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10.02.2022 – GBC Managementinterview with Michael Geike, CEO of Advanced Blockchain AG

Company: Advanced Blockchain AG^{*5a,5b,11}

ISIN: DE000A0M93V6

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Date (time) of completion: 10.02.2022, 14:40

Date (time) first distribution: 10.02.2022, 16:00

Current price: 14,65 € (Xetra, 10.02.2020, 14:03)

**Catalogue of possible conflicts of interest on page 7*

Advanced Blockchain AG is a venture builder and investor in the blockchain ecosystem equipped with a comprehensive team of researchers, developers, auditors, economists, and mathematicians dedicated to engineering the future of Web 3.0.

GBC AG: Hello Mr. Geike, can you give me a quick rundown of your company, your business model, and your strategy.

Michael Geike: Advanced Blockchain AG is a publicly listed blockchain venture studio and investment holding company focused on promoting, building, and investing in disruptive technologies. We were amongst the first investors in Polkadot's seed round, which enables cross-chain communication in blockchain, since late 2017. That was also the year I co-founded the company together with Robert Kufner and Florian Reike. We had been active in the blockchain space as early as 2010, just one year after Bitcoin's genesis block was mined. Now, the venture studio arm of Advanced Blockchain operates as a leading incubator of projects building on top of the Polkadot ecosystem, such as Composable Finance. On top of that, the venture studio incubates projects like Instrumental Finance, Angular Finance and Bribe Protocol in the rapid-growing Composable network. Overall, we see ourselves as the gateway to Web3.

Our companies currently employ more than 150 developers worldwide spanning diverse disciplines. That equips Advanced Blockchain AG to innovate in multiple ecosystems across the industry.

It is important to add that we continue to build Advanced Blockchain as an innovation hub that is well-diversified in its portfolio standings both for incubation and investments. For instance, Peaq is a Web3 Economy-of-Thing's startup that enables machine-to-machine communication and payments in a decentralized and interoperable manner. Peaq is a prime example that highlights how our research and development efforts span beyond the scope of the Composable Finance ecosystem, but also aims to bring blockchain technology to the real-world economy. Peaq spun out of Advanced Blockchain in 2020 and offer the technology on a Software-as-a-Service basis to well-known clients in a range of industries including the automotive, IoT and telecommunications sectors.

Advanced Blockchain is not only incubating the most promising projects, but we have and continue to create a broad portfolio of investments as our expertise and network have enabled us to access some of the industry's most promising deal flow at a very early stage such as Element Finance, Obol Technologies, and Neon Labs.

GBC AG: What is your competitive advantage over your competitors, and can you provide an example of how it resulted in a profitable investment?

Michael Geike: As an unparalleled incubator, we generate proprietary deal flow that other elite investors consistently seek out, serving as a veritable flywheel for access to best-in-class deals. Our incubated companies produce more than just outsized returns for our fund – these teams steadily develop new products and regularly uncover new and vibrant deals. VCs often say that the best founders bring the best deals - we embody that very premise, day in, day out.

Another thing that makes us special is our Ecosystem-as-a-Service approach. Our Ventures Team, sources investments from our large network. They subsequently work with the Research Team to do due diligence on the investments and our Incubations Team serves as a company builder in close cooperation with the two other teams. To support our investments as effectively as possible, we offer various value-adding services. We specialized in taking products from ideas to ecosystems, by utilizing our marketing and content teams. Furthermore, we provide product and design teams to build the businesses' products and brands, and with our technical teams, recruiting teams, and growth hacking teams we ensure ongoing support. The entire structure is made possible through a wide range of internal researchers, developers, scientists, recruiters, product designers, project managers and marketers.

If you look at the Polkadot investment we did in 2017, we continued to engage in the ecosystem. We also invested and incubated our portfolio company Composable which builds on top of it and received a Polkadot parachain slot. Furthermore, new protocols start to build on top of the Composable ecosystem, making our initial investment come full circle.

GBC AG: Blockchain technology and Web 3.0 are unfamiliar to a large portion of the investment community. How can investing in Advanced Blockchain AG give them an understandable exposure to these sectors?

Michael Geike: This is a very good question, and it truly comes down to exactly what you said. Blockchain and Web3 are largely not understood but offer very attractive investment opportunities that sophisticated investors cannot ignore. Advanced Blockchain is positioned to be that gateway that helps investors gain exposure to a portfolio of not only well-vetted but also well-hedged positions within the complex world of Blockchain.

On top of this, we deploy smart capital as we are heavily involved in supporting our portfolio companies succeed by deploying our team of experts and resources for on-going support. We are also ramping up our educational efforts as we find it vital to clearly explain the thought processes behind our investment, incubation, and research efforts.

Overall, we have the knowledge and team of experts to succeed with our well-rounded approach to exposing ourselves to an industry that is not very well understood by most.

GBC AG: What kind of investment strategy do you use?

Michael Geike: Advanced Blockchain invests, spearheaded by our CIO, Simon Telian, at every stage of a company's life, not just the start-up phase, and is particularly interested in investing in companies that use blockchain and decentralization technology to create solutions to widespread and enduring problems faced by large, established industry players.

Advanced Blockchain and our group of companies have an investment and research team of more than 10 people who are constantly screening the market for new projects. They also maintain mutually beneficial relationships with other professional investors. For example, if a project meets Advanced Blockchain Group's criteria key elements the project as well as the technology behind it are analyzed. If it passes initial consideration this is followed by a deep evaluation of the project and an initial meeting with the founding/management team to discuss the investment opportunity and to explain the Advanced Blockchain Group's value proposition. This includes providing technical resources, go-to-market support, audits, investor introductions and access to the group's research team. After the first meeting the project is discussed internally, and it is decided whether this project aligns with Advanced Blockchain Group's strategic investment goals. If this is the case, a second meeting is arranged to clarify the investment details and perform thorough due diligence.

Our investments include decentralized finance (DeFi) and other blockchain protocols, as well as tokens, which we yield farm to maximize earnings. Through these investments, we fund additional ventures while supporting innovative projects in the industry to scale.

Our investment strategy consists of two key goals. One, maximize our return on investment by supporting the most promising projects with smart capital to enable them to accomplish their mission, in turn providing us with a good return on investment as we participate in the growth and success of the project. Secondly, if applicable, we deploy our team to identify ecosystem synergies to exponentially grow the potential and capabilities of our portfolio companies through collaborative growth and integration. As mentioned before, a big part of our success and strategy is our ability to invest in deals very early in their lifecycle, as we are uniquely connected and positioned to be among the first to obtain access to promising deals within the blockchain space.

GBC AG: In which areas do you think there will be no way around blockchain technology in the foreseeable future?

Michael Geike: A large part of applications are and will be in the financial sector – DeFi use cases. As the technology allows values to be transferred in an automated fashion, financial services can be made more effective and efficient. For example, cross-border payments can cause fees of up to 30% or more and take several days to process. Via Distributed-Ledger-Technologies this can be done practically instantly with nearly no fees. This potentially brings a 10x improvement for all cross-border transactions like stock trading, currency trading, remittance payments and many more. Another exciting use case is the possibility to take a loan against an asset within a matter of minutes using DeFi applications. For these processes middlemen (e.g., banks) are no longer needed - Everything is handled automatically via smart contracts.

Furthermore, NFTs will find application in a wide variety of areas. Be it for art, certificates, tickets, or rights. In the future, for example, a young musician no longer needs to rely on a label to kick-off his career, instead he could simply issue NFTs that represent the rights to his future royalties and sell those to his early fans. A side effect of that is that fans who own such an NFT automatically become marketing evangelists for the artist, as they have an even greater interest in his commercial success. In this way, the community and the artist benefit together from a successful career. This concept can also be applied to filmmakers, artists or young athletes.

Nevertheless, the technology will inevitably find its application in all other industries, especially in combination with AI, IoT devices, and Robotics.

However, a lot of DeFi and NFT infrastructure still needs to be built and this is where we currently place most of our investment and incubation efforts.

GBC AG: Advanced Blockchain AG will receive 5% of all tokens for incubation of Bribe protocol (\$BRIBE). What kind of role can \$BRIBE play for decentralized finance?

Michael Geike: Most DeFi DAO's (Decentralized Autonomous Organizations) nowadays have so-called Governance tokens which can be used, among other things, to vote on protocol changes. Unfortunately, very few people use this function, and there are no ways to pass on the voting rights for those who do not use them. Bribe aims to improve DeFi's governance model by creating DAO infrastructure tools to incentivize protocol participation. Depositors stake their governance tokens e.g. Aave in the Bribe pool to earn income. Bidders borrow the staked votes/tokens to support or reject governance proposals. This facilitates decentralized governance as it was meant to be — High participation rates and market-driven decisions.

GBC AG: Can you elaborate the Composable Finance Token-Investment?

Michael Geike: Advanced Blockchain AG helped to incubate and invested US \$2 million (Seed) in Composable Finance. In exchange, Advanced Blockchain will receive 5.7 million Composable Tokens as Seed-Investor which are currently valued with approximately US \$20 million.

Composable Finance has recently successfully secured the 8th Parachain on the Polkadot network by raising over 160 Million USD in their crowdloan. Composable's slot provides the incubation now with rights to utilize and benefit from the Polkadot ecosystem, including a 20% participation rate in the continuously generated transaction fees of its Parachain until at least 2024. In the vast potential of the Polkadot ecosystem, these fees will generate significant capital flow, accelerating the development of Composable. This is an instrumental step towards unlocking the full potential of Composable Finance as they are now officially part of the Polkadot network with a current market capitalization of about 26 Billion USD.

Composable is now one of 11 Parachains connected to Polkadot, whose users will all have access to the Composable Technology. Advanced Blockchain expects further profits from this investment by having access to incubations building on top of the Composable network.

The investment in Composable Finance has been our single-largest to date. That being said we are deeply involved in the development and continued growth of Composable and we work closely with their Labs arm to incubate new projects that play vital roles in the ecosystem. Overall, Composable Finance embodies our core belief that in order to accomplish true adoption of blockchain technology, especially in DeFi, we need to enable interoperability to alleviate the problems that users face as they attempt to utilize services that are siloed in nature. Composable Finance has a well-established ecosystem that continues to grow, and we are participating in all aspects of this ecosystem to showcase our continued support. The collaboration and involvement in their growth provide us with access to expand and grow the value of our token portfolio. As projects are integrated and begin to leverage Composable's technology stack and infrastructure the overall ecosystem grows and with it the value of the tokens.

GBC AG: The issue of sustainability/ESG is becoming increasingly important for investors. How do you take this into account and implement individual measures in your company and in your investments?

Michael Geike: From an investment point of view, we are planning to invest more and more into projects and protocols that have a positive impact on the environment.

In 2021 we invested in SDGx - the first global sustainability asset marketplace that aims to reverse climate change one transaction at a time. It seamlessly integrates all carbon compliance markets globally allowing for quick, safe, and profitable trading of these assets. The SDGX Platform uses blockchain technology to track carbon, facilitate trading, and verify compliance.

Additionally, we are a remote-first company with people from over 70 different nations across our subsidiaries. People from every angle of the world have the same opportunities at Advanced Blockchain to ensure cognitive diversity within the organization. Furthermore, we actively empower resourceful operations as I'm a fundamental believer that holistic sustainable capitalism is the only way to smarter businesses for a better tomorrow.

GBC AG: Finally, can you share your longer-term outlook? Where will Advanced Blockchain AG be in 3 to 5 years time?

Michael Geike: Advanced Blockchain will continue to play a key role in driving widespread adoption of blockchain technology through holistic and collaborative efforts. We are a gateway for traditional investors to tap into the world of blockchain. As a venture studio and investor, we are growing at an incredible rate, as our investments and incubations continue to scale. We expect that we will strengthen our position as a global innovation hub for a decentralized future through the years. Advanced Blockchain aims to continue to grow in numbers, knowledge, and capabilities and we will continue to push the narrative of diversity and productivity for ourselves and all our partners and portfolio companies. We have many plans on our roadmap for the next few years and expect to evolve in our incubation and investment efforts as we continue to develop and deploy strategies and solutions that create value for the entire blockchain ecosystem.

GBC AG: Mr. Geike, thank you for your time.

Note: GBC initial research coverage is coming soon

We are currently working on the initial coverage of an Advanced Blockchain research report, which should be published soon.

ANNEX

I.

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