ETC Issuance GmbH

Holzhecke 13

60528 Frankfurt am Main
Germany

Financial statements for the period from 27 August 2019 to 31 December 2019
and Independent Auditor's Report

Contents

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Independent auditor's report

To the Board of Directors
ETC Issuance GmbH
Holzhecke 13
60528 Frankfurt am Main
Germany

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ETC Issuance GmbH (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the period from 27 August 2019 to 31 December 2019, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the period from 27 August 2019 to 31 December 2019 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the European Union relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Gael Denis

Luxembourg, 26 March 2020

Statement of Financial Position

	Note	31 December 2019
		EUR
ASSETS		
Current assets		
Cash and cash equivalents		24,519
		24,519
TOTAL ASSETS		**24,519**
SHAREHOLDERS' EQUITY		
Share capital	**5**	25,000
Retained earnings		(6,457)
TOTAL SHAREHOLDERS' EQUITY		**18,543**
LIABILITIES		
Current liabilities		
Trade and other payables	**6**	5,976
		5,976
TOTAL LIABILITIES		**5,976**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,519**

Statement of Comprehensive Income

	Notes	From 27 August 2019 to 31 December 2019
		EUR
Selling, General & Administrative Expenses	**7**	(6,457)
OPERATING RESULT		**(6,457)**
Profit/(Loss) for the year before tax		**(6,457)**
Income tax benefit/(expense)		-
PROFIT FOR THE YEAR AFTER TAX		**(6,457)**

Statement of Changes in Equity

	Issued capital	Share premium	Retained earnings/ (Accumulated losses)	Foreign currency translation reserve	Total Equity
	EUR	EUR	EUR	EUR	EUR
AT 27 AUGUST 2019	**25,000**	**-**	**-**	**-**	**25,000**
Net income/(loss) for the year	-	-	(6,457)	-	(6,457)
AT 31 DECEMBER 2019	**25,000**	**-**	**(6,457)**	**-**	**18,543**

Statement of Cash Flows

	Note	2019
		EUR
CASH FLOWS FROM OPERATIONS		
Profit/ (Loss) for the year before tax		(6,457)
Changes in working capital		
(Decrease)/Increase in trade and other payables		5,976
NET CASH FLOWS FROM OPERATIONS		**(481)**
CASH FLOWS FROM FINANCING		
Proceeds from issue of capital	**5**	25,000
NET CASH FLOWS FROM FINANCING		**25,000**
Change in cash and cash equivalents		(481)
Cash and cash equivalents at the beginning of the period		25,000
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**24,519**

Notes to the Financial Statements for the period from 27 August 2019 to 31 December 2019

Note 1 – Corporate information

ETC Issuance GmbH (hereinafter the "Company") was incorporated on 27 August 2019 as a limited liability company in the commercial register of the local court of Frankfurt am Main. The Company is registered in the commercial register of the local court of Frankfurt am Main under HRB 116604.

The Company's financial year begins on 1 January and ends on 31 December except for the first year starting on 27 August 2019.

The Company's object is to offer to investors crypto-currencies backed-bonds in Bitcoins ("BTC"). The object of the Company is also to offer the creation and redemption of crypto-currencies backed-bonds on behalf of investors.

Note 2 – Summary of significant accounting policies

2.1 Basis of preparation and adoption of IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, issued and effective as at December 31, 2019.

These financial statements were approved for issuance by the Board of Directors of the Company on March 26, 2020.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates.

New standards, interpretations and amendments to existing standards

The Company has early adopted the following standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Company's assessment of the regulation
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 12, 2017	January 1, 2019	January 1, 2019	Permitted	Not applicable to the Company
IFRIC 23: Uncertainty over Income Tax Treatments	June 7, 2017	January 1, 2019	January 1, 2019	Permitted	Not applicable to the Company
Annual Improvements to IFRS Standards 2015-2017 Cycle	December 12, 2017	January 1, 2019	January 1, 2019	Permitted	Not applicable to the Company
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	February 7, 2018	January 1, 2019	January 1, 2019	Permitted	Not applicable to the Company
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 12, 2017	January 1, 2019	January 1, 2019	Permitted	Not applicable to the Company

Note 2 – Summary of significant accounting policies (cont.)

2.1 Basis of preparation and adoption of IFRS (cont. and end)

The Financial Statements the Company has adopted the following standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Company's assessment of the regulation
Amendments to References to the Conceptual Framework in IFRS Standards	March 29, 2018	January 1, 2020	January 1, 2020	-	Assessment in progress
Amendments to IFRS 3: Business Combination	October 22, 2018	January 1, 2020	Not endorsed yet		Assessment in progress
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	January 1, 2020	January 1, 2020		Assessment in progress
IFRS 17: Insurance contracts	May 18, 2017	January 1, 2021	Not endorsed yet	Permitted if IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' are applied at the adoption date or earlier	Assessment in progress
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 26, 2019	January 1, 2020	January 1, 2020	Permitted if IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' are applied at the adoption date or earlier	Assessment in progress

Note 2 – Summary of significant accounting policies (cont.)

2.2 Going concern

The financial statements disclose all matters of which the Company is aware and which are relevant to the Company's ability to continue as a going concern, including all significant events, mitigating factors and the Company's plans. Accordingly, the financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

2.3 Foreign currency translations

These financial statements are presented in Euros ("EUR"), which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions which might comprise:

- the average spot exchange rate for a given currency as determined by the European Central Bank ("ECB") as at the date preceding the date of transaction – in case of settlements of receivables and payables and other transactions,
- the actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.

Equity items are presented at historical rates, i.e. rates as at the date of equity contribution. Movements of equity are valued using the first-in first-out method.

The foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

2.4 Cash and cash equivalents in the statement of financial position

Cash and cash equivalents include cash in hand, cash at bank, short-term deposits with original maturities of three months or less and restricted cash.

Cash and cash equivalents are carried at nominal value in the statement of financial position.

2.5 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.6 Current income tax

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Company operates and generates taxable income.

Income tax payable represents the amounts payable at the balance sheet date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the statement of financial position as income tax receivables.

Note 2 – Summary of significant accounting policies (cont.)

2.7 Deferred income tax

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from different valuations of depreciable assets and accruals for tax and accounting purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are also recognized for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability transaction; and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and deferred tax liabilities are offset if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable base.

Note 3 – Critical accounting estimates and judgments

The Company made estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial year are discussed below.

3.1 Deferred tax

As part of the process of preparing the financial statements, the Company is required to estimate the Company’s income taxes. This process involves estimating the Company’s actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the statement of financial position.

The deferred income tax calculation is based on the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The calculation is based upon long term financial projections, which contain a considerable amount of uncertainty and the actual outcome may differ. These projections may be altered to reflect changes in the economic, technological and competitive environment in which the Company operates.

The Company is required to assess the likelihood of deferred income tax assets being recovered from future taxable income, and deferred tax assets are recognized to the extent to which such recovery is probable. Significant Company’s estimates are required in the valuation of the Company’s deferred income tax assets. These estimates take into consideration future taxable income projections, the potential volatility of those projections, historical results and ongoing tax planning strategies. Factors as: the nature of the business and industry, the economic environment in which the Company operates and the stability of local legislation are also considered.

Note 3 – Critical accounting estimates and judgments (cont.)

3.2 Fair value estimation

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate their fair values.

Note 4 – Financial risk management

4.1 Financial risk factors

The Company's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Company. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

4.1.1 Currency risk

As at December 31, 2019, the assets and liabilities refer exclusively to EUR denominated items.

4.1.2 Liquidity risk

Liquidity risk management implies maintaining sufficient cash as well as availability of funding through an adequate amount of committed debt facilities.

All trade payables are due within one year from the end of the reporting year.

4.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern, in order to provide returns for the sole shareholder and benefits for other stakeholders. The Company was not regulated for capital requirements purposes and the Company utilises funds provided by related parties to fund its activities.

4.3 Fair values

The fair value of a financial asset and liability is the amount at which an asset could be sold or a liability transferred in a current transaction between market participants, other than in a forced or a liquidation sale.

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate their fair values.

Note 5 – Equity

Share capital

As at December 31, 2019, the Company’s share capital is composed of 25,000 shares with a nominal value of EUR 1 each.

Notes to the Financial Statements for the period from 27 August 2019 to 31 December 2019

Note 6 – Trade and other payables

As of 31 December 2019, trade and other payables mainly relate to vendor invoices.

Note 7 – Selling, general and administrative expenses

As of 31 December 2019, Selling, general and administrative expenses are mainly composed of bank and legal fees.

Note 8 – Related party transactions

As of 31 December 2019, the Company has not been involved in any related party transactions.

Note 9 – Audit fees

The audit fees for the financial year ended December 31, 2019 amounts to EUR 5.000.

Note 10 – Subsequent events

The recent outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 also led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. We are monitoring the potential impact of the recent outbreak of COVID-19, which could negatively impact our global business and results of operations in future reporting periods. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.