



**NORTHERN
BITCOIN**

HALF-YEAR REPORT 2019



BITCOIN IS CHANGING THE WORLD

Bitcoin is a digital finance system that cannot be manipulated. It is both a worldwide means of payment and a store of value that knows no national frontiers. It is the most stable and most secure blockchain in the world. This makes it comparable to gold. Billions of people who live in insecurity where currencies lose their value almost overnight, can now gain security through Bitcoin. It facilitates direct, worldwide transactions across national borders, with no influence from banks or governments. Bitcoin is the digital currency of global trade, open to all and without intermediaries.

The computing power of computers around the world makes it secure, but also consumes a great deal of energy. Bitcoin only has a future, therefore, if it is climate-neutral. Northern Bitcoin is already running environmentally-friendly, emission-free Bitcoin mining operations. Harnessing hydroelectric power, deep in a former mineral mine in Norway. This is where our mining containers are located, cooled by the crystal clear water from a fjord.



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Entrance to the Lefdal mine in Norway. This is where climate-neutral bitcoin mining by Northern Bitcoin AG takes place.

LETTER TO SHAREHOLDERS



Dear Shareholders,

As announced, the first half of 2019 for Northern Bitcoin AG was marked predominantly by preparations for the worldwide scaling of its mining activities. The focus was on the development of different hardware and software projects which form a solid platform for our global roll-out initiated in the second half of 2019. Besides our water-cooled, mobile mining container which has already successfully come on stream, we have developed an air-cooled, mobile mining container together with leading partners which will open up completely new locations to us. In addition, we have further enhanced our self-developed mining pool and designed and programed a completely new, innovative wallet. While we have been concentrating our efforts on questions of development in order to secure pole position over the medium term in the rapidly growing mining market, our first mining containers with which we have been running climate-neutral Bitcoin mining on the basis of surplus electricity from hydroelectric power at the highest level in the world, have already been successfully operating in the Lefdal mine in Norway round the clock for more than a year. This means we are setting the bar for how the first and largest virtual currency in the world can be mined in harmony with global climate targets. Because our vision is that one day Bitcoin and all further developments of the Bitcoin blockchain will be emission-free and environmentally-friendly, thereby improving our lives.

The sustainability of our actions is for us a basic prerequisite for mining Bitcoin. It also guarantees the sustainability of Northern Bitcoin AG as a whole. Bitcoin has also continued its triumphal march in 2019 as the first genuinely digital currency. The mathematically secured blockchain, operated by a worldwide computer network, permits no influence from stakeholder groups, organizations or institutions on Bitcoin, thereby creating security and trust, essential characteristics of any means of payment. On the one hand, this makes Bitcoin highly valuable in unstable economies such as we are currently experiencing in Venezuela, for example, and on the other, it makes it a digital store of value as well as a completely new asset class for investors. Its growth is mirrored impressively in the rapidly rising number of wallets, electronic purses for cryptocurrencies.

We are in the comfortable situation where our sustainable, wholly climate-neutral mining at our first location in Norway relies on surplus electricity from hydroelectric power which we can also access on extremely favorable terms. We have organized our mining capacity as an on/off solution in our own mining pool. We can connect it up to a public mining pool or mine in our own pool. Mining in our own pool gives us complete transparency with regard to the total and timing of the Bitcoins we mine. Besides our transparency as a listed company, this is a sine qua non for new business partnerships in connection with the Bitcoin blockchain and is particularly attractive to established companies just starting to focus on this subject.

The second half of 2019 is to be marked by expansion. By the end of 2019, we want to massively increase our hash rate as well as boost our sales revenues significantly. We also successfully completed tests for our new air-cooled mining container in the first half of the year. This air-cooled, mobile container solution opens up further, even remote locations in the permanently cool regions of the world for us. Together with the water-cooled containers which have been running successfully in Norway for over a year, Northern Bitcoin now has two different container solutions for almost any possible location in northern lands.

In the first half of 2019, we also began developing our wallet app which we will launch in the second half of the year. The app, going by the name of "Wallace", is intended to give everyone the chance to hold and manage their own Bitcoin. With every update, we will enable further features. With this app, we want to make a contribution to the further roll-out of Bitcoin in society. At the same time, along with the new container, it is part of our growing 360 degree Bitcoin eco system, thus diversifying our business model.

All this shows that Northern Bitcoin is growing. Of course, the first step is always the hardest, and we see that by the number of issues we have had to deal with in the last few months that demanded hard work, took up time and cost appreciable sums of money. Although we are still at a very early stage of our corporate development, our hard work has established an excellent platform for solid growth. Thanks to your commitment to Northern Bitcoin, dear Shareholders, you, too, have played your part and therefore have an indirect share in the impressive growth of Bitcoin. This is a development that will have an effect on the financial system as disruptive as the Internet has had on communication or trade. We are delighted to be playing a pivotal role in shaping this development, and we are particularly pleased that you are supporting us in the process.

Finally, I would like to take this opportunity to thank our wonderful team, the staff of Northern Bitcoin AG. Every day, all of you work with great commitment and technical brilliance to implement the planned developments and turn them into reality.

With warm regards



Mathis Schultz

CEO



The containers with the miners of Northern Bitcoin AG, climate neutral operated in the Lefdal Mine Datacenter

THE LEFDAL MINE – GREEN DATA CHAMBERS DEEP IN THE MOUNTAIN

The mobile containers housing Northern Bitcoin's mining hardware are located in the Lefdal mine data center (LMD), one of the most energy-efficient data centers in the world. It is situated directly on a fjord, Nordfjord, in Norway, almost 200 kilometers north of the town of Bergen.

The data center has been in operation since 2017 and is operated exclusively by renewable energy. 6.7 terawatt hours (TWh) of that power are available locally at ultra-low prices. The proximity to the 565 meter deep fjord guarantees LMD the unlimited availability of seawater at a temperature of 8° C all year round. The seawater cools the freshwater cooling cycle from 30° C to 18° C through heat exchange. The data center is directly below sea level with the result that no energy is required to raise the level of the water.

This unique cooling solution leads to a PUE (Power Use Effectiveness) between 1.08 and 1.15. By way of comparison: as a general rule, values up to 1.2 are rated "very efficient" and the average PUE in Germany currently stands at around 1.8.



INTERIM MANAGEMENT REPORT

Business development

Northern Bitcoin is growing and developing along with Bitcoin, the first and most successful blockchain application as well as the undisputed market leader among cryptocurrencies. The company is building the infrastructure for the next technological revolution, Bitcoin, the first purely digital currency. To do so, it is pooling its extensive IT expertise in the area of the Bitcoin blockchain. The company is benefiting from the steadily rising acceptance of Bitcoin – both as a digital store of value and as a digital means of payment.

As a sustainable miner, Northern Bitcoin AG focuses on environmentally-friendly, climate-neutral and at the same time highly efficient Bitcoin mining. In its very first year of business, the company was able to install mining capacity with a computing power of something more than 42 peta hashes per second with a total of 3,150 miners in 15 containers in the Lefdal mine in Norway. Since commissioning, these have been running without interruption in a globally unique set-up, providing the company with valuable data on the basis of which future scaling can be calculated based on figures actually achieved. These empirical figures at the water-cooled and therefore highly efficient location in the Lefdal mine are of high value to the company and represent a first in the young mining industry.

At the end of the first half of the year, the company began to scale its business model on the basis of its mining hardware tried and tested at its first location in Norway. Six additional containers were commissioned in the first half of 2019 at its Lefdal location. This marks the start of global scaling as part of which Northern Bitcoin intends to massively expand its Bitcoin mining capacity at its location in Lefdal as well as additional locations in Norway and other northern countries. The Lefdal facility alone has the spatial capacity to accommodate up to 1,500 mining containers. For reasons of diversification, particularly not to be dependent on a single location, the company identified and inspected further locations in Scandinavian countries and other northern countries in the first half of the year, and now has further options for locations where CO2-neutral, affordable Bitcoin mining can be operated and which can be brought on stream in the near future.

Northern Bitcoin also concentrated in the reporting period on optimizing the hardware and software used for fast scaling as well as entering into partnerships with the leading suppliers of equipment to the industry. In the first half of the year, the company developed another mobile, innovative, air-cooled mining container with its suppliers which houses 144 ASIC miners to complement the mobile, water-cooled mining container already running successfully. It has been specially developed to run in the open air. Cold air from the outside is sucked in by blades installed in an outside wall for cooling purposes, filtered and directed through the container past the mining hardware. The warm exhaust air is discharged through the opposite wall of the container. The power of the fans is variable and controlled by temperature sensors. The concept was developed with partners in Germany and launched at the beginning of the second half of the year.

With this additional, mobile, air-cooled container solution, Northern Bitcoin AG has opened up further, even remote locations in the permanently cool regions of the world where sustainable electricity, e.g. from hydro-electric power, is extremely affordable and available in abundance. Together with the water-cooled containers which have been running successfully in Norway for over a year, Northern Bitcoin now has two different mobile container solutions for almost any possible location in northern lands.

In June, the company received finance in the form of an umbrella loan for EUR 8 million. The finance permits flexible drawdowns, has a term until December 31, 2025 and further expands the company's financial options and prospects for operating growth.

Besides preparatory activities for the global scaling of sustainable Bitcoin mining – activities which are staff and cost-intensive – the company developed a wallet app for consumers in the first half of 2019. The app, which has been developed from scratch by Northern Bitcoin's in-house development team, acts as an interface with the Bitcoin system accessible to everyone. The app is comparable to an electronic bank account for digital means of payment. This is a program with which the user manages their private key. A private key is the personal access code to the user's own Bitcoin "account". Users can only access their Bitcoins from anywhere in the world if they know their private key. The app which is to be launched under the brand name "Wallace", represents a significant expansion for Northern Bitcoin towards a 360 degree Bitcoin eco-system. The first version will go live at the end of 2019, and thereafter there will be constant updates with further functionalities. The app has been developed for the simple, fast management of virtual currencies, and it combines a "mobile first approach" with a very speedy user interface.

Underlying macroeconomic and sector-specific conditions

Northern Bitcoin's business is closely linked to the development of Bitcoin (BTC) and its blockchain. Bitcoin mining and trading are global phenomena and new applications of the Bitcoin blockchain are under development around the world. With every new Bitcoin user and every transaction, Bitcoin reinforces its status as a store of value and means of payment. The interest of institutional investors and investment companies in Bitcoin as an asset class in conjunction with efforts on the part of administrative bodies to ensure suitable regulation are accelerating this development.

Bitcoin is a virtual currency which has been created and traded with no influence from states or financial institutions since 2009. New Bitcoins are created by the solving of complex mathematical problems, so-called mining, by Bitcoin miners.

Bitcoin miners are normally combined to form mining pools, mining communities cooperating virtually, whose remuneration is divided between the miners involved in proportion to the hash power contributed. The hardware of a mining pool can be scattered around the world, but enables the resources of individual miners to be linked to increase the likelihood of success in mining blocks and thereby Bitcoins. As of the end of June 2019, the majority of mining pools and also the largest ones are located in China, which enjoys a roughly 80 percent share of hash rate. In the first half of 2019, the four largest mining pools in the world with a market share of 42.8 percent were situated in the People's Republic of China. Of the top 5 European suppliers, Slush Pool occupied third place with a hash rate share of 10.1 percent.

In April 2019, the Chinese parliament announced that it intended to ban Bitcoin mining. The Chinese government had already closed all domestic Bitcoin exchanges in 2017. The government's skeptical view of cryptocurrency mining also induced Chinese miners in the reporting period to consider relocating. The major providers preferred Canada, the USA and Iceland while medium-sized mining companies appreciate geographical proximity to Thailand, Cambodia and Vietnam.

A steadily rising number of transactions and a growing number of wallets for storing Bitcoin reflect Bitcoin's growth. Whereas the total number of Bitcoins in circulation rose by 1.9 percent to 17.8 million by the end of June 2019 by comparison with the previous year, transactions continued to pick up pace with an increase of 62.2 percent to 60.9 million compared with the first half of 2018. According to the crypto company "Blockchain", the number of wallet-holders using its products rose year-on-year by 56 percent in the reporting period to 40.1 million.

The interest of institutional investors in Bitcoin is also rising. Bitcoin futures have been traded on the US Chicago Mercantile Exchange (CME) since 2017. In May 2019, the CME recorded the most successful month of Bitcoin futures trading since its introduction according to financial information service provider forbes.com. An average of more than 13,600 contracts were traded per day corresponding to a volume of USD 515 million. The "Bakkt" trading platform for digital assets set up together with Starbucks and Microsoft at the beginning of 2018 and run by US exchange operator Intercontinental Currency Exchange (ICE) which also operates the New York Stock Exchange (NYSE), opened its warehouse for storing Bitcoin on September 06, 2019, after the end of the reporting period. In addition, Bakkt has been offering BTC futures for trading on the ICE since September 23, 2019. The special feature is that Bakkt's Bitcoin futures will be physically settled, i.e. based on units of the cryptocurrency actually deposited. Bakkt futures are aimed principally at institutional investors to facilitate their entry into the blockchain eco-system by synthesizing traditional financial instruments with innovative cryptocurrencies. Meanwhile, the VanEck Bitcoin ETF targeted at institutional investors such as hedge funds or banks, started trading on September 05, 2019. The decision on whether to approve a BTC ETF regulated by US exchange regulator SEC (Securities and Exchange Commission) for private investors is expected on October 13, 2019.

Institutional investors continued to expand their investments in cryptocurrencies in the first half of 2019. Asset Managers Grayscale Investments who offer the largest fund in the world designed for cryptocurrencies, the Grayscale Bitcoin Trust Fund (GBTF), trebled their assets in the period from April to June from USD 926 million to USD 2.7 billion. Although it was only possible to pay into the fund in July, cash inflows doubled in the second quarter of 2019, reaching USD 84.8 million. It is worth noting that around 80 percent of investments originated from institutional investors.

The establishment of Bitcoin is being further enhanced by the setting up of Bitcoin ATMs. The number of Bitcoin ATMs available worldwide rose by 29.7 percent compared with the 2018 reporting date, totaling 5,330 units.

Bitcoin remittances are made through a special peer-to-peer application, dispensing with the need for a central clearing house. The decentralized structure of the Bitcoin currency system thereby avoids the sometimes sizeable charges for payment transactions demanded by banks, credit card companies and clearing houses. The transaction charge for sending Bitcoin averages 0.016 percent of the amount remitted. The average charge for an international bank transfer of USD 200 from the USA is 6.1 percent, while from Germany, the charge averages 8.5 percent. At the same time, Bitcoin remittances are significantly faster, taking around 10 minutes compared with the period of 2-5 working days before a bank transfer is credited.

In June 2019, the crypto exchange Coinbase extended its crypto debit card to further European countries, Germany among them, after previously launching in the United Kingdom. Customers in Spain, France, Italy, Ireland and the Netherlands can pay with Bitcoin and other cryptocurrencies at all terminals accepting Visa with their Coinbase card.

In the area of payment transactions, implementation in national law of the 5th Money Laundering Directive passed by the EU as of January 10, 2020 has led to the temporary suspension of BitPay's services in Germany at the end of July 2019. After a draft paper published by the Federal Ministry of Finance defined crypto assets as financial instruments as defined by the German Banking Act (KWG), the newly defined financial service of crypto custody covers the custody, management and securing of crypto assets or private cryptographic keys which serve to hold, store and transfer crypto assets for third parties. This means that Bitcoin will in future not only be subject to the national Money Laundering Act (GWG) but also to regulation by the Federal Financial Supervisory Authority (BaFin).

The path traced by the price of Bitcoin correlates neither with the Dax, nor any other share index, or with gold. While Bitcoins were still being mined in the early years on home computers and the graphics cards installed in them, the relationships have completely changed in the meantime. Bitcoin can now only be mined economically with specialized computer chips. So-called application-specific integrated circuits (ASIC) can run the Bitcoin algorithm many hundreds of times more efficiently than traditional graphics cards. These ASIC chips are installed in special mining computers, so-called ASIC miners, along with other components. Companies which mine Bitcoins depend on these miners for their business. The major manufacturers of mining hardware are located in Asia, primarily China.

The decisive parameters in choosing suitable mining hardware are its power in the form of the hash rate as well as the amount of electrical energy it requires. This gives the efficiency of the miner as the quotient of electricity consumption and hash rate. The hash rate is a measure of the speed at which the hardware works. Mining hardware is being constantly refined. Due to Bitcoin's high energy requirements and society's sensitivity towards environmental topics, miners that toil away on the basis of fossil fuels are coming under increasing fire. It can be assumed that with the Bitcoin network's steadily increasing energy consumption, restrictions on "fossil" miners will rise sharply.



Course of business

Movements of Northern Bitcoin AG's net assets, financial position and results of operations in the first half of 2019 were dominated by activities in the field of Bitcoin mining, their expansion and corresponding research with associated staff increases. In addition, the first steps were taken towards diversifying operations in the area of software development and mining infrastructure. Net assets, financial position and results of operations are shown below. Reference is also made to the figures where individual items are listed.

Results of operations

Business in the first half of 2019 focused on establishing the company in the field of Bitcoin mining and neighboring business segments. The first mobile mining containers running in the Lefdal mine in Norway generated sales of EUR 1,490 thousand (previous year EUR 1,100 thousand) from the sale of Bitcoins. Inventories of finished goods and work in progress also increased by EUR 346 thousand (previous year EUR 80 thousand). As expected, it was not possible to cover the costs incurred – primarily material expenses of EUR 4,001 thousand (previous year EUR 1,771 thousand), personnel expenses of EUR 464 thousand (previous year EUR 334 thousand) as well as other operating expenses of EUR 539 thousand (previous year EUR 391 thousand) – due among other things to the significantly lower price of Bitcoin in the first half of the reporting period – Bitcoin started 2019 at a price of around USD 3,747 and by the end of the first quarter, it was only USD 365 higher, at USD 4,112.

In total, therefore, earnings posted for the first half of the 2019 financial year stood at EUR -3,589 thousand (previous year EUR -1,534 thousand).

Net assets

Total assets in the first half of 2019 grew from EUR 8,919 thousand as of December 31, 2018 to EUR 9,853 thousand. Subscribed capital in the reporting period remained unchanged at EUR 7,442 thousand.

As with most young companies in the research and development phase, Northern Bitcoin AG is also reporting a net loss not covered by equity amounting to EUR 4,308 thousand (31.12.2018 EUR 719 thousand). The balance sheet is relieved by a subordination agreement with the largest creditor on the one hand and a continuation and investment loan on the other. This umbrella loan for EUR 8,000 thousand has not yet been used by the company. This finance option which runs until December 31, 2025 can be drawn down flexibly and expands the company's financial options. The increase in the price of Bitcoin in the course of the current year of 2019 also raises the prospects of significantly higher revenues.

There were no significant movements in fixed assets. Furthermore, receivables and other assets increased to EUR 256 thousand. This relates essentially to VAT receivables.

The provisions of EUR 81 thousand (previous year EUR 38 thousand) comprise provisions for the cost of preparing financial statements and audit costs, provisions for Supervisory Board compensation as well as provisions for personnel costs.

Trade payables amounted to EUR 3,511 thousand (31.12.2018: EUR 2,601 thousand) and result principally from running costs in connection with the operation of Bitcoin miners in Norway. The liabilities to affiliated companies of EUR 6,118 thousand (previous year EUR 6,088 thousand) relate to loans from the majority shareholder who has continued to cover the company's cash requirements.

Financial position

The number of shares in the first half of 2019 remained unchanged at 7,441,500 shares. The company was solvent in the first half of 2019 and will remain a going concern in the future.

Research and development

In the area of research and development, Northern Bitcoin AG pools its IT expertise to develop, maintain and service the technical IT infrastructure it needs for its business. This is primarily a question of refining existing mobile container solutions in the area of mining as well as developing software for projects such as its own mining pool and the wallet.

Risks and opportunities to future growth

Bitcoin was the first and is by far the largest cryptocurrency. The complete novelty and uniqueness of the blockchain upon which it is built, are beyond dispute. It combines the benefits of the digital world. It is fast, available everywhere and virtual. At the same time, however, every Bitcoin is as unique as a banknote and cannot be forged. The intensity with which Bitcoin is bought and traded around the world is rising. It is a means of payment and a store of value – especially in countries with no stable currency – but it also remains subject to speculation. The company assumes on the one hand that the acceptance and spread of Bitcoin will continue to increase and on the other, it expects to see a steady rise in the price of Bitcoin.

Northern Bitcoin AG embodies a new generation of technology companies in the area of the Bitcoin blockchain. The company operates a sustainable blockchain infrastructure for its Bitcoin with a combination of the latest technology and the use of regenerative sources of energy. It intends to further expand its own mining capacity in future, and this will form a fundamental pillar of the operation providing continuous income. High mining capacity coupled with maximum transparency given by its own mining pool with respect to the number and timing of the Bitcoins mined there, will form the foundation for new lines of business in the Bitcoin blockchain field with business partners around the world.

Northern Bitcoin AG's business is also exposed to various risks. As a general rule, these are sector risks affecting the entire sector of digital assets. They include the risk that changes to the regulatory framework could severely restrict the markets and that the technology does not meet with the acceptance it needs among users.

The company depends on the hardware used for mining in order to perform and maintain its business operations. If individual hardware components or the entire hardware system suffer damage or fail, this could restrict the company in its operations or prevent them altogether.

Market developments, technology trends or new scientific insights might be anticipated too late. This could negatively affect the company's competitiveness. Risks are inherent in competition. The company is exposed to the risk that it becomes uneconomic to run its own mining hardware as a result of increased competition and Bitcoin's special algorithm. There is a danger that the company will not be able to develop a sufficient USP vis-à-vis other competitors.

As a digital asset, Bitcoin can be used as a means of payment for goods and services. Nascent regulatory endeavors in this field may have a negative effect on the acceptance of Bitcoin, thereby depressing its value.

Northern Bitcoin AG's success depends crucially on the path taken by the price of Bitcoin as Bitcoin mining is remunerated in the form of Bitcoins, but operating costs have to be settled in real currency. There is a risk of the value of Bitcoin falling below the costs the company has to bear even to mine a single Bitcoin. This could endanger the company as a going concern in the long run.

As long as the company is not generating sufficient income, it is dependent on further equity financing and/or borrowing in order to meet its financing requirements. If it is unsuccessful in meeting its further financing requirements on economically viable terms, this could have a considerably detrimental effect on the company's net assets, financial and results of operations.

In terms of raising finance by issuing new shares from capital increases, the company is exposed to the price of its stock and the valuation of the capital markets, and to this extent, it may be restricted in its business model by the price of its shares with regard to finance to be generated through the capital markets.

The process of Bitcoin mining is very energy-intensive and associated with high electricity costs. The company is heavily exposed to movements in the market price for electricity.

By operating abroad, the company is also exposed to political risks and legal uncertainty in these countries even if such risks appear manageable in the country on which it is currently focused, namely Norway.

The company is presently checking with its advisors and the supervisory authorities whether certain statutory disclosures which its predecessor company was obliged to make, were sent out in time in 2017. It is not yet conclusively clear whether the EU regulation in this regard was complied with. However, the company regards the situation as uncritical and believes that is overwhelmingly likely and provable that the predecessor company met its obligations in accordance with the regulations. No provisions were therefore made in the balance sheet in this regard. The case is still at an early stage.

Northern Bitcoin uses know-how for its operations which only a few employees possess. If employees in key positions were to leave, this could have a seriously negative impact. If any such employee is unable to work, the company loses them or is unable to recruit further suitable specialists or managers on a lasting basis, this may endanger its operations.

Outlook

Thanks to an innovative approach, Northern Bitcoin has established the basis for scaling its environmentally-friendly, climate-neutral and at the same time highly efficient Bitcoin mining. The company is therefore positioning itself for sustainable growth, distancing itself from most other Bitcoin miners who run their mining on the basis of fossil fuels and are meeting ever stronger political and social resistance due to the environmental impact associated with them.

Northern Bitcoin benefits from the constantly growing acceptance of Bitcoin as a store of value and means of payment. Northern Bitcoin AG continues to work intensively on steadily expanding its market position in order to play a leading role in Bitcoin mining.

As of the end of the first half of 2019, the company expanded its mining capacity in the Lefdal mine in Norway by a further six mining containers. With this alone and the acquisition of additional mining hardware directly after the reporting period – measures which merely represent the start of global scaling – the company has already succeeded in doubling its potential mining capacity by comparison with the beginning of the reporting period. The company has developed its own mining pool in order to be independent of third-party mining pools and to have a billing and management tool under its own control. The company's own mining pool provides complete transparency and control with regard to the sum of self-mined Bitcoins. The fact that the mining pool is based in Germany, in contrast to the competition and pools largely based in China, will in future give the company the chance to enter into strategic partnerships with established companies which are now beginning to get to grips with the subject of Bitcoin mining.

After the reporting period, in September, the company successfully completed tests for its new, air-cooled mining container developed in the reporting period. With this additional, mobile, air-cooled container solution, Northern Bitcoin AG has opened up further, even remote locations in the permanently cool regions of the world where green electricity, e.g. from hydroelectric power, is extremely affordable and available in abundance. Together with the water-cooled containers which have been running successfully in Norway for over a year, Northern Bitcoin now has two different mobile container solutions for almost any possible location in northern lands. The innovative mining container in which 144 ASIC miners are installed, is custom-made on the basis of a 20-foot container, and has been specially developed to run in the open air.

THE FUTURE OF BITCOIN IS SUSTAINABLE

Bitcoin mining requires prodigious computing power which guarantees the security of by far the largest cryptocurrency. When the electricity required is generated from fossil fuels, this has a negative impact on the environment. Bitcoin only has a future, therefore, if it is mined sustainably, on the basis of regenerative sources of energy.

The containers with Northern Bitcoin's mining hardware are located around 60 meters below ground in the Lefdal mine on Norway's southern coast. Northern Bitcoin's miners are run on regenerative electricity from hydroelectric power and cooled with water from a fjord in a former olivine mine that has been converted to a computer center, almost 200 kilometers north of Bergen.

Norway has water and relief energy in abundance. It is Europe's largest producer of green electricity from hydroelectric power and ranks as the number 6 worldwide. The attractively priced, green energy of this Scandinavian country, its excellent Internet connections and political stability convinced Northern Bitcoin to choose Norway as the first location for its Bitcoin mining activities.



SECURITY AND TRUST THROUGH THE BITCOIN BLOCKCHAIN

Bitcoin can be transferred directly between sender and receiver worldwide and at any time. Its algorithm, the "Bitcoin blockchain", is similar to a large cash ledger that anyone can look into. Every Bitcoin transaction is confirmed by the network before it is irrevocably entered in the ledger. The blockchain cannot be manipulated as every transaction is based on the consensus of the Bitcoin network. There are no central players with a controlling role such as the banks play in the analog finance system.

Besides its unique algorithm, further prerequisites for Bitcoin's technical development are its global network of connected computers as well as very powerful hardware. Bitcoin represents the logical digitization of money as a store of value and means of payment. It is therefore opening a completely new chapter of digitization characterized by a strong social component, as Bitcoin is beyond the influence of banks, making it technically and socially revolutionary. At the same time, Bitcoin is "the US dollar of cryptocurrencies" – staking out a market share of around 70 percent and serving as a benchmark for all other cryptocurrencies.



INTERIM BALANCE SHEET

ASSETS	EUR	30 June 2019 EUR	31 December 2018 EUR	EQUITY AND LIABILITIES	EUR	30 June 2019 EUR	31 December 2018 EUR
A. Fixed Asstes				A. Equity			
I. Intangible assets				I. Subscribed capital		7,441,500.00	7,441,500.00
1. Purchased concessions, industrial and similar rights and assets, and licences for such rights and assets		10,876.53	13,903.00	II. Capital reserves		739,985.00	739,985.00
II. Tangible assets				III. Loss carried forward		-8,900,420.66	-3,304,297.60
1. Other equipment, operating and office equipment	4,451,293.37		4,837,429.00	IV. Net loss for the year		-3,588,618.66	5,596,123.06
2. Advance payments and assets under construction	<u>32,017.79</u>		<u>0</u>	Deficit not covered		4,307,554.32	718,935.66
		4,483,311.16	4,851,332.00	Book equity		0	0
B. Current Assets				B. Provisions			
I. Inventories				1. Other Provisions		81,157.00	38,000.00
1. Finished goods		466,020.14	120,485.25	C. Liabilities			
II. Receivables and other assets				1. Trade Payables			
1. Trade receivables	10,780.00		0	- Of which with a remaining maturity of up to one year			
2. Other assets	<u>244,868.79</u>		<u>171,217.39</u>	EUR 3,511,129.11 (EUR 2,601,148.60)	3,511,129.11		2,601,148.60
		255,648.79	171,217.39	2. Liabilities to affiliated companies			
III. Cash-in-hand and bank balances		313,305.02	2,999,274.39	- Of which with a remaining maturity of up to one year			
C. Accruals and deferrals		15,803.16	58,092.02	EUR 74,272.91 (EUR 681,546.28)			
D. Deficit not covered by equity		4,307,554.32	718,935.66	- Of which with a remaining maturity of more than one year			
				EUR 6,043,756.33 (EUR 5,406,682.96)	6,118,029.24		6,088,229.24
				3. Other liabilities	<u>142,203.77</u>		<u>191,958.87</u>
						9,771,362.12	8,881,336.71
				- Threof from taxes EUR 17,462.61 (EUR 19,908.01)			
				- of which for social security EUR 948.86 (EUR 837.83)			
				- of which with a remaining term of up to one year EUR 142,203.77 (EUR 191,958.87)			
		9,852,519.12	8,919,336.71			9,852,519.12	8,919,336.71

INCOME STATEMENT

		HI/2019	HI/2018
	EUR	EUR	EUR
1.	Revenues	1,490,473.67	1,099,570.40
2.	Change in stock of finished and unfinished goods	<u>345,534.89</u>	<u>79,853.55</u>
3.	Gross profit	1,836,008.56	1,179,423.95
4.	Other operating income		
a)	Income from the release of provisions	0	9,671.52
b)	Miscellaneous operating income	<u>4,372.03</u>	<u>2,436.63</u>
		4,372.03	12,108.15
	- Of which from currency translation EUR 2.24 (EUR 0.00)		
5.	Cost of materials		
a)	Cost of raw materials, consumables and supplies and goods for sales	10,814.06	62,414.21
b)	Cost of purchased services	<u>3,990,354.23</u>	<u>1,708,337.26</u>
		4,001,168.29	1,770,751.47
6.	Personnel expenses		
a)	Wages and salaries	412,038.71	301,653.87
b)	Social security and post-employment costs	<u>51,842.09</u>	<u>31,861.31</u>
		463,880.80	333,515.18
7.	Amortization		
a)	Amortization and write-downs of intangible assets	394,614.56	220,414.41
8.	Other operating expenses		
a)	Lease expenses	47,703.11	22,252.16
b)	Insurance, contribution and duties	6,492.50	4,216.78
c)	Repairs and maintenance	6,555.66	0
			-26,468.94
		-60,751.27	-3,019,283.06
			-1,159,617.90

transfer

		HI/2019	HI/2018
	EUR	EUR	EUR
transfer	-60,751.27	-3,019,283.06	-1,159,617.90
			-26,468.94
d)	Vehicle costs	265.33	1,013.59
e)	Advertising and travel expense	105,914.79	95,997.52
f)	Various operating expenses	369,175.13	266,202.97
g)	Miscellaneous operating expenses	<u>2,854.08</u>	<u>1,366.62</u>
		538,960.60	391,049.64
	- of which from currency translation EUR 1,031.74 (EUR 0.00)		
9.	Interest and other expenses	<u>30,375.00</u>	<u>10,125.00</u>
-	of which from affiliated companies EUR 29,800.00 (EUR 8,400.00)		
10.	Earnings after taxes	-3,588,618.66	-1,534,323.60
11.	Deficit of the year	3,588,618.66	1,534,323.60

ABOUT NORTHERN BITCOIN AG

The stock of Northern Bitcoin AG

Besides Germany’s most significant stock exchange, Xetra, and the midmarket segment m:access of the Munich Stock Exchange, the company is also traded at its company headquarters, the stock exchange in Frankfurt am Main as well as on the exchanges in Berlin, Düsseldorf and via the Tradegate Exchange.

The average trading volume with Northern Bitcoin shares on all German exchanges stood at 1,956 shares per day in the first half of 2019.

As a designated sponsor, mwb fairtrade Wertpapierhandelsbank AG provides binding bid and offer prices, thereby guaranteeing appropriate tradability of the Northern Bitcoin stock. Further information is available to interested investors in the Investor Relations section of the homepage at www.northernbitcoin.com.

Stock information

Admission to trading	April 01, 2015
Exchanges	Xetra, Frankfurt, München, Berlin, Düsseldorf, Tradegate
Market segment	Freiverkehr
Level of transparency	m:access
Symbol	NB2
ISIN/WKN	DE000A0SMU87/ A0SMU8
Type of shares	No-par bearer shares
Total number of shares	7.441.500
Share capital	EUR 7,441,500.00
Designated Sponsor	mwb fairtrade Wertpapierhandelsbank AG

As of June 30, 2019

Investor Relations

Once again, Northern Bitcoin AG communicated continuously with institutional investors, private investors and analysts beyond its statutory obligations and duties under stock exchange law in the first half of 2019, and in addition to current business developments, it also explained further transactions of importance for movements in the company's share price. In the current 2019 fiscal year, the company will further intensify its communication with capital market participants and present the stock of Northern Bitcoin AG as an attractive investment to a wide range of investors at the most important conferences.

Shareholder structure

The company is aware of the shares to be disclosed under Sec. 20 (5) of the German Stock Corporation Act (AktG). Anchor investors (including Singularity Capital AG) hold around 37 percent of the voting shares of Northern Bitcoin AG. Dirk Ströer, entrepreneur and investor, owns around 10 percent of the shares of Northern Bitcoin AG with his investment company Krypto Ventures GmbH. The management holds around 9 percent of the shares in circulation. Almost 44 percent of the voting shares are in the free float.

Financial calendar 2019

September 27, 2019	Baader Investment Conference, Munich
November 25 – 27, 2019	German Equity Forum, Frankfurt/Main

Publisher

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This is a translation of the German "Halbjahresbericht 2019" of Northern Bitcoin AG. Sole authoritative and universally valid version is the German language document.



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