# BITCOIN GROUP SE

ANNUAL REPORT **2018**

CONTENTS

# 01 LETTER TO SHAREHOLDERS

# BITCOIN GROUP SE AT A GLANCE

## BITCOIN GROUP SE KEY FIGURES

Improvement in key performance indicators

| | | 2018 | 2017 |
|---|---|---|---|
| Number of customers | | 779,000 | 667,000 |
| Bitcoin price | EUR | 3,257.05 | 11,180.57 |
| Bitcoin Cash price | EUR | 135.68 | 1,990.57 |
| Ethereum price | EUR | 117.88 | 613.11 |
| Revenue | EUR thousand | 11,333 | 12,650 |
| Result from ordinary activities | EUR thousand | 8,656 | 10,906 |
| Financial result | EUR thousand | 6 | -196 |
| Earnings after taxes | EUR thousand | 1,546 | 7,452 |
| Earnings per share | EUR | 0.31 | 1.49 |
| Equity ratio | | 85.15 % | 76.57 % |

# FOREWORD BY THE MANAGING DIRECTORS

## Dear Shareholders,

2018 was a year of two halves for Bitcoin Group SE. In the first six months, our business performed solidly and in line with our expectations thanks to the consistently strong momentum of the cryptocurrency market. In the second half of the year, the situation deteriorated noticeably for the entire industry. However, beyond the end of fiscal 2018, bitcoins – in their role of what can be described as the benchmark cryptocurrency – are showing sustained signs of recovery, refuting all the critics who had already joined together in writing off cryptocurrencies. We would be happy to tell you more about the eventful year that was fiscal 2018 and its developments. A year in which, above all, we were able to lay the foundations for future growth.

The Bitcoin price came under increased pressure in the reporting period. Over 2018 as a whole, the price of the biggest cryptocurrency in terms of market capitalization lost more than 72% of its value, closing at EUR 3,257.02 on December 31, 2018. Cryptocurrencies such as Ethereum or Bitcoin Cash performed similarly. Reasons for this included profit-taking as the cryptocurrency exchanges boomed in 2017, which was then followed by waning media interest in cryptocurrencies.

This downturn in key currencies, coupled with the fact that the momentum of new customer acquisition fell short of expectations as a result, prompted management to revise its forecasts at the start of December. Bitcoin Group SE generated revenue of EUR 11,333 thousand in the reporting year after EUR 12,650 thousand in 2017, still well above the forecast figure of EUR 9,500 thousand that was adjusted in December 2018. EBITDA declined by 21.5% to EUR 8,657 thousand compared to EUR 10,906 thousand in the previous year. The recent recommendation by the IFRS Interpretations Committee to report cryptocurrencies in non-current assets rather than in current assets, and thereby reporting changes in value not just in equity but also as write-downs and reversals of write-downs in the income statement, resulted in a write-down of EUR 6,200 thousand. EBIT therefore amounted to EUR 2,432 thousand as against EUR 10,888 thousand in fiscal 2017. Without applying this accounting recommendation, EBIT would have been EUR 8,629 thousand and thus around EUR 1,600 thousand higher than the forecast figure of EUR 7,000 thousand adjusted in December 2018. The write-down has no effect on the result of ordinary activities. It is merely a matter of measurement and a recommendation by the IFRS Interpretations Committee on accounting for holdings of cryptocurrencies.

We have achieved key milestones in the expansion of our business model in fiscal 2018 and beyond. The sequence of strategic expansions has resulted in a coherent and compelling overall picture. The primary goal was, and still, is to become even less dependent on the price of the cryptocurrency and to align the Group for future viability.

In this context, we acquired 50% of the shares in Sineus Financial Services GmbH back in January 2018. The BaFin-regulated investment broker is a key component of our growth strategy. We have gradually expanded our service portfolio by leveraging the expertise of the financial services provider founded in 2001. The acquisition of futurum Bank GmbH (formerly: Tremmel Wertpapierhandelsbank GmbH) also sits well with our expansion strategy. Thanks to the investment service provider's banking license, we now have the option to issue our own products in conjunction with cryptocurrencies, to trade in cryptocurrencies for our own account and to operate ATMs for cryptocurrencies. In terms of issuing financial products, bearer bonds, exchange-traded funds (ETFs), savings products and index certificates are also feasible.

However, we did not just expand our service portfolio in the reporting year. We have also worked tirelessly on the professionalization of our structures. We have been joined by Marco Bodewein as a further Managing Director for Bitcoin Group SE. Mr. Bodewein is a proven expert in the fields of investment banking, trading, strategy and wealth creation. We firmly believe that we can significantly advance Bitcoin Group SE's strategic development with Marco Bodewein.

There was also a change on the Board of Directors in the reporting period. The publicly appointed and sworn IT expert Alexander Müller has been a member of the Board of Directors since February 22, 2018. Mr. Müller is a member of the German Bundestag and a computer science graduate. He took over from Frank Schäffler, who resigned as a member from February 16, 2018.

After the end of fiscal 2018, we successfully continued along our growth path while also making crucial adjustments to our trajectory. This essentially included the launch of crypto-to-crypto trading on Bitcoin.de. Trading with our wallet also enables trading in additional coins on our marketplace at the same time. The cryptocurrency Dash and the ERC token Golem were also added to trading as part of the roll-out. The expansion of our range of services gives us every optimism of acquiring further customers for cryptocurrencies in general and trading on Bitcoin.de specifically.

We are confident of achieving further success in the expansion of Bitcoin.de and other services in the current fiscal year of 2019. Like currencies regulated by a central bank, cryptocurrencies are also subject to fluctuations in price. On the other hand, bitcoins have far more positive properties than fiat money. Bitcoins cannot be forged, are decentrally organized and are safe against inflation thanks to the cap on coins that can be mined inherent in the system. The advantages are obvious. We are therefore also convinced that demand for cryptocurrencies will rise again. After a prolonged bear market, the price of bitcoins has rallied considerably between the start of the year and the end of May 2019, climbing to over EUR 7,000 and therefore more than doubling compared to the end of 2018.

At the same time, bitcoins and their acceptance are continuing to spread. In the period from July 2016 to February 2019, the number of bitcoins in circulation grew from 15.8 million to 17.7 million. Building on this strong development, the number of bitcoin transactions rose from 146.1 million to 387.7 million over the same period (source: Blockchain), increasing by a factor of more than two and a half. These data affirm our opinion that we are still operating on a vital market. We want to benefit from this by sustainably expanding our services. In order to better leverage the potential of the larger customer base in every respect, and above all in the sense of utilizing our customers and shareholders more efficiently, further measures are to be implemented to improve usability and customer experience. To diversify our business model, in fiscal 2019 we are planning to set up the first bitcoin ATMs in Germany, to add more cryptocurrencies on Bitcoin.de and to launch the Bitcoin.de app. Overall, we are expecting a continued increase in the number of customers and expect to reach 900,000 registered users on Bitcoin.de by the end of the ongoing year of fiscal 2019, thereby also generating revenue consistent with the successes of the second half of 2018. We also anticipate positive EBITDA.

At this point, we would like to thank our loyal business partners and our dedicated employees. We would also like to take this opportunity to thank you, our shareholders, for the trust you have placed in us.

Herford, May 2019

| | |
|---|---|
| Michael Nowak | Marco Bodewein |
| Managing Director | Managing Director |

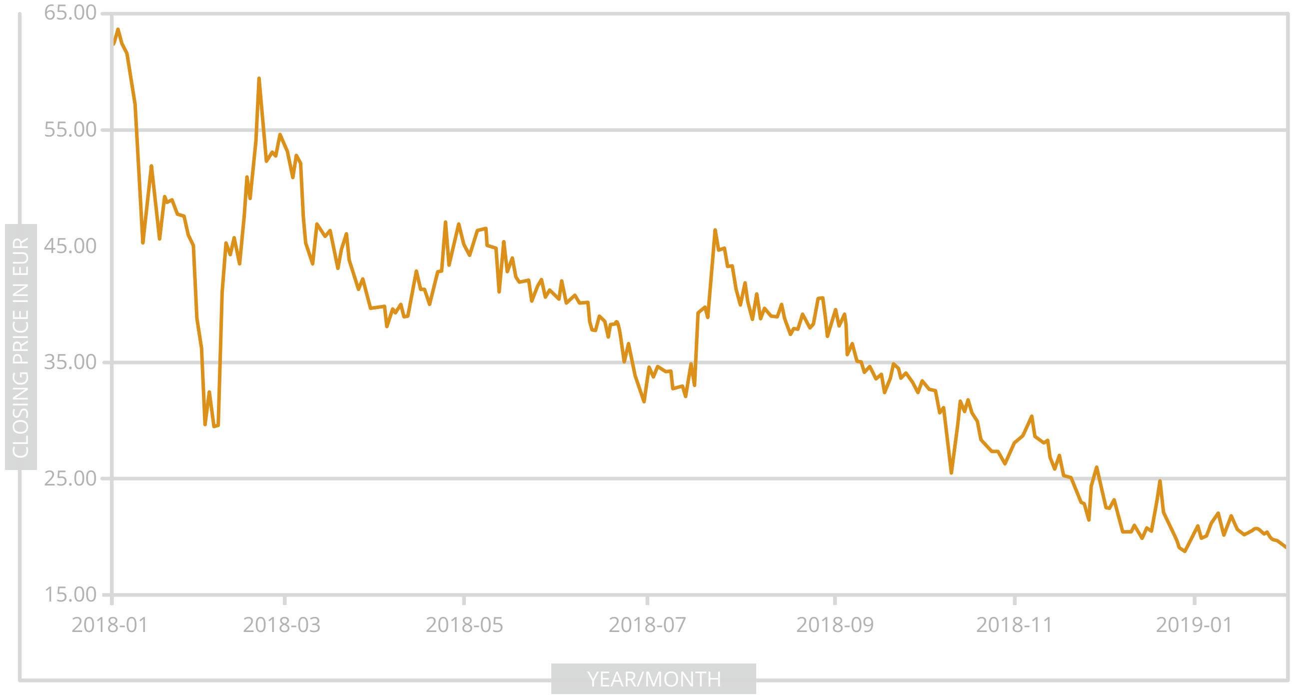
# THE BITCOIN GROUP SE ON THE CAPITAL MARKET

## SHARE PRICE

The share price of Bitcoin Group SE fell by 70.7% in 2018 compared to the closing price of 2017, mainly due to the significant correction of the Bitcoin price (the price fell by 72% in 2018). The Bitcoin Group share was unable to escape this challenging environment despite operational successes, including the expansion of Bitcoin Group SE's business model through an investment and an acquisition.

On January 2, 2018, the share certificates started the trading year at a price of EUR 63.45 and reached their high of EUR 64.95 the following day in the year under review. The price fell continuously over the entire reporting period. Especially in the first half of the year, this was due to a more volatile development. Overall, the weakness of the crypto currency markets weighed on the development of the Bitcoin Group SE share. This reached its lowest level on December 28 at a price of EUR 18.45, which also represents the closing price for 2018. On the basis of 5,000,000 shares in circulation, the market capitalisation at the 2018 balance sheet date was EUR 92.3 million (all figures based on Xetra closing prices). As of the 2017 reporting date, the stock market value was EUR 314.5 million with the same number of shares and a year-end closing price of EUR 62.94. The average daily trading volume with Bitcoin Group shares on all German stock exchanges was 36,213 shares in the reporting period, compared with 119,495 shares in the previous year.

PRICE PERFORMANCE OF BITCOIN GROUP SHARES 2018



# INVESTOR RELATIONS

As a listed company, Bitcoin Group SE is subject to numerous disclosure and transparency obligations. The company does not see these as a duty but as an opportunity to enter into an open and constructive dialogue with investors, analysts, business partners and media representatives. In the year under review, Bitcoin Group SE communicated current business developments and events of significance for the company's share price. The Board of Directors of Bitcoin Group SE also actively exchanged information with the financial and business press to present the company to the capital market. By participating in the spring conference in Frankfurt/Main on May 14, 2018, Bitcoin Group SE presented itself for the first time to capital market participants at an institutional conference.

Bitcoin Group SE also increased the reach of corporate communications via an IR mailing. The Bitcoin Group will continue its intensive communication with capital market participants in the current 2019 financial year.

The shares of Bitcoin Group SE are listed on the primary market of the Düsseldorf Stock Exchange and have been traded since October 2016 on the over-the-counter market of the Frankfurt Stock Exchange on Xetra and on the Frankfurt Präsenzbörse as well as other German stock exchanges. FinTech Group AG acts as designated sponsor and ensures adequate liquidity and corresponding tradability of the Bitcoin Group share by providing binding bid and ask prices.

## KEY DATA ON BITCOIN SHARES

| | |
|---|---|
| Sector | Financial Services |
| ISIN | DE000A1TNV91 |
| GSIN | A1TNV9 |
| Ticker symbol | ADE |
| Stock exchanges | Düsseldorf, Frankfurt, Xetra, München, Stuttgart, Berlin, Hamburg, Hannover, Tradegate |
| Number and type of shares | 5,000,000 no-par value bearer shares |
| Designated Sponsor | FinTech Group AG |
| Opening price | EUR 63.45 |
| High | EUR 64.95 |
| Low | EUR 18.45 |
| Closing price | EUR 18.45 |
| Share price development | -70.7% |
| Market capitalisation | EUR 92.3 million |
| End of financial year | December 31 |

# SHAREHOLDER STRUCTURE

The shareholder structure of Bitcoin Group SE did not change significantly in the year under review. As a long-term anchor shareholder, Priority AG currently still holds around 75% of the voting rights. The free float with voting rights of less than 5% of the share capital as defined by Deutsche Börse amounted to just under 25% as of 31 December 2018.

# ANNUAL GENERAL MEETING

On 22 June 2018, the Board of Directors and the Executive Directors of Bitcoin Group SE informed the shareholders at the Annual General Meeting in Herford about the course of the 2017 financial year and asked their questions. At the time of the vote, 59.0% of the share capital was represented. The shareholders were very satisfied with the development of the company and discharged the Board of Directors and the Executive Director. In all items on the agenda, the proposals of the administration were accepted by large majorities. The voting results of the Annual General Meeting can be viewed at www.bitcoingroup.com under Investor Relations / Annual General Meeting.

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of **BITCOIN GROUP SE** is satisfied with the performance and results of fiscal 2018 as the Group has again greatly increased its economic strength and significance on the market.
Highlights included the acquisition of a material equity investment in Sineus Financial Services GmbH, the acquisition of Wertpapierhandelsbank Tremmel GmbH and the addition of a further Managing Director, in addition to the substantial enhancement of the company's equity base as the result of the dividend of EUR 2.5 million received from its subsidiary, **Bitcoin Deutschland AG**.
Please also refer to the ad hoc disclosures and corporate news of **BITCOIN GROUP SE** on its website.

In the year under review, the Board of Directors of **BITCOIN GROUP SE** was continuously and comprehensively informed of the Group's development by the Managing Directors. It duly performed the duties required of it in accordance with the relevant laws, the Articles of Association and Rules of Procedure and was constantly in contact with and advised the Managing Directors. Within the extent of its powers, it actively participated in the decisions to be made and assured itself of the regularity of management. The regular reports by management on talks held in person, by phone and in writing provided the Board of Directors with an up-to-date overview of management operations at all times. All transactions and activities that required the approval of the Board of Directors were first discussed at length with the Managing Directors; thus, the Board of Directors was reliably involved in all decisions of fundamental importance to the company.

There was also an ongoing discussion of thoughts and ideas with its subsidiary, **Bitcoin Deutschland AG**, represented by Mr. Oliver Flaskämper.

In total, the Board of Directors held five meetings in person or in the form of conference calls in fiscal 2018, namely on March 8, May 9, June 22, September 17 and November 30, 2018.

The meeting on March 8 welcomed Mr. Alexander Müller, Member of German Parliament, as a new member; Professor Rainer Hofmann was elected as the Deputy Chairman. In this context, the Board of Directors expressly thanked Mr. Frank Schäffler, Member of German Parliament, for his many successful years of involvement after having stepped down in February 2018.
The auditor reported on the forthcoming annual financial statements for 2017. Among other things, the successful investment in **Sineus** was also discussed.

In its meeting on May 9, after having heard the auditor's report and following detailed internal consultation, the Board of Directors unanimously approved all documents for the 2017 annual financial statements submitted to it on time; the 2017 annual financial statements were therefore adopted in accordance with section 47(5) of the SE-Ausführungsgesetz (SEAG – German SE Implementation Act) in conjunction with section 172 of the Aktiengesetz (AktG – German Stock Corporation Act).

The results of the successful Annual General Meeting on June 22 were discussed by the Board of Directors after it was completed. The Managing Directors provided a comprehensive overview of the ongoing projects and negotiations.

At its meeting on September 17, the Board of Directors discussed the half-year report submitted at length and made preparations for the major project of the acquisition of **Tremmel Wertpapierhandelsbank GmbH**, which was resolved by written procedure on November 10.

The last of the five meetings was held on November 30. The Board of Directors confirmed its prior resolution by written procedure to acquire Tremmel Wertpapierhandelsbank and resolved to appoint Mr. Marco Bodewein to its management.

An ad hoc disclosure on the earnings forecast for fiscal 2018 was discussed at length and published on December 3, 2018.

The Board of Directors adopted further resolutions on **BITCOIN GROUP SE**'s declaration of compliance in accordance with the provisions of the German Corporate Government Code (GCGC) in accordance with section 22(6) SEAG in conjunction with section 161 AktG, editorial amendments to the Articles of Association and personnel issues.

At its meetings on May 17 and May 27, 2019, the Board of Directors discussed at length the documents submitted to it for the 2018 annual financial statements, including the auditor's report, with both the auditor and the Managing Directors. The subsequent meeting largely dealt with the recently published recommendations of the IFRS Interpretations Committee. Their required application to the annual financial statements for 2018 and, retroactively, 2017 significantly change the accounts for these fiscal years, specifically as cryptocurrencies are now classified as intangible assets in accordance with IAS 38 rather than as financial instruments in accordance with IFRS 9. The impact of these changes in IFRSs had prompted the company to prepare an ad hoc disclosure on the provisional figures for fiscal 2018, which was published on May 17, 2019.

After detailed discussion and subsequent consultation, the Board of Directors approved the annual financial statements at its meeting on May 27, 2019; the annual financial statements are thus adopted in accordance with section 47(5) SEAG.

All resolutions of the Board of Directors were adopted unanimously with all members in attendance.

The Board of Directors did not form any committees in fiscal 2018.

There were no risks to B**ITCOIN GROUP SE** as a going concern at any time. The company always protects its IT systems using state-of-the-art security and technology, and the customer portfolios it manages are also regularly audited and confirmed by independent auditors. However, despite all safeguards, it will never be possible to completely rule out significant losses as a result of external criminal activities in connection with software errors.

The Board of Directors concurs with the Managing Directors' proposal to carry the profit for 2018 forward to the new fiscal year.

On behalf of the Board of Directors of **BITCOIN GROUP SE**, I would like to thank the Managing Directors and all the employees who have helped to tackle the enormous challenges of this eventful fiscal 2018, for their successful work and the close and trusting cooperation.

Remscheid, May 2019

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

# 02 GROUP MANAGEMENT REPORT

# GROUP MANAGEMENT REPORT FOR THE 2018 FINANCIAL YEAR

## BASIC INFORMATION ON THE GROUP

### BUSINESS MODEL

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

Bitcoin Group SE wholly owns Bitcoin Deutschland AG, Herford. Since 2011, Bitcoin Deutschland AG has been operating Germany's only approved marketplace for the digital currency bitcoin and other cryptocurrencies at www.bitcoin.de.

On January 15, 2018, Bitcoin Group SE acquired an interest in Sineus Financial Services GmbH, Melle, by acquiring 50% of the shares in the company. The purchase price was a low six-figure amount. The acquisition was closed on October 2, 2018. Sineus Financial Services GmbH is a financial services institution entered by the Federal Financial Supervisory Authority (BaFin) in the register of independent fee-based investment consultants in accordance with section 93 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), licensed to provide investment brokerage, investment consulting and contract brokerage services. In the purchase agreement, Bitcoin Group SE secured the right for its subsidiary Bitcoin Deutschland AG to perform investment brokerage services for cryptocurrencies in accordance with section 1(1a) sentence 2 of the Kreditwesengesetz (KWG – German Banking Act) if necessary as a contracted agent of Sineus Financial Services GmbH in accordance with section 2(10) KWG.

On November 12, 2018, Bitcoin Group SE acquired 100% of the shares in Tremmel Wertpapierhandelsbank (today operating as futurum bank GmbH). The purchase price is a low seven-figure amount. The transaction is subject to the condition precedent of approval by the relevant regulatory authorities. The deal is expected to close in the first half of 2019.

### OBJECTIVES AND STRATEGIES

The Group is focused on companies with crypto-currency and blockchain business models, and intends 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 foreign marketplaces and, in the event of insolvency, are usually not protected. Bitcoin.de offers 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 establishing Germany's first regulated Bitcoin exchange.

Furthermore, Bitcoin Deutschland AG – together with futurum bank GmbH – is planning to establish the first Bitcoin ATMs in Germany and to offer cryptocurrency payment services for online shopping operators and bricks and mortar stores. Here, too, there are no providers of such services to date. Bitcoin Deutschland AG has proven in recent years that cryptocurrencies are also relevant in Germany, and that business models can be established in this area without any negative impact on reputation.

## MANAGEMENT SYSTEM

All business units and subsidiaries report monthly on their financial position and financial performance, which are included in the company's half-year and annual reports. The segments also deliver 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
- egular shareholder and general meetings
- risk and opportunity management
- liquidity planning
- monthly reports by segments
- internal audits

## RESEARCH AND DEVELOPMENT

2018 began the same way 2017 ended – with Bitcoin.de reporting a high number of new registrations and strong trading on the marketplace. The job at hand from a technical standpoint was therefore still to enhance the platform's performance and expand support with optimized and automated processes (e.g. for verifying authentication data). Also, the stability of express trading was further improved in cooperation with Fidor.

The requirements for the efficient ongoing development of the platform were created in the second quarter of 2018. In particular, this included the launch of new technologies and upgrading those already in use to the latest versions. On the one hand, this boosted performance in order to be prepared for future rushes on the marketplace. On the other, work was begun to develop a special "cryptocurrency-to-cryptocurrency" marketplace on the basis of the new technological foundation.

What makes the new "crypto-to-crypto" marketplace so special is that only one cryptocurrency, which is used for payment, has to be kept on Bitcoin.de – e.g. BTC/Bitcoin or ETH/Ethereum. The other crypto coin or crypto token is transferred directly to an address of the buyer by the seller. As the open ledger nature of the blockchain means that all transactions are transparent, i.e. they can be publicly viewed by anyone, Bitcoin.de can track the transfer of the crypto coins or tokens owed and thus confirm the fulfillment of purchase contracts. This innovative "crypto-to-crypto (walletless)" marketplace has several advantages. One half of the traded pair always remains with the buyer and seller, and therefore does not have to be transferred via a third party (Bitcoin.de), which saves the participants time and money. This is also the advantage of the current marketplace model, where the euro remain with traders at all times and do not have to be paid into the trading platform. Bitcoin.de will also be much more flexible in adding new cryptocurrencies or tokens, as only a tool to query the respective blockchain is needed rather than having to create a wallet infrastructure for each new addition. The launch of the "crypto-to-crypto (walletless)" marketplace was launched in April 2019.

In acquiring futurum bank GmbH (formerly Tremmel Wertpapierhandelsbank GmbH), the company has taken its first step towards becoming a financial services institution. It is intended to create a deposit-taking institution on the basis of the acquired securities trading bank in the future by extending the license. This will allow a corresponding broadening of the Group's service portfolio.

The Bitcoin.de platform was further expanded in 2018, to list additional cryptocurrencies on the marketplace. The Bitcoin.de app is also to be launched in 2019. The development of a new web design for Bitcoin.de was completed and rolled out.

# ECONOMIC REPORT

## GENERAL ECONOMIC AND INDUSTRY CONDITIONS

Many factors influence the value of and demand for bitcoins. One of these is the development of the economy and the exchange rates of national currencies. While gross domestic product in the euro area rose by 1.8% as against the previous year in 2018 according to the statistical office of the European Union (Eurostat), bitcoin – the cryptocurrency benchmark – fell 71.5% against the euro over the same period.

The daily trading volumes on Bitcoin exchanges dropped to a third of the previous year's level, though the Bitcoin.de marketplace was not hit as hard and trading was down only around 10%. This clearly shows how much users appreciate the USP that they can always directly access their euro assets.

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

The overall conditions for Bitcoin have continued to improve. 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. The network is the only source of information on regulated trading platforms and organizations that accept cryptocurrencies as payment, assist official agencies and investigate crimes in connection with cryptocurrencies.

The overall economic situation and the persistently low interest rates in fiscal 2018 mean that an investment in bitcoins is still attractive for investors.

## BUSINESS PERFORMANCE

The company planned to acquire further equity investments in the past fiscal year. This plan was successfully implemented with the acquisition of a 50% interest in Sineus Financial Services and a 100% interest in futurum bank GmbH (formerly Tremmel Wertpapierhandelsbank GmbH).

Before the accounting adjustment for cryptocurrencies in accordance with IFRS which is explained under 3.1, the earnings forecast of December 3, 2018, was more than fulfilled. The original forecast for a strong increase in EBITDA at the start of 2018 proved unattainable on account of the sharp fall in the price of the bitcoin cryptocurrency and all other altcoins, the associated drop-off in public interest, decreased volatility and thus lower revenue. Despite falling short of this forecast, fiscal 2018 ended with positive EBITDA.

Bitcoin Group SE 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 KWG.

The number of Bitcoin.de customers has increased from around 667,000 to more than 779,000 over the fiscal year, corresponding to average growth of around 9,333 customers per month.

Revenue declined only slightly by 10.4% from EUR 12,650 thousand in the previous year to EUR 11,333 thousand.

No restructuring measures or rationalization measures were necessary in fiscal 2018.

The Bitcoin Group acquired a 50% interest in Sineus Financial Services and a 100% interest in futurum bank GmbH (formerly Tremmel Wertpapierhandelsbank GmbH).

No cooperation or other agreements were entered into or terminated. Furthermore, there were no changes in the legal or economic conditions, no changes in market or competitive conditions and no changes in market share or competitive position.

There is no seasonal influence on bitcoin trading.

There were no particular cases of damage or accidents at the time of reporting.

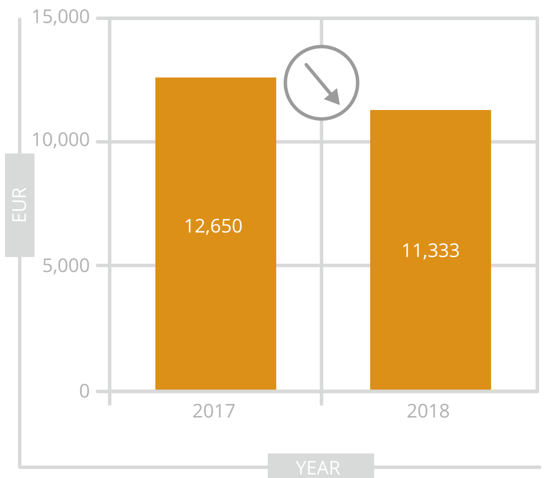
# FINANCIAL POSITION AND FINANCIAL PERFORMANCE

## RESULTS OF OPERATIONS

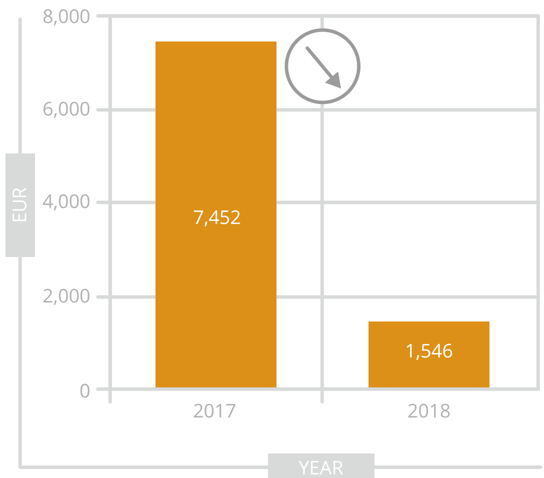
The comparison of the income statements for the 2017 and 2018 fiscal years shows the results of operations and changes in them. Operating revenue fell to EUR 11,333 thousand in fiscal 2017 after EUR 12,650 thousand in the same period of the previous year. This is essentially due to the slight contraction in trading volume on Bitcoin.de. EBITDA therefore amounts to EUR 8,656.6 thousand. The largest and only significant earnings item is revenue from Bitcoin trading proceeds, which declined slightly by 10.4%. The largest cost item in EBITDA is staff costs, which grew by 36.3%. Taxes for the reporting period are calculated on the basis of the German provisions for determining income.

The IFRS Interpretations Committee published a statement (meeting paper: "Holdings of cryptocurrencies") on the measurement of cryptocurrencies in March 2019. The IFRS Interpretations Committee concluded that IFRS 9 (Financial Instruments) is not applicable to cryptocurrencies. Instead, cryptocurrencies satisfy the definitions of IAS 38 (Intangible Assets). Cryptocurrencies were previously recognized as financial instruments in Bitcoin's consolidated financial statements. Management has now resolved to comply with the recommendation of the IFRS Interpretations Committee and the international accounting community, and to amend its accounting method for cryptocurrencies in the 2018 consolidated financial statements in order to provide reliable and relevant information on the financial position and financial performance of the Group. In accordance with IAS 8.22, changes in accounting methods must be implemented retrospectively, hence comparative figures for prior periods must also be restated. In accordance with IAS 1.10(f), the consolidated statement of financial position also includes the opening balance for January 1, 2017.

### REVENUE DEVELOPMENT 2018/2017




### DEVELOPMENT IN EARNINGS AFTER TAXES 2018/2017



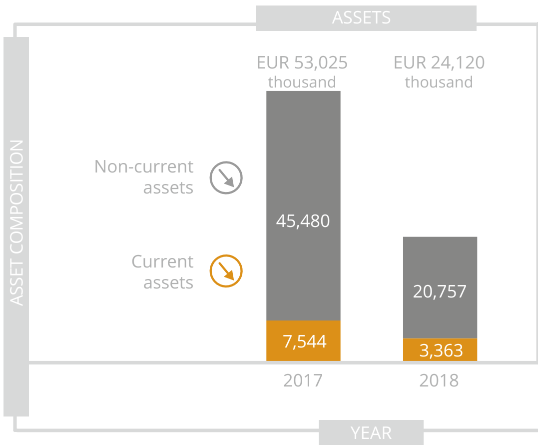
This has resulted in write-downs on cryptocurrencies of EUR 6,196.9 thousand, leading to a net profit of EUR 1,546.2 thousand. However, the write-downs on cryptocurrencies have no effect on the EBITDA of EUR 8,656.6 thousand, by which the company is measured. The price developments in cryptocurrencies as of the time of reporting in May 2019 (up by around 100% as against December 31, 2018) clearly illustrate how volatile prices are, with the result that the official net profit (after write-downs and reversals of write-downs) does not adequately reflect actual earnings capacity. This is particularly true given that cryptocurrencies are mostly held for strategic purposes, and are therefore not speculative assets.

## FINANCIAL POSITION

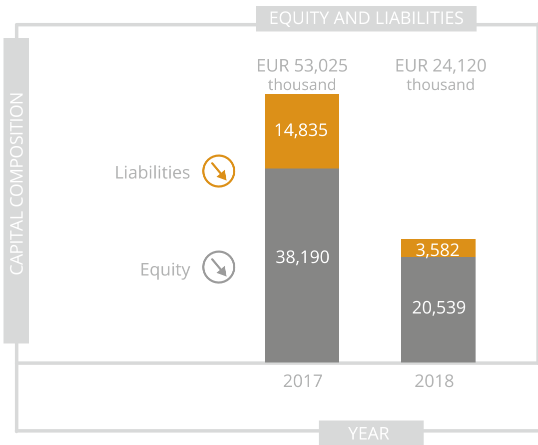
An overview of the origin and use of funds is shown by the statement of cash flows, which has been prepared in accordance with International Financial Reporting Standards (IFRS). The Bitcoin Group still operates without bank or capital market finance. Cash and cash equivalents fell by EUR 4,792 thousand year-on-year to EUR 2,554 thousand as of December 31, 2018. In particular, this decrease was driven by the cash used in operating activities of EUR 3,686 thousand, which was primarily for the acquisition of futurum bank GmbH. The acquisition was motivated by the desire to create synergies within the Group and to secure all the licenses required for Bitcoin Deutschland AG's business both today and potentially in the future. Operating cash flow also declined slightly by EUR 1,105 thousand, though this was primarily due to the high tax payment for fiscal 2017 of EUR 3,342 thousand.

As there was neither equity nor debt financing in fiscal 2018, there are no changes in cash flows for or from financing activities.

### ASSETS




### EQUITY



## ASSET SITUATION

Total current assets fell from EUR 49,027 thousand as of December 31, 2017, to EUR 3,363 thousand as of December 31, 2018, owing to the reclassification (explained under 3.1) as a result of applying IAS 38 to cryptocurrencies. Equity declined by EUR 17,651 thousand to EUR 20,539 thousand in the reporting period as a result of retained earnings (up EUR 1,546.2 thousand) and other comprehensive income (down EUR 19,198 thousand). Despite price declines for cryptocurrencies as of the end of the reporting period, it is currently assumed that this will not affect the Group's net assets in the long term.

Non-current assets increased by EUR 13,750 thousand to EUR 17,747 thousand in fiscal 2018. This is essentially due to financial investment and the reclassification as a result of applying IAS 38 to cryptocurrencies.

# FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Bitcoin Group has essentially been controlled to date using the financial key performance indicators of revenue, earnings before interest, taxes, depreciation and amortization (EBITDA) and free cash flow, in addition to the non-financial indicator of 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 equity 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 cash spent on 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. Furthermore, the Bitcoin Group also conducts proactive public relations work for the company's products and business model, 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, REPORT ON RISKS AND OPPORTUNITIES

## FORECAST

As we anticipate stronger growth in earnings and only modest increases in costs moving ahead (Bitcoin Deutschland AG's business model is not scaled up by additional manpower), the results of operations are expected to continue to improve in the next years.

The company is planning to acquire further equity investments in fiscal 2019. This objective is dependent on the opportunities that arise for equity investments and positive due diligence.

There are plans to add further cryptocurrencies in fiscal 2019. 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.

Forecast for key performance indicators:

**New customers**

Given the constant growth, the company expects to amass 900,000 registered users by the end of fiscal 2019. In order to better leverage the potential of the larger customer base, further measures are to be implemented to improve usability and customer experience.

**Revenue**

Given the current situation in cryptocurrency trading, we expect that the results for 2019 as a whole that will continue the successes of the second half of 2018.

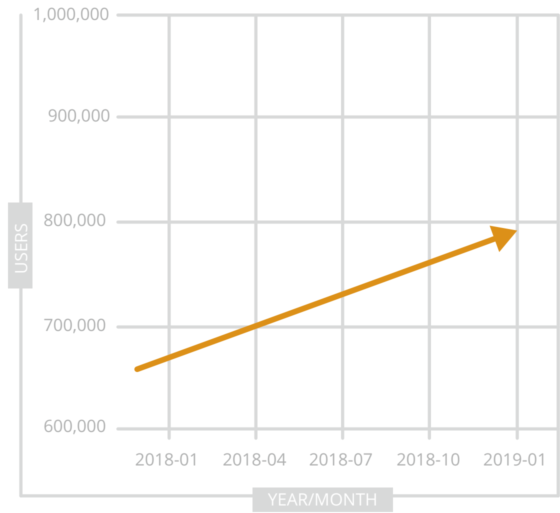
**EBITDA**

EBITDA is expected to be positive based on the second half of 2018.

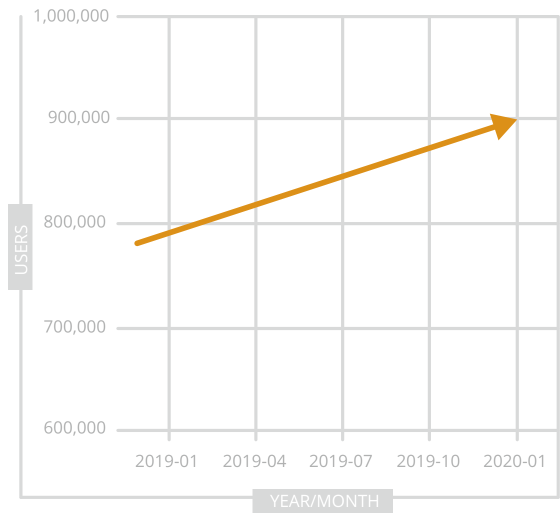
**Overall statement on expected developments**

The price of cryptocurrencies and media interest will again define fiscal 2019. We anticipate a stable performance overall and intend to take advantage of the opportunities afforded by this relatively new technology. Our goal is and will continue to be to optimally leverage the enormous opportunities made possible by cryptocurrencies for our customers and shareholders.

TOTAL USERS 2018/2019 (13 MONTHS)




FORECAST USERS 2018/2019 (13 MONTHS)

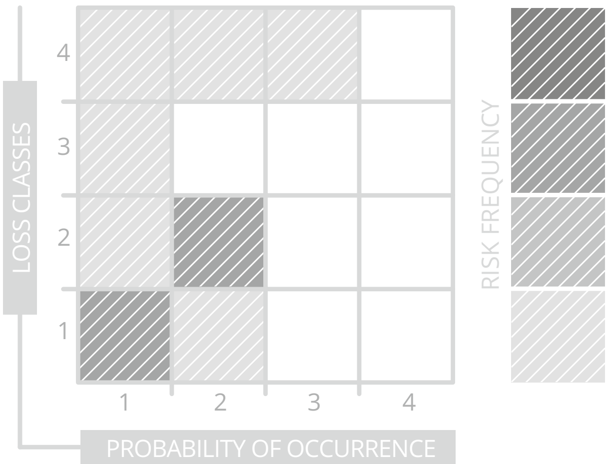


# REPORT ON RISKS AND OPPORTUNITIES

## 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, analyses 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 fiscal 2018. 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** | 50,000 to 100,000 | insignificant |
| **Class 2** | 100,000 to 500,000 | low |
| **Class 3** | 500,000 to 1,000,000 | medium |
| **Class 4** | More than 1,000,000 | severe |

## RISKS AND OPPORTUNITIES

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

### RISKS AND OPPORTUNITIES – THE MARKET

- The success of 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 financial position and financial performance (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 assessments 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 equity investments.

- Foreign investments: Investments outside Germany can lead to increased risks owing to a different legal or tax situation that adversely affects financial position and financial performance (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 equity investments by raising additional capital (class 1/class 1).

- Risks and opportunities resulting from changes in interest rates: Changes in interest rates can affect the measurement 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 the financial position and financial performance of the company.

### RISKS AND OPPORTUNITIES – THE COMPANY

- Risks and opportunities resulting from the company's investing activities: The long-term value of investments cannot be guaranteed despite intensive due diligence by the company. Failures can pose a threat to the company's existence (class 1/class 4), 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 4). 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 equity investments: Owing to a possible minority interest in target companies, the company will not always be able to protect its interests in these equity investments (class 1/class 1).

- Tax risks: A potential change in tax legislation can have a lasting negative impact on the company's financial position and financial performance. A relevant issue in this context is the BMF letter of February 27, 2018. As a result of this, Bitcoin Deutschland AG would have to remit VAT, plus any interest, for commission received in connection with the brokerage of cryptocurrencies for the years that can still be amended under tax law. Furthermore, future commission for cryptocurrency brokerage would be subject to VAT, with the result that the earnings situation of Bitcoin Germany AG for past and future years could deteriorate by up to 19%, leading to a negative impact on the consolidated financial statements of Bitcoin Group SE. We maintain our position that this rule does not apply (see also our ad hoc disclosure of March 1, 2018) and therefore rate the probability of occurrence as low. (class 2/class 4).

- 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 financial position and financial performance (class 1/class 2).

- Risks due to loss of cryptocurrencies: External hackers or employees could illegally steal cryptocurrencies entrusted to the subsidiary Bitcoin Deutschland AG by customers, with the result that Bitcoin Deutschland AG would potentially be required to pay damages. This could have a lasting negative impact on financial position and financial performance. However, as more than 98% of cryptocurrencies are held offline, i.e. without an Internet connection, and distributed, i.e. protected against access by individual persons, this company sees this risk as low. The same applies to Bitcoin Deutschland AG's own holdings of cryptocurrencies, which are also 98% offline and distributed. Bitcoin Deutschland AG's own assets are sufficient to cover potential losses of the cryptocurrencies usually available online for payment requests several times over (class 1/class 3).

- Risks and opportunities from credit financing: Bitcoin Group SE intends to carry out the acquisition of equity interests possibly using borrowed funds. The obligations to be entered into in this context could have a materially adverse effect on the company's financial position and financial performance (class 1/class 4). 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 broker bound by contract. 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. However, the company has mitigated this risk by acquiring a 50% interest in Sineus Financial Services GmbH, which gives it a contractual assurance of cooperation should this become necessary, and by acquiring futurum bank GmbH (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 analyses changes and, if necessary, initiates suitable measures to minimize risks. (class 2/class 2).

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

# RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

The financial instruments used by the company and its equity investments essentially include units of account (cryptocurrencies), receivables, liabilities and bank balances. As for the latter, it is ensured that there is always sufficient liquidity on hand to rule out liquidity risk. The company and its equity investments have a solvent customer base. So far there have been no bad debts 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. There is thus no market price risk in this regard as it would not be necessary to first acquire any cryptocurrency to be replaced. 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.

# GROUP ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

AND RISK MANAGEMENT SYSTEM

Internal controls are an integral part of accounting processes at Bitcoin Group SE. Requirements and procedures have been defined for the financial reporting process. Above all, they relate to:

- reviewing figures
- communication with the press
- protection of business secrets

Compliance with these regulations is intended to prevent material misstatements in the financial statements, the combined management report and the interim reports due to errors or fraud with reasonable assurance.

# TAKEOVER LAW DISCLOSURES

IN ACCORDANCE WITH SECTIONS 289(4) AND 315(4) HGB

**Composition of issued capital**

The issued capital of Bitcoin Group SE amounted to EUR 5,000,000 in total on December 31, 2018 (December 31, 2017: 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, 2018, 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 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. The Management Board of Bitcoin Deutschland AG does not currently have the authority to issue or buy back shares. There are also no agreements between Bitcoin Group SE and Bitcoin Deutschland AG subject to the condition of a change of control as a result of a takeover bid, or any resulting compensation agreements.

# DECLARATION BY BITCOIN SE'S BOARD OF DIRECTORS

## 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 (GCGC) 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 Handelsgesetzbuch (HGB – German Commercial Code) 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 managing directors 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 Einkommensteuergesetz (EStG – German Income Tax Act), 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 accounting 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 management report of the Group 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 STATEMENT

Overall, the Managing Directors consider the performance over fiscal 2018 and the Group's economic situation to be extremely positive. The general economic data specific to the industry, the revenue and earnings position of Bitcoin Group SE and media interest all improved in a highly satisfactorily manner, allowing optimism and confidence for fiscal 2019.

# DEPENDENT COMPANY REPORT BY THE MANAGING DIRECTORS

The Managing Directors make the following declaration in accordance with section 312(3) AktG: The Managing Directors have produced a dependent company report that conclusively declares: "There were no reportable events in the period under review."

Herford, May 2019

Michael Nowak
Managing Director

Marco Bodewein
Managing Director

# 03 ANNUAL FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2018

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION ASSETS

| | Note | December 31 **2018** EUR | December 31 **2017** EUR |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 4.1.1 | 39,013.00 | 55,959.00 |
| Goodwill | 4.1.1 | 3,882,225.95 | 3,882,225.95 |
| Intangible assets (other) | 4.1.1 | 59,331.57 | 59,331.57 |
| Intangible assets (cryptocurrencies) | 4.1.1 | 13,100,979.91 | 41,482,617.41 |
| Other non-current financial assets | 4.1.2 | 3,675,828.66 | 0.00 |
| **Total non-current assets** | | **20,757,379.09** | **45,480,133.93** |
| | | | |
| **Current assets** | | | |
| Trade receivables from third parties | 4.2.1 | 2,149.00 | 69,591.20 |
| Other financial assets (receivables from related parties) | 4.2.2 | 137,110.94 | 102,201.90 |
| Other non-financial assets | 4.2.3 | 10,621.33 | 27,037.35 |
| Income tax assets | 4.2.5 | 659,375.00 | 0.00 |
| Cash and cash equivalents | 4.2.4 | 2,553,706.10 | 7,345,553.05 |
| **Total current assets** | | **3,362,962.37** | **7,544,383.50** |
| | | | |
| **Total assets** | | **24,120,341.46** | **53,024,517.43** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## EQUITY AND LIABILITIES

| | | December 31 **2018** | December 31 **2017** |
|---|---|---|---|
| | Anhang | EUR | EUR |
| **Equity an liabilities** | | | |
| Issued capital | 4.3 | 5,000,000.00 | 5,000,000.00 |
| Cumulative retained earnings | 4.3 | 9,050,724.10 | 7,504,483.90 |
| Other comprehensive income | 4.3 | 6,488,101.86 | 25,685,567.57 |
| **Total equity** | | **20,538,825.96** | **38,190,051.47** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 4.4.5 | 2,780,615.08 | 11,008,100.39 |
| **Total non-current liabilities** | | **2,780,615.08** | **11,008,100.39** |
| | | | |
| **Current liabilities** | | | |
| Trade payables to third parties | 4.4.1 | 87,950.36 | 173,575.80 |
| Other financial liabilities (liabilities to related parties) | 4.4.2 | 37,733.42 | 0.00 |
| Other non-financial liabilities | 4.4.3 | 443,667.64 | 310,955.75 |
| Income tax liabilities | 4.4.4 | 231,549.00 | 3,341,834.02 |
| **Total current liabilities** | | **800,900.42** | **3,826,365.57** |
| | | | |
| **Total equity and liabilities** | | **24,120,341.46** | **53,024,517.43** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FISCAL 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year January 1, 2018, to December 31, 2018, in accordance with IFRS

| | | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|---|
| | Note | EUR | EUR |
| **Revenue** | 5.1 | 11,333,206.94 | 12,650,264.09 |
| Other operating income | 5.2 | 14,687.24 | 15,274.69 |
| Other operating expenses | 5.6 | -1,630,332.93 | -923,588.18 |
| Cost of materials | 5.3 | -126,431.96 | -150,727.06 |
| Staff costs | 5.4 | -934,513.28 | -685,537.38 |
| **EBITDA** | | **8,656,616.01** | **10,905,686.16** |
| Depreciation and amortization | 4.1.1 | -27,611.39 | -17,944.06 |
| Write-downs/reversals of write-downs (cryptocurrencies) | 4.1.1 | -6,196,909.08 | 0.00 |
| **EBIT** | | **2,432,095.54** | **10,887,742.10** |
| Other financial income | | 6,416.66 | 0.00 |
| Other financial expenses | | -39.00 | -196.00 |
| **Earnings before income taxes** | | **2,438,473.20** | **10,887,546.10** |
| Income taxes | 5.7 | -892,233.00 | -3,436,001.02 |
| **Net profit** | | **1,546,240.20** | **7,451,545.08** |
| Net profit attributable to the owners of the parent company | | 1,546,240.20 | 7,541,545.08 |
| Average number of shares (basic) | 5.8 | 5,000,000 | 5,000,000 |
| Average number of shares (diluted) | 5.8 | 5,000,000 | 5,000,000 |
| Earnings per share (basic) | 5.8 | 0.31 | 1.49 |
| Earnings per share (diluted) | 5.8 | 0.31 | 1.49 |
| | | | |
| **Other comprehensive income** | | | |
| **Net profit** | **4.4.5** | **1,546,240.20** | **7,451,545.08** |
| Items not reclassified to profit or loss: Income or expenses from the remeasurement of intangible assets (cryptocurrencies) | | -27,424,951.02 | 35,222,051.99 |
| Income taxes on other comprehensive income: Income taxes in connection with the remeasurement of intangible assets (cryptocurrencies) | | 8,227,485.31 | 10,566,615.60 |
| **Other comprehensive income after taxes** | | **-19,197,465.71** | **24,655,436.39** |
| **Total comprehensive income** | | **-17,651,225.51** | **32,106,981.47** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year January 1, 2018, to December 31, 2018, in accordance with IFRS

| | Issued capital | Capital reserves | Other comprehensive income | Profit/loss carried forward | Equity |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| **As of January 1, 2017** | **5,000,000.00** | **0.00** | **1,030,131.18** | **52,938.82** | **6,083,070.00** |
| Capital increase | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net profit after taxes | 0.00 | 0.00 | 24,655,436.39 | 7,451,545.08 | 32,106,981.47 |
| **As of December 31, 2017** | **5,000,000.00** | **0.00** | **25,685,567.57** | **7,504,483.90** | **38,190,051.47** |
| | | | | | |
| **As of January 1, 2018** | **5,000,000.00** | **0.00** | **25,685,567.57** | **7,504,483.90** | **38,190,051.47** |
| Capital increase | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net profit after taxes | 0.00 | 0.00 | 0.00 | 1,546,240.20 | 1,546,240.20 |
| Other comprehensive income | 0.00 | 0.00 | -19,197,465.71 | 0.00 | -19,197,465.71 |
| **As of December 31, 2017** | **5,000,000.00** | **0.00** | **6,488,101.86** | **9,050,724.10** | **20,583,825.96** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1, 2018, to December 31, 2018

| |
|---|
| **Cash flows from operating activities** |
| **EBIT** |
| **Restatements:** |
| Depreciation and amortization expense on non-current assets |
| Non-cash additions/disposals of intangible assets (cryptocurrencies) |
| **Changes:** |
| 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 related parties |
| Increase/decrease in other liabilities not attributable to investing or financing activities |
| Income tax expense |
| Taxes paid/received |
| Interest paid/received |
| **Cash flows from operating activities** |
| |
| **Cash flows from investing activities** |
| Payments for investments in property, plant and equipment |
| Payments for investments in intangible assets |
| Payments for investments in financial assets |
| **Cash flows from investing activities** |
| **Cash flows from financing activities** |
| **Net increase/decrease in cash and cash equivalents** |
| **Cash and cash equivalents at the beginning of the period** |
| **Cash and cash equivalents at the end of the period** |

| Anhang | January 1 - 31 December, **2018**<br>EUR | January 1 - 31 December, **2017**<br>EUR |
|---|---|---|
| | | |
| | **2,432,095.54** | **10,887,741.90** |
| | | |
| 4.1 | 27,611.39 | 17,944.06 |
| 4.1 | 956,686.48 | -4,225,746.55 |
| | | |
| 4.2.1 | 67,442.20 | -54,805.58 |
| 4.2.2 | -34,909.04 | -102,201.90 |
| 4.2.3 4.2.5 | -642,958.98 | 51,354.67 |
| 4.4.2 | -85,625.44 | 147,440.39 |
| 4.4.3 | 37,733.42 | -36,884.68 |
| 4.4.4 | 1,022,478.87 | 3,534,785.59 |
| 5.7 | -892,233.00 | -3,436,000.82 |
| | -4,000,052.00 | -94,453.00 |
| | 6,377.66 | -196.00 |
| | **-1,105,352.90** | **6,688,978.08** |
| | | |
| 4.1.1 | -10,665.39 | -50,917.06 |
| 4.1.1 | 0.00 | -57,620.00 |
| 4.1.2 | -3,675,828.66 | 0.00 |
| | **-3,686,494.05** | **-108,537.06** |
| | **0.00** | **0.00** |
| | **-4,791,846.95** | **6,580,441.02** |
| | **7,345,553.05** | **765,112.03** |
| | **2,553,706.10** | **7,345,553.05** |

# 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. In addition to Bitcoin (BTC), Bitcoin Cash (BCH), Bitcoin Gold (BTG) and Ethereum (ETH) can also be traded on these marketplaces. 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 77.16% 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, 2018, and ended on December 31, 2018.

### 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, 2017, and December 31, 2018. The company is consolidated. Based on the annual financial statements prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) as of December 31, 2018, the company's equity amounts to EUR 8,068 thousand and its subscribed capital to EUR 50 thousand, while net profit for the 2018 financial year amounts to EUR 1,998 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.

Bitcoin Group SE acquired 50% of shares in Sineus Financial Services GmbH ("Sineus") on January 15, 2018 for a purchase price of EUR 157 thousand. Contractual provisions stipulate that Bitcoin Group SE has no significant influence and no power of control over Sineus Financial Services GmbH, and so it is not fully consolidated (IFRS 10) and there is no joint arrangement (IFRS 11) on account of a lack of control.

Bitcoin Group SE (Bitcoin) acquired 100% of shares in futurum Bank GmbH (previously Tremmel Wertpapierhandelsbank GmbH) ("futurum") on November 12, 2018 for a purchase price of EUR 3,512 thousand. EUR 1,306 thousand was paid using funds from cash and cash equivalents. A convertible subordinated loan was agreed for the remaining EUR 2,206 thousand. At the time of preparing the consolidated financial statements, the acquisition is still subject to the condition precedent of approval by the German Federal Financial Supervisory Authority (BaFin). It is not fully consolidated due to a lack of control.

Sineus and futurum were acquired for strategic reasons and serve to boost the Group's effectiveness over the long term.

## 1.3 PRINCIPLES OF CONSOLIDATION

In the event of a business combination, acquisition accounting is performed by offsetting the acquisition cost against the Group's share in the remeasured equity of the consolidated subsidiaries as of the time of the acquisition of the shares in accordance with IFRS 3. The reportable 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 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 remeasured at fair value through profit and loss and the cumulative other comprehensive income relating to the equity 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 paragraph 315e 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 Managing Directors of Bitcoin Group SE approved the consolidated financial statements and the Group management report on April 29, 2019.

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.

## 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 also 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 in accordance with IFRS 13 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 CHANGES IN ACCOUNTING POLICIES

The IFRS Interpretations Committee published a statement (meeting paper: "Holdings of cryptocurrencies") on the measurement of cryptocurrencies in March 2019. The IFRS Interpretations Committee concluded that IFRS 9 (Financial Instruments) is not to be applied to cryptocurrencies. Instead, cryptocurrencies meet the definitions in IAS 38 (Intangible Assets). Cryptocurrencies were previously recognized as financial instruments in Bitcoin's consolidated financial statements. Management has now decided to follow the solidified approach of the IFRS Interpretations Committee and the international accounting community. In order to provide reliable and relevant information with regards to the Group's financial position, net assets and results of operations, a change was made to accounting methods for cryptocurrencies in the 2018 consolidated financial statements. In accordance with IAS 8.22, the change of accounting methods must be made retrospectively and so comparative figures for previous periods must also be restated. In accordance with IAS 1.10(f), the consolidated statement of financial position also includes the opening balance for January 1, 2017.

The retrospective change to accounting methods had the following impact on the consolidated statement of financial position as of December 31, 2018:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

| All figures in EUR | Note | Amounts after applying IAS 38 to cryptocurrencies | Adjustment | Amounts before applying IAS 38 to cryptocurrencies |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | | 39,013.00 | 0.00 | 39,013.00 |
| Goodwill | | 3,882,225.95 | 0.00 | 3,882,225.95 |
| Intangible assets (other) | | 59,331.57 | 0.00 | 59,331.57 |
| Intangible assets (cryptocurrencies) | a) | 13,100,979.91 | 13,100,979.91 | 0.00 |
| Other non-current financial assets | | 3,675,828.66 | 0.00 | 3,675,828.66 |
| **Total non-current assets** | **a)** | **20,757,379.09** | **13,100,979.91** | **7,656,399.18** |
| Trade receivables from third parties | | 2,149.00 | 0.00 | 2,149.00 |
| Other financial assets (receivables from related parties) | | 137,110.94 | 0.00 | 137,110.94 |
| Other non-financial assets (cryptocurrencies) | a) | 0.00 | -13,100,979.91 | 13,100,979.91 |
| Other non-financial liabilities | | 10,621.33 | 0.00 | 10,621.33 |
| Income tax assets | | 659,375.00 | 0.00 | 659,375.00 |
| Cash and cash equivalents | | 2,553,705.10 | 0.00 | 2,553,705.10 |
| **Total current assets** | **a)** | **3,362,962.37** | **-13,100,979.91** | **16,463,942.28** |
| **Total assets** | | **24,120,341.46** | **0.00** | **24,120,341.46** |

| | | | | |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Issued capital | | 5,000,000.00 | 0.00 | 5,000,000.00 |
| Cumulative retained earnings | b) | 9,050,724.10 | -6,196,909.08 | 15,247,633.18 |
| Other comprehensive income | b) | 6,488,101.86 | -6,196,909.08 | 291,192.78 |
| **Total equity** | | **20,538,825.96** | **0.00** | **20,538,825.96** |
| Deferred tax liabilities | | 2,780,615.08 | 0.00 | 2,780,515.08 |
| **Total non-current liabilities and provisions** | | **2,780,615.08** | **0.00** | **2,780,515.08** |
| Trade payables to third parties | | 87,950.36 | 0.00 | 87,950.36 |
| Other financial liabilities (liabilities to related parties) | | 37,733.42 | 0.00 | 37,733.42 |
| Other non-financial liabilities | | 443,667,64 | 0.00 | 443,667,64 |
| Income tax liabilities | | 231,549.00 | 0.00 | 231,549.00 |
| **Total current liabilities** | | **800,900.42** | **0.00** | **800,900.42** |
| **Total liabilities** | | **24,120,341.46** | **0.00** | **24,120,341.46** |

The retrospective change to accounting methods had the following impact on the consolidated statement of financial position as of December 31, 2017:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017

| All figures in EUR | Note | Amounts after applying IAS 38 to cryptocurrencies | Adjustment | Amounts before applying IAS 38 to cryptocurrencies |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | | 55,959.00 | 0.00 | 39,013.00 |
| Goodwill | | 3,882,225.95 | 0.00 | 3,882,225.95 |
| Intangible assets (other) | | 59,331.57 | 0.00 | 59,331.57 |
| Intangible assets (cryptocurrencies) | a) | 41,482,617.41 | 41,482,617.41 | 0.00 |
| **Total non-current assets** | **a)** | **45,480,133.93** | **41,482,617.41** | **3,997,516.52** |
| Trade receivables from third parties | | 69,591.20 | 0.00 | 69,591.20 |
| Other financial assets (receivables from related parties) | | 102,201.90 | 0.00 | 102,201.90 |
| Other non-financial assets (cryptocurrencies) | a) | 0.00 | -41,482,617.41 | 41,482,617.41 |
| Other non-financial liabilities | | 27,032.35 | 0.00 | 27,032.35 |
| Cash and cash equivalents | | 7,345,553.05 | 0.00 | 7,345,553.05 |
| **Total current assets** | **a)** | **7,544,383.50** | **-41,482,617.41** | **49,027,000.91** |
| **Total assets** | | **53,024,517.43** | **0.00** | **53,024,517.43** |
| **Liabilities** | | | | |
| Issued capital | | 5,000,000.00 | 0.00 | 5,000,000.00 |
| Cumulative retained earnings | b) | 7,504,483.90 | 0.00 | 7,504,483.90 |
| Other comprehensive income | b) | 25,685,567.57 | 0.00 | 25,685,567.57 |
| **Total equity** | | **38,190,051.47** | **0.00** | **38,190,051.47** |
| Deferred tax liabilities | | 11,008,100.39 | 0.00 | 11,008,100.39 |
| **Total non-current liabilities and provisions** | | **11,008,100.39** | **0.00** | **11,008,100.39** |
| Trade payables to third parties | | 173,575.80 | 0.00 | 173,575.80 |
| Other non-financial liabilities | | 310,955.75 | 0.00 | 310,955.75 |
| Income tax liabilities | | 3,341,834.02 | 0.00 | 3,341,834.02 |
| **Total current liabilities** | | **3,826,365.57** | **0.00** | **3,826,365.57** |
| **Total liabilities** | | **53,024,517.43** | **0.00** | **53,024,517.43** |

The retrospective change to accounting methods had the following impact on the statement of comprehensive income for January 1 to December 31, 2018:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2018

| All figures in EUR | Note | Amounts after applying IAS 38 to cryptocurrencies | Adjustment | Amounts before applying IAS 38 to cryptocurrencies |
|---|---|---|---|---|
| Revenue | | 11,333,206.94 | 0.00 | 11,333,206.94 |
| Other operating income | | 14,687.24 | 0.00 | 14,687.24 |
| Other operating costs | | -1,630,332.93 | 0.00 | -1,630,332.93 |
| Cost of materials | | -126,431.96 | 0.00 | -126,431.96 |
| Staff costs | | -934,513.28 | 0.00 | -934,513.28 |
| **EBITDA** | | **8,656,616.01** | 0.00 | **8,656,616.01** |
| Write-downs/reversals of write-downs | | -27,611.39 | 0.00 | -27,611.39 |
| Write-downs/reversals of write-downs (cryptocurrencies) | b) | -6,196,909.08 | -6,196,909.08 | 0.00 |
| **EBIT** | **b)** | **-2,432,095.54** | **-6,196,909.08** | **8,629,004.62** |
| Other financial income | | 6,416.66 | 0.00 | 6,416.66 |
| Other financial expenses | | -39.00 | 0.00 | -39.00 |
| **Earnings before income taxes** | **b)** | **2,438,473.20** | -6,196,909.08 | **8,635,382.28** |
| Income taxes | | -892,233.00 | 0.00 | -892,233.00 |
| **Net profit for the year** | **b)** | **1,546,240.20** | **-6,196,909.08** | **7,743,149.28** |
| Of which attributable to owners of Bitcoin Group SE | b) | 1,546,240.20 | -6,196,909.08 | 7,743,149.28 |
| Average number of shares (basic) | | 5,000,000 | 0 | 5,000,000 |
| Average number of shares (diluted) | | 5,000,000 | 0 | 5,000,000 |
| Earnings per share (basic) | | 0.31 | -1.24 | 1.55 |
| Earnings per share (diluted) | | 0.31 | -1.24 | 1.55 |

OTHER COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2018

| All figures in EUR | Note | Amounts after applying IAS 38 to cryptocurrencies | Adjustment | Amounts before applying IAS 38 to cryptocurrencies |
|---|---|---|---|---|
| **Net profit for the year** | **b)** | **1,546,240.20** | **-6,196,909.08** | **7,743,149.28** |
| Items reclassified to profit or loss. Income or expenses from the revaluation of financial assets (cryptocurrencies) | c) | 0.00 | 33,621,860.10 | -33,621,860.10 |
| Items not reclassified to profit or loss. Income or expenses from the revaluation of intangible assets (cryptocurrencies) | c) | -27,424,951.02 | -27,424,951.02 | 0.00 |
| Income taxes on other comprehensive income. Income taxes in connection with the revaluation of intangible assets (cryptocurrencies) | | 8,227,485.31 | 0.00 | 8,227,485.31 |
| **Other comprehensive income after taxes** | **b)** | **-19,197,465.71** | **6,196,909.08** | **-25,349,374.79** |
| **Total comprehensive income** | | **-17,651,225.51** | **0.00** | **-17,651,225.51** |

The retrospective change to accounting methods had no impact on the consolidated income statement in the statement of comprehensive income from January 1 to December 31, 2017. It had the following impact on other comprehensive income:

OTHER COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2017

| All figures in EUR | Note | Amounts after applying IAS 38 to cryptocurrencies | Adjustment | Amounts before applying IAS 38 to cryptocurrencies |
|---|---|---|---|---|
| **Net profit for the year** | | **7,451,545.08** | **0.00** | **7,451,545.08** |
| Items reclassified to profit or loss. Income or expenses from the revaluation of financial assets (cryptocurrencies) | c) | 0.00 | -35,222,051.99 | 35,222,051.99 |
| Items not reclassified to profit or loss. Income or expenses from the revaluation of intangible assets (cryptocurrencies) | c) | 35,222,051.99 | 35,222,051.99 | 0.00 |
| Income taxes on other comprehensive income. Income taxes in connection with the revaluation of intangible assets (cryptocurrencies) | | -10,566,615.60 | 0.00 | -10,566,615.60 |
| **Other comprehensive income after taxes** | | **24,655,436.39** | **0.00** | **24,655,436.39** |
| **Total comprehensive income** | | **32,106,981.47** | **0.00** | **32,106,981.47** |

The change in accounting methods with regard to cryptocurrencies resulted in changes to cash inflows and cash outflows from operating activities in the statement of cash flows.

The change in accounting methods affects the recognition of cryptocurrencies as intangible assets in the statement of changes in assets (cf. note 4.1).

Information on the tables and overviews listed above:

**a)**

Under IAS 39, cryptocurrencies in the past were recognized as financial assets under current assets. With the application of IAS 38, the Group's cryptocurrencies are to be recognized as intangible assets under non-current assets. Cryptocurrencies are measured at the same value under both standards at fair value.

**b)**

In accordance with IAS 39, cryptocurrencies were measured as financial assets at fair value through other comprehensive income. Impairment and reversals of impairment losses that resulted from differences between the carrying amount and fair value were to be recognized through other comprehensive income. Under IAS 38, cryptocurrencies are now to be recognized at fair value using the revaluation model. Accordingly, an impairment loss on an asset that was not previously remeasured is recognized in profit or loss. However, an impairment loss on a remeasured asset is recognized in other comprehensive income if the impairment loss does not exceed the amount in the revaluation surplus for that same asset. The impairment loss on a remeasured asset reduces the revaluation surplus for that asset. The same principle applies to reversals of impairment losses.

Some cryptocurrency holdings were written down below cost in the 2018 financial year (EUR 6,197 thousand). In accordance with the provisions of IAS 38, these are now written down in profit or loss, whereas they were previously recognized in other comprehensive income pursuant to IAS 39. The application of IAS 38 had no impact on total comprehensive income.

The accounting changes influenced the statement of changes in equity as follows:

STATEMENT OF CHANGES IN EQUITY AS REPORTED:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FISCAL 2018 IN ACCORDANCE WITH IFRS

| All figures in EUR | Number of shares | Issued capital | Other comprehensive income | Profit/loss carried forward | Equity |
|---|---|---|---|---|---|
| **As of January 1, 2017** | **5,000,000** | **5,000,000.00** | **1,030,131.18** | **52,938.82** | **6,083,070.00** |
| Net profit for the year after taxes | 0 | 0.00 | 24,655,436.39 | 7,451,545.08 | 32,106,981.47 |
| **As of December 31, 2017** | **5,000,000** | **5,000,000.00** | **25,685,567.57** | **7,504,483.90** | **38,190,051.47** |
| Net profit for the year after taxes | 0 | 0.00 | 0.00 | 1,546,240.20 | 1,546,240.20 |
| Other comprehensive income | 0 | 0.00 | -19,197,465.71 | 0.00 | -19,197,465.71 |
| **As of December 31, 2018** | **5,000,000** | **5,000,000.00** | **6,488,101.86** | **9,050,724.10** | **20,538,825.96** |

STATEMENT OF CHANGES IN EQUITY BEFORE CHANGE TO ACCOUNTING METHODS:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FISCAL 2018 IN ACCORDANCE WITH IFRS

| All figures in EUR | Number of shares | Issued capital | Other comprehensive income | Profit/loss carried forward | Equity |
|---|---|---|---|---|---|
| **As of January 1, 2017** | **5,000,000** | **5,000,000.00** | **1,030,131.18** | **52,938.82** | **6,083.070.00** |
| Net profit for the year after taxes | 0 | 0.00 | 24,655,436.39 | 7,451,545.08 | 32,106,981.47 |
| **As of December 31, 2017** | **5,000,000** | **5,000,000.00** | **25,685,567.57** | **7,504,483.90** | **38,190,051.47** |
| Net profit for the year after taxes | 0 | 0.00 | 0.00 | 7,743,149.28 | 7,743,149.28 |
| Other comprehensive income | 0 | 0.00 | -25,394,374.79 | 0.00 | -25,394,374.79 |
| **As of December 31, 2018** | **5,000,000** | **5,000,000.00** | **291,192.78** | **15,247,633.18** | **20,538,825.96** |

In the statement of changes in equity, the shift between the consolidated income statement and other income had a positive impact on other comprehensive income. There was a negative impact on profit and loss carried forward in the same amount.

**c)**

If IAS 39 had been applied to cryptocurrencies, income or expenses from the revaluation of cryptocurrencies would be recognized in other comprehensive income under items reclassified to profit or loss. Applying IAS 38 to cryptocurrencies, this income or expenses from the revaluation of cryptocurrencies is now to be recognized under items not reclassified to profit or loss.

## 2.4 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 315e(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 first-time adoption. No standards or interpretations were adopted early.

### 2.4.1 NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME

The following new standards, interpretations, and amendments to IFRSs were effective for the first time for the reporting period 2018.

**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.

The company applied IFRS 9 for the first time to the financial year starting January 1, 2018; the adjustment of prior-year figures will be waived in accordance with the transitional provisions of IFRS 9. Bitcoin Group SE applies the simplified impairment model of IFRS 9 and recognizes expected losses on trade receivables over a 12-month period. The new model is based on expected losses and results in expected losses being recognized as an expense earlier than before. The quantitative impact of the change in measurement model is insignificant. There were no significant changes in classification. Debt securities (trade payables) and financial and other financial assets (primarily trade receivables) are reported at amortized cost (cf. section 9 Classification of financial instruments and fair value).

**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.

The company applied IFRS 15 for the first time to the reporting period starting January 1, 2018, and selected the modified retrospective method. The Group primarily operates a marketplace for cryptocurrencies (currently Bitcoin (BTC) Bitcoin Cash (BCH), Bitcoin Gold (BTG) Bitcoin Satoshis Vision (BSV) and Ethereum (ETH)). It offers market participants a trustworthy and secure market place where they can trade these currencies. The Group charges a fee of between 0.8% and 1% of sales volumes for this. The transition did not have any significant effects on account of the specific business model.

**IAS 40 “Transfers of Investment Property”**

The IASB published amendments to IAS 40 “Transfers of Investment Property” on December 8, 2016. It was endorsed in EU law on March 14, 2018.

The amendments relate to regulations on transfers of investment property and include corresponding guidelines. Transfers are to be made (must be made) if there is a change in use that means a property meets or no longer meets the definition of investment property. The change in use must be substantiated, i.e. objective evidence based on facts is required to show such a change of use. Company management announcing an intention to change the use of the property is not sufficient to meet this condition. Unlike under the previous regulation, the adapted list of acceptable examples with regard to changes of use given under IAS 40.57 is no longer to be regarded as exhaustive.

The amendments to IAS 40 may have an impact on future consolidated financial statements if corresponding transfers are made in the future. There are no IAS 40 properties in the Bitcoin Group’s assets in the current financial year.

**IFRS 2 “Classification and Measurement of Share-based Payment Transactions”**

On June 20, 2016, the IASB published amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”. They were endorsed in EU law on February 26, 2018.

The amendments comprise clarifications on the following issues related to accounting for cash-settled share-based payment transactions.

Accounting for cash-settled share-based payment transactions that include a performance condition: In accordance with the procedure for equity-settled share-based payment transactions, only certain vesting conditions will be used to determine fair value in the future, while others will affect only the quantity structure.

Classification of share-based payment transactions settled with tax withholdings: Although the company pays tax in cash, the entire share-based payment arrangement is, under certain conditions, accounted for as an equity-settled payment transaction.

Modification of share-based payment transactions from cash-settled to equity-settled: In this case, the latter is to be measured at the time of the change, with the amended share-based payment recognized in equity in proportion to the vesting period that has already lapsed.

As the company has no cash-settled share-based remuneration program or share-based remuneration program settled with tax withholdings, the amendments have no material impact on these consolidated financial statements.

**IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”**

The IASB published amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” on September 12, 2016. They were endorsed in EU law on November 3, 2017.

The amendments were prompted by the requirement to defer mandatory application of IFRS 9 for companies that issue insurance contracts within the scope of IFRS 4 in order to ensure compliance with the mandatory application of IFRS 17 from January 1, 2021 onwards.

This change has no material effect on the current consolidated financial statements.

**IFRIC 22 “Foreign Currency Transactions and Advance Consideration”**

The IASB published IFRIC 22 “Foreign Currency Transactions and Advance Consideration” on December 8, 2016. It was endorsed in EU law on March 28, 2018.

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction is determined by the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The first-time application of the interpretation is applied either retrospectively in accordance with IAS 8 or prospectively to all foreign currency assets, expenses and income within the scope of the interpretation.

The Group already accounts for foreign currency transactions with advance consideration as currently set out in the interpretation and so this has no material impact on the current consolidated financial statements.

**Annual Improvements to IFRS (2014 – 2016 Cycle)**

The IASB published the amended standard “Annual Improvements to IFRS (2014-2016)” on December 8, 2016. The amendments as part of the 2014-2016 cycle (effective date January 1, 2018) affect IFRS 1 “First-time Adoption of IFRS” and IAS 28 “Disclosure of Interests in Other Entities”. The standard also includes changes to IFRS 12 “Disclosure of Interests in Other Entities” which must be applied for reporting periods beginning on or after January 1, 2017. They were endorsed in EU law on February 7, 2018. However, the EU Commission confirmed that these amendments are to be applied retrospectively.

**IFRS 1 “First-time Adoption of IFRS”**

Deleted the short-term exemptions for those applying IFRS for the first time by deleting the temporary exemptions in paragraphs E3 to E7 of IFRS 1, as these can no longer be applied due to the amount of time that has passed and because they have now served their intended purpose.

**IFRS 12 “Disclosure of Interests in Other Entities”**

Clarified the scope of the standard by specifying that the disclosure requirements in IFRS 12 also apply to interests classified as held for sale or held for distribution or that come under the scope of IFRS 5. This excludes only the disclosures specified in paragraphs B10-B16 of IFRS 12.

**IAS 28 “Investments in Associates and Joint Ventures”**

Clarified that the choice to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment on an investment-by-investment basis, upon initial recognition. A relevant clarification has also been made to IAS 28.36A, which allows an entity to maintain fair value measurement applied at the level of the investment company when using the equity method for interests in an investment company. This option can also be exercised separately for each interest.

The changes implemented as part of the annual improvements to the 2014-2016 cycle have no material effects on the consolidated financial statements.

### 2.4.2 NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED IN THE FUTURE

The following new and amended standards and interpretations have already been adopted by the IASB but have not yet become mandatory or have not yet been incorporated into European law. The company has not applied these provisions early.

| **New standards** | | Effective for financial years beginning on or after this date: | Status of EU endorsement (as of: Date of preparation) |
|---|---|---|---|
| **IFRS 16** | Leases | 01.01,2019 | Endorsed |
| **Amendments to IFRS 9** | Prepayment penalty with negative compensation | 01.01,2019 | Endorsed |
| **Amendments to IAS 19** | Plan amendments, curtailments and settlements | 01.01,2019 | Pending |
| **Amendments to IAS 28** | Long-term Interests in Associates and Joint Ventures | 01.01,2019 | Pending |
| **IFRIC** | Uncertainty over Income Tax Treatments | 01.01,2019 | Endorsed |
| **Annual Improvements to IFRS** | Cycle 2015-2017 | 01.01,2019 | Pending |
| **Amendments to IFRS 3** | Definition of a Business | 01.01,2020 | Pending |
| **Amendments to IAS 1 and IFRS 8** | Definition of Material | 01.01,2020 | Pending |
| | Conceptual Framework for Financial Reporting | 01.01,2020 | No endorsement |
| **Individual standards** | Amendments to References to the Conceptual Framework in IFRS Standards | 01.01,2020 | Pending |
| **IFRS 17** | Insurance Contracts | 01.01,2021 | Pending |
| **Amendments to IFRS 10 and IFRS 28** | Contribution of Assets between an Investor and its Associate or Joint Venture | Date of initial adoption postponed indefinitely | Pending |

**IFRS 16 "Financial Instruments"**

IFRS 16 was published in January 2016 and mandatorily replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement Contains a Lease", SIC15 "Operating Leases – Incentives" and SIC27 "Evaluating the Substance of Transactions in the Legal Form of a Lease" for financial years beginning on or after January 1, 2019. It was endorsed in EU law on October 31, 2017.

IFRS 16 includes a comprehensive model to identify leases and states how they are to be accounted for by lessors and lessees.

IFRS 16 must be applied to all leases. Under the standard, a contract is, or contains, a lease if the lessor conveys the lessee the right to control the use of an identified asset for a set period of time in exchange for consideration.

The previous distinction drawn between operating leases and financing leases ceases to apply for the lessee. Instead, the lessee must recognize a right-of-use asset (RoU asset) and a corresponding lease liability for all leases in future. The only exemptions here are for short-term leases and leases for low-value assets. At the acquisition date, the amount of the RoU asset corresponds to the lease liability plus any initial direct costs incurred by the lessee. The RoU asset (save for two exceptions) is measured at amortized cost in subsequent periods. The lease liability is measured at the present value of the lease payments payable over the lease term. The carrying amount of the lease liability then accrues interest at the rate used for discounting and reduced by the lease payments made. Changes to lease payments result in the lease liability being remeasured.

For lessors, on the other hand, current accounting under IAS 17 "Leases" continues to apply, whereby a distinction is made between financing and operating leases. The list of criteria for assessing a lease as a financing lease remained unchanged from IAS 17.

Under IFRS 16, the disclosure requirements for lessees and lessors have become significantly larger in scope in comparison to IAS 17. The objective of disclosure requirements is to provide information to users of financial statements that gives a basis for these users to better assess the effect that leases have on the financial position, net assets and results of operations.

The Bitcoin Group plans to apply the new IFRS 16 leasing standard using the modified retrospective method. For the transition to IFRS 16, it has been elected to measure the RoU assets at the same value as the lease liabilities. Renewal and termination options are also measured on the basis of current information as part of the IFRS 16 transition. In the transition, IFRS 16 will not be applied to contracts that were not previously classified as leased assets in accordance with IFRIC 4 or IAS 17.

The Group plans to apply the practical expedient option under IFRS 16 for low-value assets and for short-term leases (leases with a term of less than 12 months). A benchmark of EUR 5,000 is set for low-value assets.

The Bitcoin Group has also decided to apply IFRS 16 to other intangible assets. Both leasing and service components are to be recognized separately at the Bitcoin Group. In addition, the same interest rate is used for similar leased assets grouped together as a portfolio (e.g. grouped together by value, term, credit spread, country, currency or security).

The effects of IFRS 16 on the Group were analyzed during the past financial year. The Group does not expect the transition to result in any material effects as of January 1, 2019 due to the small number and immaterial nature of existing leases.

**Amendments to IFRS 9 "Prepayment Features with Negative Compensation"**

The IASB published amendments to IFRS 9 "Prepayment Features with Negative Compensation on October 12, 2017. The amendments are to be applied retrospectively for financial years from January 1, 2019. It was endorsed in EU law on March 22, 2018.

The amendments relates to the classification of financial instruments with prepayment features with negative compensation. Under previous provisions, the cash flow criteria is not met if the lender has to pay a prepayment penalty in the event that the borrower terminates. The new regulations allows measurement at amortized cost (or at fair value through other comprehensive income) even in the case of negative compensation. It was also clarified that the carrying amount of a financial liability must be adjusted immediately through profit or loss after modification.

The Management Board does not expect the changes to have any material impact on the consolidated financial statements.

**IAS 19 "Plan Amendment, Curtailment or Settlement for Retirement Benefits".**

The IASB published amendments to IAS 19 on February 7, 2018. The amendments to IAS 19 now specifically state that, after a defined pension plan is amended, settled or curtailed during the year, the current service cost and net interest for the remaining period must be recalculated using current actuarial assumptions. The amendment also includes a clarification on how amendments, curtailments and settlements affect plans for the required asset ceiling.

These amendments are to be applied for financial years beginning on or after January 1, 2019, with EU endorsement expected in the first quarter of 2019. Early adoption is permitted.

The Management Board does not expect the changes to have any material impact on the consolidated financial statements.

**IAS 28 "Long-term Interests in Associates and Joint Ventures"**

The IASB published amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" on October 12, 2017. The amendments relate to a clarification on the exclusion of interests within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 is not applied to interests in associates or joint ventures accounted for using the equity method. However, IFRS 9 is applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The amendments are to be applied for reporting periods beginning on or after January 1, 2019. Endorsement in EU law is expected in spring 2019.

The Management Board does not expect the changes to have any material impact on the consolidated financial statements.

**IFRIC 23 "Uncertainty over Income Tax Treatments"**

IFRIC 23 "Uncertainty over Income Tax Treatments" was released on June 7, 2017 and sets out how to account for current and deferred tax liabilities when there are uncertainties regarding income tax treatment.

These uncertainties arise when the application of the relevant tax law to a specific transaction is unclear and so (also) depends on how it is interpreted by tax authorities, of which the company is not aware when preparing the financial statements. A company takes these uncertainties into account for recognized tax liabilities or tax assets only if it is likely that the taxes will be paid or reimbursed. When doing so, it is to be assumed that tax authorities will exercise their right to verify the amounts declared and that they will be fully aware of all related information. In the event that facts and circumstances that formed the basis for the assessment of the uncertainty change or if new relevant information emerges, the assessment must be reviewed and amended as necessary.

The interpretation is effective for financial years beginning on or after January 1, 2019. It was endorsed in EU law on October 23, 2018.

The application of IFRIC 23 may impact the consolidated financial statements if transactions are made in the future that are subject to uncertainty regarding income tax treatment.

**Annual Improvements to IFRS (2015 – 2017 Cycle)**

The IASB published the amended standard “Annual Improvements to IFRS (2015-2017 cycle)” on December 12, 2017. The amendments cover three areas and affect the standards IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”. The amendments must be applied for reporting periods beginning on or after January 1, 2019. EU endorsement is still pending and is expected in the first quarter of 2019.

**IFRS 3 “Business Combinations” / IFRS 11 “Joint Arrangements”**

When an entity obtains control of a business that is classified as a joint operation under IFRS 11 and in which the acquirer already held interests, this constitutes a business combination achieved in stages. IFRS 3 provisions for the recognition of acquisitions achieved in stages also apply accordingly in this case, hence any interests already held before the acquisition must be remeasured at fair value at the time of acquisition. If, however, joint control is obtained over a business that is classified as a joint operation under IFRS 11, any interests in assets or liabilities that were already recognized before joint control was obtained are not remeasured.

**IAS 12 “Income Taxes”**

Income tax consequences of dividends must be recognized when a liability to pay a dividend is recognized. These are recognized in profit or loss, other comprehensive income (OCI) or directly in equity, depending on the underlying transactions for the dividends.

**IAS 23 “Borrowing Costs”**

Provided no funds were borrowed specifically for the purpose of obtaining/producing this asset, borrowing costs eligible for capitalization on a qualifying asset are determined based on the weighted average of all borrowing costs (provided the borrowing costs do not result from borrowed funds) that were incurred specifically for the purpose of obtaining/producing other qualifying assets. However, borrowing costs resulting from borrowed funds to finance other qualifying assets must be included when calculating the weighted average, provided all work necessary to prepare these other qualifying assets for their intended sale or use has been completed.

The Management Board does not expect the amendments from the annual improvements to IFRS (2015 – 2017 cycle) to have any material impact on the consolidated financial statements.

**IFRS 3 "Definition of a Business"**

The IASB published amendments to IFRS 3 relating to the "Definition of a Business" on October 22, 2018. The amendments aims to better clarify whether a business or a group of assets was acquired. The amendment adds notes in the notes to the financial statements, the application guidance and illustrative examples which clarify the three elements of a business within the meaning of the standard.

The amendments are to be applied to business combinations for which the acquisition date is on or after the beginning of the first reporting period beginning on or after January 1, 2020. EU endorsement is still pending and is expected in 2019.

The Management Board does not expect the changes to have any material impact on the consolidated financial statements.

**IAS 1 and IAS 8 "Definition of Materiality"**

On October 31, 2018, the IASB published amendments relating to the definition of materiality for financial information. The amendments relate to the standards IAS 1 "Presentation of Financial Statements" and I IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Combined with additional explanations on applying the concept, the amendments aim to make it easier for preparers of IFRS financial statements to assess materiality. The changes also ensure a uniform definition of materiality across the IFRSs.

The amendments are effective for financial years from January 1, 2020. EU endorsement is expected in 2019.

The Management Board does not expect the changes to have any material impact on the consolidated financial statements.

**IFRS 17 "Insurance Contracts"**

IFRS 17 "Insurance Contracts" was issued on May 18, 2017. The new standard aims to ensure that insurance contracts are recognized consistently and on the basis of principles and requires insurance liabilities to be recognized at their current settlement value. This ensures uniform recognition and presentation of all insurance contracts. The standard is effective for financial years from January 1, 2021. The date of EU endorsement is still uncertain.

The Management Board does not expect the standard to have any material impact on future consolidated financial statements.

**Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”**

The amendments address a conflict between the requirements of IAS 28 “Interests in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”. They clarify that, for transactions with an associate or joint venture, the extent of gains or losses recognized depends on whether or not the sold or contributed assets constitute a business in accordance with IFRS 3. The IASB has since decided to postpone the effective date of these amendments indefinitely.

So far, transactions with associates or joint ventures in the Group have not included any business operations within the meaning of IFRS 3, but instead merely individual assets.

The Management Board thus does not expect the changes to IFRS 10 and IAS 28 to have any impact on consolidated profit or loss.

# 3. ACCOUNTING POLICIES

The consolidated financial statements are based on the same uniform accounting policies as for the 2017 and 2018 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 or losses are recognized in profit or loss.

## 3.2 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Purchased software and cryptocurrencies (for details see note 2.3.) are recognized as intangible assets.

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 types of obsolescence.

The amortization period for purchased software is three years.

Purchased domains and cryptocurrencies have indefinite useful lives. These intangible assets with indefinite useful lives are subject to at least one impairment test per annum in accordance with the requirements of IAS 36 and the indefinite nature of the useful life must be reviewed at least once per year.

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

Upon recognition, financial assets within the meaning of IFRS 9 are either

- measured as financial assets at amortized cost,
- measured as financial assets at fair value through other comprehensive income (FVOCI),
- classified as financial assets measured at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if both of the following conditions are met and it was not designated as FVTPL:

- It is held as part of a business model with the objective to hold financial assets in order to collect contractual cash flows
- The financial asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated as FVOCI if both of the following conditions are met and it was not designated as FVTPL:

- It is held as part of a business model with the objective to hold financial assets in order to collect contractual cash flows and to sell financial assets
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When recognizing an equity investment that is not held for trading for the first time, the Group may irrevocably elect to show consequential amendments in the fair value of the investment in other comprehensive income. This choice is made on a case-by-case basis for each investment. All financial assets not measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group can irrevocably decide to assign financial assets that otherwise meet the conditions for measurement at amortized cost or FVOCI to FVTPL, if this eliminates or significantly reduces accounting mismatches that would otherwise occur.

Financial assets are measured at fair value on first-time recognition. Items not measured at FVTPL also include transaction costs that are directly attributable to their acquisition or issue. Financial assets are not reclassified after initial recognition unless the Group amends its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change of business model.

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.

The subsequent measurement of financial assets and the treatment of their gains and losses are described below:

- Financial assets at amortized cost are subsequently measured using the effective interest method at amortized cost. Amortized costs are reduced thorough impairment losses. Interest income, exchange gains or losses, impairment or reversals or impairment losses and gains or losses from derecognition are recognized through profit or loss in the income statement.

- Net gains on financial assets measured at FVOCI and debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, exchange gains or losses and impairment losses are recognized through profit or loss in the income statement. Upon derecognition, cumulative other comprehensive income is reclassified to profit or loss.

- Net gains on financial assets measured at FVOCI and equity instruments are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividends clearly cover part of the costs. Other net gains and losses are recognized in other comprehensive income and reclassified through profit or loss in the income statement.

- Financial assets measured at FVTPL are subsequently measured at this value. Net gains and losses, including any interest or dividend income, are recognized through profit or loss in the income statement.

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.

**Impairment**

Financial assets are subject to the impairment model within the meaning of IFRS 9.5.5. The Group then recognizes an impairment loss for these assets on the basis of the expected credit loss. Expected credit losses result from the difference between contractually agreed cash flows and expected cash flows, measured at present value using the original effective interest rate. Where applicable, expected cash flows also include revenue from the sale of collateral and other credit enhancements that are integral to the contract in question.

Expected credit losses are recognized in three stages. For financial assets for which the default risk has not increased significantly since initial recognition, the impairment loss is measured at the amount of the expected 12-month credit loss (stage 1). If the default risk has increased significantly, the expected credit loss is determined for the remaining term of the asset (stage 2). The Group assumes that the credit risk has increased significantly if payment is 30 days past due. This principle can be overruled in an individual case if reliable and reasonable information indicates that the credit risk has not increased. If there is objective evidence of impairment, the underlying assets are to be allocated to stage 3. Objective evidence of impairment is assumed if payment is more than 90 days past due unless, in an individual case, reliable and reasonable information indicates that a longer period is more suitable. Refusal to pay and other similar circumstances are also considered objective evidence.

The class of assets relevant to the Group for applying the impairment model are trade receivables. The Group applies the simplified approach in accordance with IFRS 9.5.15 for these. The loss allowance is then measured at an amount equal to lifetime expected credit losses.

For financial assets measured as debt instruments at fair value through other comprehensive income, the Group considers all suitable and reliable information available without incurring undue costs or requiring an unreasonable amount of time in order to assess a potential significant increase in expected credit risk. Essentially, the related probability of default is used for this. Rating information is used to determine the probability of default. The Group holds only instruments with a very low default risk.

For other assets covered by the amended impairment model under IFRS 9 and subject to the general approach, expected losses are measured by combining financial assets accordingly on the basis of joint credit risk characteristics and using individual default information. The calculation basis in this case is the current probability default at the respective reporting date.

The Group assumes default if contractual payments are more than 90 days past due. In some cases, internal or external information is also used that indicates contractual payments will not be made in full. Financial assets are derecognized if there is no reasonable expectation of future payment.

## 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 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.

## 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 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

The Group primarily operates a marketplace for cryptocurrencies. It offers market participants a market place where they can trade these cryptocurrencies with each other. The Group acts as an agent between the market participants and charges commission for completed transactions, generally between 0.8% and 1.0% of the transaction volume in question.

Revenue is recognized in accordance with IFRS 15. 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 is recognized for a certain point in time.

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 with 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. Current tax and deferred tax are recognized outside profit or loss if the tax relates to items that are recognized, in the same or a different period, outside profit or loss. 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 OPERATING 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 PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

| All figures in EUR | Property, plant and equipment | Goodwill | Intangible assets (other) | Intangible assets (crypto-currencies) | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of January 1, 2018 | 123,558.70 | 3,882,225.95 | 61,115.57 | 4,788,949.45 | 8,855,849.67 |
| Additions | 10,665.39 | 0.00 | 0.00 | 5,352,138.46 | 5,362,803.85 |
| Disposals | 0.00 | 0.00 | 0.00 | -111,915.86 | -111,915.86 |
| As of December 31, 2018 | 134,224.09 | 3,882,225.95 | 61,115.57 | 10,029,172.05 | 14,106,737.66 |
| **Depreciation and impairment** | | | | | |
| As of January 1, 2018 | -67,599.70 | 0.00 | -1,784.00 | 36,693,667.96 | 36,624,284.26 |
| Depreciation and amorti-zation | -27,611.39 | 0.00 | 0.00 | -6,196,909.08 | -6,224,520.47 |
| Impairment in other comprehensive income | 0.00 | 0.00 | 0.00 | -27,424,951.02 | -27,424,951.02 |
| As of December 31, 2018 | -95,211.09 | 0.00 | -1,784.00 | 3,071,807,86 | 2,974,812.77 |
| **Carrying amounts** | | | | | |
| As of December 31, 2018 | **39,013.00** | **3,882,225.95** | **59,331.57** | **13,100,979.91** | **17,081,550.43** |

| | | | | | |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of January 1, 2017 | 74,514.89 | 3,882,225.95 | 3,495.57 | 563,202.90 | 4,523,439.31 |
| Additions | 50,918.06 | 0.00 | 57,620.00 | 4,240,360.58 | 4,348,898.64 |
| Disposals | -1,874.25 | 0.00 | 0.00 | -14,614.03 | -16,488.28 |
| As of December 31, 2017 | 123,558.70 | 3,882,225.95 | 61,115.57 | 4,788,949.45 | 8,855,849.67 |
| **Depreciation and impairment** | | | | | |
| As of January 1, 2017 | -51,528.89 | 0.00 | -1,784.00 | 1,471,615,97 | 1,418,303.08 |
| Depreciation and amorti-zation | -17,944.06 | 0.00 | 0.00 | 0.00 | -17,944.06 |
| Reduction of depreciation due to asset disposals | 1,873.25 | 0.00 | 0.00 | 0.00 | 1,873.25 |
| Reversals of write-downs in other comprehensive income | 0.00 | 0.00 | 0.00 | 35,222,051.99 | 35,222,051.9 |
| As of December 31, 2017 | -67,599.70 | 0.00 | -1,784.00 | 36,693,667.96 | 36,624,284.26 |
| **Carrying amounts** | | | | | |
| As of December 31, 2017 | **55,959.00** | **3,882,225.95** | **59,331.57** | **41,482,617.41** | **45,480,133.93** |

**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% (previous year: 7.73%) 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% (previous year: 1%).

**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% (previous year: 1.25%) and a risk premium of 6.72% (previous year: 6.75%) were used to calculate the appropriate discount rates for the cash-generating unit. A growth discount of 1% is assumed for perpetual annuity (previous year: 1%).

**Sensitivity of assumptions**

The values in use calculated significantly exceeded the carrying amounts of the cash-generating units. 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.

**Intangible Assets (Cryptocurrencies)**

Cryptocurrencies are remeasured at the reporting date. The following overview shows the difference between fair values and carrying amounts for reporting periods and for the previous year.

| | December 31, **2018** | | December 31, **2017** | |
|---|---|---|---|---|
| All figures in EUR thousand | Fair value | Carrying amount | Fair value | Carrying amount |
| **BTC** | 11,573 | 2,787 | 37,140 | 2,821 |
| **BCH** | 711 | 284 | 2,475 | 1,111 |
| **ETH** | 749 | 732 | 1,164 | 857 |
| **BTG** | 67 | 30 | 704 | 0 |
| | **13,101** | **3,832** | **41,483** | **4,789** |

## 4.1.2 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets relate to payments made for the acquisition of Sineus and futurum.

It is not necessary to consolidate the Sineus acquisition as there is no control. The investment is thus measured at fair value through other comprehensive income in accordance with IFRS 9.

As of the reporting date, the futurum acquisition is still subject to the condition precedent of approval by the BaFin. At the time of preparing the consolidated financial statements, there is still no control and so the company will not be consolidated.

Other non-current financial assets are equity instruments for which expected credit losses as of the reporting date are negligible due to the fair value measurement close to the reporting date.

## 4.2 CURRENT ASSETS

### 4.2.1 TRADE RECEIVABLES FROM THIRD PARTIES

All trade receivables (2018: EUR 2 thousand; 2017: EUR 70 thousand) have a remaining term of up to one year in 2018 and the previous years.

The Group did not receive any collateral for trade receivables in 2018 or the comparative periods of 2017. 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 are no receivables past due.

### 4.2.2 OTHER FINANCIAL ASSETS (RECEIVABLES FROM RELATED PARTIES)

Other financial assets amount to EUR 137 thousand as of December 31, 2018 (2017: EUR 102 thousand).

The receivables from the related party Bitpayment GmbH, Herford, reported in the financial year relate to services performed by the company. They have a remaining term of less than one year and amount to EUR 137 thousand.

The figures recognized for all receivables from related companies are equal to their fair value. They are neither impaired nor past due. The maximum credit risk of the receivables from related parties is the carrying amount of the receivables.

### 4.2.3 OTHER NON-FINANCIAL ASSETS (CURRENT)

As of the 2018 reporting date, this item includes mainly advance payments for services in the amount of EUR 11 thousand (2017: EUR 27 thousand) that will not be rendered until the subsequent year.

### 4.2.4 CASH AND CASH EQUIVALENTS

The item exclusively contains bank balances; there was no restricted cash in the 2018 financial year or the comparative period.

### 4.2.5 INCOME TAX ASSETS

This item included corporation tax and trade tax assets in the previous year.

## 4.3 EQUITY

The issued capital of Bitcoin Group SE is the fully paid-in share capital of EUR 5,000,000.00. The share capital is divided into 5,000,000 bearer shares. The share capital of EUR 300,000.00 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 of the company's share capital. All shares have the same rights.

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 500,000.00 against cash or non-cash contributions by issuing new no-par value bearer shares until September 28, 2019 (Authorized Capital).

## 4.4 LIABILITIES

### 4.4.1 TRADE PAYABLES TO THIRD PARTIES

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

### 4.4.2 OTHER FINANCIAL LIABILITIES (LIABILITIES TO RELATED PARTIES)

There were liabilities to Priority AG and BitPayment.de GmbH of EUR 38 thousand as of December 31, 2018 (previous year: EUR 0 thousand).

### 4.4.3 OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities break down as shown in the table:

| All figures in EUR | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|
| Liabilities for outstanding invoices | 209,500.00 | 89,750.00 |
| Liabilities to staff | 117,683.00 | 90,000.00 |
| Audit and consulting liabilities | 81,300.00 | 55,600.00 |
| VAT liabilities | 19,372.70 | 57,235.92 |
| Wage and church tax liabilities, including social security contributions | 15,811.94 | 18,369.83 |
| **Other non-financial liabilities** | **443,667.64** | **310,955.75** |

### 4.4.4 INCOME TAX LIABILITIES

Income tax liabilities relate to corporation tax and trade tax.

### 4.4.5 DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized for temporary differences resulting from the remeasurement of cryptocurrencies. The effect is recognized through other comprehensive income at EUR 2,781 thousand (2017: EUR 11,008 thousand) in other income. Deferred taxes on measurement 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.

# 5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## 5.1 REVENUE

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

Further information on revenue recognition can be found in note 3.9.

All revenue was generated in Germany

## 5.2 OTHER OPERATING INCOME

The following table shows the composition and development of other operating income:

| All figures in EUR | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|
| Income from offsetting employee's non-cash remuneration | 14,687.24 | 11,037.69 |
| Sundry other operating income | 0.00 | 4,237.00 |
| **Other operating income** | **14,687.24** | **15,274.69** |

## 5.3 COST OF MATERIALS

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

## 5.4 STAFF COSTS

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

| All figures in EUR | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|
| Wages and salaries | 821,191.67 | 593,663.73 |
| Social security contributions | 113,321.61 | 91,873.65 |
| **Total** | **934,513.28** | **685,537.38** |

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:

| | 2018 | 2017 |
|---|---|---|
| Employees | 11 | 9 |
| **Total** | **11** | **9** |

## 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 costs break down as shown in the table:

| All figures in EUR | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|
| Advertising and travel expenses | 402,956.50 | 143,890.49 |
| Legal, consulting and auditing costs | 307,961.41 | 183,040.30 |
| Sundry other operating expenses | 261,564.78 | 81,100.30 |
| Purchased services | 232,782,69 | 177,837.99 |
| Insurance, contributions, duties | 191,786.48 | 20,569.50 |
| Annual General Meeting | 53,848.94 | 0.00 |
| IT costs | 34,496.67 | 28,430.21 |
| Network charges | 27,338.35 | 127,851.17 |
| Postage and telephone costs | 24,914.25 | 51,540.63 |
| Vehicle fleet | 22,970.19 | 13,115.18 |
| Management | 21,883.72 | 12,073.75 |
| Remuneration of Supervisory Board | 16,900.00 | 23,414.00 |
| Incidental transaction costs | 12,719.94 | 60,632.79 |
| Training costs | 12,552.60 | 0.00 |
| Rent, leasing and license fees | 5,956.41 | 0.00 |
| Maintenance and servicing | 0.00 | 92.01 |
| **Other operating costs** | **1,630,332.93** | **923,588.18** |

## 5.7 INCOME TAXES

Income taxes break down as shown in the table:

| All figures in EUR | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|
| **Actual tax expense** | | |
| Taxes on income and profit | 892,233.00 | 3,436,001.02 |
| **Deferred tax expense** | | |
| Occurrence and reversal of temporary differences through other comprehensive income | -8,227,485.31 | 10,556,615.60 |
| **Income tax expense/income** | **-7,335,252.31** | **14,002,616.62** |

## 5.8 EARNINGS PER SHARE

Earnings per share are as follows:

| Earnings per share | | January 1 - 31 December, **2018** | January 1 - 31 December, **2017** |
|---|---|---|---|
| Net profit for the year after taxes of Bitcoin Group SE | EUR thousand | 1,546,240 | 7,451,545 |
| **Weighted average number of shares to calculate the earnings per share** | | | |
| Basic | Number | 5,000,000 | 5,000,000 |
| Diluted | Number | 5,000,000 | 5,000,000 |
| **Earnings per share** | | | |
| Basic | EUR | 0.31 | 1.49 |
| Diluted | EUR | 0.31 | 1.49 |

As no diluted share options were concluded in the reporting period, there were no dilution effects on earnings per share in the reporting period.

# 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.

| All figures in EUR | Categories according to |
|---|---|
| | **IFRS 9** |
| **Non-current financial assets** | |
| Other non-current financial assets | FVTOCI |
| **Current financial assets** | |
| Trade receivables from third parties | amortized cost |
| Other financial assets (receivables from related parties) | amortized cost |
| Cash and cash equivalents | amortized cost |
| **Current financial liabilities** | |
| Trade payables to third parties | FLAC |
| Other financial liabilities (liabilities to related parties) | FLAC |

| All figures in EUR | Carrying amounts | |
|---|---|---|
| **Summary per category** | December 31, **2018** | December 31, **2017** |
| Financial assets at amortized cost | 2,692,966 | 7,517,346 |
| Financial assets at fair value through other comprehensive income (FVTOCI) | 3,675,829 | 0 |
| Financial liabilities at amortized cost (FLAC) | 125,684 | 173,576 |

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

Interest paid amounts to EUR 39.00 (previous year: EUR 196.00).

| | Carrying amount | | Fair value | | Hierarchy according to |
|---|---|---|---|---|---|
| | December 31, **2018** | December 31, **2017** | December 31, **2018** | December 31, **2017** | **IFRS 13** |
| | | | | | |
| | 3,675,829 | 0 | 3,675,829 | 0 | Level 2 |
| | | | | | |
| | 2,149 | 69,591 | 2,149 | 69,591 | |
| | 137,111 | 102,202 | 137,111 | 102,202 | |
| | 2,553,706 | 7,345,553 | 2,553,706 | 7,345,553 | |
| | | | | | |
| | 87,950 | 173,576 | 87,950 | 173,576 | |
| | 37,733 | 0 | 37,733 | 0 | |

# 7. RELATED PARTY DISCLOSURESN

Priority AG is Bitcoin Group SE's parent company and has significant influence.

Within the Group, Bitcoin Group SE provided Bitcoin AG with services of EUR 150 thousand. Bitcoin AG recognized expenses of EUR 179 thousand, as it is not entitled to deduct input tax. Bitcoin Group SE also received interest in the amount of EUR 8 thousand from Bitcoin AG.

Server hosting services in the amount of EUR 40 thousand (previous year: EUR 32 thousand) were purchased from softjury GmbH, a subsidiary of Priority AG, in 2018. In addition, movable assets of EUR 6 thousand were rented from Softjury. Accounting services in the amount of EUR 4 thousand and training services of EUR 1 thousand were obtained from Priority AG. Services amounting to EUR 5 thousand were also purchased from Coupling Media GmbH, a subsidiary of Priority AG. Services amounting to EUR 31 thousand (previous year: EUR 102 thousand) were obtained from Bitpayment GmbH, a subsidiary of Priority AG. McDrowd GmbH, a subsidiary of Priority AG, provided building services in the amount of EUR 1.3 thousand.

# 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) sentence 1 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 contract broking (section 1(1a) sentence 2 no. 1 KWG) or investment 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 or other cryptocurrencies 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 which is reported here under "Cost of materials". The Group receives 100% of the commission received for the transactions brokered from Fidor Bank AG.

# 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE

A breakdown of the financial assets and liabilities in accordance with the measurement categories under IFRS 9 for financial years ending December 31, 2018 and under IAS 39 for those ending December 31, 2017 is as follows: fair value is the price that would be paid for the sale of an asset or for the transfer of a liability in an orderly transaction between market participants at the measurement date under current market conditions (e.g. a disposal price), regardless of whether the price is directly observable or whether it is estimated using another measurement method.

A measurement hierarchy (fair value hierarchy) was established in accordance with IFRS 13 “Fair Value Measurement”. The measurement hierarchy divides the inputs used in measurement techniques to measure fair value into three levels:

- Level 1: Inputs are quoted prices (unadjusted) on active markets for identical assets or liabilities that are accessible on the measurement date.
- Level 2: Inputs are inputs other than quoted prices in Level 1 that are either directly observable or can be indirectly derived for the asset or liability.
- Level 3: Inputs are unobservable inputs for the asset or liability.

Using this, the Group determines whether there have been any transfers between the hierarchy levels at the end of the respective reporting period.

The fair value of financial instruments is calculated on the basis of current parameters such as interest and exchange rates as of the reporting date, the use of accepted models such as the DCF (discounted cash flow) method and taking into consideration the credit risk.

The carrying amount is a reasonable approximation of fair value for financial instruments due in the short-term.

# 10. MANAGEMENT OF THE RISKS OF FINANCIAL INSTRUMENTS

The financial instruments in the Group essentially include 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 and financial performance are particularly important.

The Group has a solvent customer base. So far there have been no defaults thanks to automated retention of one percent of the purchase price when selling cryptocurrencies. This is retained automatically in accordance with the advance payment principle. 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.

A default of 5%, based on December 31, 2018, would have an earnings effect of EUR 107 (December 31, 2017: EUR 3,480).

**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 equity 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 cryptocurrency transactions. Cryptocurrency trading is subject to several risks and uncertainties as cryptocurrencies are still relatively new. Cryptocurrency trading volumes have 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 financial position and financial performance. 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 further events that would lead to an adjustment of the amounts recognized in the financial statements in accordance with IAS 10.8 et seq.

# 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. All payments to the Board of Directors must be made at short notice.

| **Directors of the company** | December 31, **2018** |
|---|---|
| Managing Directors | Michael Nowak |
| | Marco Bodewein (as of 4 June 2018) |

Mr. Michael Nowak and Mr. Marco Bodewein are entered in the commercial register as Managing Directors. As per agreement, the Managing Directors received remuneration of EUR 219.4 thousand for their activities in the reporting year.

**Board of Directors as of December 31, 2018**

The following persons were members of the Board of Directors in the past financial year:

- Martin Rubensdörffer (lawyer), Remscheid
- Prof. Dr. Rainer Hofmann (university professor), Ludwigshafen
- Alexander Müller, computer science graduate, publicly appointed and sworn IT expert, member of the German Bundestag (from February 22, 2018)
- Frank Schäffler (businessman, former member of German Parliament), Bünde (until February 16, 2018)

The remuneration of the above members of the Board of Directors amounted to EUR 17 thousand in the reporting year.

**Board of Directors as of December 31, 2017**

- Martin Rubensdörffer (lawyer), Remscheid
- Frank Schäffler (businessman, former member of German Parliament), Bünde
- Prof. Dr. Rainer Hofmann (university professor), Ludwigshafen

The remuneration of the above members of the Board of Directors amounted to EUR 23.4 thousand in 2017.

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

| All figures in EUR thousand | 31.12.**2018** | 31.12.**2017** |
|---|---|---|
| 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 BITCOIN SE'S BOARD OF DIRECTORS

### 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 (GCGC) 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.

Herford, May, 2019

Michael Nowak,
Managing Director

Marco Bodewein,
Managing Director

# RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, net assets and results of operations of the Group, and the management report of the Group 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, 2019

Michael Nowak,
Managing Director

Marco Bodewein,
Managing Director

# INDEPENDENT AUDITORS' REPORT

To Bitcoin Group SE, Herford

**Audit opinions**

We have audited the consolidated financial statements of Bitcoin Group SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of the key accounting policies. In addition, we have audited the combined management and Group management report of Bitcoin Group SE for the fiscal year from January 1, 2018 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law in accordance with section 315e(1) HGB and, in accordance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2018, and of its financial performance for the fiscal year from January 1, 2018 to December 31, 2018, and

- the accompanying Group management report as a whole provides an appropriate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements or the Group management report.

**Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

**Other information**

The management is responsible for the other information. The other information includes:

- "Letter to Shareholders" in the 2018 annual report

- declaration of compliance, section 9, management report

The Board of Directors is responsible for the following other information:

- Report of the Board of Directors in the "Letter to Shareholders" in the annual report.

Our audit opinions regarding the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it:

- exhibits material discrepancies with the consolidated financial statements, the Group management report or the knowledge we have obtained during our audit, or

- otherwise seems significantly incorrect.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements and the Group Management Report**

The management is responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law in accordance with section 315e(1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the management is responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Board of Directors is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law in accordance with section 315a(1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, May 24, 2019

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

| Stahl | Abel |
|---|---|
| Wirtschaftsprüfer (German Public Auditor) | Wirtschaftsprüfer (German Public Auditor) |

# IMPRINT

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

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