



5EL SA, Lausanne
Half-year report 2017
(unaudited)

29 September 2017

HIGHLIGHTS OF THE FIRST HALF 2017

1. ORGANIZATION, BUSINESS ACTIVITY AND BUSINESS COMBINATION

5EL SA, is a limited Company incorporated on 17 December 1998 under the laws of Switzerland and has its registered trade office at Rue du Grand-Chêne 8, 1003 Lausanne, Switzerland.

On 28 December 2015 the Company sold all of its subsidiaries. Since then, the Company had no more operating activity. The Board of Directors had been researching different strategies for future development of the Company including the most promising industry focus taking into consideration additional capital requirements and expected possibilities to maximize the shareholders' value. Several privately held businesses had been reviewed as potential acquisition targets and various investor Groups had been invited to discuss their potential participation in the planned capital increase.

As a consequence of this strategy set up by the Board of Directors, two important transactions ("Transactions") have been approved and to a large extent completed during the first half of 2017 (with several important conditions subsequent remaining for completion in the Q3 2017 that have been completed as of the date of publication of this Report):

- On 20 May 2017 the Company has acquired 100% of The Native AG, the Swiss registered holding company for several digital content marketing investments including control investment in the New York based The Native Media Inc. ("Acquisition Transaction").
- On 14 June 2017 the shareholders have approved the capital increase of at least CHF 10 million to finance the new business model of the Company ("Capital Increase Transaction").

Upon completion of these Transactions, 5EL SA is emerging as the well-funded investment firm with no controlling shareholder, backed by the stellar roster of the strategic and financial investors in global media, e-commerce, digital marketing and technology space, and with a focus on further consolidation of complimentary e-commerce, content marketing, digital services, on line advertising and other technology properties aimed to facilitate cost-efficient and highly customized support to our corporate (brand) clients to do more business online and to service the millennial demographic better.

As the Transactions took place at the end of the Semester with several important conditions subsequent remaining outstanding and completed in their entirety only in the third calendar quarter of 2017, the full business and financial integration of the newly acquired subsidiaries has not been completed as of June 30, 2017. Hence, 5EL was not able to obtain the complete set of financial information to perform the consolidation of the Native AG and some of its affiliate companies. It was therefore decided by the Board to consolidate the new subsidiaries starting as of October 1, 2017 since all of the conditions subsequent pertinent to the above-mentioned Transactions had been completed as of September 29, 2017.

There are no consolidated financial statements of the Company for neither 2016, nor for the first half of 2017.

2. TRANSITION FROM IFRS TO SWISS GAAP FER

As a consequence of the transition from IFRS to Swiss GAAP FER, results in the income statement for the half-year 2016 were restated. Changes were primarily due to a different accounting treatment for debt discounting. In the balance sheet, the biggest adjustment concerns the non-recognition of a contingent consideration on acquisition

of shares. This leads, together with other effects, to an increase in equity of TCHF 38 on the balance sheet as at 30 June 2016, but no change in the total assets.

3. NET RESULT

The net result is a loss of TCHF 331, compared to a loss of TCHF 340 for the six months ended June 30, 2016. The Company had no revenue during the periods under review except for the revenues on the level of The Native AG that the Company made a decision to consolidate only as of October 1, 2017.

OUTLOOK SECOND HALF-YEAR 2017

Since the 5EL SA shareholders meeting in June 2017 had approved the strategy to completely transform 5EL SA into the dynamic, full service e-commerce, digital marketing and technology company, we have made a lot of progress and are about half way through the transformation process.

Among important milestones already accomplished in the third quarter of 2017 had been (i) receiving all necessary regulatory approvals for the Capital Increase Transaction (including approval of the Swiss Takeover Board), (ii) completion of the Acquisition Transaction by acquiring 33.3% ownership interest in Holotrack AG and electing Company's representatives to the board of directors of each of Holotrack AG and Pulse Evolution Corp, (iii) reorganization of various acquired technology competences and creation of the 5EL Blockchain Lab business unit to provide our large corporate and government clients with advisory and systems integration services related to commercial and other applications of the blockchain technology and selected auxiliary technology products.

The digital business strategy advisory and content marketing services offered under the brand of The Native, and the commercial applications of blockchain and auxiliary technologies run through our 5EL Blockchain Lab business unit comprise the core part of the new 5EL services suite today. In the meantime the Board of 5EL SA continues to work through the integration plan of the strong content marketing assets and technologies purchased through the Acquisition Transaction and is scheduled to release its new market positioning and corporate identity for 5EL already in October 2017, upon receiving the first feedback from its first pilot deployment of integrated set of digital marketing and blockchain application services and fully consolidating various interests acquired through the Acquisition Transaction as of October 1, 2017. This disclosure is likely to be combined with information on a further add-on acquisition(s) to be completed by 5EL SA.

The 5EL Board has also made a decision early on to approach the Pulse / Holotrack component of the Acquisition Transaction as the special situation, that is a purchase of a potentially valuable but heavily stressed asset. We have been working closely with our new partners in Holotrack AG to establish the ways to recover or/and grow the value of Holotrack investment into Pulse Evolution Corp, and we have retained the US law firm Moses & Singer LLP to assist us with potential litigation strategy on this matter. This effort resulted in the management change at Pulse Evolution Corp in summer 2017 and subsequent appointment of our Company's representative to Pulse Evolution Corp board at the end of September of this year. We continue to actively pursue the ways to recover or/and grow the value of Holotrack investment into Pulse Evolution Corp.

The ground work completed through the Acquisition and Capital Increase Transactions in the third quarter of 2017, including strengthening our management team and creating increasingly more recognizable public profile for our Company, paves the way for completion of a transformative add-on acquisition by the Company in the fourth

quarter of this year. The Company's board has identified a number of suitable targets in e-commerce services, media and technology space and is in the process of the final negotiation process with the shortlisted targets combined with parallel work on the adequate financing package that should allow the Company paying for this acquisition at optimal terms.

At this stage we expect 2017 to be the year of key acquisitions, integration and strategic development initiatives that will result in creating well diversified, e-commerce services and technology business able to support cost efficiently both large and mid size corporate clients with their existing and innovative e-commerce offerings, specifically helping with the internationalization of the clients' business models and addressing new pockets of customers such as millennial and Z generations in a creative and engaging way. The fiscal year 2018 should help us to release maximum potential from acquisitions, integration and technical development work we are doing today. We expect that the Company should be in a good position to offer fairly accurate guidance to its 2018 financial results and key business objectives in early December of 2017.

Dr. Serge Umansky

Chairman of the Board

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FINANCIAL STATEMENTS

INCOME STATEMENT

(in thousands of Swiss Francs)

	Unaudited 30 June 2017	Unaudited 30 June 2016 Restated
	TCHF	TCHF
For the six months ended		
Revenue	-	-
Other income	-	-
Personnel expenses	-	-
Administration and other operating expenses	(369)	(324)
Depreciation, amortization and impairment losses	-	(1)
Operating result (EBIT)	(369)	(325)
Finance income	66	10
Finance costs	(19)	(23)
Result before income tax	(322)	(338)
Income tax	(9)	(2)
Net result	(331)	(340)
Attributable to:		
Owners of the Company	(331)	(340)
Non-controlling interests	-	-
Net result	(331)	(340)
Earnings per share		
Basic (CHF per share)	(0.11)	(1.36)
Diluted (CHF per share)	(0.11)	(1.36)

BALANCE SHEET

(in thousands of Swiss Francs)

	Notes	Unaudited 30 June 2017 TCHF	Audited 31 Dec 2016 TCHF
ASSETS			
Current assets			
Cash and cash equivalent	3	2 039	46
Trade and other receivables		1 979	1 937
Prepaid expenses		-	8
Total current assets		4 018	1 991
Non-current assets			
Investments	4	8 000	-
Total non-current assets		8 000	-
Total assets		12 018	1 991
LIABILITIES AND EQUITY			
Current liabilities			
Current financial liabilities		1 408	1 320
Trade and other payables		833	563
Total current liabilities		2 241	1 883
Equity			
Share capital	5	10 889	10 162
Treasury shares		(259)	(259)
Accumulated deficit		(853)	(9 795)
Total equity attributable to owners of the Company		9 777	108
Non-controlling interests		-	-
Total equity		9 777	108
Total liabilities and equity		12 018	1 991

CHANGES IN EQUITY

(in thousands of Swiss Francs)

	Issued capital		Foreign currency translation TCHF	Retained earnings TCHF	Attributable to		Total TCHF
	Share Capital TCHF	Treasury Shares TCHF			Owners of the Company TCHF	Non- controlling interests TCHF	
Balance at 1 January 2016 (audited)	10 162	(259)	-	(8 858)	1 045	-	1 045
Loss for the period				(340)	(340)		(340)
Balance at 30 June 2016 (unaudited)	10 162	(259)	-	(9 198)	705	-	705
Balance at 1 January 2017 (audited)	10 162	(259)	-	(9 795)	108	-	108
Capital reduction	(9 273)			9 273	-		-
Capital increase	10 000				10 000		10 000
Loss for the period				(331)	(331)		(331)
Balance at 30 June 2017 (unaudited)	10 889	(259)	-	(853)	9 777	-	9 777

CASH FLOW STATEMENT

(in thousands of Swiss Francs)

For the six months ended	Notes	Unaudited 30 June 2017 TCHF	Unaudited 30 June 2016 Restated TCHF
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the year		(331)	(340)
Adjustments for:			
Tax (income) / expense		9	2
Finance costs		19	23
Finance income		(10)	(10)
Depreciation and amortization expense		-	1
Unrealised foreign exchange (gain) / loss		(55)	-
		<u>(368)</u>	<u>(324)</u>
Movement in working capital			
(Increase)/decrease in inventory		-	-
(Increase)/decrease in trade and other receivables		34	(2)
Increase/(decrease) in trade and other payables		242	(131)
<i>Cash flow generated from operations</i>		<u>(92)</u>	<u>(457)</u>
Income taxes paid		-	(2)
Net cash from operating activities		(92)	(459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries, net of cash disposed of		-	-
Proceeds on sale of financial assets		-	-
Acquisition of associates		-	-
Acquisition of Property, plant and equipment		-	-
Interest received		-	-
Net cash used in / from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of borrowings		88	-
Capital increase		2 000	-
Interest paid		(3)	(19)
Payment of finance lease liabilities		-	-
Net cash used in financing activities		2 085	(19)
Change in cash and cash equivalents		1 993	(478)
Cash and cash equivalents at 1 January		46	763
Effect of movements in exchange rates on cash held		-	-
Cash and cash equivalents at 30 June		2 039	285
Change in cash and cash equivalents		1 993	(478)

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of Swiss Francs, except as otherwise indicated)

For the period ended 30 June 2017

These financial statements were approved by the Board of Directors and authorized for issue on 29 September 2017.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements cover the unaudited half-year results for the six months ending 30 June 2017. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations). The interim financial statements for 2017 have been prepared in accordance with FER 31 "Supplementary Recommendation for Listed Companies".

These interim financial statements do not contain all the information and disclosures required in the annual report. They should therefore be read in conjunction with the financial statements as at 31 December 2016. In this interim report, Management has not made any significant changes to the estimates and assumptions compared to the previous period.

Accounting principles under Swiss GAAP FER, which have been applied for the first time for the preparation and presentation of the financial statements for 2016, differ in the following respect from IFRS reporting standards applied to the financial statements for the half-year ended 30 June 2016:

- a) Fair value of the contingent consideration relating to the acquisition of K.R.ENERGY Spa Shares

Under IFRS the Company calculated the fair value of the contingent consideration based on the exchange conditions of the shares of the Company against the K.R.ENERGY shares. This calculation is no more necessary according to the new accounting principles under Swiss GAAP FER.

- b) Adjustment market interest rate on convertible loan

Under IFRS the convertible loan was accounted for using the effective interest rate method on initial recognition. Under Swiss GAAP FER the method chosen for financial debts is amortized cost.

The following is a summary of adjustments linked to the change of accounting principles from IFRS to Swiss GAAP FER applied to the 30 June 2016 comparative balance sheet:

	Unaudited 30 June 2016 TCHF	1 Jan 2016 TCHF
Equity according to IFRS	667	985
Swiss GAAP FER adjustments		
Fair value of the contingent consideration relating to the acquisition of K.R.ENERGY Spa shares	47	70
Adjustment market interest rate on convertible loan	(9)	(11)
Rounding		1
Total adjustments to equity	38	60
Equity according to Swiss GAAP FER	705	1 045
Net result according to IFRS	(318)	
Swiss GAAP FER adjustments		
Fair value of the contingent consideration relating to the acquisition of K.R.ENERGY Spa shares	(23)	
Adjustment market interest rate on convertible loan	2	
Rounding	(1)	
Total adjustments to net result	(22)	
Net result according to Swiss GAAP FER	(340)	

2. EXCHANGE RATES

The following exchange rates were used for currency translation:

	Period ended 30 June 2017		Year ended 31 December 2016		Period ended 30 June 2016	
	Closing rate	Period average	Closing rate	Period average	Closing rate	Period average
EUR	1.1050	N/A	1.0720	N/A	1.0834	N/A
USD	0.9658	N/A				

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the proceeds from the cash part of the share capital increase issued on 14 June 2017 (CHF 2 million).

4. INVESTMENTS

This position includes the investment in The Native AG for CHF 8 million.

On 20 May 2017, the Company has entered into an agreement for the acquisition of 100% of the shares in Basel-based The Native AG. The Native AG is currently specialized in designing, building and operating diverse digital assets for international brands seeking to improve their commercial offerings for the global millennial audience, and also owns strategic minority equity participations in a number of unconsolidated entities.

The Native AG owns 75% and full operational control of The Native Media Inc, a New York based digital and content marketing firm that offers integrated digital marketing solutions for its clients in the sport, luxury and entertainment industries.

The Native AG owns 33.3% of Holotrack AG, a Pratteln (Switzerland) based investment holding company, and also owns (directly and through Holotrack AG) 8.31% of Pulse Evolution Corporation, a Florida based company whose shares are traded at OTC Bulletin Board in the USA. Pulse Evolution Corporation is the pioneer and leading developer of hyper-realistic digital humans for holographic live performances, virtual reality, augmented reality and artificial intelligence.

As some of the important conditions subsequent to each of Capital Increase and Acquisition Transactions have only been completed at various dates in August and September of 2017, the integration of the newly acquired subsidiaries has not been completed as of the date of publication, and specifically 5EL was not able to obtain the complete set of financial information to perform the sub-consolidation of the Native AG Group. It was therefore decided by the Board to consolidate the Native AG Group starting as of 1st October, 2017, and up until that date account this as the long term investment at cost.

This acquisition of The Native AG was a non-cash transaction: the amount due on the purchase was compensated by the subscription of the Capital Increase, with the Capital Increase Transaction receiving all the necessary corporate and regulatory approvals by the date of the publication of this Report.

5. ISSUED CAPITAL

The following is an analysis of the issued capital:

	Number of shares	Ordinary shares TCHF	Treasury Shares TCHF	Total TCHF
Balance at 1 January 2016	254 048	10 162	(259)	9 903
Movements 2016				-
Balance at 31 December 2016	254 048	10 162	(259)	9 903
Capital reduction		(9 273)	-	(9 273)
Capital increase	2 857 142	10 000	-	10 000
Balance at 30 June 2017 (unaudited)	3 111 190	10 889	(259)	10 630

Share capital

Fully paid in shares

As of 30 June 2017 the Company's share capital amounts to CHF 10'889'165, consisting of 3'111'190 ordinary bearer shares with a nominal value of CHF 3.50 each, all fully paid in, for a total amount of TCHF 10'889. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

At the shareholders' general meeting held on 14 June 2017, the shareholders accepted the Board's proposal to reduce the share capital of the Company from CHF 10'161'920 to CHF 889'168 by a reduction of the nominal value of each share from CHF 40.00 to CHF 3.50. It was also decided to increase the share capital of CHF 9'999'997 by issuing 2'857'142 new ordinary bearer shares with a nominal value of CHF 3.50 each. The capital increase has been completed in cash for CHF 1'999'998 and by the setting off the amount payable resulting from the Acquisition Transaction (the purchase of the 100% ownership interest in The Native AG for CHF 7'999'999).

Treasury shares

As of 30 June 2017 the Company owns 4'508 treasury shares (31 December 2016: 4'508) for a total amount at cost of TCHF 259 (31 December 2016: TCHF 259). No treasury shares were sold during the current and prior year.

Conditional capital increases

On 14 June 2017 the Annual General Meeting of the Shareholders unanimously resolved the following:

- A conditional share capital increase up to a maximum of TCHF 98 by the issuance of maximum 28'000 bearer shares with a par value of CHF 3.50 each, in connection with the exercise of the conversion right granted to the holder of the convertible loan. The preferential right of the existing shareholders related to the subscription of the shares of this conditional share capital increase is excluded.
- A conditional share capital increase up to a maximum amount of TCHF 5'081 by the issuance of maximum 1'451'702 bearer shares with a par value of CHF 3.50 each, in connection with the conversion rights to be granted under an expected future issuance of a convertible bond or similar instrument. The preferential

right of the existing shareholders related to the subscription of this conditional share capital increase is neither limited nor excluded.

- During 2016 and the first Semester 2017 there has been no issuance of shares resulting from these decisions.

6. SIGNIFICANT EVENTS AND BUSINESS TRANSACTIONS

On 18 July 2017, 5EL completed the purchase of 33.3% ownership interest in Holotrack AG, Pratteln, Switzerland, through The Native AG. Holotrack AG is the special purpose investment vehicle based in Pratteln, Switzerland that is a significant shareholder and creditor of Pulse Evolution Corporation.

5EL SA Board meeting held on 1 September 2017 has approved expansion of 5EL into commercial applications of blockchain technology in sports, entertainment, personal finance and art industry space through an introduction of the new business unit named 5EL Blockchain Lab.

On 28 September 2017 the Company's representative had been elected to each of the boards of Holotrack AG and Pulse Evolution Corp allowing the Company to exercise its information and governance rights resulting from the Acquisition Transaction.

7. SUBSEQUENT EVENTS

At the publish date of this press release, the company is not aware of any significant new event that would affect the half-year financial statements as of 30 June 2017.

COMPANY PROFILE

Board of Directors

Serge Umansky, Chairman

Brian McConville, Member

Andreas Benz, Member (resigned on 6 August 2017 to comply with our internal conflicts of interest policy)

Management Board

Izabela Depczyk, CEO

Victor Iezuitov, CFO

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Reporting

The Board of Directors

Custodian Bank

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Publications

Interim report on 30 June

Ticker Symbols

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Telekurs FEL

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