BITCOIN GROUP SE

HALF-YEAR REPORT **2017**

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01 LETTER TO SHAREHOLDERS

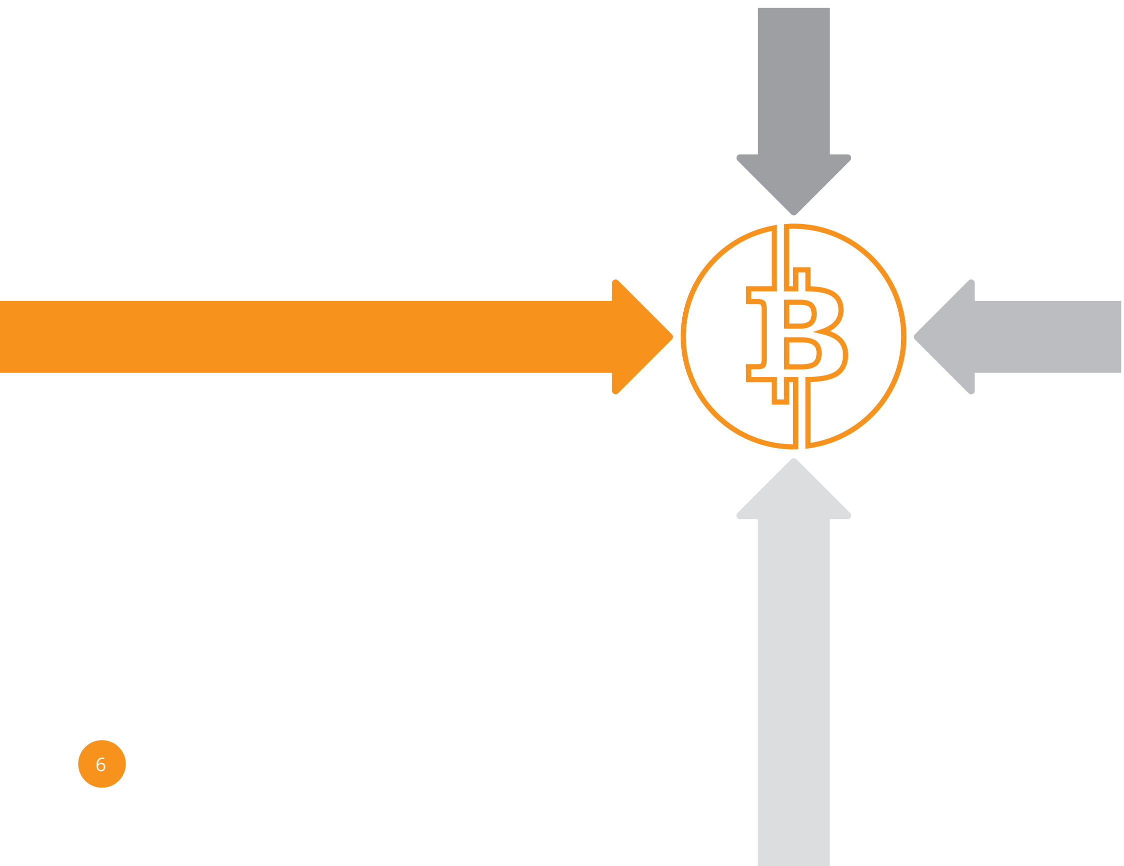
BITCOIN GROUP SE AT A GLANCE

BITCOIN GROUP SE KEY FIGURES

Increased growth momentum

		H1 2017	**H1 2016**
Number of customers		430,000	356,000*
Bitcoin price	EUR	2,157	912
Revenue	EUR thousand	1,770	780
Operating result	EUR thousand	1,040	93
Financial result	EUR thousand	180	266
Earnings after taxes	EUR thousand	819	256
Earnings per share	EUR	0.16	0.02
Equity ratio		79.97 %	89.46 %*

* as at 31 December 2016



FOREWORD BY THE MANAGING DIRECTOR

Dear Shareholders,

With the publication of the report for the first half of 2017, I would like to take the opportunity to speak to you directly once again. Bitcoin Group SE has been on a growth trajectory since it was first founded. In the first half of 2017, we even experienced a further boost in our growth momentum, which pushed the company into profitability. We are delighted by the high level of interest in our – and your – Bitcoin Group SE and the subject of cryptocurrencies. Allow me to explain the developments in the reporting period more closely below.

Revenue climbed by 128% to EUR 1,770 thousand in the reporting period after EUR 775 thousand in the same period of the previous year. Earnings before taxes again rose sharply by 240% to EUR 1,220 thousand in the first half of 2017 as against EUR 359 thousand in the first half of 2016. Overall, positive earnings before taxes of EUR 819 thousand were generated in the first half of 2017. This is an excellent performance compared to the previous year, which had ended with a loss of EUR 256 thousand. As at the end of the first half of the year, we are particularly pleased by 430,000 customers on Germany's only regulated Bitcoin marketplace www.bitcoin.de. The number of users was just 356,000 at the beginning of the year. We, therefore, gained more than 12,000 new customers per month during this period, which significantly outperformed our own forecasts.

This successful, but also surprisingly strong, development is based on several factors. Firstly, there is the high demand for bitcoins. The price of the cryptocurrency rose in the reporting period from EUR 930.89 to EUR 2,157.07 at the end of June 2017. More and more investors are discovering the advantages of the Bitcoin – whether as a high-yield investment or an uncomplicated alternative to conventional paper money. The rise in the number of users on Bitcoin.de underscores this assumption. And one more thing about the strong rise in the price of bitcoins – our statement of financial position has benefited as well. The item "Assets available for sale" already amounted to EUR 6,789 thousand or 3,029 bitcoins respectively as at 30 June 2017, and has risen significantly until today thanks to the even higher price of bitcoins and the addition to our company's own holdings of Bitcoin Cash.

Monetary transactions are a matter of trust. Customers who are considering a bitcoin transaction or investment must initially search for a reputable partner. The Bitcoin Group can be this partner thanks to Germany's only licensed marketplace for cryptocurrencies, our platform Bitcoin.de. In cooperation with Fidor Bank, Munich, we offer reputable and fast bitcoin trading, always under the customer's control. In the first half of the reporting year, we offered our customers an additional attractive and uncomplicated bitcoin trading option in "express trade compact". More than 70% of all transactions were already processed using the express option by the end of June 2017.

We intend to continue to focus on the ongoing growth of Bitcoin.de moving ahead as well. One aspect of this will be greater usability on the platform. Another of our goals is to be able to offer other cryptocurrencies in addition to the Bitcoin. It is expected that it will be possible to trade the currency Ethereum on Bitcoin.de before the end of the current financial year. Ethereum is the world's second most popular cryptocurrency after Bitcoin, buoyed in particular by high demand from China. Its price was quoted at around EUR 245 as at the end of June 2017. Ethereum has the advantage over Bitcoin that it can be used for smart contracts. Thus, Ethereum can be used as a particularly liquid form of payment for computing power, as Ethereum is much more a component of a full IT system than Bitcoin. This fundamental difference makes the cryptocurrency interesting to a further group of customers that we want to target specifically by integrating Ethereum into Bitcoin.de. Bitcoin itself has also since reached a new stage in its evolution. At the beginning of August, the currency split into Bitcoin and Bitcoin Cash. The latter immediately went to third place among the most popular cryptocurrenciet.

What's the new currency about? Bitcoin Cash is effectively Bitcoin's little sister. It arose from the desire to increase block size and thus to carry out more transactions in the Bitcoin network. This reduces transaction costs and increases the speed of transactions.

Unlike some competitors, Bitcoin Group SE decided to credit customers who already held "Bitcoin" before August 2017 with "Bitcoin Cash" at a ratio of 1:1. This way, Bitcoin.de customers have been able to enjoy the advantages of both currencies right off the bat. Since its launch, our customers can now not only make and receive payments in Bitcoin Cash, they can also trade it on Bitcoin.de.

We at Bitcoin Group SE feel positively about the Bitcoin fork. There should, in our opinion, be healthy competition between currencies – just as Bitcoin is in competition with paper currencies. The desire to increase the transaction speed of Bitcoin is no doubt correct and important. Despite all this, we remain a fan of the well-known and popular Bitcoin. This development will serve our Group as regards its goals, as will the integration of Ethereum on Bitcoin.de. We expect our user numbers to continue to rise and expect to have 480,000 users at Bitcoin.de by the end of the year.

However, liquidity plays a major role – and not just for currencies. It is also a key performance indicator for shares. We wish to continue the ongoing professionalization of trading in Bitcoin Group shares. This includes two measures, the first of which is to increase free float, which was 5.3% at the end of 2016. Our major shareholder, Priority AG, has placed further shares on the market during the course of the year, which means that the company's free float has now risen to just under 25%. This is one of the requirements that will bring us closer to our second objective of inclusion in a regulated market. We hope that our planned inclusion in a regulated market will draw the interest of institutional investors not previously allowed to invest in our company on account of their statutes.

The research house Montega recently began covering Bitcoin Group SE. Future recurring research reports will certainly increase investor interest in our group.

Overall, we are confident that this will allow us to grow successfully in the second half of 2017 as well. The growing demand for Bitcoin and Ethereum, the necessary further developments, and the measures rolled out by Bitcoin Group SE itself will contribute to a successful 2017 financial year overall.

The most important factor in our success, however, is our team, which I would like to thank for the high level of commitment in the first half of the year and all the time before that.

Herford, August 2017

Michael Nowak,
Managing Director

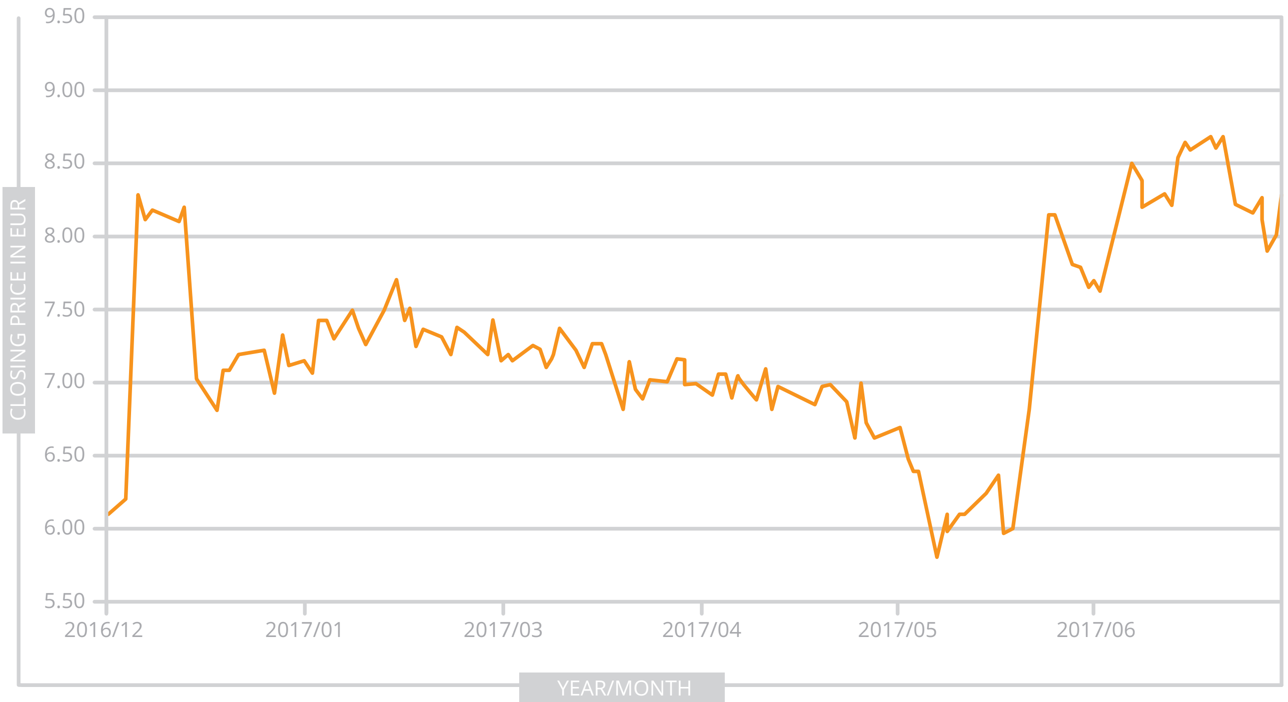
BITCOIN GROUP SE ON THE CAPITAL MARKET

PRICE PERFORMANCE

The price of Bitcoin Group SE shares rose by 36.0% in the first half of 2017. The shares began trading for the year at a price of EUR 6.16 on 2 January 2017. They rose to their highest level early on at EUR 9.10 on 5 January, before falling to their low for the first half of the year at EUR 5.58 on 8 May. Following the publication of the annual report on 30 June 2017, the shares of Bitcoin Group SE underwent a turnaround and achieved sustained price increases. The shares ended trading for the first half of the year on 30 June 2017 at a price of EUR 8.28. The market capitalization of Bitcoin Group SE, therefore, rose to EUR 41.4 million on the basis of 5,000,000 shares outstanding.

As at the end of 2016, the company's market value was EUR 30.5 million based on a closing price of EUR 6.09 per share for the same number of shares (all figures based on Xetra closing prices). The average daily trading volume of Bitcoin Group shares in the reporting period on all German exchanges was 15,430 shares compared to 1,352 shares in the previous year. In particular, this was thanks to the inclusion of Bitcoin Group SE shares on Xetra and the Frankfurt Stock Exchange floor trading, as well as the higher price per Bitcoin unit.

PRICE PERFORMANCE OF BITCOIN SHARES 2016/2017



INVESTOR RELATIONS

In accordance with legal and stock exchange regulations, Bitcoin Group SE communicated transparently and continuously with institutional investors, private investors and analysts on current business developments and incidents significant to the price performance of the company in the reporting period from 1 January to 30 June 2017. The Board of Directors of Bitcoin Group SE also spoke with the financial and business press to present the company to the capital market. Since Bitcoin Group SE shares were admitted to Xetra and the Frankfurt stock exchange floor trading, Bitcoin Group SE has been making progress towards joining the regulated market and the start of the analysis and assessment of Bitcoin Group shares by the renowned research company Montega AG in the second half of the year. In order to present the company's shares to a more comprehensive group of investors, in the current 2017 financial year the Bitcoin Group is intensifying its relationships with the financial community with the support of the capital market specialists at CROSS ALLIANCE.

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

SHAREHOLDER STRUCTURE

Free float increased significantly in the period under review compared to the end of the previous financial year. As a long-term anchor shareholder, Priority AG still holds more than 89.2% of the voting rights as at 30 June 2017. According to the Deutsche Börse definition, the free float with voting rights of less than 5% of the share capital amounts to 10.78%. Free float continued to rise after 30 June 2017. The higher free float has opened up the possibility of achieving the goal of joining the regulated market in the second half of 2017.

KEY DATA ON BITCOIN SHARES

Sector	Financial services
ISIN	DE000A1TNV91
GSIN	A1TNV9
Stock exchange symbol	ADE
Stock markets	Dusseldorf, Frankfurt, Xetra, Munich, Stuttgart, Berlin
Number and type of shares	5.000.000 no-par value bearer shares
Designated Sponsor	Hauck & Aufhäuser Privatbankiers AG
Opening price	EUR 6.16
High	EUR 9.10
Low	EUR 5.58
Closing price	EUR 8.28
Performance	+ 36%
Market capitalization	EUR 41.4 million
End of financial year	31 December

02 INTERIM MANAGEMENT REPORT

INTERIM GROUP MANAGEMENT REPORT FOR H1 2017

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 lead these companies to the capital markets in the medium term. Bitcoin Group SE is planning further investments, including through asset deals and capital increases. Bitcoin Group SE's objective is to increase the enterprise value and profitability of its investments.

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

OBJECTIVES AND STRATEGIES

The Group is focused on companies with cryptocurrency 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 the market places and, in the event of insolvency, are 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.

MANAGEMENT SYSTEM

All business units and subsidiaries report monthly on their financial position, net assets and results of operations, 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 boards, supervisory boards and the boards of directors
- regular shareholder and annual general meetings
- risk and opportunity management
- liquidity planning
- monthly segment reporting
- internal audits

RESEARCH AND DEVELOPMENT

The Bitcoin Group's research and development department also made significant progress in product development in the first half of 2017.

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

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

Express trading via the interface to Fidor Bank AG, Munich, was stepped up again considerably by the new "express-trade compact" functionality. Approximately 70% of all bitcoins were processed using the express functionality by the end of June 2017 (end of December 2016: 60%).

The modification of limits and trust levels was necessitated by the increased price of bitcoins and elevated security requirements for customer login (two-factor authentication).

Extensive adjustments were made to the system and successfully implemented for this purpose.

This change is also a requirement for the planned addition of further cryptocurrencies to the Bitcoin.de marketplace. Some of the technical adjustments for further currencies were already online in 2016 and the first half of 2017 (though not visible to customers). The latest adjustments will be completed shortly.

Furthermore, in the first half of 2017, Bitcoin Deutschland AG developed plans to be able to react to various changes in the decentralized and dynamic Bitcoin network, and thereby to unlikely scenarios as well. These include the preparations for the introduction of bitcoins as a means of payment in retail and changes in the structures of bitcoin manufacturers, as well as the forthcoming reform of the Bitcoin code to expand capacity limits, not forgetting the fork in the currency that has already happened.

ECONOMIC REPORT

GENERAL ECONOMIC AND INDUSTRY CONDITIONS

The value of and demand for bitcoins are determined by the development of the economy and the exchange rates of national currencies. While gross domestic product in the euro area rose by 0.6% as against the previous quarter in the first three months according to the statistical office of the European Union (Eurostat), the euro fell 10.0% against bitcoin over the same period.

The daily trading volume on Bitcoin exchanges saw an increase of approximately 228 million to 767 million bitcoins (source: www.coinmarketcap.com). This corresponds to an increase of 236% and, for the first time, does not include trading on the Chinese exchanges, which led to high transaction volumes in the past – almost all without charges. The significant increase in bitcoin trading highlights Bitcoin's development from being a niche product to a recognized currency. The subsidiary Bitcoin Deutschland AG also benefited from this in the first half of 2017.

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

The 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. They then assist state authorities in investigating crimes in connection with cryptocurrencies.

The overall economic situation and the persistently low interest rates in the first half of 2017 mean that an investment in bitcoins is still attractive for investors.

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

BUSINESS PERFORMANCE

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

The number of Bitcoin.de customers increased from around 356,000 to more than 430,000 users in the first half of the year, corresponding to average growth of more than 12,000 customers per month. This is almost twice as much as expected.

Revenue for the months of January to June 2017 also exceeded forecasts significantly, rising from EUR 775 thousand in the first half of the previous year to EUR 1,770 thousand in the first half of 2017, an increase of 128%.

No restructuring measures or rationalization measures were necessary in the first half of 2017. Furthermore, no companies were bought or sold.

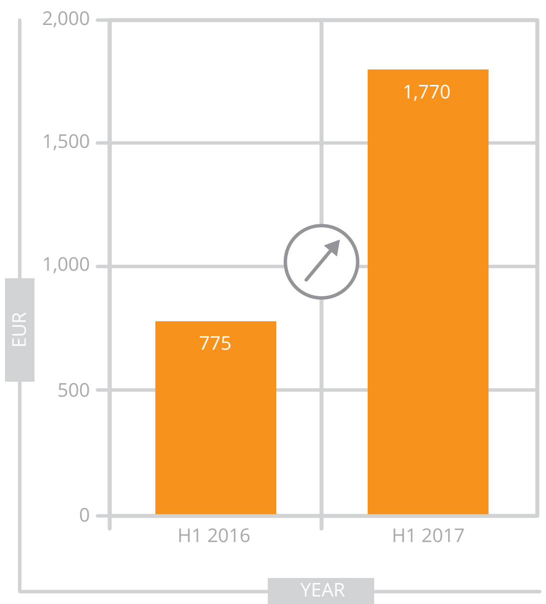
The goal of 400,000 users was easily surpassed in the reporting period. Revenue also clearly outperformed forecasts with a growth of 128%.

FINANCIAL POSITION, NET ASSETS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

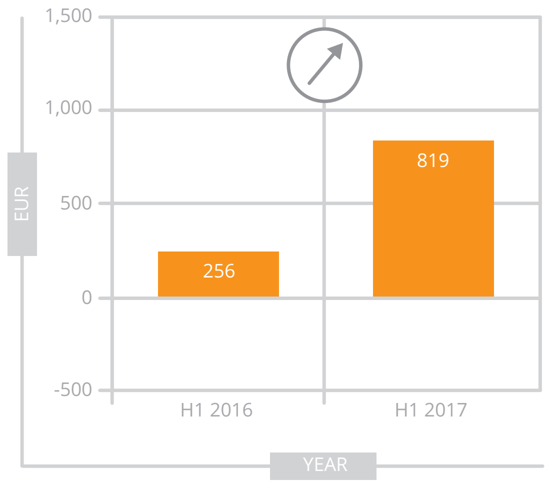
The comparison of the income statements for the first halves of the 2016 and 2017 financial years shows the results of operations and changes in them. Operating revenue climbed to EUR 1,770 thousand in the first half of 2017 after EUR 775 thousand in the same period of the previous year. This is essentially due to the higher trading volume on Bitcoin.de in conjunction with the Bitcoin's strong price performance. Earnings after taxes for the first half of the year, therefore, amount to EUR 819 thousand. The largest earnings item is revenue from Bitcoin trading proceeds, which rose by 128%.

REVENUE DEVELOPMENT



The largest cost item is staff costs, which grew by 46%. As we anticipate stronger growth in earnings and only modest increases in costs moving ahead, the results of operations will continue to improve in the coming years.

EARNINGS AFTER TAXES DEVELOPMENT

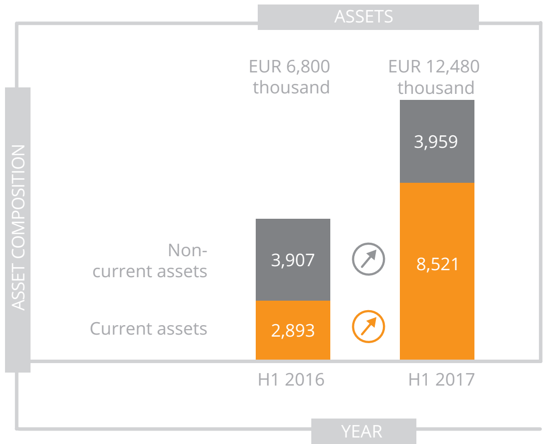


Taxes for the reporting period are calculated on the basis of the German provisions for determining income. Deferred tax liabilities were recognized for the revaluation of bitcoins and are reported directly under equity (H1 2017: EUR 1,761 thousand; H1 2016: EUR 441 thousand). The deferred taxes on valuation adjustments were calculated using the tax rates applicable in Germany. As all matters in connection with deferred taxes arose in Germany, an average tax rate of 30% is assumed for the financial year. The reconciliation of taxes has not been shown as the deferred taxes are exclusively reported in equity under other comprehensive income.

FINANCIAL POSITION

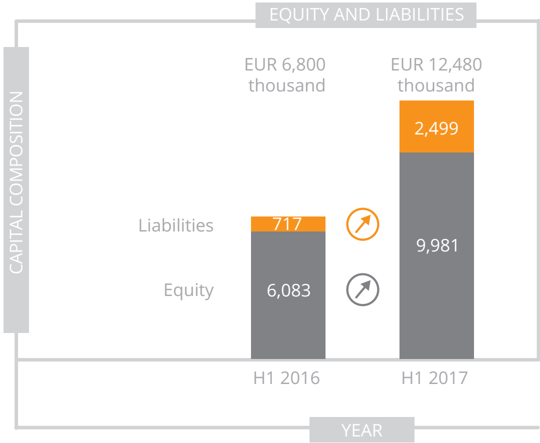
An overview of the origin and use of funds is shown by the statement of cash flows, which has been prepared in accordance with International Financial Reporting Standards (IFRS).

ASSETS



The Bitcoin Group still operates without debt finance. Total current assets rose from EUR 2,893 thousand as at 31 December 2016 to EUR 8,521 thousand as at 30 June 2017, an increase of 195%. This sharp increase was achieved as a result of the higher number of bitcoins held by the company and the general rise in the price of bitcoins. Equity increased by EUR 3,898 thousand to EUR 9,981 thousand in the reporting period as a result of retained earnings (EUR 872 thousand) and other comprehensive income (EUR 4,109 thousand).

EQUITY AND LIABILITIES



ASSET SITUATION

The asset situation and capital structure, and changes in them compared to the previous year are shown by the following summaries of figures (in EUR thousand) taken from the statements of financial position for the reporting periods ended 30 December 2016 and 30 June 2017. Non-current assets increased only slightly by EUR 52 thousand in the first half of 2017. This is essentially due to the rise in intangible assets (EUR 57 thousand). Current assets were up by EUR 5,628 thousand as a result of the higher price of bitcoins held by the company (EUR 4,755 thousand) and cash and cash equivalents (EUR 883 thousand).

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 investments. Taking the free cash flow into account ensures that the financial substance of the company is maintained. The free cash flow is the net amount remaining from cash flows from operating activities and investments.

The most important non-financial indicator is the development in new customers. Here we monitor the media reporting (public media) on public events such as ETF approvals or Blockchain fork rumors. 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, OPPORTUNITIES AND RISKS REPORTT

FORECAST

Review:
The company planned to acquire additional investments in the first half of the financial year. This did not go ahead on account of the small number of Blockchain/Bitcoin companies on the market and insufficient funding.

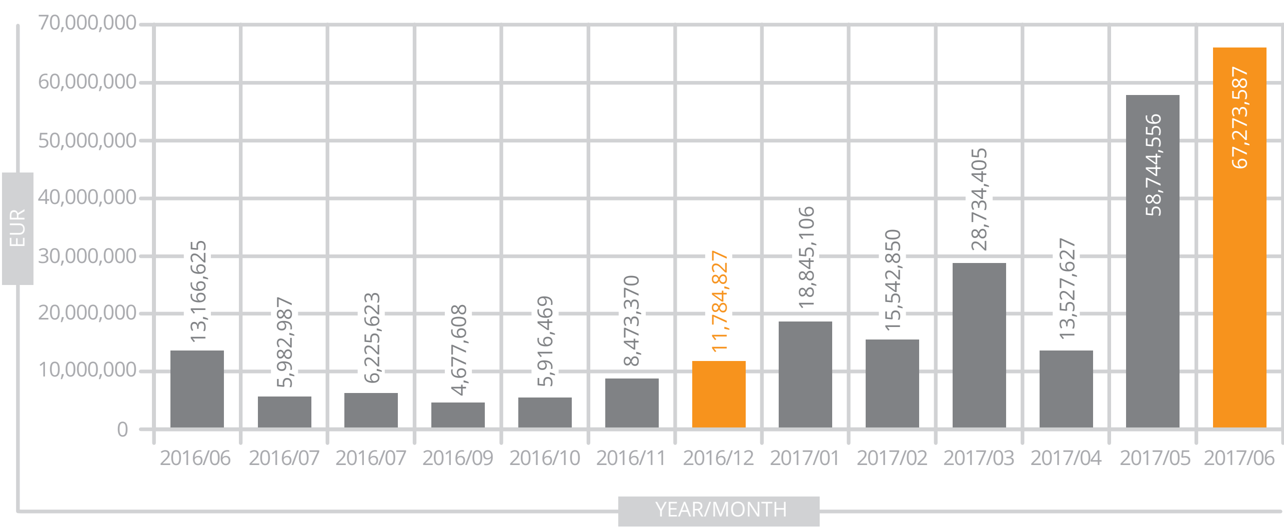
The forecast for a moderately higher, breakeven EBITDA was significantly exceeded on account of the sharp rise in the price of the cryptcurrency Bitcoin, the associated public interest, increased volatility and the strong rise in revenue.

The Bitcoin Group, therefore, ended the first half of 2017 well ahead of expectations.

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

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

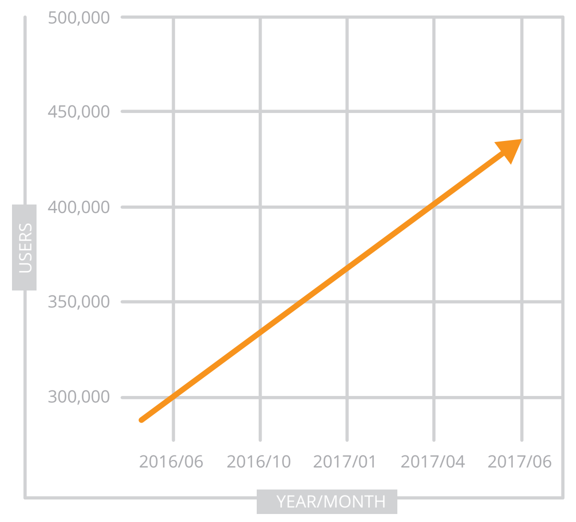
VOLUME TRADED PER MONTH



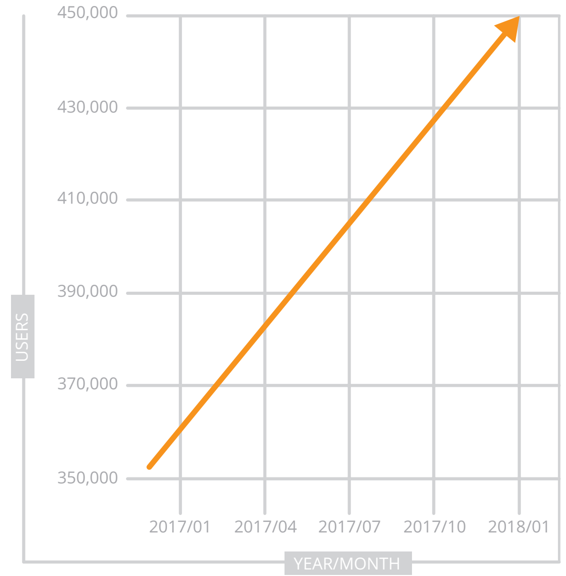
Given the constant growth, the company expects to reach 480,000 registered users by the end of the 2017 financial year (currently: 430,000). In order to better leverage the potential of the larger customer base, further measures are to be implemented to improve usability and customer experience.

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

TOTAL USERS 2016/2017 (13 MONTHS)



FORECAST USERS 2017/2018 (13 MONTHS)



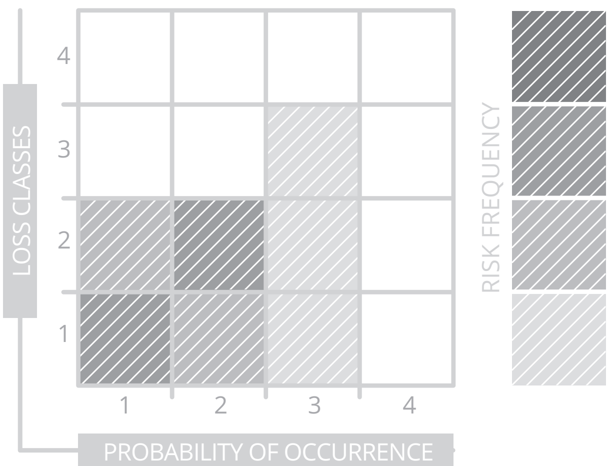
OPPORTUNITIES AND RISKS REPORT

RISK MANAGEMENT SYSTEM

Efficient risk management is intended to systematically identify risks early on in order to take countermeasures in a timely manner and to manage any risks. Risk management is an integral component of Bitcoin Group SE's value-driven and growth-oriented management. Risk management at Bitcoin Group SE, therefore, tracks, 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 the first half of 2017. 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%

RISIKOBEWERTUNG – SCHADENSKLASSEN

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

OPPORTUNITIES AND RISKS

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

MARKET-RELATED OPPORTUNITIES AND RISKS

- 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 net assets, financial position and results of operations (class 2/class 2). By contrast, a positive environment can have an effect not solely due to the value of the individual investment.

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

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

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

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

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

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

BUSINESS-RELATED OPPORTUNITIES AND RISKS

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

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

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

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

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

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

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

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

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

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

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

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

TAKEOVER LAW DISCLOSURES

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

Composition of issued capital

The issued capital of Bitcoin Group SE amounted to EUR 5,000,000 in total on 30 June 2017 (30 June 2016: 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 at 30 June 2017 there were the following direct or indirect holdings in the capital of Bitcoin Group SE exceeding 10% of voting rights: Priority AG, Herford.

Shares with special rights bestowing control

No shares with special rights bestowing control were issued.

Voting right control for interests held by employees

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

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

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

DECLARATION OF COMPLIANCE

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

The Board of Directors of a European company (SE) listed in Germany is legally required in accordance with section 22(6) SEAG in conjunction with section 161 of the German Stock Corporation Act (AktG) to declare once per year whether the officially published recommendations of the Government Commission for the German Corporate Governance Code (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 German Commercial Code (HGB) and section 314(1) no. 6a HGB.

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

The total remuneration of the Managing Director consists of a fixed annual basic remuneration, additional benefits, and a 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), R 3.33 LSt of the German Income Tax Act (EStG). The variable remuneration is performance-based and determined by the earnings generated.

RESPONSIBILITY STATEMENT

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

OVERALL ASSERTIONG

Overall, the Managing Director considers the performance in the first half of 2017 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 the remainder of the 2017 financial year.

DEPENDENT COMPANY REPORT

BY THE MANAGING DIRECTOR

The Managing Director makes the following declaration in accordance with section 312(3) AktG: The Managing Director has produced a dependent company report that concludes:

"There were no reportable events in the period under review."

Herford, 31 July 2017

Michael Nowak
Managing Director

03 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ASSETS

		30 June **2017**	31 December **2016**
	Note	EUR	EUR
Non-current assets			
Intangible assets	4.1.1	59,331.57	1,711.57
Goodwill	4.1.1	3,882,225.95	3,882,225.95
Property, plant and equipment	4.1.1	17,565.95	22,986.00
Total non-current assets		**3,959,123.47**	**3,906,923.52**
Current assets			
Trade receivables from third parties	4.2.2	10,100.00	14,785.62
Other financial assets (receivables from related parties)	4.2.3	0.00	0.00
Available-for-sale financial assets	4.2.4	6,789,245.47	2,034,818.87
Other non-financial assets	4.2.5	7,882.71	12,454.52
Income tax receivables	4.2.7	65,937.50	65,937.50
Cash and cash equivalents	4.2.6	1,647,894.45	765,112.03
Total current assets		**8,521,060.13**	**2,893,108.54**
Total assets		**12,480,183.60**	**6,800,032.06**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EQUITY AND LIABILITIES

		30 June **2017**	31 December **2016**
	Note	EUR	EUR
Equity			
Issued capital	4.3	5,000,000.00	5,000,000.00
Cumulative retained earnings	4.3	872,359.93	52,938.82
Other comprehensive income	4.3	4,108,647.26	1,030,131.18
Total equity		**9,981,007.19**	**6,083,070.00**
Non-current liabilities			
Deferred tax liabilities	4.4.5	1,760,848.83	441,484.79
Total non-current liabilities		**1,760,848.83**	**441,484.79**
Current liabilities			
Trade payables to third parties	4.4.2	17,194.63	26,135.41
Other financial liabilities (liabilities to related parties)	4.4.3	0.00	36,884.68
Other non-financial liabilities	4.4.1	239,766.44	127,090.67
Income tax liabilities	4.4.4	481,366.51	85,366.51
Total current liabilities		**738,327.58**	**275,477.27**
Total assets		**12,480,183.60**	**6,800,032.06**

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 30 June 2017

		1 January to 30 June **2017**	1 January to 30 June **2016**
	Note	EUR	EUR
Revenue	5.1	1,770,617.43	775,466.21
Other operating income	5.2	9,732.37	6,549.56
Cost of materials	5.3	-73,550.12	-63,648.40
Cost of staff	5.4	-322,461.79	-220,841.42
Depreciation and amortization	5.5	-7,701.42	-8,240.06
Other operating costs	5.6	-336,446.94	-396,167.90
Operating result		1,040,189.53	93,117.99
Other financial income		180,160.58	265,629.67
Other financial costs		-15.00	0.00
Financial result	5.7	180,145.58	265,629.67
Earnings before income taxes		1,220,335.11	358,747.66
Income taxes	5.8	-400,914.00	-102,810.78
Net profit for the period		**819,421.11**	**255,936.88**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

	Issued capital	Capital reserves	Other comprehen-sive income	Profit/loss carried forward	Net profit for the year	Equity
Note	4.3	4.3	4.3	4.3	4.3	4.3
	EUR	EUR	EUR	EUR	EUR	EUR
As at 1 January 2016	**5,000,000.00**	**0.00**	**514,590.77**	**-61,212.75**	**0.00**	**5,453,378.02**
Total compre-hensive income for H1 2016	0.00	0.00	506,986.83	0.00	255,936.88	762,923.71
Appropriation of net profit for the year			0.00	255,936.88	-255,936.88	0.00
As at 30 June 2016	**5,000,000.00**	**0.00**	**1,021,577.60**	**194,724.13**	**0.00**	**6,216,301.73**
As at 1 January 2017	**5,000,000.00**	**0.00**	**1,030,131.18**	**52,938.82**	**0.00**	**6,083,070.00**
Total compre-hensive income for H1 2017	0.00	0.00	3,078,516.08	0.00	819,421.11	3,897,937.19
Appropriation of net profit for the year			0.00	819,421.11	-819,421.11	0.00
As at 30 June 2017	**5,000,000.00**	**0.00**	**4,108,647.26**	**872,359.93**	**0.00**	**9,981,007.19**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 June 2017

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

Note	1 January to 30 June **2017** EUR	1 January to 30 June **2016** EUR
6		
	1,220,335.11	358,747.66
	7,701.42	8,240.06
	3,078,516.08	506,986.83
	4,685.62	152,641.50
	0.00	7,499.81
	-4,749,854.79	-694,073.19
	-8,940.78	20,350.74
	-36,884.68	-5,227.42
	1,828,039.81	297,775.33
	-400,914.00	-102,810.78
	-10.92	-83.78
	942,683.79	**550,130.53**
	-59,901.37	-1,152.98
	0.00	0.00
	-59,901.37	**-1,152.98**
	0.00	**0.00**
	882,782.42	548,977.55
	765,112.03	475,257.49
	1,647,894.45	**1,024,235.04**
	1,647,894.45	1,024,235.04
	1,647,894.45	**1,024,235.04**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2017 (IFRS)

1. BITCOIN GROUP SE

1.1 GENERAL INFORMATION

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

The parent company of the Bitcoin Group SE group (formerly: AE Innovative Capital AG) 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 an 89.22% subsidiary of Priority AG, Herford. There is no control agreement.

The interim 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.

The unaudited interim consolidated financial statements cover the period from 1 January to 30 June 2017.

1.2 CONSOLIDATED GROUP

The interim 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 interim 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 interim consolidated financial statements as a subsidiary.

As the parent company, Bitcoin Group SE held 100% of shares in Bitcoin Deutschland AG as at 31 December 2016 and 30 June 2017. The company is fully consolidated.

1.3 PRINCIPLES OF CONSOLIDATION

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

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

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

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

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 GENERAL INFORMATION

PRINCIPLES OF ACCOUNTING

The condensed interim consolidated financial statements as at 30 June 2017 (interim consolidated financial statements) were prepared for the purposes of interim financial reporting in accordance with section 37w(3) of the German Securities Trading Act (WpHG) and are consistent with the International Financial Reporting Standards (IFRSs) as applicable in the European Union. The accounting policies applied in the interim consolidated financial statements, which were prepared on the basis of International Accounting Standard (IAS) 34 are the same as those used in the audited and published IFRS consolidated financial statements of Bitcoin Group SE as at 31 December 2016 (2016 consolidated financial statements).

The option to prepare condensed interim consolidated financial statements was exercised. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were binding as at the end of the reporting period were taken into account. Furthermore, the interim financial reporting is consistent with the German Accounting Standard (DRS) no. 16 Interim Financial Reporting of the German Accounting Standards Committee (DRSC).

Please refer to the 2016 consolidated financial statements for detailed information on the accounting policies applied.

The directors of Bitcoin Group SE approved the interim consolidated financial statements on 31 July 2017.

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

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

The income statement contained in 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 interim consolidated financial statements are presented below. Unless stated otherwise, these principles were applied uniformly to all financial years presented.

When preparing the interim consolidated financial statements, the 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, the management is also required to apply the accounting principles according to its own judgement. 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 interim consolidated financial statements have been prepared in accordance with the historical cost principle. The historical cost is based on the respective value of the consideration given for assets. This is based on the fair value of the consideration.

The fair value is the price that would be paid on the measurement date for the sale of an asset or for the transfer of a liability in a transaction between market participants under normal market conditions, regardless of whether the price is directly observable or is estimated using other measurement methods. When estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability to the extent that market participants would also consider these characteristics when determining the fair value of the asset or the liability on the measurement date. Fair value is calculated on this basis for the purpose of measurement or inclusion in the financial statements; an exception to this is share-based payment transactions in accordance with IFRS 2, leases in accordance with IAS 17 and items measured at net realizable value in accordance with IAS 2 or value in use in accordance with IAS 36, whereby these values are similar to but not the same as fair value. The measurement of fair value for financial reporting purposes is divided into level 1, level 2 and level 3, depending on the observability of the input used in the measurement of the respective fair value and the significance of these inputs to the measurement of fair value as a whole.

This measurement hierarchy is described as follows:

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

2.3 NEW IASB ACCOUNTING STANDARDS

The following new and amended standards and interpretations of the IASB were applied for the first time in the interim consolidated financial statements:

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

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

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

3. ACCOUNTING POLICIES

The interim consolidated financial statements are based on the same uniform accounting policies as in the preceding financial years.

3.1 CURRENCY TRANSLATION

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

3.2 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets include purchased software and domains.

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

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

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

The amortization period for purchased software is three years. Purchased domains have an unlimited useful life and are not amortized. The capitalized carrying amount of domains is tested for impairment in accordance with IAS 36 once per year or more frequently if there are indications of impairment.

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:

	Useful life in years
Technical equipment, and other equipment, operating and office equipment	2 - 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 the management and the assumption of perpetual annuity for the years after the detailed planning period. Detailed planning of future cash flows based on cash flow before interest and taxes less maintenance, and replacement investments is prepared for a time horizon of three years. The cash flows calculated are discounted to determine the value in use of the cash-generating unit. The value in use is compared against the associated carrying amount. If this is less than the carrying amount of the cash-generating unit, goodwill impairment is recognized in profit or loss.

3.4 CASH AND CASH EQUIVALENTS

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

3.5 FINANCIAL INSTRUMENTS

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

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

Loans and receivables

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

Derivatives

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

3.6 EQUITY

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

3.7 LIABILITIES

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

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

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

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

3.8 PROVISIONS

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

3.9 REVENUE RECOGNITION

Revenue is recognized in accordance with IAS 18. Revenue is measured at the fair value of the consideration received or yet to be received for services by Group companies in the normal course of business.
Revenue is reported without VAT, discounts or price reductions. Revenue and other operating income are recognized

after service is rendered by the company. In order to recognize revenue, it must be possible to reliably determine its amount and it must be probable that the economic benefits associated with the transaction will flow to the company.

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

Interest income from a financial asset is recognized when it is probable that the economic benefits from the principal amount outstanding and the effective interest rate applied will be available to the company on time. The effective interest rate is the rate 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. The effect of changes in tax rates on deferred tax assets and liabilities is reported in profit or loss in the period in which the amendments are resolved by lawmakers or in the period to which a legal amendment already resolved is set to apply.

3.12 BUSINESS SEGMENTS

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

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

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

4. NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1 NON-CURRENT ASSETS

4.1.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

All figures in EUR	Intangible assets	Goodwill	Property, plant and equipment	Total
Acquisition cost				
As at 1 January 2017	3,495.57	3,882,225.95	74,514.89	3,960,236.41
Additions	57,620.00		2,281.37	1,152.98
Disposals	0.00		0.00	0.00
As at 30 June 2017	61,115.57	3,882,225.95	76,796.26	4,020,137.78
Depreciation and amortization				
As at 1 January 2017	1,784.00		51,528.89	36,494.26
Additions	0.00		7,701.42	8,241.06
Disposals	0.00		0.00	0.00
As at 30 June 2017	1,784.00		59,230.31	44,735.32
Carrying amounts				
As at 1 January 2017	1,711.57	3,882,225.95	22,986.00	3,906,923.52
As at 30 June 2017	59,331.57	3,882,225.95	17,565.95	3,959,123.47
Acquisition cost				
As at 1 January 2016	3,495.57	3,882,225.95	71,339.26	3,957,060.78
Additions	0.00		596.00	596.00
Disposals	0.00		0.00	0.00
As at 31 December 2016	3,495.57	3,882,225.95	74,514.89	3,960,236.41
Depreciation and amortization				
As at 1 January 2016	1,686.00		34,808.26	19,801.26
Additions	98.00		16,720.63	16,693.00
Disposals	0.00		0.00	0.00
As at 31 December 2016	1,784.00		51,528.89	36,494.26
Carrying amounts				
As at 1 January 2016	1,809.57	3,882,225.95	36,531.00	3,920,566.52
As at 31 December 2016	1,711.57	3,882,225.95	22,986.00	3,906,923.52

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

4.2 CURRENT ASSETS

4.2.2 TRADE RECEIVABLES FROM THIRD PARTIES

All trade receivables in the first half of 2017 and the previous years have a remaining term of up to one year.

The Group did not receive any collateral for trade receivables in the first half of 2017. As at the end of the reporting period there were no indications that the receivables might not be settled on maturity.

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

4.2.3 OTHER FINANCIAL ASSETS (RECEIVABLES FROM RELATED PARTIES)

There were no receivables from the parent company as at 30 June 2017 or the same date the previous year.

4.2.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

All figures in EUR thousand	**Fair value**	**Carrying amount**
30 June 2017	6,789	920
31 December 2016	2,035	563

4.2.5 OTHER NON-FINANCIAL ASSETS (CURRENT)

As at 30 June 2017, this item includes input tax amounts of EUR 7 thousand (2016: EUR 12 thousand) that cannot be claimed until next year.

4.2.6 CASH AND CASH EQUIVALENTS

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

4.2.7 INCOME TAX ASSETS

The item includes corporation tax and trade tax assets.

4.3 EQUITY

The issued capital of Bitcoin Group SE is the fully paid-in share capital of EUR 5,000,000.

The share capital is divided into 5,000,000 bearer shares. By way of the contribution of Bitcoin Deutschland AG shares on 29 September 2015, effective 24 October 2014, the share capital of EUR 300,000 was increased to EUR 5,000,000. The majority shareholder Priority AG transferred shares in Bitcoin Deutschland AG by way of non-cash contribution against subscription of 4,700,000 new shares, each representing EUR 1,00 of the company's share capital. All shares have the same rights.

The effects of the revaluation of assets held for sale (bitcoins) are reported in other comprehensive income as unrealized gains or losses (H1 2017: EUR 4,109 thousand; 2016: EUR 1,030 thousand).

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

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

4.4 LIABILITIES AND PROVISIONS

4.4.1 OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities essentially comprise liabilities due to staff matters (H1 2017: EUR 69 thousand; 2016: EUR 30 thousand), liabilities for the preparation and audit of the financial statements (H1 2017: EUR 33 thousand;

2016: EUR 41 thousand), wage and church tax liabilities, including social security contributions, of EUR 31 thousand (2016: EUR 6 thousand), VAT liabilities (H1 2017: EUR 29 thousand; 2016: EUR 12 thousand) and miscellaneous liabilities of EUR 78 thousand (2016: EUR 38 thousand).

4.4.2 TRADE PAYABLES TO THIRD PARTIES

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

4.4.3 OTHER FINANCIAL LIABILITIES (LIABILITIES TO RELATED PARTIES)

There were liabilities to Priority AG and Softjury GmbH of EUR 37 thousand in the previous year.

4.4.4 INCOME TAX LIABILITIES

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

4.4.5 DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized for the revaluation of bitcoins. The effect is shown in equity (H1 2017: EUR 1,761 thousand; 2016: EUR 441 thousand). Deferred taxes on valuation adjustments were calculated using the tax rates applicable in Germany. As all matters in connection with deferred taxes arose in Germany, an average tax rate of 30% is assumed for the financial year. The reconciliation of taxes has not been shown as the deferred taxes are exclusively reported in equity under other comprehensive income.

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUE

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

Further information on revenue recognition can be found in note 3.8 above.

All revenue was generated in Germany.

5.2 OTHER OPERATING INCOME

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

5.3 COST OF MATERIALS

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

5.4 COST OF STAFF

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

All figures in EUR	**H1 2017**	**H1 2016**
Wages and salaries	282,621	186,303
Social security contributions	39,841	34,538
Total	**322,462**	**220,841**

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

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

Average number of employees	**H1/2017**	**H1/2016**
Employees	8	7
of which executive employees	1	1

5.5 DEPRECIATION AND AMORTIZATION

The amortization of intangible assets and depreciation of property, plant, and equipment are shown in the company's statement of changes in non-current assets under note 4.1.1.

5.6 OTHER OPERATING COSTS

Other operating expenses essentially consist of purchased services (EUR 83 thousand) and network fees (EUR 82 thousand). Other key cost components are financial statement and audit costs (EUR 39 thousand), legal and consulting costs (EUR 24 thousand), server hosting (EUR 12 thousand), postage/telephone costs (EUR 12 thousand) and incidental transaction costs (EUR 9 thousand).

5.7 FINANCIAL RESULT

The financial result essentially reflects the effects of the revaluation of the bitcoins held by the company. Income from exchange rate effects amounts to EUR 180 thousand for the first half of 2017 (H1 2016: EUR 266 thousand).

5.8 INCOME TAXES

The tax expense results from corporation tax of EUR 205 thousand (H1 2016: EUR 55 thousand) and trade tax of EUR 196 thousand (H1 2016: EUR 48 thousand).

6. STATEMENT OF CASH FLOWS

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

The "Cash and cash equivalents" items consists of cash and cash equivalents.

Interest paid amounts to EUR 15.00 (H1 2017: EUR 10.85).

7. RELATED PARTY DISCLOSURES

Intangible assets (the domains bitcoin.de and bitcoins.de) were acquired from the majority shareholder, Priority AG, Herford, for EUR 57 thousand. The two domains were acquired by Priority AG in 2011 through the domain broker Sedo owing to a lack of funds at Bitcoin Deutschland AG. In the first half of 2017, Bitcoin Deutschland AG has now exercised the option granted at the time and acquired the domains from Priority AG. Furthermore, movable assets were rented from Priority AG (EUR 2 thousand) and accounting services were purchased in the amount of EUR 3 thousand. Consulting and management services in the amount of EUR 14 thousand were purchased in the previous period.

Services amounting to EUR 17 thousand were purchased from related parties in the first half of 2017 (H1 2016: EUR 0 thousand).

8. KEY CONTRACTS OF THE GROUP

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

Fidor Bank AG, Munich, provides the Group 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 of the German Banking Act (KWG). The services performed by the broker in accordance with the above are therefore considered a financial service for which a permit is required in the form of 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 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

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

Given the short terms of trade receivables, receivables from related parties, other current receivables, and cash and cash equivalents, it is assumed that the fair values are approximately equal to the carrying amounts.

There were no receivables with remaining terms of more than one year in either the reporting year or the previous year.

10. MANAGEMENT OF THE RISKS OF FINANCIAL INSTRUMENTS

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

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

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

Significant effects can be expected, for example, from a change in the Bitcoin exchange rate. If the price of bitcoins were to increase by EUR 1.00, the holdings as at 31 December 2016 would increase by EUR 2,238 (2015: EUR 3,060; 2014: EUR 2,185). A default of 5%, based on 31 December 2016, would have an earnings effect of EUR 739 (2015: EUR 9,497; 2014: EUR 3,300).

Risk of default

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

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

Interest rate risk

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

Liquidity risk

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

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

Currency risk

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

Market risk

The market risk to the company lies in the falling number of bitcoin transactions. Bitcoin trading is subject to several risks and uncertainties as the cryptocurrency is still relatively young. The bitcoin trading volume has achieved steady growth over recent years. The Group tracks the trading volume. Any risk is monitored on an ongoing basis. For further information please see note 4.2.4.

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 capital, is monitored by the Group depending on its net assets, financial position and results of operations. There were no financial liabilities in either the reporting year or the previous year.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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.

Director of the company	**30 June 2017**	**31 December 2016**
Managing Director	Michael Nowak	Michael Nowak

Mr. Michael Nowak, Herford, is entered in the commercial register as the Managing Director. As per his agreement, the Managing Director did not receive any remuneration for his activities in the first half of 2017.

Board of Directors as at 30 June 2017
The following persons were members of the Board of Directors in the past financial year:

- Martin Rubensdörffer (lawyer), Remscheid
- Frank Schäffler (business management graduate), Bünde
- Prof. Dr. Rainer Hofmann (university professor), Ludwigshafen

The remuneration of the above members of the Board of Directors amounted to EUR 9 thousand in the first half of 2017.

Board of Directors as at 31 December 2016

The following persons were members of the Board of Directors in the 2016 financial year:

- Martin Rubensdörffer (lawyer), Remscheid
- Frank Schäffler (business management graduate), Bünde
- Frank Roebers (CEO, businessman), Holte-Stukenbrock (until 29 August 2016)
- Prof. Dr. Rainer Hofmann (university professor), Ludwigshafen (from 29 August 2016)

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

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

All figures in EUR thousand	30 June 2017	31 December 2016
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**

Herford, 31 July 2017

Michael Nowak

Managing Director

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Chairman of the Board of Directors: Martin Rubensdörffer

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