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Lykke Corp Zug

Consolidated Financial Statements for the Year ended
31 December 2018 and Report of the Independent Auditor





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Report of the Independent Auditor

To the Board of Directors of
Lykke Corp, Zug

As requested by you, we have reviewed the accompanying consolidated financial statements of Lykke Corp, which comprise the consolidated balance sheet as at 31 December 2018 and consolidated income statement and notes to the consolidated financial statements for the year then ended.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the Swiss Standard on Review Engagements 910. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects in accordance with Swiss law and the consolidation and valuation principles set out in the notes.

Zurich, 14 June 2019

Grant Thornton Bankrevision AG

Markus Eugster
Audit expert
Auditor in charge

Thomas Wirth
Audit expert

Enclosure:

- Consolidated financial statements (balance sheet, income statement and notes)



Financial Statement 2018 Lykke Group, Zug

Balance Sheet

	Notes	2018	2017
Assets		TCHF	TCHF
Cash and cash equivalents	3.01	5'491.5	12'570.7
Trade accounts receivable	3.02	936.0	5'566.7
Other short-term receivables	3.03	0.0	18.4
Inventory	3.04	879.8	5'984.5
Prepaid expenses and accrued income		132.4	29.1
Total current assets		7'439.7	24'169.3
Financial assets		1'122.7	185.1
Intangible assets		6'046.7	
Fixed Assets		10.9	-
Mobile Assets		12.6	-
Total fixed assets		7'192.9	185.1
Total assets		14'632.6	24'354.4
Liabilities and shareholders equity			
Trade accounts payable	3.05	35.7	13.4
Other short-term liabilities	3.06	10'397.7	18'199.1
Accrued expenses and deferred income		919.2	2'068.3
Total short term liabilities		11'352.5	20'280.7
Long-Term liabilities		-	-
Total long term liabilities		-	-
Total liabilities		11'352.5	20'280.7
Share Capital		128.6	128.6
Legal capital reserves		110.3	-
Reserves from capital contribution	3.07	2'862.2	2'862.2
Profit / (Loss) carried forward		2'780.3	(1'812.7)
Profit / (Loss) for the year		(536.8)	4'323.1
Treasury shares	3.08	(1'976.5)	(1'978.4)
Translation reserve		(88.1)	550.8
Total shareholders equity		3'280.1	4'073.7
Total liabilities and shareholder's equity		14'632.6	24'354.4

Income statement

	Notes	2018	2017
		TCHF	TCHF
Operating Income		(1'843.9)	11'865.3
Total operating income		(1'843.9)	11'865.3
Personnel expenses		(3'293.3)	(2'125.4)
Operating expenses	3.09	(6'624.5)	(12'015.9)
Operating expenses		(9'917.7)	(14'141.3)
Operating result		(11'761.6)	(2'276.0)
Financial result	3.10	2'524.1	7'323.0
Non-operational costs / income	3.11	8'700.7	(10.1)
Profit / (Loss) for the year before taxes		(536.8)	5'036.8
Direct taxes		-	(713.7)
Profit / (Loss) for the year		(536.8)	4'323.1



Notes regarding Annual Consolidated Financial Statements of Lykke Corp 31 December 2018

General aspects

Lykke Corp is a Swiss limited company, domiciled in Zug and is the parent company of the Lykke Group. The company builds a global marketplace for all asset classes and financial instruments, that is a level playing field where everyone can have access. These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) and comply with Swiss law. Where not prescribed by the law, the significant accounting and valuation principles applied are described below.

Consolidation principles

The group's financial statements consolidate those of the parent company and all of its subsidiaries at year end. The group applies the acquisition method in accounting for consolidation.

The assets and liabilities included in the consolidated financial statements are measured according to uniform principles. Intragroup balances, intragroup transactions and material unrealized profits resulting from intragroup transactions are eliminated during consolidation.

The consolidated financial statements are prepared on a historical cost basis, except for financial current assets and derivative financial instruments which are recorded at market value.

Scope of consolidation

The consolidated financial statements include the financial statements of Lykke Corp (Lykke AG) and its subsidiaries, which are controlled by Lykke Corp.

Control is presumed to exist when Lykke Corp owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise or otherwise exercises management control. Refer to note 4.2 of the consolidated financial statements for a listing of the Group entities.

The closing date for the financial statements of Lykke Corp is December 31. The consolidated financial statements have been prepared in Swiss Francs (CHF).

Foreign currency translation

The financial statements of Lykke Corp and its subsidiaries are translated into Swiss Francs (reporting currency) for consolidation purposes. Assets and liabilities of subsidiaries denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The income statement is translated into the reporting currency at the annual mean exchange rate presented by the Swiss Federal Tax Authority. Foreign currency differences deriving from the translation of equity and results of subsidiaries are recorded as translation differences, i.e. the position revaluation of intercompany transactions.

In the financial statements of the individual subsidiaries, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. All resulting differences are recognized as exchange gains or losses in the income statement of the individual subsidiary.

2. Accounting Principles

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts, demand deposits, money market instruments as well as short-term deposits with terms not exceeding a period of three months. Cash and cash equivalents are recorded at nominal value.

Financial assets

Current financial assets are investments in marketable securities that can be permanently liquidated at efficient markets. They are measured at fair value, whereas unrecognized gains or losses are recorded in the financial result of the income statement.

Liabilities

Liabilities are recorded at their nominal value.

Contingent liabilities

Contingent liabilities are measured on the basis of the respective probability and impact of future unilateral cash outflows and are disclosed in the notes to the consolidated financial statements.

Treasury shares

Treasury shares are reported at historical acquisition cost and shown as a deduction from equity.

Intangible assets

Investments in intangible assets are capitalized if they are utilized during more than one accounting period and exceed the minimum capitalization limit of CHF 1'000. The internally developed software is recognized if it cumulatively meets the following conditions:

- The internally developed property, plant and equipment is identifiable and under the control of Lykke Corp.
- The tangible asset developed by Lykke Corp will bring measurable benefits over several years.
- The expenses incurred for the creation of self-constructed property, plant and equipment can be recorded and measured separately.

Intangible assets are carried at cost less accumulated amortization over their estimated useful lives.

Intangible assets include the software developed by Lykke Corp itself, which provides Lykke Corp with a measurable long-term benefit. The value impairment of this software is taken into account annually with a depreciation of 20% of the related costs.

Intangible assets are amortized on a straight-line basis over a prudently estimated useful life of the assets under the item "Depreciation of property, plant and equipment and amortization of intangible assets". The estimated useful life for individual categories of intangible assets is as follows:

- Other tangible assets: max. 8 years
- IT, hard- and software: max. 5 years

At each balance sheet date, each intangible asset is tested individually for impairment. This review is performed on the basis of indications that individual assets may be impaired. If such indications exist, the recoverable amount is determined. The recoverable amount is determined individually for each asset. An asset is impaired if its carrying amount exceeds its recoverable amount.

If an impairment loss exists, the carrying amount is reduced to its recoverable amount and the impairment loss is charged to "Depreciation of property, plant and equipment and amortization of intangible assets".

If the impairment test of an item of property, plant and equipment reveals a change in its useful life, the residual book value is depreciated systematically over the newly determined useful life.

Realized gains from the sale of property, plant and equipment are recorded under "Extraordinary income", realized losses under "Extraordinary expenses"

3. Information on balance sheet and income statement items

3.01 Cash and cash equivalents

CHF 1'000	31.12.2018	31.12.2017
BANK ACCOUNTS	5'458.6	10'070.5
CRYPTO ACCOUNTS	32.9	2'500.2
CAPITAL PAYMENT ACCOUNT	0	0
TOTAL	5'491.5	12'570.7

The capital payment account with TCHF 50 was closed in 2017.

3.02 Trade accounts receivable

CHF 1'000	31.12.2018	31.12.2017
ACCOUNTS RECEIVABLE FROM THIRD PARTIES	936.0	5'566.7
TOTAL	936.0	5'566.7

3.03 Other short-term receivable

CHF 1'000	31.12.2018	31.12.2017
ACCOUNTS RECEIVABLE FROM INPUT TAX	0.0	18.4
TOTAL	0.0	18.4

3.04 Inventory

CHF 1'000	31.12.2018	31.12.2017
INVENTORY IN CRYPTOASSETS, HELD FOR SALE	879.8	5'428.5
INVENTORY IN FIAT ON EXCHANGES, HELD FOR SALE	0.0	556.0
TOTAL	879.8	5'984.5

The inventory in Cryptoassets as of 31 December 2018 consists of Bitcoin, BitcoinCash, BitcoinGold, Dash, Ethereum Classic, Litecoin, Ripple, Zcash, Solarcoin, TIME, TREE and Ethereum held by the fully owned subsidiary Lykke Corp UK Limited.

3.05 Trade accounts payable

CHF 1'000	31.12.2018	31.12.2017
ACCOUNTS PAYABLE DUE TO THIRD PARTIES	35.7	13.4
TOTAL	35.7	13.4

3.06 Other short-term liabilities

CHF 1'000	31.12.2018	31.12.2017
LIABILITIES DUE TO CLIENT ACCOUNTS	9'924.6	17'865.5
LIABILITIES DUE TO THIRD PARTIES	473.1	333.6
TOTAL	10'397.7	18'199.1

3.07 Capital contribution reserve

CHF 1'000	31.12.2018	31.12.2017
CAPITAL CONTRIBUTION RESERVE	2'862.2	2'862.2
TOTAL	2'862.2	2'862.2

The formed capital contribution reserve originates mostly from the sale of tax segregated shares of Lykke Corp. Further reserve was created during a capital increase (approved 23 May 2016).

3.08 Treasury shares of Lykke Corp

NUMBER OF REGISTERED SHARES	31.12.2018	31.12.2017
INVENTORY AS AT 1.1.	892'103	1'332'474
ACQUISITIONS	2'119'614	396'075
SALES	3'262'272	836'446
INVENTORY AS AT 31.12.	702'906	892'103

In 2018, 2'141'673 shares were purchased at an average price of CHF 6.46 each. And 3'284'331 shares were sold at an average price of CHF 3.19.

3.09 Operating expenses

CHF 1'000	31.12.2018	31.12.2017
OPERATING EXPENSES	(5'403.1)	(10'330.1)
BUSINESS EXPENSES	(128.5)	(87.6)
ADMINISTRATION EXPENSES	(822.5)	(1'235.0)
DEPRECIATION & AMORTIZATION	(3.6)	0.0
ADVERTISING EXPENDITURES	(266.8)	(363.2)
TOTAL	(6'624.5)	(12'015.9)

3.10 Financial costs / income

CHF 1'000	31.12.2018	31.12.2017
FINANCIAL EXPENDITURES	(554.7)	(1'040.9)
FOREIGN EXCHANGE GAINS	6'149.6	2'872.8
INCOME FROM LKK TRANSFER TO AN INDEPENDENT COMPANY	1'870.5	34'382.1
EXPENSES FROM LKK TRANSFER TO AN INDEPENDENT COMPANY	(4'941.3)	(28'891.0)
TOTAL	2'524.1	7'323.0

3.11 Extraordinary, non-recurring or prior period costs / income

CHF 1'000	31.12.2018	31.12.2017
EXTRAORDINARY EXPENDITURES	(16.5)	(38.3)
EXTRAORDINARY INCOME	8'717.2	28.2
TOTAL	8'700.7	(10.1)

The majority of the extraordinary income was generated by loan waivers amounting to CHF 6 million combined with the sale of shares to an investor for approximately CHF 2.7 million.

4. Other information

4.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, was above 10 and below 50. In the previous year, it was above 10 and below 50.

4.2 Affiliated companies

COMPANY	LEGAL STRUCTURE	HEAD OFFICE	CAPITAL PROPORTION	VOTE PROPORTION
LYKKE CORP UK LIMITED	PRIVATE LIMITED COMPANY	UNITED KINGDOM, LONDON	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (ACTIVE)</i>				
LYKKE MTF UK LIMITED	PRIVATE LIMITED COMPANY	UNITED KINGDOM, LONDON	0 %	0 %
<i>COMMENT: NOT CONSOLIDATED, CLOSED 16 OCTOBER 2018</i>				
LYKKE VANUATU LTD	INTERNATIONAL COMPANY	VANUATU, PORT VILA	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (CLOSING PENDING)</i>				
LYKKE INC	C-CORP	USA, DELAWARE	99 %	99 %
<i>COMMENT: FULLY CONSOLIDATED (CLOSING PENDING)</i>				
LYKKE CYPRUS LTD	PRIVATE LIMITED COMPANY	CYPRUS, NICOSIA	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (ACTIVE)</i>				
LYKKE EMI LTD	PRIVATE LIMITED COMPANY	CYPRUS, NICOSIA	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (CLOSING PENDING)</i>				
LYKKE SERVICES CYPRUS	PRIVATE LIMITED COMPANY	CYPRUS, NICOSIA	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (CLOSING PENDING)</i>				
LYKKE NETHERLANDS B.V	PRIVATE LIMITED COMPANY	THE NETHERLANDS, HOOFFDORP	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED (ACTIVE)</i>				
LYKKE ACCELERATOR (SINCE 30.01.2019 LYKKE BUSINESS)	PRIVATE LIMITED COMPANY	SWITZERLAND, ZUG	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED, NO MATERIAL ACTIVITIES IN 2018</i>				
LYKKE SWITZERLAND	PRIVATE LIMITED COMPANY	SWITZERLAND, ZUG	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED, NO MATERIAL ACTIVITIES IN 2018</i>				
LYKKE SERVICES	PRIVATE LIMITED COMPANY	SWITZERLAND, ZUG	100 %	100 %
<i>COMMENT: FULLY CONSOLIDATED, NO MATERIAL ACTIVITIES IN 2018</i>				
LYKKE PTE LTD.	PRIVATE LIMITED COMPANY	SINGAPORE, SINGAPORE	100%	100%
<i>COMMENT: NOT CONSOLIDATED, DORMANT COMPANY</i>				

4.3 Further liabilities against pension fund

By 31.12.2018 there was one open liability over CHF 709.45 against the pension fund which was paid in 2019. The open liability of CHF 5'108.25 as of 31.12.2017 was paid in 2018.

5. Risk management and Internal controls

Due to its international business, the Lykke Group is exposed to different operational and strategic risks which are assessed on an ongoing basis by a risk management process. The risks classifications are based on the analysis of the probability and exposure. As a result, action plans to reduce or avoid risks are prepared. On a yearly basis, a consolidated risk report is presented to the Board of Directors.

For identified risks relating to financial reporting and accounting, a risk assessment is performed. The group wide internal controls framework for the financial reporting defines relevant key controls that reduce financial risks. Moreover, Lykke Corp is targeting to develop a control environment that ensures a disciplined management of the existing risks.

Financial risks include credit, investment, illiquidity, foreign exchange and interest risks.

Credit

Credit risk is the risk to incur financial losses and arise when customers or a counterparty of a financial instrument are unable to meet their obligations as agreed.

Credit risks are managed by adequate ongoing management of daily business and a risk assessment before extending credit terms.

The default risk in terms of trade receivables is limited, since the customer base of Lykke Corp consists of a large number of customers from various geographical regions. Nevertheless, the risk management process stipulates an individual customer risk assessment in case of excess of certain credit limits for transactions or outstanding balances.

Liquidity

Centralized cash management ensures that Lykke Corp shall have sufficient liquidity to settle outstanding liabilities on time.

Foreign currency

Lykke Corp is exposed to foreign currency risks by virtue of its business. These risks occur in transactions which take place in currencies other than the functional currency of the company, in particular in purchasing or selling Cryptocurrencies. Such transactions are primarily settled in USD and EUR. The individual companies plan their expected payment flows on a regular basis and report these to the Group Management.

The difference between incoming and outgoing payments in a specific foreign currency, particularly in USD and EUR, is considered material. Remaining net positions are monitored by Group Management and may be hedged on a selective basis if deemed necessary.

The following exchange rates of the most important currencies for Lykke Corp were used for translation into Swiss Francs:

Balance Sheet as of 31.12.2018					P&L Mittelkurs 2018			
translated	CHF	EUR	GBP	USD	CHF	EUR	GBP	USD
CHF	1.0000	0.8874	0.7965	1.0144	1.0000	0.8659	0.7660	1.0224
EUR	1.1269	1.0000	0.8976	1.1432	1.1549	1.0000	0.8846	1.1808
GBP	1.2555	1.1141	1.0000	1.2736	1.3055	1.1305	1.0000	1.3348
USD	0.9858	0.8748	0.7852	1.0000	0.9780	0.8469	0.7492	1.0000
BTC	3'705.3748	3'288.1132	2'951.2482	3'758.8100				
LKK	0.0190	0.0169	0.0151	0.0193				
ETH	133.3963	118.3746	106.2472	135.3200				
SLR	0.0273	0.0242	0.0217	0.0277				

Interest

Interest risk comprise an interest-rate related cash flow risk, i.e. the risk that future interest payments will change due to fluctuations in the market interest rate, together with an interest rate related risk of a change in fair value, i.e. the risk that the fair value of a financial instrument changes due to fluctuations in the market interest rate.

The consolidated financial statements of Lykke Corp as per December 31, 2018 do not include any financial liabilities that are subject to an interest rate change risk.

6. Acquisitions

No acquisitions were made in the reporting period or in the previous period.

7. Significant events after the balance sheet date

No significant events happened after the balance sheet date.