00 |

6. Treasury shares

In 2019, SANDPIPER purchased 300'000 shares to settle a liability. During 2020 no treasury shares were traded.

| | Number | Value | Volume |
|----------------------------|-----------|-------|---------|
| Opening balance 1.1.2019 | 3'370'000 | 0.14 | 480'511 |
| Closing balance 30.06.2019 | 3'370'000 | 0.14 | 480'511 |
| Acquisitions | 300'000 | 0.03 | 8'166 |
| Disposals | -300'000 | 0.13 | -39'946 |
| Closing balance 31.12.2019 | 3'370'000 | 0.13 | 448'731 |
| Closing balance 30.06.2020 | 3'370'000 | 0.13 | 448'731 |

7. Events after the balance sheet date

After the end of the fiscal year, the COVID-19 outbreak in March 2020 was declared a pandemic by the World Health Organization. On 16 March 2020, the Federal Council of Switzerland declared the "extraordinary situation" for Switzerland in accordance with the Epidemics Act from 17 March 2020. The impact on Sandpiper Digital Payments AG cannot be estimated at this time. The consequences for the business development of Sandpiper Digital Payments AG is continuously reviewed and monitored. Playpass NV, Antwerp (BE), whose business model is the electronic control of major events, will be particularly hard hit by the consequences of this pandemic. Despite these events, there are no direct indications at this time that Sandpiper Digital Payments AG would be unable to continue as a going concern.

The financial statements have been prepared on the basis of the conditions existing as of 30 June 2020 and taking into account events occurring after that date, which provide further substantial indications of circumstances that were already present at the balance sheet date.

There were no subsequent events with effect on the financial statements as per 30 June 2020.

The interim financial statements as per 30 June 2020 were approved by the board of directors on 31 August 2020.

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 |
|---|-------------|------------------------|---------|------------------------|-----------------------|-----------------------------|--------|
| Control Systems GmbH & Co. KG | Germany | Villingen-Schwenningen | CC | EUR 15 | 27 | 27 | V |
| COSMO.ID GmbH | Germany | Villingen-Schwenningen | CC | EUR 25 | 51 | 51 | V |
| E24 AG | Switzerland | Zurich | SS | CHF 250 | 80 | 80 | V |
| Ergonomics AG | Switzerland | Zurich | SS | CHF 800 | 100 | 100 | V |
| IDpendant GmbH | Germany | Unterschleißheim | SS | EUR 25 | 54 | 54 | V |
| InterCard AG | Germany | Villingen-Schwenningen | CC | EUR 1'690 | 51 | 51 | V |
| Informationsysteme | Germany | Villingen-Schwenningen | CC | EUR 1'600 | 51 | 51 | V |
| InterCard GmbH | Germany | Villingen-Schwenningen | CC | EUR 100 | 51 | 51 | V |
| Kartensysteme | Germany | Dresden | CC | EUR 105 | 51 | 51 | V |
| IntraKey technologies AG | Germany | Villingen-Schwenningen | CC | EUR 105 | 51 | 51 | V |
| Mobile Services GmbH | Germany | Villingen-Schwenningen | CC | EUR 105 | 51 | 51 | V |
| Multi-Access AG | Switzerland | Regensdorf | CC | CHF 100 | 51 | 51 | V |
| Multicard GmbH | Germany | Villingen-Schwenningen | CC | EUR 105 | 51 | 51 | V |
| Multicard Nederland B.V. | Netherlands | Oud-Beijerland | SE | EUR 18 | 100 | 0 | B |
| Playpass NV | Belgium | Antwerp | SS | EUR 166 | 27 | 27 | E |
| Polyright AG | Switzerland | Sion | CC | CHF 850 | 31 | 31 | V |
| Prima Live Ltd. | Malta | Mosta | IA | EUR 7 | 17 | 17 | B |
| Professional Services GmbH Datentechnik | Germany | Villingen-Schwenningen | CC | EUR 60 | 36 | 36 | 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 |

Consolidation method

Segments

V Full consolidation

E Equity Method

IA Investing activities

SE Sport & Events

Q Proportionate consolidation

B Current Value

CC Corporate & Campus

SS Security & Services

The investments in AZEGO Technology Services (US) Inc and AZEGO TS Ltd. were disposed in 2019.

In addition, InterCard Group acquired all minority interest in Cosmo.ID GmbH in 2019 and holds 100% of the capital and voting rights today. Further InterCard Group increased its stake in Polyright AG to 61.03%.