blockescence plc

168 St. Christopher Street
Valletta VLT1467 / Malta

Interim Consolidated Financial Statements

**for the reporting period from
1 January to 30 June 2018**

Content

blockescence plc, Malta

Consolidated Statement of Financial Position as of 30 June 2018

Assets

	Notes	30 June 2018 kEUR	31 December 2017 kEUR
A. Non-current assets			
I. Property, plant and equipment	7.1	2,565	551
II. Intangible assets	7.2	193,465	841
III. Trade and other receivables	7.6	0	931
IV. Financial assets	7.3	271	126
V. Shares in associated companies	7.4	5,359	0
VI. Deferred tax assets	8.9	7,263	842
Total non-current assets		**208,923**	**3,291**
B. Current assets			
I. Property inventories	7.5	0	92,292
II. Trade and other receivables	7.6	8,569	2,789
III. Cash and cash equivalents	7.7	1,322	406
Total current assets		**9,891**	**95,487**
Total assets		**218,814**	**98,778**

blockescence plc, Malta

Consolidated Statement of Financial Position as of 30 June 2018

Shareholders' equity and liabilities

	Notes	30 June 2018 kEUR	31 December 2017 kEUR
A. Shareholders' equity	7.8		
I. Common stock		40,800	40,800
II. Capital reserves		1,125	6
III. Retained earnings (previous year: accumulated losses)		2,041	-4,354
IV. Amounts recognised directly in equity relating to currency translation adjustments		-32	-8
V. Non-controlling interest		101,321	3,515
Total shareholders' equity		**145,255**	**39,959**
B. Non-current liabilities			
I. Financial liabilities	7.9	12,028	28,049
II. Leasing liabilities		331	0
II. Other payables	7.11	0	120
III. Deferred tax liabilities	8.9	14,134	7,422
Total non-current liabilities		**26,493**	**35,591**
C. Current liabilities			
I. Financial liabilities	7.9	8,910	16,967
II. Leasing liabilities		847	0
III. Trade payables	7.10	8,707	1,124
IV. Current tax liabilities		101	1,122
V. Other payables	7.11	24,807	691
VI. Provisions	7.12	3,694	3,324
Total current liabilities		**47,066**	**23,228**
Total shareholders' equity and liabilities		**218,814**	**98,778**

blockescence plc, Malta

Consolidated Income Statement
for the period 1 January to 30 June 2018

	Notes	1 January to 30 June 2018 kEUR	1 January to 30 June 2017 kEUR
Continuing operations			
Sales revenue	8.1	8,896	30
Other own work capitalised	8.2	704	0
Other operating income	8.3	809	0
Cost of purchased services	8.4	-1,753	0
Personnel expenses	8.5	-2,489	0
Other operating expenses	8.6	-3,431	-218
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**2,736**	**-188**
Depreciation and amortisation	8.7	-2,177	-15
Earnings before interest and taxes (EBIT)		**559**	**-203**
Financial expense	8.8	-291	-15
Financial income	8.8	17	1
Earnings before taxes (EBT)		**285**	**-217**
Income taxes	8.9	379	0
Result from continuing operations, net of income tax		**664**	**-217**
Discontinued operations			
Result from discontinued operations	8.10	5,093	-1,786
Consolidated profit		**5,757**	**-2,003**
Attributable to:			
Owners of the Company		5,851	-1,842
Non-controlling interests		-94	-161
Earnings per share	8.11		
From continuing and discontinued operations		0.14	-0.05
From continuing operations		0.02	-0.05

blockescence plc, Malta

Consolidated Statement of Comprehensive Income
for the period 1 January to 30 June 2018

	Notes	1 January to 30 June 2018 kEUR	1 January to 30 June 2017 kEUR
Consolidated profit		**5,757**	**-2,003**
Items that will be reclassified subsequently to profit and loss under certain conditions			
Exchange differences on translating foreign operations		-24	-5
		-24	-5
Items that will not be reclassified subsequently to profit and loss		0	0
Other comprehensive income, net of income tax		**-24**	**-5**
Total comprehensive income		**5,733**	**-2,008**
Atributable to:			
Owners of the Company		5,827	-1,847
Non-controlling interests		-94	-161

blockescence plc, Malta

Consolidated Statement of Changes in Shareholders' Equity
for the period
1 January to 30 June 2018

	Common stock		Capital reserves	Retained Earnings	Amounts recognised directly in equity relating to currency translation adjustments	Shareholders' equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
	Shares thousands	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR
Balance at 1 January 2017	**40,800**	**40,800**	**-**	**1,392**	**5**	**42,197**	**4,026**	**46,223**
Consolidated profit				-1,842		-1,842	-161	-2,003
Other comprehensive income					-5	-5		-5
Total comprehensive income	**-**	**-**	**-**	**-1,842**	-5	-1,847	-161	-2,008
Balance at 30 June 2017	**40,800**	**40,800**	**-**	**-450**	**-**	**40,350**	**3,865**	**44,215**
Balance at 1 January 2018	**40,800**	**40,800**	**6**	**- 4,354**	**- 8**	**36,444**	**3,515**	**39,959**
Consolidated profit				5,851		5,851	-94	5,757
Other comprehensive income					-24	-24	0	-24
Total comprehensive income	**-**	**-**	**-**	5,851	-24	5,827	-94	5,733
Addition of non-controlling interest (minority interest) due to disposal of shares				544		544	-42	502
Addition of non-controlling interest (minority interest) due to acquisition of projects							-30	-30
Disposal of non-controlling interest (minority interest) due to disposal of subsidiaries							-3,364	-3,364
Disposal of granted option rights (minority interest) due to disposal of subsidiaries			-6			-6		-6
Addition of non-controlling interest (minority interest) due to business combinations							101,336	101,336
Proceeds from an unregistered capital increase			1,125			1,125		1,125
Balance at 30 June 2018	**40,800**	**40,800**	**1,125**	**2,041**	**- 32**	**43,934**	**101,321**	**145,255**

blockescence plc, Malta

Consolidated Cash Flow Statement
for the period
1 January to 30 June 2018

	Notes	1 January to 30 June 2018 kEUR	1 January to 30 June 2017 kEUR
Cash flows from operating activities			
Consolidated profit for the year		5,757	-2,003
Income tax recognised in profit and loss		-379	134
Financial expense recognised in income statement		291	1,024
Financial income recognised in income statement		-17	-25
Gain from sale of subsideries		-7,065	-
Depreciation and amortisation		2,177	211
Movements in working capital:			
Increase (-)/(decrease) in inventories as well as trade and other receivables		-15,741	10,316
Increase/ decrease (-) in trade payables, provisions and other payables		6,515	-510
Other non-cash income and expenses		274	0
Cash generated from operations		**-8,188**	**9,147**
Interest paid		-560	-467
Interest received		1	25
Income taxes paid		-	2
Net cash used in (-) /generated by operating activities		**-8,747**	**8,707**
- thereof from discontinued operations		-10,476	8,764
Cash flows from investing activities			
Net cash inflow from the acquisition of subsidiaries (cash and cash equivalents received)	5	754	0
Net cash outflow from sale of subsidiaries (cash and cash equivalents given)	4	-611	0
Proceeds from the disposal of tangible assets		-	32
Payments for the acquisition of property, plant and equipment		-215	-207
Payments for the acquisition of intangible assets		-113	-
Net cash used in investing activities		**-185**	**-175**
- thereof from discontinued operations		-611	-175
Cash flows from financing activities			
Proceeds from issuing equity instruments of the Company	7.8	1,125	0
Proceeds from borrowings		12,718	21,201
Payments for the repayment of loans		-3,527	-26,834
Payments for the granting of loans		-468	0
Net cash provided by/used in (-) financing activities		**9,848**	**-5,633**
- thereof from discontinued operations		11,292	-5,633
Net increase in cash and cash equivalents		**916**	**2,899**
Cash and cash equivalents at the beginning of the reporting period		406	1,461
Cash and cash equivalents at the end of the reporting period		**1,322**	**4,360**

1 GENERAL INFORMATION

blockescence plc ("the Company") is a limited liability company founded in Malta on 21 March 2011 and renamed from Solidare Real Estate Holding plc in blockescence plc in the course of a realignment of the investment focus on 31 May 2018. The Company is the parent holding company of blockescence services AG and Samarion SE, Germany, which holds 35.53% of the shares and 53,1 % of the voting rights of gamigo AG, Germany, as a key investment of the Group. The blockescence plc and their subsidiaries form the blockescence-Group. As of 30 June 2018, the major shareholder of blockescence plc was Bodhivas GmbH, Germany, with 73.65% of the shares of the Company.

The Company is registered with the Registry of Companies in Malta, registration number C 52332 with its registered office at 168 St. Christopher Street, Valetta, VLT1467, Malta.

blockescence focusses on the implementation of a distributed ledger technology (DLT or blockchain) in industries, that can be fundamentally changed by it. Business purpose is the selection of appropriate industries and the acquisition of key companies, to unlock and build up values through the application of DTL-technology and the active take-over of operative management for the blockescence as investment company.

The online-gaming industry has been identified as a promising investment target by blockescence plc, whose essential problems can be solved with blockchain-based instruments and processes that are omnipresent in the whole sector. Therefore, the gamigo AG, as one of the leading companies in the online-gaming sector in Europe has been indirectly acquired. After this acquisition, the Board of Directors decided to accept an offer from Suryoyo Holding GmbH to dispose all shares in the solidare real estate holding GmbH that bundles the real estate business of the Group, to Suryoyo Holding GmbH. We refer to the sections 4 and 5 of these Notes for further details regarding the acquisition and disposal process.

Furthermore, blockescence plc can acquire, hold and dispose other investments (e.g. shares, stocks, bonds, securities and other assets of companies as well as investments in fonds and assets) that support the above stated business purpose and that the Board of Directors consider necessary, as has been the case hitherto.

2 ACCOUNTING PRINCIPLES

The interim consolidated financial statements of the blockescence-Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in consideration of the interpretation of the IFRS Interpretations Committee (IFRIC) as adopted by the EU. The interim consolidated financial statements as of 30 June 2018 were prepared in accordance with the principles of IAS 34. The Notes are presented in condensed form. The interim consolidated financial statements of the blockescence-Group as of 30 June 2018 have been neither subject to a full scope audit nor subject to a limited review by a statutory auditor.

In the preparation of the interim consolidated financial statements, the accounting standards and interpretation have been used valid as of 1 January 2018. Additionally the new leasing standard IFRS 16 has been adopted early as of 1 January 2018. The interim consolidated financial statements as of 30 June 2018 were prepared using the same accounting and valuation methods as the preceding consolidated financial statements as of 31 December 2017, except for the following:

- **Change of the structure of the consolidated income statement**

In the reporting period, the interim consolidated income statement was structured in accordance with the nature of expense method for the first time. This leads to a changed composition and designation of the interim consolidated income statement items. The structure was changed because the management of material subsidiaries as well as the Board of Directors of the Company use the cost of expenses for management control, due to the changes in the operative activities. The structure therefore increases the relevance for the addressees of the interim consolidated financial statements and improves the insight in the finance, earnings and asset situation of the blockescence-Group.

The change of the interim consolidated income statement structure did not affect the net result, nonetheless the comparative figures of the prior period have been adjusted because of a changed classification of own work capitalised by the Group. In accordance with the function-of-expense-method the expenses have been formally reduced by the corresponding own work capitalised, while they are stated in a separate position applying the nature-of-expense-method. The comparative figures for the period from 1 January 2017 to 30 June 2017 were therefore adjusted by own work capitalised amounting to kEUR 614, while the Group result has not changed. Because of the disposal of the solidare real estate holding GmbH in the first half of 2018 the adjusted interim consolidated income statement positions are included in the net income from discontinued operations, we also refer to section 8.10 of these Notes.

Beyond that, the effects of the standards and interpretations, which became effective for the first time for fiscal years starting on 1 January 2018 are as follows:

- **IFRS 9 "Financial instruments"**

Since 1 January 2018, the Group applies IFRS 9 "Financial Instruments", which replaces the previous standard IAS 39. Additionally the Group applies the alteration to IFRS 9 regarding early terminable financial assets with a negative early discharge, since then.

IFRS 9 includes a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of their cash flows. These criteria determine whether the instrument is to be measured in the subsequent measurement at acquisition costs or at fair value. Compared to IAS 39, a further difference is the newly developed model of expected credit losses (Expected-Loss-Model). The basic principle of the Expected-Loss-Model is the disclosure of the development of deterioration or improvement in the credit quality of the financial instruments. Furthermore the standard contains changes regarding hedge accounting.

Concerning the applicable valuation model there were no changes caused by the adoption of IFRS 9. All financial assets and liabilities are still measured at amortized costs. Excepted from this are the derivative financial liabilities, which are still measured at fair value. A complete reconciliation of the financial instruments from IAS 39 to IFRS 9 can be found in section 11.1 of these Notes. Even the application of the expected-loss-model did not lead to a different impairment requirement as of transition date. The changes regarding hedge accounting are irrelevant for the Group, as no hedging instruments are used as of transition date.

The adoption of IFRS 9 therefore has no impact on the interim consolidated financial statements as of 30 June 2018. An adjustment of comparative information was not necessary either.

- **IFRS 15 "Revenue from Contracts with Customers"**

Since 1 January 2018, the Group first-time applies IFRS 15, which specifies the revenue recognition.

The standard introduces a new five-step model framework for the revenue recognition from contracts with customers:

(1) Identify the contract(s) with a customer

(2) Identify the performance obligations in the contract

(3) Determine the transaction price

(4) Allocate the transaction price to the performance obligations in the contract

(5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The adoption of the standard does not have an impact on the various types of revenue (rental income, other income from asset management as well as income from the sale of real estate and other income from property development and sales) that occur as of transition date, as already explained in the consolidated financial statements as of 31 December 2017. Operating costs and the corresponding earnings are still shown unbalanced in the income statement according to IFRS 15, therefore the presentation is consistent and an explicit disclosure of net rent and rent including incidental cost is achieved. Also for the revenue recognition over time, there are no changes regarding the recognition of income from operating costs. Due to the fact that there are no changes regarding the other remaining revenue types either, the application of IFRS 15 has no impact on the consolidated financial statements. An adjustment of the comparative information of prior periods was not necessary either.

- **IFRS 16 “Leases“**

The Group decided to early adopt IFRS 16 “Leases” as of 1 January 2018, which replaces IAS 17.

For the lessee, the standard prescribes a new one (single) accounting model. This model causes the lessee to recognise all assets and liabilities from lease contracts in the statement of financial position (balance sheet), except for short-term leases and leases of low value assets (each option). According to IFRS 16, the lessee recognises a lease liability in the statement of financial position (balance sheet) for all leases in the amount of the present value of the future lease payments plus directly attributable costs and simultaneously activates a corresponding right to use the underlying asset. During the lease term, the lease liability is mathematically updated similar to the regulations of the previous IAS 17 for finance leases. Right-of-use assets that are not investment properties according to IAS 40 are amortised on schedule. Rights of use for investment properties that are measured at fair value according to IAS 40 are measured in accordance with the common accounting and valuation principles of IAS 40.

The standard offers different possibilities for the consideration existing lease contracts as of transition date. The blockescence-Group decided to use the modified retrospective approach, therefore an adjustment of the prior year figures was not necessary. Under this approach, the liabilities from leasing agreements as of transition date are measured with the present value of the future lease payments, discounted at the incremental borrowing rate. Assets from leasing agreements can be measured as of transition date with the value of the corresponding liabilities.

Per transition date 1 January 2018, the Group examined all contracts and lease agreements and whether they fall within the scope of IFRS 16. The existing lease agreements of the Group as of transition date, however are within the scope of the exceptions for short-term leases (leased administrative offices and company cars) and for low value assets (office equipment). The Group made use of the accounting relief as of 1 January 2018, and therefore did not applied the right-of-use model according to IFRS 16 for the above mentioned lease agreements. With the acquisition of Samarion SE on 9 May 2018 blockescence plc also acquired lease agreements that are within the scope of IFRS 16. Because of the new affiliation to blockescence plc the prior Samarion SE subgroup had to retrospectively apply IFRS 16 as of 1 January 2018. Therefore the blockescence-Group Recognised lease assets amounting to kEUR 1,178 and lease liabilities at an amount of kEUR 1,178 (thereof kEUR 847 short-term lease liabilities and kEUR 331 long-term lease liabilities) in the interim consolidated statement of financial position.

3 CHANGES IN THE SCOPE OF CONSOLIDATION

During the reporting period, the Company re-oriented its investment focus and investment strategy with the aim of generating accelerated and sustained value for its shareholders. The scope of consolidation has changed considerably due to the realignment in the reporting period due to the sale and acquisition of subsidiaries.

Scope of consolidation	fully consolidated subsidiaries	Associated companies	Total
Balance at 1 January 2018	**20**	**0**	**20**
De-consolidations	19	0	19
Subsidiaries included for the first-time in the scope of consolidation	16	1	17
Balance at 30 June 2018	**17**	**1**	**18**

A list of all de-consolidated companies and companies included in the scope of consolidation for the first time is provided in section 3.1 (de-consolidations) and 3.2 (initial consolidation) of these Notes.

3.1 Deconsolidations

The following companies were de-consolidated during the reporting period:

Entity	Place of incorporation	Proportion of ownership interest
Direct consolidated entities		
solidare real estate holding GmbH	Germany	100.00 %
Indirect consolidated entities		
4. Rigi Property GmbH	Germany	100.00 %
7. Rigi Property GmbH	Germany	100.00 %
Pecunia Facility Services GmbH	Germany	100.00 %
Pilatus II Holding GmbH	Germany	100.00 %
Pilatus SR Holding GmbH	Germany	100.00 %
Primus Asset Management GmbH	Germany	100.00 %
Prodomi Wohnservice GmbH	Germany	100.00 %
Promas Verwaltungsgesellschaft mbH	Germany	100.00 %
solidare service GmbH	Germany	100.00 %
solidare Wohnraum, Bau- und Planungsges. mbH	Germany	100.00 %
Rigi Düsseldorf 2 GmbH	Germany	100.00 %
Rigi Hamburg 1 GmbH	Germany	100.00 %
Rigi Neuss 1 Property GmbH	Germany	100.00 %
2. Rigi Property GmbH	Germany	94.90 %
ONO student GmbH	Germany	94.90 %
Rigi Hausener Weg GmbH	Germany	94.00 %
VSF Grundstücks AG	Germany	94.00 %
3. Rigi Property GmbH	Germany	83.75 %

All these companies were completely de-consolidated as of 9 May 2018 due to the sale of all shares in solidare real estate holding GmbH to Suryoyo Holding GmbH.

3.2 Initial consolidation

During the reporting period, the following companies were included in the scope of consolidation of the Company for the first time:

Entity	Place of incorporation	Proportion of ownership interest
Direct consolidated entities		
Samarion SE	Germany	100.00 %
Indirect consolidated entities		
adspree media GmbH	Germany	100.00 %
Aeria Games GmbH	Germany	100.00 %
ElbSpree Media Holding GmbH	Germany	100.00 %
gamigo Advertising GmbH	Germany	100.00 %
gamigo Inc.	USA	100.00 %
gamigo Portals GmbH	Germany	100.00 %
gamigo Publishing GmbH	Germany	100.00 %
Mediakraft GmbH	Germany	100.00 %
Mediakraft Networks GmbH	Germany	100.00 %
MK Productions GmbH	Germany	100.00 %
Persogold GmbH	Germany	100.00 %
Produktkraft Vermarktung GmbH	Germany	100.00 %
Mediakraft PL Sp. z. o. o.	Poland	95.00 %
Mediakraft Turkey Y. H. A.S.	Turkey	80.00 %
gamigo AG	Germany	35.52 %

Regarding the acquisition of Samarion SE and its subsidiaries, we refer to section 5 of the Notes.

Four subsidiaries and one associated company of subordinate importance to the net assets, financial position and results from operations of the Group were not consolidated or not included “at equity” but instead stated at acquisition cost. Altogether, the financial figures of immaterial subsidiaries accounted for less than 0.4% of Group sale revenue, less than 0.3% of shareholders equity and less than 0.5% of total assets.

As of 30 June 2018, blockescence plc holds 35.52% of the shares in gamigo AG, Germany but has the majority of voting rights due to voting agreements and does therefore have control in the sense of IFRS 10. Therefore, gamigo AG was included in the present interim consolidated financial statements as a fully consolidated subsidiary.

4 DISPOSAL OF SHARES IN SOLIDARE REAL ESTATE HOLDING GMBH

The shares in solidare real estate holding GmbH and its subsidiaries were completely disposed as of 9 May 2018 and subsequently the entity has been de-consolidated. The purchase price amounted to 42.93 million EUR.

The composition of the net assets on the date of transfer is shown in the following table:

	9 May 2018 **kEUR**
Assets	
Real estate property	103,859
Cash and cash equivalents	611
Fixed assets	438
Intangible Assets	759
Other assets	4,200
Liabilities	
Trade and other liabilities	2,623
Loans	56,008
Provisions	3,102
Deferred tax liabilities	7,466
Other liabilities	1,439
Total net assets transferred	**39,229**
Thereof attributable to non-controlling interest	*3,364*

The result of the de-consolidation therefore is as follows:

	9 May 2018 kEUR
Purchase price received	42,930
Less: net assets transferred	39,229
Plus: net assets attributable to non-controlling interest	3,364
Gain on sale	**7,065**

The gain on sale amounting to kEUR 7,065 is included in the result from the discontinued operation in the interim consolidated income statement (see section 8.10 of these Notes).

5 ACQUISITION OF SAMARION SE

On 9 May 2018, the Company acquired 100 % of the shares in Samarion SE, Germany from Bodhivas GmbH, Germany for kEUR 62,000. The purchase price was settled through various promissory notes and a cash component. With the acquisition of Samarion SE, blockescence plc also indirectly acquired 19 subsidiaries and two associated entities (of which 16 are fully consolidated and one is shown as associated entity in the interim consolidated financial statements as of 30 June 2018, whereas the remaining entities are not considered in the consolidation, because of their minor importance). Due to binding voting agreements, the Samarion SE holds the majority of voting rights of gamigo AG, which is the reason why the entity is fully consolidated in these interim consolidated financial statements.

The acquisition of Samarion SE is a business combination in accordance of IFRS 3 “Business combinations”. The acquisition resulted in an identified goodwill.

Because of the temporary proximity of this acquisition to the period end date of the interim consolidated financial statement as of 30 June 2018 the purchase price allocation is still preliminary. The purchase price allocation will be finalised in the second half of 2018.

a) Acquired subsidiaries

	Core activity	**Acquisition Date**	**Acquired Shares**	**Acquisition cost kEUR**
Samarion SE	Holding of gamigo AG (development and sale of online games)	09 May 2018	100.00 %	62,000

The Samarion SE and its subsidiary gamigo AG were acquired with the purpose, to unlock and build up values through the application of DTL-technology in close cooperation with the operative management for the blockescence as investment company.

b) Consideration transferred

	kEUR
Promissory Note I	42,000
Promissory Note II	16,000
Promissory Note III	4,000
Total	**62,000**

c) Acquired assets and liabilities recognised at the acquisition date

	9 May 2018 kEUR
Assets	
Intangible assets	57,190
Cash and cash equivalent	754
Fixed assets	2,638
Financial assets	5,614
Issued loans	840
Deferred tax assets	7,141
Other assets	6,850
Liabilities	
Trade and other liabilities	17,330
Loans	21,576
Provisions	3,277
Other liabilities	14,408
Net assets	**24,436**

The receivables acquired in the course of the transaction, which mainly consists of trade receivables, have a fair value of kEUR 3,843 and a gross contractual value of kEUR 3,843 as well. It is expected that these claims will be fully recoverable.

d) Goodwill

The Company made use of the accounting option in accordance with IFRS 3.19, to measure the non-controlling interest at its fair value, as this provides more relevant information to the addressees of the consolidated financial statement according to the Board of Directors. The goodwill resulting from the business combinations composes as shown in the following table:

	Samarion SE in kEUR
Fair Value of the acquired subsidiary	163.331
Less: acquired net assets	24.436
Goodwill	**138.895**

The goodwill amounting to EUR 138.9 million includes non-separable intangible assets, such as know-how of the employees (assembled workforce), expected effects resulting from the use of the blockchain-technology, as well as expected acquisitions. The purchase price allocation is preliminary, because a detailed analysis of the assets and liabilities has not yet been completed.

There have been incidental acquisition cost caused in the course of the described business combination at an amount of kEUR 163, which are not included in the purchase price and are recognised as other operative expenses in the interim consolidated income statement.

e) Net cash outflow

In the course of the acquisition of Samarion SE there has been no cash outflow until 30 June 2018. However, there has been an inflow of cash amounting to kEUR 754 due to the acquisition of Samarion SE.

f) Impact of the acquisition on the Group result

The acquired business operation contributed revenue amounting to 9.2 million EUR and a net loss of 1.3 million EUR to the Group result, considering the effects of the purchase price allocation and integration costs, for the period between the acquisition date and the 30 June 2018. If the entities operation would have been considered from 1 January 2018 in the interim consolidated financial statement the revenue would amount to 21.5 million EUR and the profit after tax -0.1 million EUR.

6 SEGMENT REPORTING

A business segment as defined by IFRS 8 is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker (Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The blockescence-Group business activity until 9 May 2018 was the development and trade with real estate in the area of micro-apartments and was not divided into different segment due to the consistent characteristics of the operation. With the disposal of the shares in solidare real estate holding GmbH and the acquisition of Samarion SE the Group solely operates in the blockchain-technology sector and therein focusses on the online gaming market for the moment. The Group controlling and management of the operational results is made globally without a differentiation between geographic markets. The group operated in the real estate and online gaming segment during the reporting period.

Information relating the assets, liabilities, expenses and earnings for the real estate segment can be found in section 4 or the result from discontinued operations in section 8.10 of these Notes, respectively. The corresponding information for the online-gaming segment can be found in the interim consolidated statement of financial position and the interim consolidated income statement (continuing operations).

7 EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSTION

7.1 Property, plant and equipment

The book value of the property, plant and equipment as of the reporting date can be derived from the following table:

	30 Jun 2018 kEUR	31 Dec 2017 kEUR
Property, plant and equipment	2,565	551
Total	**2,565**	**551**

The development of book values was as follows:

	Property, plant and equipment kEUR
Balance at 1 January 2018	**551**
Additions	121
Acquisitions through business combination	2,638
Depreciation	307
Disposals [1]	438
Balance at 30 June 2018	**2,565**

Property, plant and equipment primarily consists of operating and business equipment as well as IT equipment, which also relate to the main additions.

7.2 Intangible assets

The book value of the intangible assets as of the reporting date can be derived from the following table:

	30 Jun 2018 kEUR	31 Dec 2017 kEUR
Goodwill	138,895	0
Other intangible assets	51,258	841
Self-constructed intangible assets	2,657	0
Advance payments on intangible assets	655	0
Total	**193,465**	**841**

[1] Includes assets reclassified to assets held for sale and sales of such business units.

The development of book values was as follows:

	Goodwill kEUR	Other intangible assets kEUR	Self-con-structed intangible assets kEUR	Advance payments on intangible assets kEUR	Total kEUR
Balance at 1 January 2018	**0**	**841**	**0**	**0**	**841**
Additions	0	24	461	91	576
Acquisitions through business combination [2]	138,895	54,312	2,312	566	196,085
Amortisation	0	1,890	116	0	2,006
Disposals [3]	0	2,029	0	2	2,031
Balance at 30 June 2018	**138,895**	**51,258**	**2,657**	**655**	**193,465**

Material intangible assets

Other intangible assets mainly include rights and licenses from online-games (EUR 46,347), which were received as part of the acquisition of Samarion SE and were reduced by scheduled amortisation based on their economic useful life.

7.3 Financial assets

	30 Jun 2018 kEUR	31 Dec 2017 kEUR
Loans carried at amortised cost		
Other investments (participations)	271	1
Loans to related parties	0	125
Total	**271**	**126**

The other investments relate to the shares in Group companies, which were not included in the interim consolidated financial statements as fully consolidated subsidiaries or associates owing to their immaterial importance for the Group.

7.4 Shares in associated companies

As of 30 June 2018, the Group reports shares in associated companies in the amount of kEUR 5,359 (previous year: kEUR 0). They are relating to the investment in an US-based LLC, which was also acquired on 9 May 2018 as part of the acquisition of Samarion SE.

[2] Goodwill results from the acquisition of Samarion SE

[3] Includes assets reclassified to assets held for sale and sales of such business units.

7.5 Property inventories

With the disposal of solidare real estate holding GmbH, blockescence has completely divested itself of activities in the real estate sector and properties. The development in the financial year is shown in the following table:

	Property inventories kEUR
Balance at 1 January 2018	**92,292**
Additions	9,062
Capitalised modernisation costs & development	2,505
Capitalisation of interest on borrowings	0
Disposals [4]	103,859
Balance at 30 June 2018	**0**

Due to the classification of real estate sector as a discontinued operation, no borrowing costs were capitalised in the reporting period (previous year: kEUR 170).

7.6 Trade and other receivables

	30 Jun 2018 kEUR	31 Dec 2017 kEUR
Trade receivable	4,219	2,733
- less impairment	-128	-95
Subtotal trade recivables	**4,091**	**2,638**
Other receivables	3,745	2,527
- less impairment	-15	-1,500
Subtotal other receivables	**3,730**	**1,027**
Prepaid expenses	**748**	**55**
Total	**8,569**	**3,720**
thereof non-current	0	931
thereof current	8,569	2,789

Trade receivables in the amount of kEUR 4,219 (previous year: kEUR 2,733) relate to sales from online-games and marketing services. Due to expected uncollectibility, individual trade receivables had been impaired.

Other receivables with a book value of kEUR 3,730 (previous year: kEUR 1,027) primarily relate to sales of licences.

[4] Includes assets reclassified to assets held for sale and sales of such business units.

Prepaid expense items are shown for expenses that represent expenses for future periods after 30 June 2018 and mainly relate to prepayments to suppliers as well as to insurances whose maturity exceeds 30 June 2018.

The above-mentioned receivables include amounts (see age structure analysis below), which are overdue as of the reporting date, for which the Group, however, has not recognised impairments. No impairments were made in these cases, as the collectability and legal enforceable nature of the claim is considered to be given.

	Book value kEUR	**1-30 days** kEUR	**30-180 days** kEUR	**Über 180 days** kEUR
Overdue trade receivables	516	87	176	253
Overdue other receivables	94	0	0	94
Total	**610**	**87**	**176**	**347**

In the first half of 2018, impairment losses on trade receivables and other receivables were recognised in the amount of kEUR 96 (previous year: kEUR 1,595) in the interim consolidated income statement.

The following table shows the receivables according to their maturities:

	Less than 1 year kEUR	**1 to 5 years** kEUR	**5 years +** kEUR	**Total** kEUR
Trade receivables	4,091	0	0	4,091
(31 December 2017)	*(1,707)*	*(0)*	*(931)*	*(2,638)*
Other receivables	3,730	0	0	3,730
(31 December 2017)	*(1,027)*	*(0)*	*(0)*	*(1,027)*
Prepaid expenses	748	0	0	748
(31 December 2017)	*(55)*	*(0)*	*(0)*	*(55)*
Total	**8,569**	**0**	**0**	**8,569**

Receivables with a maturity period of more than one year will be discounted at a market interest rate.

7.7 Cash and cash equivalents

In the consolidated statement of financial position as of 30 June 2018 cash and cash equivalents amounted to kEUR 1,322 (previous year: kEUR 406).

7.8 Shareholders‘ equity

Blockescence plc has an authorised capital of 300,000,000 ordinary shares (common stock) as of 30 June 2018 with a nominal value of EUR 1,00 which do not entitle the subscriber to a fixed profit. As of 30 June 2018, 40,800,000 ordinary shares (previous year: 40,800,000 ordinary shares) were issued and fully paid.

	Number of shares		Common stock		Capital reserves (additional paid-in capital)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	thousand	thousand	kEUR	kEUR	kEUR	kEUR
Issued and fully paid-in capital: ordinary shares of par value EUR 1.00	40,800	40,800	40,800	40,800	1,125	6

The movement in issued and paid-in ordinary shares of blockescence plc did not change during the reporting period, but on 27 July 2018 a resolution on increase of capital in the amount of kEUR 16,000 was passed and was registered in Maltese Commercial Register on 13 August 2018. Furthermore, a capital increase of kEUR 2,550 was passed on 7 August 2018; the corresponding capital was already partially paid-in as of 30 June 2018 and fully paid in by 3 August 2018, it has been registered in the Maltese Commercial Register on 24 September 2018. The capital already paid-in by 30 June 2018, less the related costs, has already been recognised in the interim consolidated financial statements due to the very high probability of being entered in the capital reserves as of 30 June 2018.

In the consolidated statement of financial position as of 30 June 2018, the retained earnings in the amount of kEUR 2,041 (previous year: kEUR -4,354) include losses carried forward of kEUR -4,354, the consolidated profit for the period of kEUR 5,851 (previous year: kEUR -1,842) as well as kEUR 544 resulting from the decrease in the shares in 7. Rigi Property GmbH. As a transaction between the owners, the transaction was recognised directly in shareholders' equity.

As of 30 June 2018, non-controlling interests (minority interests) in the blockescence-Group of kEUR 101,321 (previous year: kEUR 3,515) existed stemming from all group companies, in which the Company does not hold 100% of the shares.

In the period from 1 January to 30 June 2018, the blockescence -Group did not grant any share-based options or payments.

As of 30 June 2018, there are comprehensive option right agreements for the acquisition of non-controlling interests in gamigo AG. The Board of Directors has the discretion to exercise of these options, but the target is to acquire 100% of the shares in gamigo AG by 31 December 2018. With regard to option right agreements with related parties, we also refer to section 10 of these Notes.

7.9 Financial liabilities

	30 Jun 2018	31 Dec 2017
	kEUR	kEUR
Unsecured — amortised cost		
Loans granted from related parties	3,631	8,630
Loans granted from third parties	2,769	0
Bank loans	0	312
	6,400	8,942
Secured — amortised cost		
Bank loans	14,538	8,025
Loans granted from third parties	0	28,049
Loans granted from related parties	0	0
	14,538	36,074
Total	**20,938**	**45,016**

The financial liabilities existing as at the reporting date of 30 June 2018, serve as long-term financing in the amount of kEUR 12,028 (previous year: kEUR 28,049) and as short-term financing in the amount of kEUR 8,910 (previous year: kEUR 16,967) of the Company.

The blockescence-Group has concluded a contract with UniCredit Bank AG for the granting of a credit account limit and a credit agreement in the amount of EUR 17 million, as well as UniCredit Bank AG as its principal and main bank. As part of this, the Group has two loans of EUR 6 million each. The two loans carry an interest rate of 6% p.a. In addition to the loans, a current account credit line of EUR 5 million will be granted. The utilization will be charged with an interest of 8% p.a. In order to secure these loans as well as the current account credit line, a general assignment has been agreed for the trade receivables of gamigo AG and Aeria Games GmbH, as well as an assignment of the existing account balance of the Gamigo Group to third-party banks. A further credit line of EUR 2 million is also available with an interest rate of 8% p.a. to and is secured by pledging games rights of Aeria Games GmbH. In the past, the Group company gamigo AG has received a loan from former principal shareholder Axel Springer Digital GmbH (formerly: Axel Springer Venture GmbH). The bullet loan has a maturity of more than one year. During the term of the loan, repayments in the amount of a minimum amount of kEUR 100 are permitted. The lender has declared a subordination in respect of its payment claims under the loan agreement. The interest on the loan is based on a fixed interest rate of 3.9% over the maturity.

With regard to loans from related parties, we refer to section 10 of these Notes.

The following table shows the remaining maturity date of the financial liabilities as of 30 June 2018:

	Remaining maturity date until 1 year kEUR	**Remaining maturity date 1 to 5 years** kEUR	**Remaining maturity date over 5 years** kEUR	**Total** kEUR
Loans granted from related parties	0	3,631	0	3,631
Loans granted from third parties	2,059	710	0	2,769
Bank loans	6,851	7,687	0	14,538
Total	**8,910**	**12,028**	**0**	**20,938**

7.10 Trade payables

In the consolidated statement of financial position as of 30 June 2018, trade payables of kEUR 8,707 (previous year: kEUR 1,124) are disclosed resulting from the Group's operating activities. Liabilities to affiliated companies are not included in trade payables (previous year: also).

7.11 Other payables

	30 Jun 2018	31 Dec 2017
	kEUR	kEUR
Other financial liabilities		
Liabilities from the acquisition of shares	22,204	0
Derivative financial liabilities	0	120
Deposits	0	46
Total other financial liabilities	**22,204**	**166**
Other non-financial liabilities		
Liabilities to tax authorities	1,232	101
Deferred income	1,184	156
Liabilities from wages and salaries	4	16
Other	183	372
Total other non-financial liabilities	**2,603**	**645**
Total	**24,807**	**811**

The other financial liabilities primarily relate to outstanding liabilities from the acquisition of Samarion SE (kEUR 20,000).

Other non-financial liabilities relate to value-added tax and wage tax liabilities, liabilities for social securities contributions well as deferred income. Deferred income items are primarily formed for payments received, which represent income for the upcoming periods after 30 June 2018.

All other liabilities are classified as current (previous year: kEUR 691).

7.12 Provisions

The balances of the provisions are as follows:

	30 Jun 2018	31 Dec 2017
	kEUR	**kEUR**
Personnel provisions	857	0
Audit and year-end fees	123	0
Land reclamation	0	2,967
Other provisions	2,714	357
Total	**3,694**	**3,324**

As of 30 June 2018, all provisions are short-term in their nature.

	Personnel expenses kEUR	Audit and year-end fees kEUR	Land reclamation kEUR	Other provisions kEUR	Total kEUR
Balance at 1 January 2018	0	0	2,967	357	3,324
Additional provisions recognised	43	0	0	383	426
Acquisitions through business combinations	816	130	0	2,331	3,277
Reductions arising from payments/other sacrifices of future economic benefits	2	7	0	222	231
Disposal from the sale of shares	0	0	2,967	135	3,102
Balance at 30 June 2018	**857**	**123**	**0**	**2,714**	**3,694**

The other provisions (kEUR 2,714; prior year: kEUR 357) mainly relate to outstanding invoices for legal, consulting and auditing costs as well as license fees and revenue shares. Due to the allocation to the short-term field, a cash outflow in connection with these provisions is expected within one year.

8 NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenue

Revenue consist of income from online and mobile games (casual-games, role-playing games and strategy games) and of income from business-to-business (B2B)-services (platform and advertising services). Since 9 May 2018 they form part of the sales of the blockescence-Group.

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun2017 kEUR
Revenue		
Games (business to consumer)	6,861	0
Platform services (business to business)	2,035	0
Other revenue	0	30
Total	**8,896**	**30**

8.2 Other own work capitalised

The other own work capitalised (kEUR 704) mainly consists of personnel expenses relating to the capitalisation of development cost for the gamigo platform and for games, that were capitalised as incidental acquisition cost for acquired intangible assets.

8.3 Other operating income

The other operating income consists of the following items:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
Other operating income		
Reimbursements	690	0
Currency exchange gains	63	0
Others	56	0
Total	**809**	**0**

The other operating income mainly contains reimbursements (kEUR 690) as well as currency exchange gains (kEUR 63). The income relates to the operative activities of the gamigo-Group.

8.4 Expenses for purchased services

The expenses for purchased services (kEUR 1,753) mainly consists of cost for revenue shares, royalties and technical services.

8.5 Personnel expenses

The remuneration of the entities employees is shown in the personnel expenses. The personnel cost consist of the following items:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
Wages and Salaries	2,131	0
Social contributions	358	0
Total	**2,489**	**0**

8.6 Other operating expenses

Other operating expenses (kEUR 3,431; prior year: kEUR 218) include the following expenses:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
IT-services	1,783	0
Marketing and media costs	728	0
Rental costs	247	0
Commissions	185	210
Legal, audit and consulting services	143	0
Out-of-pocket expenses	60	0
Other	285	8
Total	**3,431**	**218**

8.7 Depreciation and amortisation

Depreciation and amortisation include amortisations of intangible assets in the amount of kEUR 1,909 (previous year: kEUR 0) and the depreciation on property, plant and equipment in the amount of kEUR 268 (previous year: kEUR 15).

No impairments on intangible assets and property, plant and equipment have been recognised during the reporting period.

8.8 Financial result

The financial result is broken down as follows:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
Financial result		
Financial expense	-291	-15
Financial income	17	1
Total	**274**	**-14**

The financial expense primarily results from interest paid and deferred interest for loans received. The financial income results from interest on cash and cash equivalents as well as from interest on interest-bearing loans and receivables issued by the blockescence.

8.9 Income taxes

In Malta, no separate corporate income tax system exists. A company is subject to the income tax like an individual person. All companies located in Malta are subject to a nominal income tax rate of 35%. Since the introduction of the income tax in Malta in 1948 there is an imputation system of income taxes, e.g. the income taxes paid by a company will be imputed/refunded on the level of its shareholders at the time of a dividend payment. This system applies for Maltese shareholders as well as for non-resident shareholders.

The Board of Directors of blockescence plc plans to generate revenues via dividend income from its German subsidiary Samarion SE. From an income tax perspective, Samarion SE basically generates profit form the following two sources of income streams:

- Dividend income/capital gains which would be exempted from income taxes in Malta through the application of the participation exemption under the Maltese tax law.
- Other income.

Foreign income taxes are calculated using the tax rate applicable in the respective countries, which varies from 12.3% to 32.25% (previous year: 0.0% to 35.0%). Besides Malta the blockescence-Group is also represented in Germany, Poland, Turkey, Switzerland and USA with Group companies. In Germany all subsidiaries are structured as corporation and therefore are subject to corporation tax, trade tax and the solidarity surcharge. The entities therefore are subject to a formal income tax rate of 32.25 %. Since the majority of the operational activity is attributed to the German subsidiaries, this tax rate is the most relevant for the Group.

The Swiss entity is subject to ordinary taxation, the tax on capital and the income tax rate is 12.3%. In the US, a new tax law was signed by the President on 22 December 2017 that significantly reduces tax rates in 2018 in the United States of America since the beginning of the calendar year. The new tax rate at the federal level is 21%. Together with the local corporate income tax, the nominal income tax burden in the US is 26.5% and is perpetual. While the nominal tax rate for corporations in Turkey is 22%, it remained unchanged at 19% in Poland for many years. The deferred taxes for lox carryforwards are measured based on the corresponding local tax rate.

The components of the income taxes of the blockescence-Group for the reporting period from 1 January 2018 to 30 June 2018 are as follows:

	01 Jan 2018 – 30 Jun 2018	01 Jan 2017 – 30 Jun 2017
	kEUR	kEUR
Current taxes (- expenses / + earnings)		
Malta	0	0
Abroad	-1	0
Deferred taxes (- expenses / + earnings)	380	0
Income taxes (- expenses / + earnings)	**379**	**0**

8.10 Result from discontinued operations

As of 9 May 2018 the previous real estate business has been disposed through the sale of the shares of solidare real estate holding GmbH and its subsidiaries.

As a result, the result of the real estate business was classified as a discontinued business segment until it was distributed to its shareholders:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
Sales revenue	191	1,780
Other own work capitalised	2,505	614
Other operating income	237	21
Cost of materials and purchased services	-1,867	-1,194
Personnel expenses	-554	-604
Other operating expenses	-1,203	-1,088
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**-691**	**-471**
Depreciation	-136	-196
Earnings before interest and taxes (EBIT)	**-827**	**-667**
Financial expense	-1,074	-1,009
Financial income	7	24
Other financial expense	0	0
Earnings before taxes (EBT)	**-1,894**	**-1,652**
Income taxes	-78	-134
Gain on disposal of the business	7,065	0
Loss for the period from discontinued operations	**5,093**	**-1,786**

8.11 Earnings per share

Information about earnings per share is in accordance with IAS 33:

	01 Jan 2018 – 30 Jun 2018 kEUR	01 Jan 2017 – 30 Jun 2017 kEUR
From continuing operations	0.02	-0.05
From discountinued operations	0.12	0.00
Total	**0.14**	**-0.05**

The results and the weighted average number of shares for basic earnings per share are as follows:

	01 Jan 2018 – 30 Jun 2018	01 Jan 2017 – 30 Jun 2017
	kEUR	kEUR
Profit for the period attributable to the owners of the Company	5,847	-1,842
Profit for the period used in the calculation of basic earnings per share	5,847	-1,842
Loss from discontinued operations used in the calculation of basic earnings per share from discontinued operations	5,094	0
Profit for the period from continuing operations used in the calculation of basic earnings per share from continuing operations	**754**	**-1,842**

	01 Jan 2018 – 30 Jun 2018	01 Jan 2018 – 30 Jun 2018
	thousand	thousand
Weighted average number of shares for the calculation of basic earnings per share	**40,800**	**40,800**

In the reporting period, no dilutive effects were taken into account when calculating earnings per share.

9 LEGAL DISPUTES

Following several M&A transactions, the Company is predominantly active in a legal dispute with the contractual partners regarding the interpretation of the contracts and the contractual objects. In addition to the already deferred lawyer and court costs, the Company assumes that there will be no further burdens, more likely a decrease in its burden is expected.

In addition, the Group was not involved in any further legal disputes as of 30 June 2018.

10 RELATED PARTY DISCLOSURE

According to IAS 24 "Related Party Disclosures" an entity is required to identify all relationships and transactions with related parties and individual persons, since the relationships can have an impact on net worth, financial and profit situation of the blockescence-Group.

Intergroup transactions, which are related parties in the sense of IAS 24, are eliminated in the preparation of the Consolidated Financial Statements and will not be mentioned in this note. We refer to section 3 for the presentation of all subsidiaries.

All members of the governing body of the blockescence-Group (especially the Board of Directors) and their immediate family members are deemed related parties from the point of view of blockescence plc, Malta, in accordance with IAS 24 Related Party Disclosures.

Mr. Zeki Yigit had been a member of the Board of Directors of Solidare Real Estate Holding plc (later renamed in blockescence plc) until 8 May 2018. He is the sole shareholder and Managing Director of Suryoyo Holding GmbH, Duesseldorf, a shareholder of blockescence plc. In the interim consolidated statement of financial position as of 30 June 2018, the Company does no longer has any short-term loan liabilities to Suryoyo Holding GmbH, Düsseldorf, (previous year: kEUR 7,756). The loan liabilities existing as of the previous year's balance sheet date were stated under financial liabilities. Furthermore, the financial liabilities do not include any other current liabilities to Mr. Zeki Yigit (previous year: kEUR 10).

Mrs. Feride Can, sister of Mr. Zeki Yigit, is the main shareholder and managing director of Paulus Holding GmbH, Guetersloh. Mr. Petrus Can, son of Mrs. Feride Can, is the sole shareholder and Managing Director of Gauss Consult GmbH, Guetersloh. In the interim consolidated statement of financial position as of 30 June 2018, the Company has not reported any trade payables to Gauss Consult GmbH, Guetersloh. In the period from 1 January to 30 April 2018, the Company was invoiced with a total of kEUR 165 for deliveries and services.

Mr. Simon Yigit, cousin of Mr. Zeki Yigit, is an independent business consultant. In the interim consolidated statement of financial position as of 30 June 2018, the Company has not reported any trade payable to Simon Yigit (31 December 2017: kEUR 10). In the period from 1 January to 30 April 2018, the Company was invoiced by Mr. Simon Yigit with a total of kEUR 46 for deliveries and services.

René Mueller is a member of the Board of Directors of blockescence plc, Malta. In the interim consolidated statement of financial position as of 30 June 2018, the Company has stated directly and indirectly different loan receivables in the total value of kEUR 0 (31 December 2017: kEUR 125) under financial assets.

René Mueller is a member of the Administrative Board of GSC General Service Center AG, Zug. In the interim consolidated statement of financial position as of 30 June 2018, the Company has stated trade payables to GSC General Service Center AG, Zug, in the amount of kEUR 1 (31 December 2017: kEUR 87). In the period from 1 January to 30 April 2018, the Company was invoiced with a total of kEUR 40 for deliveries and services.

Patrick Rehberger had been a member of the Board of Directors of blockescence plc until 31 May 2018 and Managing Director of solidare real estate holding GmbH, Duesseldorf, as well as other Group companies. In addition, he is also Managing Director of a shareholder of blockescence plc, Malta, of Suryoyo Holding GmbH, Duesseldorf, as well as of other companies that do not belong to the blockescence-Group. The interim consolidated statement of financial position as of 30 June 2018 does not contain any receivables or financial liabilities due from the Company.

Remco Westermann is a member of the Board of Directors of blockescence plc, Malta since 31 May 2018 and is the Managing Director of Bodhivas GmbH, Duesseldorf, a shareholder of blockescence plc, Malta. Hendrika Westermann is the wife of Remco Westermann, Jaap Westermann is the brother of Remco Westermann, both are directors of Jarimovas GmbH, Duesseldorf. In the interim consolidated statement of financial position as of 30 June 2018, the Company has stated different short-term liabilities to Bodhivas GmbH GmbH, Dusseldorf, in the total value of kEUR 23 (previous year: kEUR 0) under financial liabilities. In addition, financial liabilities include short-term liabilities to Jarimovas GmbH, Duesseldorf in the amount of kEUR 1,724 (previous year: kEUR 0).

Tobias Weitzel is a member of the Board of Directors of blockescence plc, Malta since 31 May. During the reporting period, no transactions under the scope of IAS 24 regarding Mr. Weitzel took place.

11 INFORMATION ON FINANCIAL INSTRUMENTS

11.1 Reconciliation of the valuation categories from IAS 39 to IFRS 9

The valuation of the financial instruments under IAS 39 can be derived at the transition date 31 December 2017/1.January 2018 to IFRS 9 as follows:

Valuation category according to IAS 39	**Book value at 31 December 2017** kEUR	**Valuation category according to IFRS 9**	**Book value at 1 January 2018** kEUR
L&R - Amortised costs	4,197	Amortised costs	4,197
HFT - Fair Value through profit and loss (FL@FV/P&L)	120	Fair Value through profit and loss	120
FLAC - Amortised costs	46,186	Amortised costs	46,186

L&R: loans and receivables
HFT: held for trading
FLAC: financial liabilities at amortised cost

11.2 Classes and categories of financial instruments

IFRS 7.6 requires the breakdown of the financial instruments by classes and the reconciliation of the items reported in the statement of financial position. The formation of the classes is determined by the reporting company itself and is therefore generally different from the categories defined according to IFRS 9, which are recorded for the purposes of the valuation of the financial instruments.

Accordingly, similar financial instruments were grouped into one class. The definition of the classes also took account of the possibility of a simple transition to the items shown in the statement of financial position. As a result, the following classes were defined in this interim consolidated financial statements: trade and other receivables, other participations, shares in associated companies and cash and bank balances on the assets side as well as loans from banks, other financial liabilities, leasing liabilities, trade payables, liabilities from the acquisition of shares and other liabilities on the liabilities side.

In addition to the classification of financial instruments into classes, IFRS 7 requires the disclosure of the carrying amounts of the financial assets and liabilities according to the categories of IFRS 9. The following tables show the carrying amounts and fair values of the individual financial assets and liabilities for each individual class as well as by category according to IFRS 9. The following tables show the carrying amounts and fair values of financial assets and reconciles the amount to the corresponding line item in the Group’s statement of financial position. Since some of the balance sheet items also include receivables and liabilities that are valued in accordance with other IFRS/IAS or are non-financial nature, an additional column allows to complete reconciliation to the items of the Statement of Financial Position.

Allocation of financial instruments into categories

The blockescence-Group has only financial assets and liabilities that are measured at amortised cost. On the other hand, there are no financial assets and liabilities that are recognised directly in equity and at fair value through profit or loss as of 31 December 2018. The further categorisation of the financial assets and liabilities pursuant to IFRS 9 are presented in the following table:

Assets in kEUR	Valuation according to IFRS 9 Amortised costs	Valuation according to IAS 28/IFRS 16	Non-financial assets	Book value at 30 June 2018	Fair Value at 30 June 2018
Trade and other receivables	**7,821**	**0**	**748**	**8,569**	**8,569**
Trade receivables	4,091	0	0	4,091	4,091
Other receivables	3,730	0	748	4,478	4,478
Other financial assets	**271**	**0**	**0**	**271**	**271**
Other participations	271	0	0	271	271
Shares in associated companies	**0**	**5,359**	**0**	**5,359**	**5,359**
Cash and bank balances	**1,322**	**0**	**0**	**1,322**	**1,322**
TOTAL ASSETS	**9,414**	**5,359**	**748**	**14,521**	**15,521**

Equity and liabilities in kEUR	Valuation according to IFRS 9 Amortised costs	Valuation according to IAS 28/IFRS 16	Non-financial assets	Book value at 30 June 2018	Fair Value at 30 June 2018
Financial liabilities	**20,938**	**0**	**0**	**20,938**	**20,938**
Bank loans	14,538	0	0	14,538	14,538
Other financial liabilities	6,400	0	0	6,400	6,400
Leasing liabilities	**0**	**1,178**	**0**	**1,178**	**1,178**
Trade payables	**8,709**	**0**	**0**	**8,709**	**8,709**
Other liabilities	**22,204**	**0**	**2,603**	**24,807**	**24,807**
Derivative financial liabilities	22,204	0	0	22,204	22,204
Deposit	0	0	2,603	2,603	2,603
TOTAL EQUITY AND LIABILITIES	**51,851**	**1,178**	**2,603**	**55,632**	**55,632**

Allocation of financial instruments into valuation categories - previous year

The financial assets in the previous year were as follows as of 31 December 2017:

Assets in kEUR	Valuation according to IFRS 9 Amortised costs	Non-financial assets	Book value at 31 Dec 2017	Fair Value at 31 Dec 2017
Trade and other receivables	**3,665**	**55**	**3,720**	**3,720**
Trade receivables	2,638	0	2,638	2,638
Other receivables	1,027	55	1,082	1,082
Other financial assets	**126**	**0**	**126**	**126**
Loans granted	125	0	125	125
Other participations	1	0	1	1
Cash and bank balances	**406**	**0**	**406**	**406**
TOTAL ASSETS	**4,197**	**55**	**4,252**	**4,252**

The financial liabilities in the previous year were as follows:

Equity and liabilities in kEUR	Valuation according to IFRS 9 Fair Value through profit and loss (FL@FV/P&L)	Amortised costs	Non-financial assets	Book value at 31 Dec 2017	Fair Value at 31 Dec 2017
Financial liabilities	**0**	**45,016**	**0**	**45,016**	**46,668**
Bank loans	0	8,025	0	8,025	8,025
Other financial liabilities	0	36,991	0	36,991	38,643
Trade payables	**0**	**1,124**	**0**	**1,261**	**1,261**
Other liabilities	**120**	**46**	**645**	**811**	**811**
Derivative financial liabilities	120	0	0	120	120
Deposit	0	46	0	46	46
Remaining other liabilities	0	0	645	645	645
TOTAL EQUITY AND LIABILITIES	**120**	**46,186**	**645**	**47,088**	**47,088**

The fair value in the above table are determined according to recognised methods of financial mathematics. We refer to the consolidated financial statements as of 31 December 2017.

Trade receivables are stated at short notice or are determined considering any possible value adjustments, which is why their fair value corresponds to the book value. The same applies to cash and cash equivalents and other receivables. The carrying amount of the loans granted included under other financial assets also corresponds to the amortised cost.

Loans granted by banks are generally valued at amortised cost. The remaining financial liabilities mainly consist of loans from related parties and third parties and are valued analogue to the bank loans.

11.3 Fair value hierarchy for the fair value measurement of financial instruments

In the scope of the sale of solidare real estate holding GmbH, all financial liabilities of the blockescence-Group recognized at fair value were also passed over. Only financial assets and liabilities that are measured at amortized cost still exist as of the reporting date of 30 June 2018.

The reconciliation from the opening to the closing balance sheet figures as of 30 June 2018 of the financial instruments that are measured at level 3 is as follows:

Figures in kEUR	Derivativ financial liabilities
Balance at 1 January 2018	**120**
Valuation of financial instruments	0
Disposals[5]	120
Balance at 30 June 2018	**0**

The assets and liabilities carried at fair value in the Consolidated Statement of Financial Position as of 31 December 2017 and their classification in terms of the fair value hierarchy of the IFRS 9 are as follows:

Figures in kEUR

Balance Sheet Item	Level 1	Level 2	Level 3	Total
Other liabilities				
Derivative financial liabilities	0	0	120	120

12 SUBSEQUENT EVENTS AFTER 30 JUNE 2018

On 27 July 2018, a capital increase of kEUR 16,000 was passed. The capital increase was entered into the Maltese Commercial Register with effect from 13 August 2018. A further capital increase of kEUR 2,550 was passed on 7 August 2018. The capital was partially paid in before 30 June 2018 and fully paid in by 3 August 2018. It has been entered in the Maltese Commercial Register on 24 September 2018 (see section 7.8).

There are no other events of significant importance to the Company after the balance sheet date of 30 June 2018.

[5] Includes assets reclassified to assets held for sale and sales of such business units.

13 APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements as of 30 June 2018 were approved by the Board of Directors on 27 September 2018 and thus approved for publication.

14 GUARANTEE OF THE BOARD OF DIRECTORS

In all conscience, we assure, as representative for the Board of Directors of the Company, that the interim consolidated financial statements for the period from 1 January to 30 June 2018 are in compliance with IFRS, as adopted by the EU, and give a true and fair view of the Group's net assets, financial position and results of operations.

Malta, 28 September 2018

Remco Westermann René Müller