BITCOIN GROUP SE

ANNUAL REPORT **2016**

CONTENTS

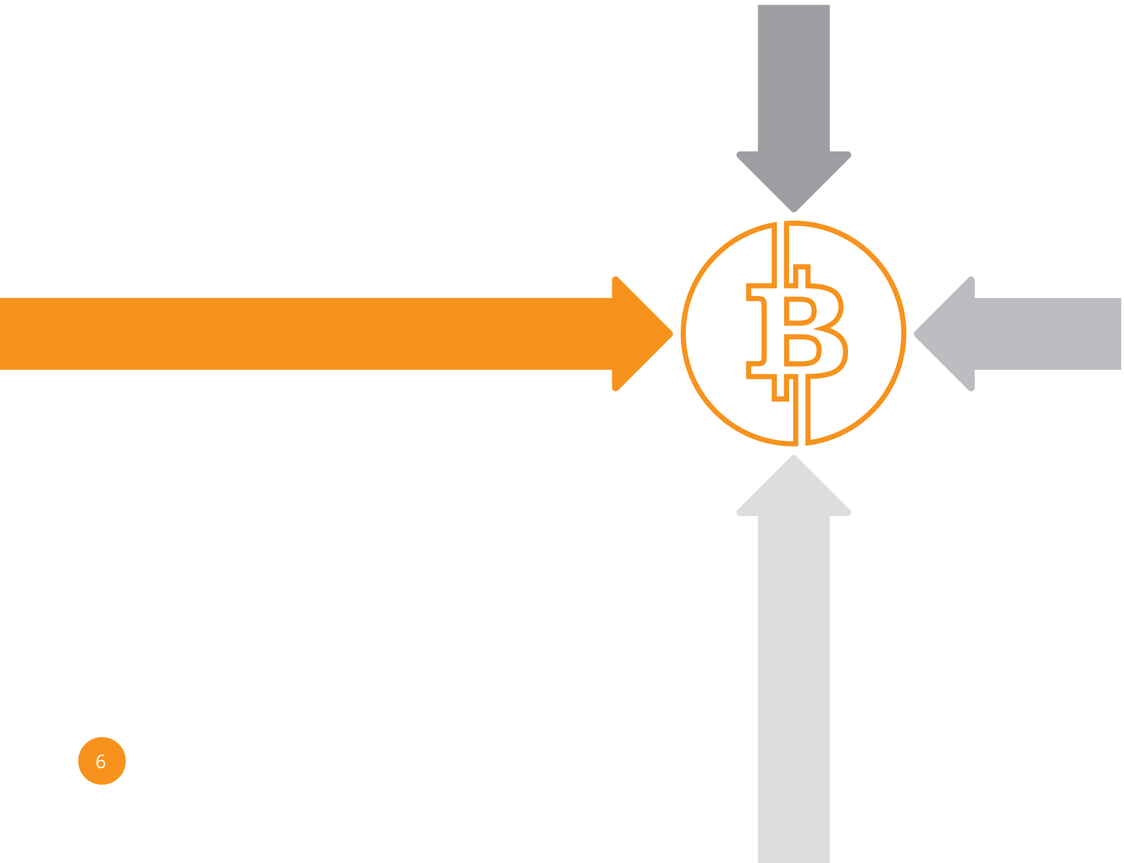
01 LETTER TO SHAREHOLDERS

BITCOIN GROUP SE AT A GLANCE

BITCOIN GROUP SE KEY FIGURES

Improvement in key performance indicators

		2016	2015
Number of customers		356,000	281,000
Bitcoin price	EUR	912.26	393.46
Revenue	EUR thousand	1,126.3	780.0
Operating result	EUR thousand	-112.0	-63.4
Financial result	EUR thousand	319.8	43.3
Earnings after taxes	EUR thousand	114.2	-16.1
Earnings per share	EUR	0.02	0.00
Equity ratio		89.46%	93.56%



FOREWORD BY THE MANAGING DIRECTOR

Dear Shareholders,

There is always something special about a premiere. And this is one of those times, as is the first time that I have been able to address you directly in our 2016 annual report and financial statements. It is a great pleasure for me to be able to present to you the dynamic and successful development of Bitcoin Group SE with our first full annual report.

We are firmly convinced that healthy company growth always goes hand-in-hand with increasing responsibility. This is true of communication as well. We intend to live up to this, and so our reporting to you on developments at our company will be even more transparent, timely, and comprehensive moving ahead. Our goal is to maintain a dialog defined by trust and openness with our loyal shareholders.

I can proudly say that our premiere – 2016 financial year– has been a complete success for Bitcoin Group SE. Operating revenue rose by EUR 780 thousand year-on-year to EUR 1,126 thousand, a significant increase of 44.4%. This is essentially due to the higher trading volume on our Bitcoin.de marketplace in conjunction with Bitcoin's strong price performance compared to the previous year. Overall, earnings after taxes for the year, therefore, amounted to EUR 114 thousand. The previous year had ended with a loss of EUR 16 thousand.

We attribute this success to three key developments. Firstly, many savers and investors are intensively searching for an alternative to the prevailing uncovered money system. In times of low interest rates, high government debt and rising inflation (1.9% in the euro area in April 2017/1.5% in March), many people are losing confidence in the way they used to invest their money.*[1] As a cryptocurrency, Bitcoin is gaining in importance and is a rapidly growing alternative in terms of yield considerations.

One reason for this is that the risk of inflation is virtually eliminated by capping the amount of money in the system to 21 million bitcoins. Approximately 16.36 million bitcoins are currently in circulation. Financial experts have begun calling it "digital gold", in part because cryptocurrencies are seen as a safe haven for concerned investors.

Another key reason for Bitcoin's popularity is that it works. The number of places that accept bitcoins is continuing to rise. More and more customers are using Bitcoin, especially for payments on the Internet. The currency guarantees high transparency, security, and the greatest possible anonymity compared to conventional cashless payments. In the space of two years, the total number of all Bitcoin transactions worldwide has more than tripled from 71.17 million to 228.09 million.*[2]

*[1] Source: Eurostat
*[2] May 2015 to May 2017/Source: Blockchain

This development also appears all too logical in view of the lower costs and much shorter processing time for payments, and it will continue, knowing full well that this must entail a higher transaction limit than that currently technically possible. While transnational money transfers require between two and five days depending on the recipient country, bitcoin payments are processed in a matter of minutes and at considerably lower cost.

Finally, for many customers Bitcoin has simply become a high-yield investment. While the price of a bitcoin was barely EUR 250 in the middle of 2015, the cryptocurrency is now quoted at more than EUR 2,200. The value of bitcoins has, therefore, increased more than tenfold and is currently even higher than the price of gold per troy ounce. Once again, the name “digital gold” proves quite accurate. Bitcoins, like gold, are a scarce commodity. And anyone who can conceive that digital gold has a reason to exist in an increasingly networked, digital and globalized world needs only to ask what share of digital gold in relation to analog/physical gold will be reasonable in the future. Some forecasts[*3] assume that bitcoins will draw level with physical gold in 2030. The price of a bitcoin would, therefore, be USD 500,000 in 2030.

These developments, including in relation to expectations for Bitcoin’s future, have led to encouraging growth in earnings at Bitcoin SE. Revenue from Bitcoin trading proceeds has risen by 34%.

Bitcoin Deutschland AG, as a wholly owned subsidiary of Bitcoin Group SE, operates Bitcoin.de – Germany’s only licensed marketplace for the cryptocurrency. The number of Bitcoin.de customers has increased from around 281,000 to more than 356,000 over the year. We welcomed approximately 75,000 new customers over the course of the year, corresponding to average growth of more than 6,200 customers per month.

Trading was bolstered by our trusting collaboration with Fidor Bank AG, Munich. The widespread acceptance of express trading has attracted further customers for Bitcoin and our services. Around 60% of all transactions were already processed using this innovative ordering tool by the end of 2016. We ended the 2016 reporting year with results ahead of forecasts overall. And, naturally, business figures and financial performance indicators take a leading role when it comes to measuring success. We would, therefore, like to take this opportunity to point out, quite proudly, that we fully achieved the revenue targets we set out in our 2015 annual report – a promise kept!

We are especially pleased to mention that Bitcoin Deutschland AG distributed a dividend of EUR 250 thousand to Bitcoin Group SE for the first time.

[*2] May 2015 to May 2017/Source: Blockchain
[*3] Source: https://www.msn.com/en-gb/money/markets/the-first-investor-in-snapchat-thinks-bitcoin-could-realistically-be-worth-dollar500000-by-2030/ar-BBzyOOG

Our company has a solid financial footing. The Bitcoin Group still operates without debt. Total current assets rose from EUR 1,908 thousand as of the end of 2015 to EUR 2,893 thousand as of December 31, 2016, an increase of 51.6%. Total assets increased from EUR 5,829 thousand as of the end of 2015 to EUR 6,800 thousand as of December 31, 2016. Equity climbed by EUR 630 thousand to EUR 6,083 thousand in the reporting period (previous year: EUR 5,453 thousand) as a result of retained earnings (up EUR 53 thousand) and other comprehensive income (up EUR 1,030 thousand). The equity ratio is, therefore, 89.4%. This is a fundamentally solid figure for a financial services provider and is at the upper end of the range compared to the competition.

Outlook

Even though adjustments are being made, we do not expect a significant change in global monetary policy in the short term. This means that the majority of central banks will maintain an accommodating monetary policy. The zero-rate interest policy is continuing. Coupled with a rise in government debt and a possible acceleration in the trend towards abolishing cash, Bitcoin's popularity is likely to continue to grow. We at Bitcoin Group SE have greater confidence than ever in the versatile cryptocurrency.

The consistently high customer demand and rising trading revenue is also set to lead to an increase in revenue and EBITDA in the current financial year.

In addition to the organic growth mentioned above, we are also keeping our eyes open for strategic investment opportunities. While remaining highly selective, we intend to acquire further equity investments to continue our profitable growth with them. The process initiated in the previous year of offering other cryptocurrencies on our platform in addition to Bitcoin is to be advanced in the current financial year. One of these is the currency Ethereum (ETH).

In the past year, we successfully secured a secondary listing on the Frankfurt Stock Exchange (floor trading and Xetra). This has led to a significant increase in our trading volume. We intend to continue on this path: In order to promote awareness and the transparency of Bitcoin Group SE, we are striving to join the regulated market and have already begun the approval process for our securities prospectus. Furthermore, we have commissioned research for our shares, which will show our shareholders and prospective investors the future potential of our shares.

We are aiming for strong growth in total revenue in the current year. Revenue for the first half of 2017 has already exceeded the revenue for the whole of the 2016 financial year. Thanks to constant growth, we expect to amass 450,000 registered users by the end of the 2017 financial year; we already welcomed our 430,000th user in the first half of the year. In order to better leverage the potential of the larger customer base for the Group, we will implement further measures to improve usability and customer experience.

Overall, we are clearly focusing on our major goal of establishing the bitcoin.de marketplace as Germany's first regulated Bitcoin exchange and its central marketplace for cryptocurrencies. We are happy to be taking on this challenge of continuing and even improving on the company's success to date.

We are a relatively young company, operating as a pioneer on a young yet forward-looking market. I would like to thank all our employees for their dedication and loyalty over the past financial year. I would also like to thank you, dear shareholders, for the trust you have placed in us.

Herford, June 2017

Michael Nowak,
Managing Director

BITCOIN GROUP SE ON THE CAPITAL MARKET

PRICE PERFORMANCE

The price of Bitcoin Group SE shares rose by 11% in the reporting year. The shares began trading for the year at a price of EUR 4.00 on January 4, 2016. In a generally weak market environment, the shares of the Bitcoin Group hit their lowest point of EUR 3.90 early in the year on January 13, 2016. The price development then pulled away from the general negative trend and began rising. Bitcoin Group shares reached their highest point for the year at EUR 6.50 on August 16, 2016. The shares closed trading on December 30, 2016, at a price of EUR 5.00. The market capitalization of Bitcoin Group SE, therefore, rose to EUR 25.0 million on the basis of 5,000,000 shares outstanding as of the end of 2016.

As of the end of 2015, the company's market value was EUR 22.5 million based on a closing price of EUR 4.50 per share for the same number of shares (all figures based on primary market prices on the Dusseldorf stock exchange). The average daily trading volume of Bitcoin Group shares in the financial year on all German exchanges was 1,323 compared to 184 in the previous year. In particular, this was thanks to the inclusion of Bitcoin Group SE shares on Xetra and the Frankfurt Stock Exchange floor trading, as well as the higher price per Bitcoin unit.

PRICE PERFORMANCE OF BITCOIN SHARES 2016/2017

INVESTOR RELATIONS

In accordance with legal and stock exchange regulations, Bitcoin Group SE communicated transparently and continuously with institutional investors, private investors, and analysts on current business developments and incidents significant to the price performance of the company in the 2016 reporting period. The Board of Directors of Bitcoin Group SE also spoke with the financial and business press to present the company to the capital market. In order to present the company's shares to a more comprehensive group of investors, the Bitcoin Group will intensify its communications with capital market participants in the 2017 financial year. Since Bitcoin Group SE shares were admitted to Xetra and the Frankfurt stock exchange floor trading, Bitcoin Group SE has been making further preparations for joining the regulated market and the start of the analysis and assessment of Bitcoin Group shares by the renowned research company Montega AG in the second half of the year.

The shares of Bitcoin Group SE are listed on the primary market of the Dusseldorf Stock Exchange and have been traded on the open market on Xetra and the Frankfurt Stock Exchange floor trading since October 2016. Hauck & Aufhäuser Privatbankiers AG serves as the designated sponsor, ensuring appropriate liquidity and corresponding tradability in Bitcoin Group shares by providing binding bid and ask prices.

KEY DATA ON BITCOIN SHARES

GSIN	A1TNV9
ISIN	DE000A1TNV91
Stock exchange symbol	ADE
Stock markets	Dusseldorf, Frankfurt, Xetra, Munich, Stuttgart, Berlin
Number and type of shares	5,000,000 no-par value bearer shares
Designated sponsor	Hauck & Aufhäuser Privatbankiers AG
End of financial year	December 31

SHAREHOLDER STRUCTURE

The shareholder structure of Bitcoin Group SE did not change significantly in the reporting period. As a long-term anchor shareholder, Priority AG still holds more than 94.69% of the voting rights. According to the Deutsche Börse definition, the free float with voting rights of less than 5% of the share capital amounts to 5.31% as of December 31, 2016.

ANNUAL GENERAL MEETING

On August 29, 2016, the Board of Directors of Bitcoin Group SE reported to the shareholders at the Annual General Meeting in Herford on the performance in the 2015 financial year and took their questions. 96.19% of the share capital was represented at the time of voting. The shareholders were satisfied with the development of the company and approved the actions of the Board of Directors and the Supervisory Board. Management proposals were unanimously adopted for all agenda items. The results of voting at the Annual General Meeting can be viewed at www.bitcoingroup.com under Investor Relations/Annual General Meeting.

PRICE PERFORMANCE IN Q1 2017

The shares of Bitcoin Group SE performed very positively on Xetra in the first quarter of the 2017 financial year, rising by more than 12%. Trading started on January 2 at a price of EUR 6.16 and ended the first quarter of 2017 on March 31 at EUR 7.00. The market value of Bitcoin Group SE was EUR 35.0 million at the end of the first quarter of 2017.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors met for a total of five meetings in the 2016 financial year, with all members in attendance.

At the meeting on March 29, the Managing Director reported to the Board of Directors on issues including the effects of "Bitcoin block reward halving" on the value of Bitcoin. Moreover, there was extensive discussion of the terms and impact of the Market Abuse Directive (2014/57/EU) effective throughout the EU from July 3. Much of what was said related to the change in the listing of the shares from the open market to the regulated market.

The meeting of the Board of Directors of June 28 dealt in depth with the figures for the previous year's financial statements and also approved these. In view of the departure of Mr. Oliver Flaskämper as Managing Director as of June 30, 2016, Mr. Michael Nowak was elected as his successor. On behalf of the Board of Directors, I would like to take this opportunity to thank Mr. Oliver Flaskämper for his tireless and highly successful work as the Managing Director of Bitcoin Group SE.

At its meeting on July 11, the Board of Directors discussed the management report including the dependent company report with the authors and concurred with the auditors' findings and the reports submitted. In addition, details of the forthcoming Annual General Meeting were discussed with the new Managing Director.

Following the appointment of Dr. Hoischen (attorney) as the meeting's chairman by way of resolution of the Board of Directors on August 28, the Annual General Meeting took place as scheduled on August 29. The Board of Directors then met for a further meeting. Prof. Rainer Hofmann, a new member of the Board of Directors elected by the Annual General Meeting, was welcomed as the successor to Frank Roebers, who stepped down as a member from the end of the Annual General Meeting.

Our thanks go to Mr. Frank Roebers for the part he successfully played on the company's Board of Directors. The Managing Director familiarized the Board of Directors with the details of the company's internal action and protection mechanisms in the context of business transactions.

In its fifth and final meeting of the financial year on October 24, the Board of Directors, in accordance with the Articles of Association, enacted the Rules of Procedure for the Managing Director, and received a report on the work on a securities prospectus to initiate the change in segment from the open market to the regulated market.

At the accounts meeting on June 12, 2017, following prior consultation, the Board of Directors discussed and analyzed the documents submitted to it on time: the annual financial statements, the management report, the consolidated financial statements and the Group management report. The auditors took part in the meeting of the Board of Directors and reported on the key results of their audit.

After a detailed discussion and further review, the Board of Directors endorsed the statements made by the Managing Director and the auditors in the reports submitted and the oral discussion, and unanimously approved the annual financial statements.

These are, therefore, adopted in accordance with section 47(5) of the German SE Implementation Act SE (SEAG) in conjunction with section 172 of the German Stock Corporation Act (AktG).

Moreover, in the reporting year the Board of Directors duly performed the duties required of it in accordance with the law, including section 34 SEAG, the Articles of Association and Rules of Procedure, regularly consulted with the Managing Director and monitored his work. It was directly involved at an early stage in all decisions of fundamental importance to the company. The Managing Director also reported to the Board of Directors – continually, extensively and in a timely manner – outside formal meetings on all facts and circumstances relevant to the company. This reporting was supplemented and expanded on by numerous telephone calls.

All resolutions of the Board of Directors were adopted unanimously.

There were no risks to the company as a going concern at any time. The Board of Directors did not form any committees in the reporting year.

On behalf of the Board of Directors, I would like to thank the Managing Directors for their successful work and the good cooperation with the Board of Directors in the past financial year of 2016.

Remscheid, June 12, 2017

Martin Rubensdörffer,
Chairman of the Board of Directors of
BITCOIN GROUP SE

02 GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2016

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

The Group is a capital investment and consulting company with a focus on Bitcoin and blockchain business models. Bitcoin Group SE, Herford, assists its portfolio companies in tapping growth potential with management services and capital, in order to lead these companies to the capital markets in the medium term. Bitcoin Group SE is planning further investments, including through asset deals and capital increases. Bitcoin Group SE's objective is to increase the enterprise value of and profitability from its investment.

Bitcoin Group SE owns a 100% investment in Bitcoin Deutschland AG, Herford. Since 2011 Bitcoin Deutschland AG has been operating Germany's only approved marketplace for the digital currency Bitcoin at www.bitcoin.de.

OBJECTIVES AND STRATEGIES

The Group is focused on companies with crypto-currency and blockchain business models and hopes to participate in the promising developments in the field of disruptive cryptocurrencies through investments in these companies.

The Bitcoin.de trading platform owned by the Group has further expanded its dominant role in Germany as the only marketplace for the digital currency and benefits from customers' confidence in Germany's corporate environment. There are many unregulated Bitcoin marketplaces abroad. Payments are made to the bank account of the respective operators of the market places and, in the event of insolvency, are not protected. Bitcoin.de has the advantage that customers keep the euro amounts in their own bank accounts, with deposit protection, until the purchased bitcoins are paid for. The Group's strategy is to maintain this proven marketplace model while at the same time pursuing the goal of establishing Germany's first regulated Bitcoin exchange.

MANAGEMENT SYSTEM

The subsidiary reports monthly on its financial position, net assets, and results of operations, which is included in the company's half-year and annual reports. The company also delivers monthly assessments of current and projected business developments. Furthermore, the following components essentially ensure compliance with the internal controlling system:

- regular meetings of the management board, supervisory board, and the board of directors
- regular shareholder and annual general meetings
- risk and opportunity management
- liquidity planning
- monthly reports by segments
- internal audits

RESEARCH AND DEVELOPMENT

The Group's research and development department made significant progress in product development in the past year.

Research and development by Bitcoin Deutschland AG focused on the areas of performance, processes, security and new features in 2016. The enhanced performance (in particular, through database optimization and caching) reflects the increased number of customers and the high level of trading on the marketplace.

In the area of processes, the focus was on support in particular. Customer queries were dealt with more quickly thanks to new functionalities, in some by cases automated processes. One example of this is the complex know your customer (KYC) process.

Express trading via the interface to Fidor Bank AG, Munich, was stepped up again considerably by the new "express trade compact" functionality. Approximately 60% of all transactions were processed using express trading by the end of 2016.

The modification of limits and trust levels was necessitated by the increased price of bitcoins and elevated security requirements for customer login (two-factor authentication). Extensive adjustments were made to the system for this purpose at the end of 2016.

This change is also a requirement for the planned addition of further cryptocurrencies to the Bitcoin.de marketplace. Some of the technical adjustments for further currencies were already online in 2016 (though not visible to customers). The latest adjustments will be completed shortly.

Fraud and protection management was expanded significantly, making it possible to detect and prevent attempts, in addition to minimizing the administrative work involved.

Furthermore, in 2016, Bitcoin Deutschland AG developed plans to be able to react to various developments in the decentralized and dynamic Bitcoin network, and thereby to unlikely scenarios as well.

ECONOMIC REPORT

GENERAL ECONOMIC AND INDUSTRY CONDITIONS

While gross domestic product in the euro area rose by 1.7% (Bloomberg), the daily trading volume on Bitcoin exchanges climbed from around 30 million to 228 million bitcoins (source: www.coinmarket-cap.com), an increase of 760%. This growth was driven in 2016 by the Chinese exchanges, which were then (still) operating without trading fees. However, overall economic development excellently reflects Bitcoin's progress from a niche product to the mainstream – which also benefited the subsidiary Bitcoin Deutschland AG in the 2016 financial year.

Throughout Germany, we are as yet unaware of any other company for disruptive technology-oriented company models (Bitcoin and Blockchain), hence Bitcoin Group SE can still claim to be a monopolist. This is also true for the investment Bitcoin Deutschland AG.

The general conditions for Bitcoin have improved sufficiently that the voices calling for a ban on Bitcoin and other cryptocurrencies are becoming ever quieter. It is now generally accepted that the decentralized Bitcoin network cannot be regulated, and that the network is the only source of information on regulated trading platforms and organizations that can accept cryptocurrencies as payment – information that helps state authorities to investigate crimes in connection with cryptocurrencies.

The overall economic situation and the persistently low interest rates in 2016 are helping to make an investment in bitcoins attractive to investors.

In addition to Bitcoin's higher market capitalization, helping its reputation, raising interest in it and improving its acceptance, Bitcoin's general price development means that the financial industry at large is having to think more about Bitcoin and Blockchain.

BUSINESS PERFORMANCE

The Group still wholly owns Bitcoin Deutschland AG. As a broker bound by contract of Fidor Bank AG, Munich, Bitcoin Deutschland AG brokers investments in financial instruments in the name and on account of Fidor Bank AG in accordance with section 1(1a) sentence 2 no. 1 of the German Banking Act (KWG).

The number of Bitcoin.de customers has increased from around 281,000 to more than 356,000 over the year, corresponding to average growth of more than 6,200 customers per month.

Revenue was initially stagnant in the months from January to June 2016 before the price (and the associated volatility) gave a first sign of life. From the beginning of October, the price of bitcoins rose steadily from around EUR 550 to more than EUR 900, allowing trading income to increase at the same time.

Taking retained earnings into account, Bitcoin Deutschland AG distributed a dividend of EUR 250 thousand to Bitcoin Group SE for the first time.

As part of its annual voluntary audit by RLT IT- und Systemprüfung GmbH, Essen, Bitcoin Deutschland AG demonstrated in the context of a balance confirmation process, as in the previous year, that the bitcoins under management for customers are being properly managed.

No restructuring measures or rationalization measures were necessary in 2016. Furthermore, no companies were bought or sold.

Also, no damages were payable and the company was not exposed to any other misfortunes.

The goal of 350,000 users was achieved or slightly surpassed in the reporting period. Revenue increased by the projected rate of between 10% and 20%.

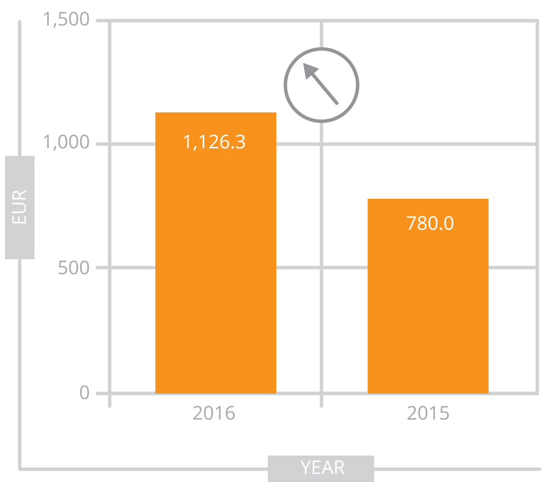
FINANCIAL POSITION, NET ASSETS, AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The comparison of the income statements for the 2015 and 2016 financial years shows the results of operations and changes in them. Operating revenue increased from EUR 780 thousand in the previous year to EUR 1,126 thousand.

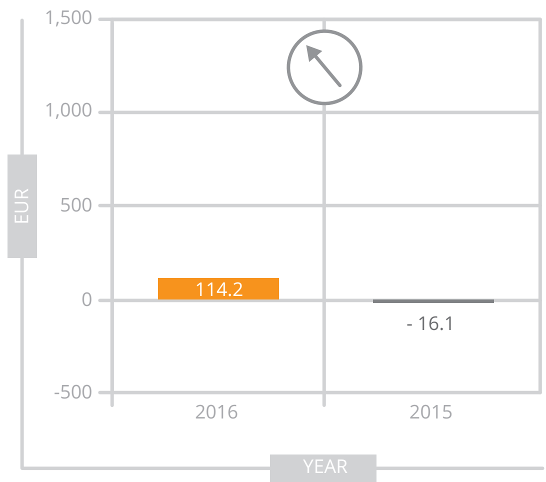
This is essentially due to the higher trading volume on Bitcoin.de in conjunction with Bitcoin's strong price performance compared to the previous year. Earnings after taxes for the year, therefore, amount to EUR 114 thousand. The largest earnings item is revenue from Bitcoin trading proceeds, which rose by 34%.

REVENUE DEVELOPMENT 2016/2015



The largest cost item is staff costs, which rose only moderately by 10% in the past year. As we anticipate stronger growth in earnings and only modest increases in costs moving ahead, the results of operations will continue to improve in the coming years.

EARNINGS AFTER TAXES DEVELOPMENT 2016/2015

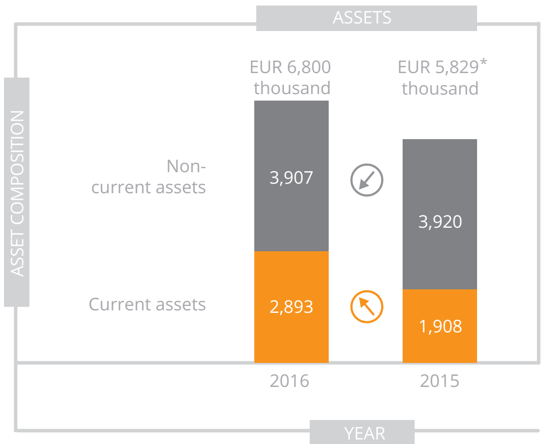


Taxes for the reporting period are calculated on the basis of the German provisions for determining income. Deferred tax liabilities were recognized for the revaluation of bitcoins. The effect is shown in equity (2016: EUR 441 thousand; 2015: EUR 221 thousand; 2014: EUR 105 thousand). Deferred taxes on valuation adjustments were calculated using the tax rates applicable in Germany. As all matters in connection with deferred taxes arose in Germany, an average tax rate of 30% is assumed for the financial year. The reconciliation of taxes has not been shown as the deferred taxes are exclusively reported in equity under other comprehensive income.

FINANCIAL POSITION

An overview of the origin and use of funds is shown by the statement of cash flows, which has been prepared in accordance with International Financial Reporting Standards (IFRS).

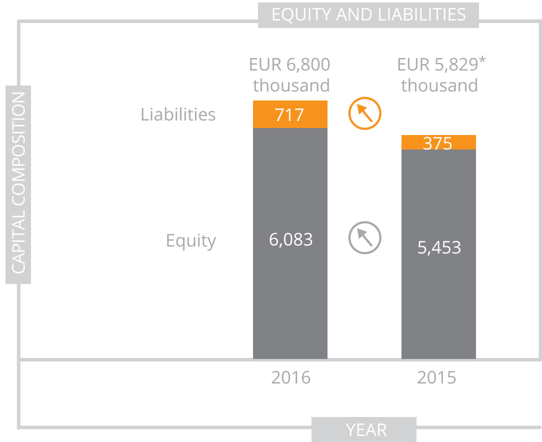
ASSETS



The Bitcoin Group still operates without debt. Total current assets rose from EUR 1,908 thousand as of December 31, 2015, to EUR 2,893 thousand, an increase of 51.6%. This was caused by higher available-for-sale assets (up EUR 818 thousand) and cash and cash equivalents (up EUR 290 thousand).

Equity increased by EUR 630 thousand to EUR 6,083 thousand as a result of retained earnings (up EUR 53 thousand) and other comprehensive income (up EUR 1,030 thousand).

EQUITY AND LIABILITIES



ASSET SITUATION

The asset situation and capital structure, and changes in them compared to the previous year, are shown by the following summaries of figures (in thousands of euro) taken from the statements of financial position for the reporting periods ended December 31, 2015, and December 31, 2016. Goodwill impairment testing identified no impairment requirements. Non-current assets declined only slightly by EUR 14 thousand in the financial year, essentially on account of amortization of intangible assets and depreciation of property, plant, and equipment. Current assets were up by EUR 985 thousand as a result of the higher price of bitcoins held by the company (up EUR 818 thousand), cash and cash equivalents (up EUR 290 thousand), and income tax assets (up EUR 49 thousand). The decline in trade receivables as of the end of the reporting period (down EUR 175 thousand) was, therefore, more than compensated.

*Deviations due to rounding differences

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Group has essentially been controlled to date using the financial key performance indicators of revenue, earnings before interest, taxes, depreciation, and amortization (EBITDA), and new customers. Bitcoin Group SE thereby ensures that decisions concerning the balancing act between growth, profitability and liquidity are sufficiently taken into account. Revenue is used to measure success on the market. The Group uses EBITDA to measure its own operating performance and the performance of its investments. Taking the free cash flow into account ensures that the financial substance of the company is maintained. The free cash flow is the net amount remaining from cash flows from operating activities and investments.

The most important non-financial indicator is the development in new customers. Here we monitor the media reporting (public media) on public events such as ETF approvals or Blockchain fork rumors, but also do our own public relations work, for example with television/Internet appearances, presentations or reports on the Bitcoin blog (www.bitcoinblog.de). The number of new customer registrations is directly linked and the Managing Director reports to the Board of Directors on this, and the above financial performance indicators, on a monthly basis.

FORECAST, OPPORTUNITIES, AND RISKS REPORT

FORECAST

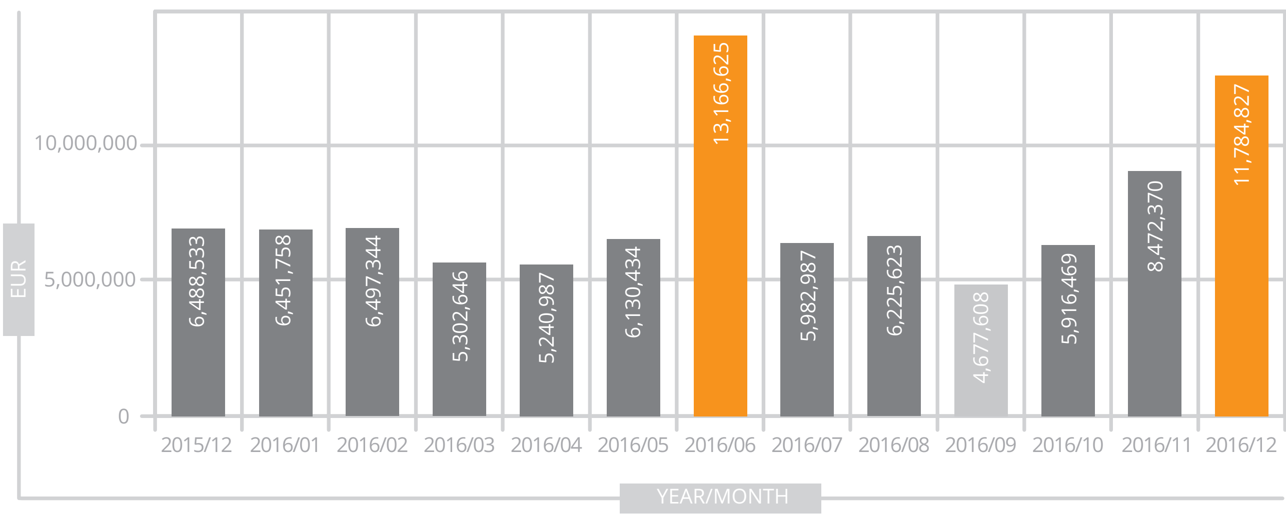
Review:

The company planned to acquire further investments in the past financial year. This did not go ahead on account of the small number of Blockchain/Bitcoin companies on the market and insufficient funding. A secondary listing on the Frankfurt Stock Exchange (floor trading and Xetra) was successfully implemented with the help of the designated sponsor Hauck & Aufhäuser, Frankfurt/Main. The shares were subsequently traded at other locations.

The forecast for breakeven EBITDA was significantly exceeded on account of the sharp rise in the price of the cryptocurrency Bitcoin, the associated public interest, increased volatility, and the strong rise in revenue. Overall, the company ended the year ahead of expectations.

The company is planning to acquire further investments in the 2017 financial year. This objective is dependent on the opportunities that arise for investments, positive due diligence and is also subject to the possibility of adequate financing, which the company intends to achieve with a public capital increase. The company is also planning to join the regulated market. A moderate increase in earnings is expected for the 2017 financial year.

VOLUME TRADED PER MONTH

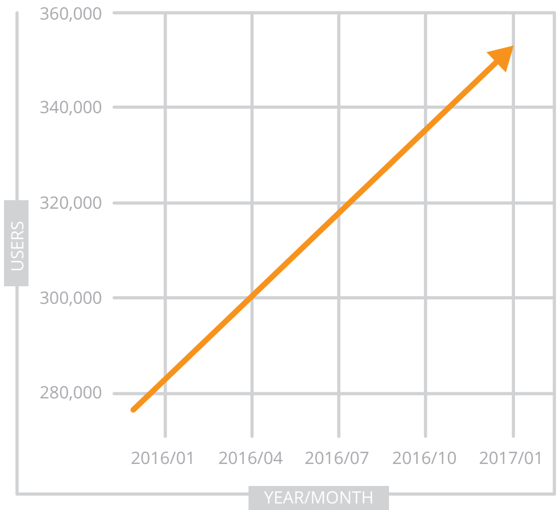


The measures planned for the 2017 financial year are intended to achieve rapid growth in revenue from bitcoin trading and to consolidate the position on the European market.

There are plans to commence trading in the crypto-currency Ethereum (ETH) in the 2017 financial year. The company is aiming for revenue growth of between 10% and 20% based on total revenue, which has been observed in the past at other market players.

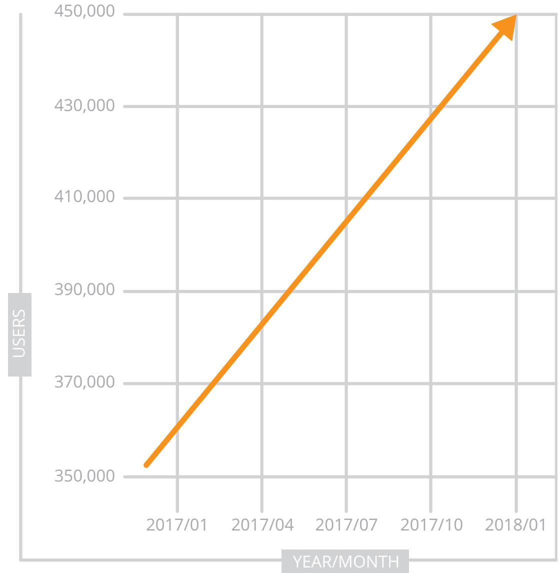
Given the constant growth, the company expects to reach 450,000 registered users by the end of the 2017 financial year (currently: 356,000).

TOTAL USERS 2016/2017 (13 MONTHS)



In order to better leverage the potential of the larger customer base, further measures are to be implemented to improve usability and customer experience.

FORECAST USERS 2017/2018 (13 MONTHS)



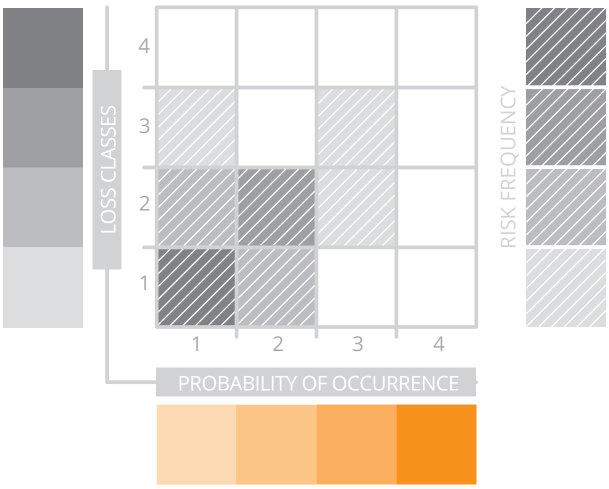
OPPORTUNITIES AND RISKS REPORT

RISK MANAGEMENT SYSTEM

Efficient risk management is intended to systematically identify risks early on in order to take countermeasures in a timely manner and to manage any risks. Risk management is an integral component of Bitcoin Group SE's value-driven and growth-oriented management. Risk management at Bitcoin Group SE, therefore, tracks, analyzes and monitors the potential risks of all major business transactions and processes. The risk strategy always requires an assessment of the risks of an investment and the associated opportunities.

The company's management assesses the individual risks on the basis of their probability of occurrence and potential losses. It also only takes appropriate, manageable, and controllable risks if this entails increased enterprise value at the same time. Speculative transactions or other speculative measures such as bonds or investments in conventional foreign currencies, with the exception of investments in established cryptocurrencies, are not permitted. The equity and liquidity situation is monitored on an ongoing basis. The Board of Directors received regular and detailed reports on the financial situation in the 2016 financial year. This approach creates optimal transparency and, thus, forms a solid basis for the assessment of risks and opportunities. The Managing Director and the Board of Directors are, therefore, able to initiate appropriate measures to maintain a stable financial and liquidity situation for the company immediately.

RISK MATRIX



RISK ASSESSMENT – PROBABILITY OF OCCURRENCE

Class 1	very low	0% to 25%
Class 2	low	25% to 50%
Class 3	medium	50% to 75%
Class 4	high	75% to 100%

RISK ASSESSMENT – LOSS CLASSES

Class 1	EUR 50,000 to EUR 100,000	insignificant
Class 2	EUR 100,000 to EUR 500,000	low
Class 3	EUR 500,000 to EUR 1,000,000	medium
Class 4	> EUR 1,000,000	severe

OPPORTUNITIES AND RISKS

Bitcoin Group SE and its investments are exposed to a number of opportunities and risks, of which the following can be considered material.

MARKET-RELATED RISKS AND OPPORTUNITIES

- The success of new business models (investments) is dependent on the general stock exchange environment and economic developments: A deterioration of external conditions can lead to losses from investment activity, or make it more difficult to raise capital, thereby negatively affecting net assets, financial position, and results of operations (class 2/class 2). By contrast, a positive environment can have an effect not solely due to the value of the individual investment.

- Dependence on industry ratings by capital market participants: The measurement of individual investments can deteriorate, or improve, as a result of changes in industry assessments by market participants (class 2/class 2).

- Capital market volatility: Fluctuations in prices on the capital market, in particular, price fluctuations on bitcoin markets, can affect the value of the investments both negatively (class 3/class 3) and positively.

- Currency and exchange rate risk: In the event of investments outside the euro area, currency fluctuations can have a negative (class 1/class 1) or positive effect on the value of investments.

- Foreign investments: Investments outside Germany can lead to increased risks owing to a different legal or tax situation that adversely affects net assets, financial position, and results of operations (class 1/class 1). However, there can also be advantages, particularly in the area of taxation.

- Tougher competition: Risk capital providers, who compete with Bitcoin Group SE, can heighten the competition for investments by raising additional capital (class 1/class 1).

- Opportunities and risks resulting from changes in interest rates: Changes in interest rates can affect the valuation of equity investments and make potential borrowings not subject to interest rate agreements more or less expensive (class 1/class 1), thereby leading to changes in net assets, financial position, and results of operations of the company.

BUSINESS-RELATED OPPORTUNITIES AND RISKS

- Risks and opportunities resulting from the company's investing activities: The impairment of investments cannot be guaranteed despite intensive due diligence by the company. Failures can pose a threat to the company's existence (class 2/class 2), while successes can have a positive influence on the company's asset situation.

- Dependence on information: The company is dependent on information provided to it by the seller or by target companies. It cannot be completely ruled out that this information is false or misleading (class 1/class 2).

- Particular risks and opportunities of young companies: The companies targeted by Bitcoin Group SE are in an early phase of their development, which entails a high risk of insolvency and, thus, a total loss for Bitcoin Group SE (class 2/class 1). On the other hand, start-ups are often valued significantly below their future level, which can have a very positive effect for Bitcoin Group SE.

- Limited rights in investments: Owing to a possible minority holding in target companies, the company will not always be able to protect its interests in these investments (class 1/class 1).

- Limited financial resources: The current business capital is not sufficient for any of the more major investments intended. Under certain circumstances, Bitcoin Group SE could, therefore, require a contribution of additional capital (class 3/ class 2).

- Tax risks: A potential change in tax legislation can have a lasting negative impact on the company's net assets, financial position, and results of operations (class 1/class 1).

- Risks due to a lack of insurance cover: Other than D&O insurance for its executive bodies, the company does not have its own insurance. External events can have a lasting negative impact on net assets, financial position, and results of operations (class 1/class 2).

- Opportunities and risks from credit financing: Bitcoin Group SE intends to carry out the acquisition of investments possibly using borrowed funds. The obligations to be entered into in this context could have a materially adverse effect on the company's net assets, financial position, and results of operations, even leading to the company's insolvency (class 1/class 3). From the perspective of equity capital providers, the current historically low interest rate could allow attractive lending conditions with a positive effect on the return on equity.

- Possibility of the full or partial sale of the interest held by the major shareholder Priority AG: A new major shareholder could control the company or at least obtain a blocking minority (class 1/class 1).

- Termination of the cooperation agreement with Fidor Bank AG: As Bitcoin Deutschland AG does not yet have its own permit from the German Federal Financial Supervisory Authority (BaFin), it is currently still dependent on its cooperation with Fidor Bank AG, under whose liability umbrella Bitcoin Deutschland AG acts as a contract bound broker. Following the hypothetical termination of the cooperation agreement, Bitcoin Deutschland AG would have to find a new cooperation partner to provide Bitcoin Deutschland AG with a new liability umbrella (class 2/class 1).

- In order to identify risks early on, key risks are systematically identified and analyzed in all areas of the company. There is a monthly reporting system for this that identifies vulnerabilities, continuously analyzes changes and, if necessary, initiates suitable measures to minimize risks.

In summary, the opportunities arising from the still young and high-growth environment of cryptotechnologies exceed the risks.

RISK REPORTING
ON THE USE OF
FINANCIAL INSTRUMENTS

The financial instruments used by the company and its associated companies essentially include units of account (bitcoins), receivables, liabilities, and bank balances. The company and its associated companies have a solvent customer base. So far there have been no defaults thanks to advance payment regulations. Liabilities are paid within the agreed periods. The objective of the company's financial and risk management is to protect the company against financial risks of all kinds. The company employs a conservative risk policy in the management of its financial positions. A risk management system for the company's own bitcoin holdings is not necessary as it does not acquire its own bitcoins for the purpose of speculation, but rather to protect against potential hacking attacks. The company stores 98% of its bitcoins "cold", i.e., without access to the Internet, thereby guaranteeing the utmost possible security. The company has adequate receivables management to minimize the risks of default.

TAKEOVER LAW DISCLOSURES
IN ACCORDANCE WITH SECTIONS 289(4) AND 315(4) GERMAN COMMERCIAL CODE (HGB)

Composition of issued capital

The issued capital of Bitcoin Group SE amounted to EUR 5,000,000 in total on December 31, 2016 (December 31, 2015: EUR 5,000,000) and was divided into 5,000,000 no-par value shares with a notional share in the issued capital of EUR 1.00 per share. All shares have the same rights and obligations. Each share grants the right to one vote at the Annual General Meeting of the company.

Restrictions relating to voting rights or the transfer of shares

The Board of Directors has no information on any restrictions on the exercise of voting rights or on the transferability of shares beyond the statutory provisions.

Capital holdings exceeding 10% of voting rights

As of December 31, 2016, there were the following direct or indirect holdings in the capital of Bitcoin Group SE exceeding 10% of voting rights: Priority AG, Herford.

Shares with special rights bestowing control

No shares with special rights bestowing control were issued.

Voting right control for interests held by employees

There are no voting right controls for the event that employees hold interests in the capital of the Bitcoin Group.

Appointment and dismissal of members of the Board of Directors and managing directors

Please see the applicable statutory provisions of sections 28, 29 of the German SE Implementation Act (SEAG) regarding the appointment and dismissal of members of the Board of Directors. Please see the applicable statutory provisions of section 40 SEAG regarding the appointment and dismissal of managing directors.

DECLARATION OF COMPLIANCE

BY THE BOARD OF DIRECTORS OF BITCOIN SE IN ACCORDANCE WITH ARTICLE 9(1) C) II) OF THE SE REGULATION IN CONJUNCTION WITH SECTION 161 AKTG ON THE GERMAN CORPORATE GOVERNANCE CODE

The Board of Directors of a European company (SE) listed in Germany is legally required in accordance with section 22(6) SEAG in conjunction with section 161 of the German Stock Corporation Act (AktG) to declare once per year whether the officially published recommendations of the Government Commission for the German Corporate Governance Code (DCGK) applicable at the time of the declaration have been and are complied with. Companies are also required to declare which recommendations of the Code have not been or are not applied and why. The full text of the declaration of compliance by the Board of Directors of Bitcoin SE has been made permanently available on the company's website at www.bitcoingroup.com.

REMUNERATION REPORT

The company has chosen not to disclose the individual total remuneration of members of the Board of Directors in accordance with section 285 no. 9a of the German Commercial Code (HGB) and section 314(1) no. 6a HGB.

In accordance with statutory requirements, the remuneration components of the Board of Directors are to be based on the usual amount and structure at comparable companies in Germany and abroad, and on the economic situation and the future development of the company. The remuneration is also intended to take into account the activities and performance of the Board of Directors, and to provide an incentive for commitment and long-term corporate development.

The total remuneration of the Managing Director consists of fixed annual basic remuneration, additional benefits, and variable remuneration. The fixed remuneration consists of a set annual salary not based on performance, which is paid in twelve equal monthly installments. The additional benefits relate to the entitlement to non-cash remuneration in the form of the use of a company car and a tax-free subsidy in accordance with section 3 no. 33 of the German Income Tax Act (EStG), R 3.33 LSt. The variable remuneration is performance-based and determined by the earnings generated.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

OVERALL ASSERTION

Overall, the Managing Director considers the performance over the 2016 financial year and the Group's economic situation to be positive. The general economic data specific to the industry, revenue, and media interest all improved in a highly satisfactorily manner, allowing optimism and confidence for the 2017 financial year.

DEPENDENT COMPANY REPORT

BY THE MANAGING DIRECTOR

The Managing Director makes the following declaration in accordance with section 312(3) AktG: The Managing Director has produced a dependent company report that conclusively declares that, in the reporting year, the company received appropriate consideration for all transactions performed and all measured taken or forgone – as described in the dependent company report referred to above – and the company was, therefore, not disadvantaged.

Herford, May 18, 2017

Michael Nowak

Managing Director

03 ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

	Note	December 31, **2016** EUR	December 31, **2015** EUR
Non-current assets			
Intangible assets	4.1.1	1,711.57	1,809.57
Goodwill	4.1.1	3,882,225.95	3,882,225.95
Property, plant, and equipment	4.1.1	22,986.00	36,531.00
Total non-current assets		**3,906,923.52**	**3,920,566.52**
Current assets			
Trade receivables from third parties	4.2.1	14,785.62	189,937.50
Other financial assets (receivables from related parties)	4.2.2	0.00	7,499.81
Available-for-sale financial assets	4.2.3	2,034,818.87	1,216,776.01
Other non-financial liabilities	4.2.4	12,454.52	1,838.13
Income tax assets	4.2.5	65,937.50	16,924.12
Cash and cash equivalents	4.2.6	765,112.03	475,257.49
Total current assets		**2,893,108.54**	**475,257.49**
Total assets		**6,800,032.06**	**5,828,799.58**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EQUITY AND LIABILITIES

	Note	December 31, **2016**	December 31, **2015**
		EUR	EUR
Equity			
Issued capital	4.3	5,000,000.00	5,000,000.00
Cumulative retained earnings	4.3	52,938.82	-61,212.75
Other comprehensive income	4.3	1,030,131.18	514,590.77
Total equity		**6,083,070.00**	**5,453,378.02**
Non-current liabilities			
Deferred tax liabilities	4.4.5	441,484.79	220,538.90
Total non-current liabilities		**441,484.79**	**220,538.90**
Current liabilities			
Trade payables to third parties	4.4.2	26,135.41	18,667.47
Other financial liabilities (liabilities to related parties)	4.4.3	36,884.68	5,227.42
Other non-financial liabilities	4.4.1	127,090.67	114,507.99
Income tax liabilities	4.4.4	85,366.51	16,479.78
Total current liabilities		**275,477.27**	**154,882.66**
Total assets		**6,800,032.06**	**5,828,799.58**

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

for the period from January 1, 2016 to December 31, 2016

	Note	January 1 to December 31, **2016** EUR	January 1 to December 31, **2015** EUR
Revenue	5.1	1,126,277.00	779,955.72
Other operating income	5.2	14,076.60	12,600.02
Cost of materials	5.3	-130,460.50	-127,826.59
Cost of staff	5.4	-465,409.04	-420,811.58
Depreciation and amortization	5.5	-16,818.63	-16,851.82
Other operating costs	5.6	-639,618.65	-290,511.59
Operating result		-111,953.22	-63,445.84
Other financial income		319,801.09	43,310.73
Financial result	5.7	319,801.09	43,310.73
Earnings before income taxes		207,847.87	-20,135.11
Income taxes	5.8	-93,696.30	4,027.63
Consolidated net profit		114,151.57	-16,107.48
Loss carried forward		-61,212.75	-45,105.27
Cumulative retained earnings		**52,938.82**	**-61,212.75**
Earnings per share		0.02	0.00

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of December 31, 2016

	Issued capital	Other comprehensive income	Profit/loss carried forward	Net profit for the year	Equity
Note	4.3	4.3	4.3	4.3	4.3
	EUR	EUR	EUR	EUR	EUR
As of January 1, 2015	**5,000,000.00**	**245,679.90**	**-45,105.27**	**0.00**	**5,200,574.62**
Total comprehensive income for 2015	0.00	268,910.87	0.00	-16,107.48	252,803.40
Appropriation of net profit for the year	0.00	0.00	-16,107.48	16,107.48	0.00
As of December 31, 2015	**5,000,000.00**	**514,590.77**	**-61,212.75**	**0.00**	**5,453,378.02**
As of January 1, 2016	**5,000,000.00**	**514,590.77**	**-61,212.75**	**0.00**	**5,453,378.02**
Total comprehensive income for 2016	0.00	515,540.41	0.00	114,151.57	629,691.98
Appropriation of net profit for the year	0.00	0.00	114,151.57	-114,151.57	0.00
As of December 31, 2016	**5,000,000.00**	**1,030,131.18**	**52,938.82**	**0.00**	**6,083,070.00**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1, 2016 to December 31, 2016

	Cash flows from operating activities
	EBIT
+	Depreciation and amortization expense on non-current assets
+/-	Changes from impairments at fair value
-/+	Increase/decrease in trade receivables from third parties
-/+	Increase/decrease in receivables from related parties
-/+	Increase/decrease in other assets not attributable to investing or financing activities
+/-	Increase/decrease in trade payables to third parties
+/-	Increase/decrease in liabilities to affiliated companies
+/-	Increase/decrease in other liabilities not attributable to investing or financing activities
-/+	Taxes paid/received
-/+	Interest paid/received
	Cash flows from investing activities
-	Payments for investments in property, plant, and equipment
+	Proceeds from the disposal of non-current assets
	Cash flows from financing activities
-	Payments for the repayment of liabilities to affiliated companies
	Cash and cash equivalents at the end of the period
	Change in cash and cash equivalents
	Change of cash and cash equivalents arising from changes to consolidation of companies
	Cash and cash equivalents as of January 1
=	**Cash and cash equivalents at the end of the period**
	Composition of cash and cash equivalents at the end of the financial year
	Cash and cash equivalents
	Cash and cash equivalents at the end of the period

	January 1 to December 31, **2016**	January 1 to December 31, **2015**
Note	EUR	EUR
6		
	207,858.78	-20,135.11
	16,818.63	16,851.82
	515,540.41	268,910.88
	175,151.88	-123,937.50
	7,499.81	327,250.00
	-877,672.63	-662,195.77
	7,467.94	-21,592.79
	31,657.26	1,507.09
	302,415.31	-200,094.54
	-93,696.30	4,027.63
	-10.92	-83.78
	293,030.17	**-409,429.08**
6		
	-3,175.63	-596.00
	0.00	0.00
	-3,175.63	**-596.00**
6		
	0.00	0.00
	0.00	**0.00**
	289,854.54	-409,941.30
	0.00	0.00
	475,257.49	885,198.79
	765,112.03	**475,257.49**
	765,112.03	475,257.49
	765,112.03	**475,257.49**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BITCOIN GROUP SE

1.1 GENERAL INFORMATION

The purpose of the company is the development and operation of innovative business concepts and technologies with growth potential, in particular, the development and operation of marketplaces on the Internet for the purchase and sale of cryptocurrencies in addition to the development and marketing of Blockchain technologies.

The parent company of the Bitcoin Group SE Group is domiciled at Nordstrasse 14, 32051 Herford (Germany) and is entered in Commercial Register B of the Bad Oeynhausen Local Court under HRB 14745. In turn, Bitcoin Group SE is a 94.7% subsidiary of Priority AG, Herford. There is no control agreement.

The consolidated financial statements are prepared in the currency euro (EUR), which is also the functional and the reporting currency. Unless stated otherwise, amounts are shown in the financial statements in euro. For arithmetical reasons, rounded figures shown in tables and references in the text can differ from the exact mathematical values (monetary units, percentages, etc.).

The financial year of the Group began on January 1, 2016, and ended on December 31, 2016.

1.2 CONSOLIDATED GROUP

The consolidated financial statements include the subsidiaries whose financial and operating policies Bitcoin Group SE can direct. This is usually the case given a shareholding of more than 50%, as shares are equal to voting rights. If contractual provisions stipulate that a company can be controlled despite a shareholding of less than 50%, this company is included in the consolidated financial statements as a subsidiary. If contractual provisions stipulate that a company cannot be controlled despite a shareholding of more than 50%, this company is not included in the consolidated financial statements as a subsidiary.

As the parent company, Bitcoin Group SE held 100% of shares in Bitcoin Deutschland AG, Herford, as of December 31, 2015, and December 31, 2016. The company is consolidated. Based on the annual financial statements prepared in accordance with the German Commercial Code (HGB) as of December 31, 2016, the company's equity amounts to EUR 876 thousand and its subscribed capital to EUR 50 thousand, while the net profit for the 2016 financial year amounts to EUR 226 thousand.

On October 24, 2014, the majority shareholder Priority AG transferred shares in Bitcoin Deutschland AG to Bitcoin Group SE by way of non-cash contribution against subscription of 4,700,000 new shares, each representing EUR 1,00 of the company's share capital. The capital increase became effective retrospectively on entry in the commercial register on September 28, 2015.

1.3 PRINCIPLES OF CONSOLIDATION

In the event of a business combination, acquisition accounting is fundamentally performed by offsetting the acquisition cost against the Group's share in the revaluated equity of the consolidated subsidiaries as of the time of the acquisition of the shares in accordance with IFRS 3. The recognizable assets, liabilities, and contingent liabilities of subsidiaries are carried at their full fair value regardless of the amount of the non-controlling interest. For each acquisition, there is an option that can be exercised separately as to whether non-controlling interests are measured at fair value or at the amount of the pro rata net assets. Incidental costs of acquisition are expensed. Positive differences arising on the first-time consolidation are recognized as goodwill. In accordance with IFRS 3/IAS 36, this goodwill is tested for impairment annually or when there is a trigger event. The residual carrying amounts of positive differences are taken into account in calculating the result of disposal on deconsolidation.

Changes in the shareholding that do not lead to a loss of control are treated as transactions between shareholders in equity. These transactions do not lead to any recognition of goodwill or the realization of gains on disposal. In the event of sales of shares that lead to a loss of control, the remaining shares are revaluated at fair value through profit and loss and the cumulative other comprehensive income relating to the investment recognized in equity in the income statement is recognized in retained earnings if these are actuarial gains/losses.

Losses attributable to non-controlling interests are allocated to them in full, even if this results in a negative carrying amount.

If an enterprise acquired does not constitute a business as defined by IFRS 3, the transaction is recognized as an acquisition of assets and assumption of liabilities at cost, without taking goodwill into account.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 GENERAL INFORMATION

PRINCIPLES OF ACCOUNTING

The consolidated financial statements of Bitcoin Group SE were prepared in accordance with the provisions of the International Accounting Standards Board (IASB) and section 315a HGB; the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC and SIC) were complied with. All International Financial Reporting Standards (IFRSs) that have been endorsed by the EU and that were effective at the end of the reporting period were taken into account.

The Director of Bitcoin Group SE approved the consolidated financial statements and the Group management report on May 18, 2017.

To improve clarity, various items in the statement of financial position and the statement of comprehensive income were combined. This is presented in detail in the notes.

In accordance with IAS 1, the statement of financial position is divided into current and non-current items.

The statement of comprehensive income was prepared in line with the nature of expense method.

TRANSITION TO IFRS ACCOUNTING

The transition in accounting is implemented in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

Bitcoin Group SE was not previously required to prepare consolidated financial statements, hence, none were published in accordance with the German Commercial Code. Bitcoin Group SE prepared its first consolidated financial statements in accordance with IFRS for the 2015 financial year. Assets and liabilities are reported and measured in accordance with IFRS 1 in line with the IFRSs effective on December 31, 2015. The differences in the carrying amounts are recognized in equity as of the transition date. The IFRSs effective as of December 31, 2015, were applied retrospectively. Individual exceptions from retrospective application are permitted in accordance with IFRS 1.

A statement of reconciliation of HGB consolidated financial statement components to IFRS consolidated financial statements is presented below to show the changes and their effect on net assets, financial position, and results of operations:

All figures in EUR thousand	December 31, **2016**	December 31, **2015**	December 31, **2014**	January 1, **2013**
HGB equity	5,053	4,939	4,955	188
Revaluation of bitcoin holdings	1,030	515	246	0
IFRS equity	6,083	5,453	5,201	188

The reconciliation of profit or loss for the period from HGB to IFRS is not shown as this is unchanged. The bitcoins are revaluated through other comprehensive income.

2.2 APPLIED ACCOUNTING POLICIES

The key accounting policies applied in the preparation of these consolidated financial statements are presented below. Unless stated otherwise, these principles were applied uniformly to all financial years presented.

When preparing the consolidated financial statements, management is required to make estimates and assumptions that influence the reported amount of assets, liabilities, revenue, and expenses, as well as the disclosure of contingent assets and contingent liabilities. In addition, management is required to apply the accounting principles according to its own judgment. Although these estimates and assumptions are based on the best possible knowledge of events and measures, the results can differ from these estimates.

The application of the valid IFRS regulations does not lead to a misleading view of the company’s situation.

The consolidated financial statements have been prepared in accordance with the historical cost principle. The historical cost is based on the respective value of the consideration given for assets. This is based on the fair value of the consideration.

The fair value is the price that would be paid on the measurement date for the sale of an asset or for the transfer of a liability in a transaction between market participants under normal market conditions, regardless of whether the price is directly observable or is estimated using other measurement methods.

When estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability to the extent that market participants would also consider these characteristics when determining the fair value of the asset or the liability on the measurement date. Fair value is calculated on this basis for the purpose of measurement or inclusion in the financial statements; an exception to this is share-based payment transactions in accordance with IFRS 2, leases in accordance with IAS 17 and items measured at net realizable value in accordance with IAS 2 or value in use in accordance with IAS 36, whereby these values are similar to but not the same as fair value. The measurement of fair value for financial reporting purposes is divided into level 1, level 2, and level 3, depending on the observability of the input used in the measurement of the respective fair value and the significance of these inputs to the measurement of fair value as a whole. This measurement hierarchy is described as follows:

- Level 1 inputs include quoted (unadjusted) prices on active markets for identical assets or liabilities to which the company has access on the measurement date.
- Level 2 inputs include information sources other than quoted prices covered by level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 inputs include unobservable inputs relating to the asset or liability.

The income statement contained in the statement of comprehensive income was prepared in line with the nature of expense method.

2.3 NEW IASB ACCOUNTING STANDARDS

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) as adopted by the European Union. They take into account all accounting standards and interpretations effective in the EU.

Accordingly, these IFRS consolidated financial statements are based on the IASB accounting standards endorsed for the EU in accordance with Regulation (EC) No 1606/2002 in conjunction with section 315a (1) HGB (consolidated financial statements according to international accounting standards) by the EU Commission in the context of the endorsement process. New IFRSs and amendments to IFRSs released by the IASB become effective following a corresponding resolution by the EU Commission in the context of the endorsement process.

The new standards and their application in these IFRS consolidated financial statements of the company are explained below to increase the clarity for users of these financial statements.

Unless stated otherwise, the standards and interpretations – or the amendments to existing standards – are effective for reporting periods beginning on or after the date of the first-time adoption. No standards or interpretations were adopted early.

The following new standards, interpretations, and amendments to IFRSs were effective for the first time for the reporting period 2016.

Annual Improvements to IFRSs (2012 to 2014). The annual improvements project made changes to four standards. In addition to clarifying existing regulations, amendments affecting recognition and disclosures in the notes were added. The standards affected were IAS 19, IAS 34, IFRS 5 and IFRS 7. The effective date is January 1, 2016. These amendments have no significant effect on the consolidated financial statements.

Amendments to IAS 1: Presentation of Financial Statements. The amendments concern various reporting issues. It is clarified that disclosures in the notes are only required if their content is not immaterial. This is explicitly also the case if an IFRS demands a list of minimum disclosures. In addition, information on the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income has been added. The amendments also clarify how interests in the other comprehensive income of companies accounted for using the equity method should be presented in the statement of comprehensive income. Finally, the sample structure of the notes provided was deleted, barring content relevant to the respective company. Moreover, the amendments clarify which provisions apply to the presentation of additional subtotals in the statement of financial position, the income statement, and other comprehensive income. The effective date is January 1, 2016. These amendments have no significant effect on the consolidated financial statements.

Amendments to IAS 16: Property, Plant, and Equipment and IAS 38: Intangible Assets. The amendment provides further guidelines for determining an acceptable method of depreciation or amortization. Accordingly, revenue-based methods are not permitted for depreciation on property, plant, and equipment and are only permitted for amortization for intangible assets in specific exceptions (rebuttable presumption of inappropriateness). The effective date is January 1, 2016. This amendment has no significant effect on the consolidated financial statements.

Amendment to IFRS 11: Joint Arrangements. This amendment by the IASB regulates accounting for an acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3: Business Combinations. In such cases, the acquirer should apply the principles of accounting for business combinations in accordance with IFRS 3. The disclosure requirements of IFRS 3 also apply in such cases. The effective date is January 1, 2016. This amendment has no significant effect on the consolidated financial statements.

The amendments listed below are not applicable to the Group and, thus, do not affect the consolidated financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities – applying the consolidation exception
- Amendment to IAS 27: Equity method in separate financial statements
- Amendments to IAS 16 and IAS 41: Bearer plants

The following standards and interpretations published by the IASB and adopted by the EU are not yet effective and have not been applied by Bitcoin in the consolidated financial statements as of December 31, 2016. The Group does not intend to apply these standards early.

The standards – or amendments to standards – are effective for reporting periods beginning on or after the effective date.

IFRS 9: Financial Instruments. This standard supersedes all earlier versions of IAS 39 on the classification and measurement of financial assets and liabilities and accounting for hedging instruments. This new version of the standard contains revised guidance on the classification and valuation of financial instruments, including a new model for expected credit losses for calculating impairment on financial assets and the new general hedge accounting model. It also includes the guidance from IAS 39 on the recognition and derecognition of financial instruments. IFRS 9 is effective for periods beginning on or after January 1, 2018. Early adoption is permitted. Except for hedge accounting, the standard is to be adopted retrospectively, though comparative information does not have to be disclosed. Barring a few exceptions, the hedge accounting provisions must generally be applied prospectively.

Bitcoin Group SE is currently analyzing the effects on the consolidated financial statements. However, the Group does not expect a significant impact on its statement of financial position or equity when it adopts the classification and measurement provisions.

IFRS 15: Revenue from Contracts with Customers. IFRS 15 introduces a five-step model for the recognition of revenue from contracts with customers. In accordance with IFRS 15, revenue is recognized in the amount of the consideration that a company can expect in return for the transfer of goods or services to a customer (the transaction price as defined by IFRS 15). The new standard replaces all existing guidance on the recognition of revenue, including IAS 18: Revenue, IAS 11: Construction Contracts and IFRIC 13: Customer Loyalty Programs. Either full retrospective application or modified retrospective application is required for reporting periods beginning on or after January 1, 2018. Early adoption is permitted.

Bitcoin Group SE is currently analyzing the effects on the consolidated financial statements but does not expect any significant impact on the consolidated financial statements beyond considerably more extensive notes with regard to the type, amount, timing, and uncertainty of the revenue and cash flows from contracts with customers.

The following standards and interpretations published by the IASB have not yet been adopted by the EU.

Clarifications to IFRS 15: Revenue from Contracts with Customers. The clarifications relate to implementation issues that were discussed by the Joint Transition Group for Revenue Recognition. These issues concern the identification of performance obligations, principal versus agent considerations and licensing for intellectual property in addition to transition provisions. Furthermore, the amendments are intended to ensure a more uniform approach to the implementation of IFRS 15 and reduce the costs and complexity of its application. The amendments are effective from January 1, 2018.

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates. The amendments address a known inconsistency between the requirements in IFRS 10 and IAS 28 (2011) in dealing with the sale of assets to an associate or joint venture, or the contribution of assets to an associate or joint venture. In the future, the full gain or loss of a transaction will only be recognized when the assets sold or contributed constitute a business as defined by IFRS 3. This applies regardless of whether the transaction is designed as a share or asset deal. However, if the transaction involves assets that do not constitute a business, only a partial gain or loss is recognized. The IASB has postponed the date of initial adoption indefinitely. This amendment will have no significant effect on the consolidated financial statements.

IFRS 16: Leases. IFRS 16 contains extensive new regulations for accounting for leases and replaces the previous regulations of IAS 17: Leases and several interpretations. The goal is to report the rights and obligations associated with the lease in the statement of financial position of the lessee. Practical expedients are intended for short-term leases and low-value leased assets. Accounting for leases by the lessor is still based on classification as finance or operating lease in accordance with the criteria of IAS 17. IFRS 16 also contains further regulations on reporting and disclosures in the notes. Subject to EU endorsement, IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 is already applied. This amendment will have no significant effect on the consolidated financial statements.

Amendment to IAS 12: Recognition of deferred tax assets for unrealized losses. The amendment clarifies that an entity must take into account whether tax laws restrict the sources of future taxable profits against which it can utilize deductible temporary differences. In addition, the amendment provides guidance on how an entity must determine future taxable income and explains the circumstances under which future taxable income can include amounts from the realization of assets beyond their carrying amount. The amendment is effective for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. This amendment will have no significant effect on the consolidated financial statements.

Amendments to IAS 7: Disclosure initiative. The amendment to IAS 7 Cash Flow Statements is part of the IASB's disclosure initiative and requires entities to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Entities do not have to provide comparative information for previous reporting periods on the first-time adoption of the amendments. This amendment is effective for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. The Group intends to adopt the amended standard as of the prescribed effective date. The Group will provide the additional information required as a result of adopting the amendments.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions. The IASB has published an amendment to IFRS 2: Share-based Payment that addresses three main areas: The effects of performance conditions on accounting for cash-settled share-based payment transactions, the classification of share-based payments settled net of tax withholdings and accounting for share-based payment transactions with cash settlement in the event of the modification of their terms leading to classification as equity-settled share-based payment transactions. The amendment is effective for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. This amendment will have no significant effect on the consolidated financial statements.

Annual Improvements to IFRSs (2014 to 2016). The annual improvements project made changes to three standards. These were IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 comprise the deletion of short-term exemptions for first-time adopters. The amendments to IFRS 12 and IAS 28 contain clarifications. The effective date of the amendment to IFRS 12 is January 1, 2017; the amendments to IFRS 1 and IAS 28 are effective from January 1, 2018. These amendments will have no significant effect on the consolidated financial statements.

Amendments to IAS 40: Investment Property. The amendment to IAS 40 relates to the classification of properties not yet completed and clarifies the cases in which the classification of a property as investment property begins or ends when the property is still under construction or in development. The amendment is effective for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. This amendment will have no significant effect on the consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration. The IASB has clarified when to determine the exchange rate for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendment is effective for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. This amendment will have no significant effect on the consolidated financial statements.

The amendment listed below is not applicable to the Group and, thus, does not affect the consolidated financial statements:

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

3. ACCOUNTING POLICIES

The consolidated financial statements are based on the same uniform accounting policies as for the 2015 and 2016 financial years.

3.1 CURRENCY TRANSLATION

Transactions in foreign currencies are translated according to the functional currency concept in accordance with IAS 21 at the rates at the time of the initial posting of transactions. Exchange rate gains and losses are recognized in profit or loss.

3.2 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

Intangible assets include purchased software.

Purchased intangible assets are carried at cost less straight-line amortization given a standard useful life or according to use assuming a standard useful life. They are only capitalized if it is sufficiently likely that the economic benefits will flow to the company and the cost of the asset can be reliably determined.

The following criteria are mainly considered when estimating the useful life:

- expected use of the asset in the company,
- publicly available information on the estimated useful life of comparable assets,
- technical, technological, and other forms of obsolescence.

The amortization period for purchased software is three years.
Property, plant, and equipment are measured at cost less straight-line depreciation and impairment. Property, plant, and equipment are depreciated using the straight-line method over their useful life. The depreciation period is based on the expected useful life.

The Group recognizes depreciation based on the following useful lives that are unchanged compared to the previous year:

Other equipment	Useful life in years
Operating and office equipment	2 to 20

The residual carrying amounts and useful lives are reviewed at the end of each reporting period and adjusted as necessary.

3.3 GOODWILL

Goodwill is tested for impairment on the basis of cash-generating units in accordance with IAS 36 once per year, or more frequently if there are indications of impairment. The impairment test is based on the value in use of the relevant cash-generating unit. The basis for this is the current cash flow planning prepared by management and the assumption of perpetual annuity for the years after the detailed planning period. Detailed planning of future cash flows based on cash flow before interest and taxes less maintenance and replacement investments is prepared for a time horizon of three years. The cash flows calculated are discounted to determine the value in use of the cash-generating unit. The value in use is compared against the associated carrying amount. If this is less than the carrying amount of the cash-generating unit, goodwill impairment is recognized in profit or loss.

3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents recognized in the statement of financial position comprise cash in hand and bank balances with an original term of less than three months. For the purposes of the statement of cash flows, cash includes the cash and cash equivalents as defined above and short-term deposits. They are measured at amortized cost.

3.5 FINANCIAL INSTRUMENTS

Financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial investments or available-for-sale financial investments. Financial assets are measured at fair value on first-time recognition.

Financial assets are assigned to the measurement categories on first-time recognition.

Purchases and sales of financial assets are recognized as of the settlement date, i.e., the date on which the company commits to purchasing or selling the asset.

Financial assets are derecognized when the contractual rights to cash flows from them expire or if the company transfers the ownership rights to the financial asset and the risks and rewards. When a financial asset is derecognized, the difference between the carrying amount of the asset and the sum of the consideration received or outstanding and the cumulative gain or loss recognized in other comprehensive income are reclassified to the income statement.

Financial assets at fair value through profit or loss

The group of financial assets at fair value through profit and loss includes financial assets and liabilities held for trading classified as at fair value on first-time recognition.

Financial assets are classified as held for trading if they are acquired with a view to subsequent disposal in the near future. Gains and losses from financial assets held for trading are recognized in profit or loss.

Primary financial instruments were not classified as held for trading either in the reporting year or the previous year.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale on first-time recognition. Available-for-sale financial assets are carried at fair value in the statement of financial position. Changes in their fair value are reported directly in equity under “Other comprehensive income”.

Receivables

Trade receivables, loans, and other receivables with fixed or determinable payments that are not quoted on an active market are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables as the interest effect would be insignificant. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or become impaired.

Derivatives

The Group had no derivative financial instruments in either the reporting year or the previous year.

3.6 EQUITY

Please see the statement of changes in equity and the notes to the statement of financial position for information on the composition and development of equity. Please see note 4.3 for further information.

3.7 LIABILITIES

The company measures other financial liabilities such as trade payables and other liabilities (not including deferred items or tax liabilities) at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and the recognition of interest expense over the corresponding period. The effective interest rate is the rate with which the estimated future cash outflows (including fees paid or received as components of the effective interest rate, transaction costs, and other premiums or discounts) are discounted to net carrying amount over the likely term of the financial liability on first-time recognition. Interest expense is recognized on the basis of the effective interest rate.

The company derecognizes financial liabilities when its obligations from the liability are met, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or outstanding is reported in the income statement.

The company has not issued any debt securities or equity instruments.

3.8 PROVISIONS

Provisions are recognized in accordance with IAS 37 regulations when the company has present obligations arising from past events that are expected to result in an outflow of economic resources. It must also be possible to estimate the amount of the obligation reliably. The provision is recognized at the best estimate of the settlement amount of the present obligation as of the end of the reporting period. If the effect of the time value of money is material, the provision is discounted using the market interest rate.

3.9 REVENUE RECOGNITION

Revenue is recognized in accordance with IAS 18. Revenue is measured at the fair value of the consideration received or yet to be received for services by Group companies in the normal course of business.

Revenue is reported without VAT, discounts or price reductions. Revenue and other operating income are recognized after service is rendered by the company. In order to recognize revenue, it must be possible to reliably determine its amount, and it must be probable that the economic benefits associated with the transaction will flow to the company.

Depending on the economic substance of the underlying contracts, revenue from commission and licenses is either recognized immediately or deferred and recognized pro rata temporis if there is a contractual obligation to provide further services.

Interest income from a financial asset is recognized when it is probable that the economic benefits from the principal amount outstanding and the effective interest rate applied will be available to the company on time. The effective interest rate is the rate at which the estimated future cash flows are discounted to the net carrying amount of the financial asset over its expected term.

3.10 LEASES

In accordance with IAS 17.7 et seq., a lease is classified as a financial lease if the terms of the lease contract essentially transfer the risks and rewards of the leased asset to the lessee. All other leases are classified as operating leases. The Group was not party to any finance leases in the reporting year or the previous year. There were no agreements that would have been classified as operating leases in accordance with IAS 17.7 et seq. in either the reporting year or the previous years.

3.11 INCOME TAXES AND DEFERRED TAXES

Income taxes are calculated in accordance with IAS 12. All tax liabilities and receivables in relation to income taxes arising in the course of the financial year are, therefore, included in the consolidated financial statements.

Deferred taxes are recognized on the basis of the asset and liability method when future tax effects are to be expected which are due either to temporary differences between the IFRS carrying amounts of existing assets and liabilities and their tax carrying amounts or to existing loss carryforwards and tax credit. Deferred tax assets must be tested for impairment in each financial year. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply to taxable income in the years in which these temporary differences are reversed or offset based on current tax legislation. The effect of changes in tax rates on deferred tax assets and liabilities is reported in profit or loss in the period in which the amendments are resolved by lawmakers or in the period to which a legal amendment already resolved is set to apply.

3.12 BUSINESS SEGMENTS

A business segment is a part of a company that performs business activities with which income is generated and from which expenses are incurred, including income and expenses in relation to transactions with another part of the company.

The results of a business segment are regularly reviewed by the enterprise's chief operating decision maker on the basis of the independent financial information available to make decisions about the resources to be allocated to the segment and to assess its performance.

The Group has only one business segment. There is, therefore, no separate presentation of information for different segments.

4. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 NON-CURRENT ASSETS

4.1.1 INTANGIBLE ASSETS, GOODWILL, AND PROPERTY, PLANT, AND EQUIPMENT

	Intangible assets	Goodwill	Property, plant, and equipment	Total
	EUR	EUR	EUR	EUR
Acquisition Costs				
As of January 1, 2016	3,495.57	3,882,225.95	71,339.26	3,957,060.78
Additions	0.00	0.00	3,175.63	3,175.63
Disposals	0.00	0.00	0.00	0.00
As of December 31, 2016	3,495.57	3,882,225.95	74,514.89	3,960,236.41
Depreciation and amortization				
As of January 1, 2016	1,686.00	0.00	34,808.26	36,494.26
Additions	98.00	0.00	16,720.63	16,818.63
Disposals	0.00	0.00	0.00	0.00
As of December 31, 2016	1,784.00	0.00	51,528.89	53,312.89
Carrying amounts				
As of January 1, 2016	1,809.57	3,882,225.95	36,531.00	3,920,566.52
As of December 31, 2016	1,711.57	3,882,225.95	22,986.00	3,906,923.52
Acquisition Costs				
As of January 1, 2015	3,495.57	3,882,225.95	70,743.26	3,956,464.78
Additions	0.00	0.00	596.00	596.00
Disposals	0.00	0.00	0.00	0.00
As of December 31, 2015	3,495.57	3,882,225.95	71,339.26	3,957,060.78
Depreciation and amortization				
As of January 1, 2015	1,091.00	0.00	18,710.26	19,801.26
Additions	595.00	0.00	16,098.00	16,693.00
Disposals	0.00	0.00	0.00	0.00
As of December 31, 2015	1,686.00	0.00	34,808.26	36,494.26
Carrying amounts				
As of January 1, 2015	2,404.57	3,882,225.95	52,033.00	3,936,663.52
As of December 31, 2015	1,809.75	3,882,225.95	36,531.00	3,920,566.52

Goodwill

The goodwill results as a positive difference from the first-time consolidation of Bitcoin Deutschland AG on October 24, 2014.

In the context of impairment testing, goodwill was assigned to the cash-generating unit which is identical to the subsidiary of Bitcoin Deutschland AG. The recoverable amount for the subsidiary (cash-generating unit) is determined on the basis of the value in use calculated using cash flow forecasts based on financial planning approved by the company's management for a period of three years. The risk-free interest rate of the cash-generating units of 7.72% (2015: 7.85%) is based on the weighted average cost of capital (WACC) after company taxes. As in the previous year, this is calculated on the basis of capital asset pricing model (CAPM) using current market expectations. Specific peer group information for beta factors, capital structure data, and debt cost rates was used to calculate the risk-free interest rates for the purposes of impairment testing. The terminal value is used for periods not included in planning. Cash flows after the three-year period are assumed to grow at a constant rate of 1.00% (2015: 1.00%).

Basic assumptions in the calculation of value in use

The basic assumptions used by the company's management in its cash flow forecasts for testing goodwill for impairment are described below. The following assumptions used to calculate the value in use of the cash-generating unit are subject to estimation uncertainty:

Three-year business plan:

The business plan was prepared by the company's management on the basis of estimates of future business performance. These estimates were based on past experience.

Discount rates:

The discount rates reflect estimates by the company's management regarding the specific risks to be attributable to the cash-generating unit. A basic interest rate of 1.00% (2015: 1.50%) and a risk premium of 6.72% (2015: 6.35%) were used to calculate the appropriate discount rates for the cash-generating unit. A growth discount of 1.00% is assumed for perpetual annuity (2015: 1.00%).

Sensitivity of assumptions:

The values in use calculated significantly exceeded the carrying amounts of the cash-generating unit. The company's management is of the opinion that no change that could reasonably be made to the basic assumptions used to determine the value in use of the cash-generating unit could lead to the carrying amount of the cash-generating unit exceeding its recoverable amount.

4.2 CURRENT ASSETS

4.2.1 TRADE RECEIVABLES FROM THIRD PARTIES

All trade receivables (2016: EUR 15 thousand; 2015: EUR 190 thousand; 2014: EUR 66 thousand) have a remaining term of up to one year in 2016 and the previous years.

The Group did not receive any collateral for trade receivables in 2016 or the comparative periods of 2015 and 2014. As of the end of the reporting period, there were no indications that the receivables might not be settled on maturity.

The maximum credit risk of the receivables is the carrying amount of the receivables. There were no receivables past due.

4.2.2 OTHER FINANCIAL ASSETS (RECEIVABLES FROM RELATED PARTIES)

Other financial assets amount to EUR 0 thousand as of December 31, 2016 (2015: EUR 7 thousand, 2014: EUR 335 thousand).

The receivables from the parent company reported in the previous year relate to services performed by the company. They have a remaining term of less than one year. The figures recognized for all receivables from affiliated companies are equal to their fair value. They are neither impaired nor past due.

The maximum credit default risk of the receivables from related parties is the carrying amount of the receivables.

4.2.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item includes the bitcoins held by the company. They are measured at fair value, which is derived from the active market. Details of the methods used to calculate the fair values can be found in the description of accounting policies. The fair values and carrying amounts are as follows as of the end of the respective reporting periods.

All figures in EUR thousand	**Fair value**	**Carrying amount**
December 31, 2016	2,035	563
December 31, 2015	1,217	482
December 31, 2014	570	219

The fair value as of December 31, 2016, consists of 2,238 bitcoins at an average price of EUR 910.

4.2.4 OTHER NON-FINANCIAL ASSETS (CURRENT)

As of the end of 2016, this item includes input tax amounts of EUR 12 thousand (2015: EUR 2 thousand; 2014: EUR 4 thousand) that cannot be claimed until next year.

4.2.5 INCOME TAX ASSETS

The item includes corporation tax and trade tax assets.

4.2.6 CASH AND CASH EQUIVALENTS

The item exclusively contains bank balances; there was no restricted cash in financial 2016 or the comparative period.

4.3 EQUITY

The issued capital of Bitcoin Group SE is the fully paid-in share capital of EUR 5,000,000. The share capital is divided into 5,000,000 bearer shares. The share capital of EUR 300,000 was increased to EUR 5,000,000 by way of the contribution of Bitcoin Deutschland AG shares as of October 24, 2014. The majority shareholder Priority AG transferred shares in Bitcoin Deutschland AG by way of non-cash contribution against subscription of 4,700,000 new shares, each representing EUR 1,00 of the company's share capital. All shares have the same rights.

The effects of the revaluation of assets held for sale (bitcoins) are reported in other comprehensive income as unrealized gains or losses (2016: EUR 1,030 thousand; 2015: EUR 515 thousand; 2014: EUR 246 thousand).

The development of equity is shown in the statement of changes in equity.

The Board of Directors is authorized to increase the share capital by up to EUR 500,000 against cash or non-cash contributions by issuing new no-par value bearer shares until November 18, 2019 (Authorized Capital).

4.4 LIABILITIES AND PROVISIONS

4.4.1 OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities essentially comprise liabilities for outstanding invoices (2016: EUR 79 thousand; 2015: EUR 51 thousand; 2014: EUR 38 thousand), VAT liabilities (2016: EUR 12 thousand; 2015: EUR 45 thousand; 2014: EUR 46 thousand), wage and church tax liabilities, including social security contributions, of EUR 6 thousand (2015: EUR 5 thousand; 2014: EUR 13 thousand), other contributions and levies (2016: EUR 0 thousand; 2015: EUR 7 thousand; 2014: EUR 0 thousand), and miscellaneous liabilities of EUR 0 thousand (2015: EUR 1 thousand; 2014: EUR 4 thousand).

4.4.2 TRADE PAYABLES TO THIRD PARTIES

Trade payables do not bear interest and generally mature between 30 and 90 days.

4.4.3 OTHER FINANCIAL LIABILITIES (LIABILITIES TO RELATED PARTIES)

There were liabilities to Priority AG and Softjury GmbH of EUR 37 thousand as of December 31, 2015. There was a liability to BitPayment.de GmbH of EUR 5 thousand in the previous year (2014: EUR 0 thousand).

4.4.4 INCOME TAX LIABILITIES

Income tax liabilities relate to corporation tax and trade tax from previous years.

4.4.5 DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized for the revaluation of bitcoins. The effect is shown in equity (2016: EUR 441 thousand; 2015: EUR 221 thousand; 2014: EUR 105 thousand). Deferred taxes on valuation adjustments were calculated using the tax rates applicable in Germany. As all matters in connection with deferred taxes arose in Germany, an average tax rate of 30% is assumed for the financial year. The reconciliation of taxes has not been shown as the deferred taxes are exclusively reported in equity under other comprehensive income.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUE

The Bitcoin Group generates its revenue from consulting and brokerage services for bitcoin transactions.

Further information on revenue recognition can be found in note 3.9 above. All revenue was generated in Germany.

5.2 OTHER OPERATING INCOME

Other operating income essentially relates to the offsetting of employee's non-cash remuneration.

5.3 COST OF MATERIALS

The cost of materials essentially relates to external services provided by Fidor Bank AG, Munich.

5.4 COST OF STAFF

The following table shows the composition and development of staff costs:

All figures in EUR	**2016**	**2015**
Wages and salaries	396,222	357,126
Social security contributions	69,187	63,685
Total	**465,409**	**420,811**

Social security contributions in the reporting year comprise statutory and voluntary social security expenses and employer's liability insurance contributions.

The following table shows the number of employees at the company:

Average number of employees	**2016**	**2015**
Employees	8	7
of which executive employees	1	1

5.5 DEPRECIATION AND AMORTIZATION

The amortization of intangible assets and depreciation of property, plant, and equipment are shown in the company's statement of changes in non-current assets.

5.6 OTHER OPERATING COSTS

Other operating expenses essentially consist of administrative expenses (2016: EUR 45 thousand; 2015: EUR 1 thousand), legal and consulting costs (2016: EUR 37 thousand; 2015: EUR 29 thousand), and financial statement and audit costs (2016: EUR 72 thousand; 2015: EUR 35 thousand). Other cost components include purchased services (2016: EUR 56 thousand; 2015: EUR 69 thousand), advertising costs (2016: EUR 3 thousand; 2015: EUR 15 thousand), postage/telephone costs (2016: EUR 16 thousand; 2015: EUR 15 thousand), and incidental transaction costs (2016: EUR 7 thousand; 2015: EUR 8 thousand).

5.7 FINANCIAL RESULT

The financial result essentially reflects the effects of the disposal of bitcoins held by the company. Income from exchange rate effects amounts to EUR 320 thousand for 2016 (2015: EUR 43 thousand). Please see note 4.3 for information on the bitcoin revaluation effects recognized in other comprehensive income.

5.8 INCOME TAXES

A tax expense of EUR 94 thousand was incurred in 2016. There was tax relief of EUR 4 thousand in 2015.

6. STATEMENT OF CASH FLOWS

The statement of cash flows breaks down the cash flows according to inflows and outflows from operating, investing, and financing activities, regardless of the structure of the statement of financial position. Cash flow from operating activities is derived indirectly from earnings before interest and taxes. Earnings before taxes are adjusted for non-cash expenses (essentially depreciation and amortization) and income. The cash flow from operating activities results taking into account the changes in working capital.

The “Cash and cash equivalents” items consists of cash and cash equivalents.

Interest paid amounts to EUR 10.92 (2015: EUR 83.78).

7. RELATED PARTY DISCLOSURES

1,000 bitcoins valued at EUR 350 thousand were sold to the majority shareholder, Priority AG, Herford, in the 2016 financial year. Consulting and management services in the amount of EUR 17 thousand (2015: EUR 61 thousand) were performed for Priority AG, Herford, in 2016. Movable assets in the amount of EUR 4 thousand (2015: EUR 4 thousand) were rented from Priority AG in 2016.

Regarding affiliated companies, consulting services in the amount of EUR 22 thousand were performed for BitPayment GmbH in the 2016 financial year. Programming services in the amount of EUR 139 thousand were performed for content.de AG in the previous year.

Server hosting services in the amount of EUR 23 thousand were purchased from Softjury GmbH in 2016. Rental services by Mc Drouwd GmbH in the amount of EUR 12 thousand were utilized in 2015. Furthermore, services amounting to EUR 6 thousand were purchased from related parties in 2016 (2015: EUR 9 thousand).

On September 28, 2015, retrospectively effective October 24, 2014, the majority shareholder Priority AG transferred shares in Bitcoin Deutschland AG to Bitcoin Group SE by way of non-cash contribution against subscription of 4,700,000 new shares, each representing EUR 1,00 of the company’s share capital. Please also see the information in note 1.

8. KEY CONTRACTS OF THE GROUP

Agreement with Fidor Bank AG on investment/contract broking bound by contract dated June 28, 2013

Fidor Bank AG, Munich, provides the Group's subsidiary Bitcoin Deutschland AG with the opportunity to sell or buy bitcoins to or from other customers on its own Internet platform www.bitcoin.de ("broking activities"). It is the legal opinion of the German Federal Financial Supervisory Authority (BaFin) that bitcoins are financial instruments in the form of units of account as defined by section 1(11) no. 7 of the German Banking Act (KWG). The services performed by the broker in accordance with the above are, therefore, considered a financial service for which a permit is required in the form of investment broking (section 1(1a) sentence 2 no. 1 KWG) or contract broking (section 1(1a) sentence 2 no. 2 KWG).

The subsidiary does not yet have this permit. Bitcoin Deutschland AG receives the commission owed by customers in the form of bitcoins on behalf of Fidor Bank AG. As consideration for the services contractually owed by Fidor, Fidor Bank AG receives monthly flat-rate remuneration from the Group. The Group receives the commission received for the transactions brokered from Fidor Bank AG, which is mostly converted into euro through a payment service provider. The Management Board of the subsidiary company determines – based on the market situation – the share of commission to be retained in bitcoins.

9. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Given the short terms of trade receivables, receivables from related parties, other current receivables, and cash and cash equivalents, it is assumed that the fair values are approximately equal to the carrying amounts. There were no receivables with remaining terms of more than one year in either the reporting year or the previous year.

10. MANAGEMENT OF THE RISKS OF FINANCIAL INSTRUMENTS

The financial instruments in the Group essentially include units of account (bitcoins), receivables, liabilities and bank balances.

Risks refer to unexpected events and possible developments that have a negative impact on the achievement of planned objectives. Risks that have a high potential impact on the achievement of the company's objectives in terms of its financial position, net assets, and results of operations are particularly important.

The Group has a solvent customer base. So far there have been no defaults thanks to advance payment regulations. Liabilities are paid within the agreed periods. The objective of the Group's financial and risk management is to protect the company against financial risks of all kinds. The company employs a conservative risk policy in the management of its financial positions. The company has adequate receivables management to minimize the risks of default.

Significant effects can be expected, for example, from a change in the Bitcoin exchange rate. If the price of bitcoins were to increase by EUR 1.00, the holdings as of December 31, 2016, would increase by EUR 2,238 (2015: EUR 3,060; 2014: EUR 2,185). A default of 5.00%, based on December 31, 2016, would have an earnings effect of EUR 739 (2015: EUR 9,497; 2014: EUR 3,300).

Risk of default

The risk of default is the risk of a full or partial default by a partner. The maximum default risk to the Group of an item is its capitalized amount and, thus, its carrying amount.

If individual default risks are discernible for individual items, these are recognized as impairment losses. There were no discernible risks of default for the reporting year. No impairment losses were required.

Interest rate risk

The Group sees interest rate risk as the risk of a change in the value of assets or liabilities as a result of the interest rate as a parameter relevant to measurement. The Group has hardly any interest-bearing assets or liabilities. The possible impact of interest rate changes on the Group is, therefore, highly limited.

Liquidity risk

Liquidity risk is the risk of being unable to meet current or future payment obligations, or of only being granted less favorable conditions. The Group companies essentially generate cash and cash equivalents from operating activities.

The probability of significant remaining liquidity risks is considered very low.

Currency risk

In the event of investments outside the euro area, currency fluctuations can have a negative or positive effect on the value of investments. Exchange rates are monitored regularly. The currency risk is classified as immaterial as most investments are made in the euro area.

Market risk

The market risk to the company lies in the falling number of bitcoin transactions. Bitcoin trading is subject to several risks and uncertainties as the cryptocurrency is still relatively young. The bitcoin trading volume has achieved steady growth over recent years. The Group tracks the trading volume. Any risk is monitored on an ongoing basis.

11. MANAGEMENT OF ECONOMIC CAPITAL

The primary objective of Bitcoin Group SE's capital management is to ensure the financial resources to achieve the company's objectives. The Group's capital structure, and, in particular, its share of debt, is monitored by the Group depending on its net assets, financial position, and results of operations. There were no financial liabilities in either the reporting year or the previous year.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events that would lead to an adjustment of the amounts recognized in the financial statements in accordance with IAS 10.8 et seq. Other events to be disclosed under IAS 10.21 et seq., such as those listed in IAS 10.22 (business combinations, restructuring, equity transactions, extensive legal disputes, etc.), after the end of the reporting period are presented elsewhere (see also note 1 above).

13. EXECUTIVE BODIES OF BITCOIN GROUP SE

The management of a European company (SE) can consist of a management board and supervisory board or, as in English-speaking jurisdictions, a board of directors with executive and non-executive managers. Bitcoin Group SE has opted for the second variant.

Directors of the company	December 31, 2016	December 31, 2015
Managing Director	Oliver Flaskämper (until June 28, 2016)	Oliver Flaskämper
	Michael Nowak (from June 28, 2016)	

Mr. Michael Nowak, Steinhagen, is entered in the commercial register as the sole Managing Director. As per his agreement, the Managing Director received remuneration of EUR 72.4 thousand for his activities in the reporting year.

Board of Directors as of December 31, 2016
The following persons were members of the Board of Directors in the past financial year:

- Martin Rubensdörffer (lawyer), Remscheid
- Frank Schäffler (businessman, Member of German Parliament, retired), Bünde
- Frank Roebers (CEO, businessman), Holte-Stukenbrock (until August 29, 2016)

The Annual General Meeting on August 29, 2016, elected Prof. Rainer Hofmann (university professor), Ludwigshafen, to the Board of Directors.

The remuneration of the above members of the Board of Directors amounted to EUR 23.5 thousand in the reporting year.

Board of Directors as of December 31, 2015
The following persons were members of the Board of Directors in the 2015 financial year:

- Martin Rubensdörffer (lawyer), Remscheid
- Frank Roebers (CEO, businessman), Holte-Stukenbrock
- Frank Schäffler (businessman), Bünde

The remuneration of the above members of the Board of Directors amounted to EUR 22.5 thousand in 2015.

14. FEE FOR SERVICES BY THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in EUR thousand	December 31, 2016	December 31, 2015
Audits of financial statements (separate and consolidated financial statements)	23	23
Tax advisory services	0	0
Other assurance and valuation services	0	0
Other services	0	0
Total	**23**	**23**

15. DECLARATION

BY THE BOARD OF DIRECTORS OF BITCOIN SE IN ACCORDANCE WITH ARTICLE 9(1) C) II) OF THE SE REGULATION IN CONJUNCTION WITH SECTION 161 AKTG ON THE GERMAN CORPORATE GOVERNANCE CODE

The Board of Directors of a European company (SE) listed in Germany is legally required in accordance with section 22(6) SEAG in conjunction with section 161 AktG to declare once per year whether the officially published recommendations of the Government Commission for the German Corporate Governance Code (DCGK) applicable at the time of the declaration have been and are complied with. Companies are also required to declare which recommendations of the Code have not been or are not applied and why. The full text of the declaration of compliance by the Board of Directors of Bitcoin Group SE has been made permanently available on the company's website at www.bitcoingroup.com.

Herford, March 31, 2017

Michael Nowak

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Herford, May 18, 2017

Michael Nowak

AUDIT OPINION

We have audited the consolidated financial statements prepared by Bitcoin Group SE, Herford, comprising the consolidated statement of financial position, the consolidated income statement, the statement of changes in consolidated equity, the consolidated statement of cash flows, and the notes to the consolidated financial statements, together with the Group management report for the financial year from January 1, 2016 to December 31, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a(1) HGB are the responsibility of the company's officers. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with easonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidated financial statements, the determination of the entities to be included in consolidation, the accounting policies, and consolidation principles used and significant estimates made by the company's officers, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315 a(1) HGB and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, satisfies the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, May 19, 2017

Baker Tilly AG Wirtschaftsprüfungsgesellschaft
(formerly: Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft)

Stahl
Wirtschaftsprüfer (German Public Auditor)

Abel
Wirtschaftsprüfer (German Public Auditor)

IMPRINT

Published by

Bitcoin Group SE

Nordstrasse 14

32051 Herford

Germany

+49.5221.69435.20

+49.5221.69435.25

info2017@bitcoingroup.com

The annual report of Bitcoin Group SE
is available on the Internet at www.bitcoingroup.com.

In addition to the employees of Bitcoin Group SE, the following participated in the preparation of this annual report:

Design:

CROSSALLIANCE communication GmbH

Freihamer Strasse 2

82166 Graefelfing/Munich

Germany

Photo copyrights:

#74698851/vege/Fotolia.com

#20214136/nyul/Fotolia.com

#154514680/netsay/Fotolia.com

#18563282/froxx/Fotolia.com

#100715119/ulchik74/Fotolia.com

#128988125/vege/Fotolia.com

BITCOIN GROUP SE
Nordstrasse 14 | 32051 Herford | Germany

+49.5221.69435.20 +49.5221.69435.25 info2017@bitcoingroup.com bitcoingroup.com

Managing Director: Michael Nowak

Chairman of the Board of Directors: Martin Rubensdörffer

Commercial register: HRB 14745, Bad Oeynhausen Local Court

VAT ID no.: DE301318881