

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

We have audited the financial statements of ETC Issuance GmbH, Frankfurt am Main, which comprise the statement of financial position as of December 31, 2021, the statement of comprehensive income, the statement of cash flows for the financial year and the statement of changes in equity from January 1 to December 31, 2021 as well as the notes to the dated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the management report.

BASIS FOR THE OPINIONS

We conducted our audit of the financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements and of the Management Report"

section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the financial statements and on the management report.

KEY AUDIT MATTER IN THE AUDIT OF THE FINANCIAL STATEMENTS

A Key audit matter is such a matter that, in our professional judgment, is of most significance in our audit of the financial statements for the financial year from January 1 to December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and, in forming our opinion thereon, we do not provide a separate opinion on this matter.

Balance and Valuation of the Cryptocurrency Reserves

For information on the accounting policies applied, please refer to the section "2.4 Fair Value Hedging" in the notes.

The risk for the financial statements

As of December 31, 2021, the Company holds a stock of cryptocurrencies. In total, the carrying amount of the total portfolio valued at the relevant market prices amounts to EUR 1,010,038 thousand as of December 31, 2021. The stock of cryptocurrencies is held in custody at a company independent from ETC Issuance GmbH. The stock of cryptocurrencies represents 99.2 % of the Company's assets as of December 31, 2021.

ETC Issuance GmbH has been issuing bearer bonds quoted by unit, secured by deposited cryptocurrencies since 2020. The Company has formed a valuation unit in accordance with Section 254 of the German Commercial Code and accounts for this using the gross hedge presentation method. The valuation of the stock of cryptocurrencies as well as the bearer bonds was carried out at the relevant fair value as of the reporting date December 31, 2021.

The balance sheet values of the stock of cryptocurrencies and the outstanding bearer bonds result from the correct determination of the respective holdings and the fair value. In this context, there is a risk that incorrectly determined stocks or fair values of the stocks of cryptocurrencies may materially affect the presentation of the financial position and results of operations and thus the financial statements of ETC Issuance GmbH.

Audit approach

Based on our risk assessment and evaluation of the risks of error, we assessed the establishment and structure as well as functionality of identified internal controls, in particular with regard to the existence of the stocks of cryptocurrencies, the determination of current market prices and their coverage with issued bearer bonds.

The audit was also based on separate confirmations from the custodian of the cryptocurrencies, the third party appointed as trustee of the assets in custody and the issued bearer bonds, and the paying agent for the issued bonds. In this context, we also assessed the recording of additions and disposals of cryptocurrencies performed during the fiscal year at the custodian and the Company's inventory system with respect to their proper recording and compliance with internal controls.

As part of our audit of the correct recording of outstanding bearer bonds, we performed a reconciliation with custody account statements.

We compared the market prices used to determine the fair value with publicly available price information. We also verified the mathematical accuracy of the calculations.

Conclusion

The procedure used by ETC Issuance GmbH to record the existing stocks is appropriate. The market prices used to determine the fair value are appropriate.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law and that the financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, the legal representatives are responsible for such internal control as they have determined 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 legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

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 whether

the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this combined management report.

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 and of the management report, 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 opinions. 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 of the financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of the use by the legal representatives 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 the auditor's report to the related disclosures in the financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able 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 present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.
- evaluate the consistency of the combined management report with the financial statements, its conformity with (German) law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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 the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other legal regulations preclude public disclosure of the matter.

FURTHER INFORMATION PURSUANT TO LEGAL REQUIREMENTS

We were elected as auditor by the Annual Shareholders' Meeting on October 12, 2021. We were engaged by the Management on October 13, 2021. We have served as auditors of ETC Issuance GmbH without interruption since fiscal year 2020.

Offenbach am Main, April 4, 2022



BFS REVISION- UND TREUHAND GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT


Thomas Schlieper
Wirtschaftsprüfer

ETC Issuance GmbH

Statement of Financial Position

Assets	Note	December 31st, 2021	December 31st, 2020
Current Assets			
Non financial assets, designate in a fair value hedge	2.4	1,014,513,779	289,003,431
Cash and cash equivalents	2.5	<u>3,704,770</u>	<u>214,730</u>
TOTAL ASSETS		<u>1,018,218,550</u>	<u>289,219,161</u>
SHAREHOLDERS' EQUITY			
Share capital		25,000	25,000
Accumulated profits brought forward other comprehensive income		152,733	-6,457
Net gain for the financial year		<u>19,263</u>	<u>2,305</u>
		<u>92,793</u>	<u>159,190</u>
TOTAL SHAREHOLDERS' EQUITY	5.	289,789	180,038
LIABILITIES			
Current Liabilities			
Financial liabilities valued at fair value	2.4/3.2	1,010,038,300	288,358,708
Trade and other payables	2.6/6.1	7,831,825	643,048
Income taxes	2.7/6.2	<u>58,636</u>	<u>36,367</u>
TOTAL LIABILITIES		1,017,928,761	289,038,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,018,218,550</u>	<u>289,218,161</u>

ETC Issuance GmbH

Statement of Comprehensive Income

	Notes	2021	2020
Revenue	2.9/6.3	17,351,373	891,075
other Income		677,801	667
Other expenses	6.4	-17,907,707	-696,199
Finance income		-6,906	14
Income tax	6.2	-21,768	-36,367
Net Income		92,793	159,190
Other comprehensive Income		16,958	2,305
<i>thereof income that could be reclassified</i>		<i>16,958</i>	<i>2,305</i>
total income		109,751	161,495

ETC Issuance GmbH

Statement of Cash Flows

CASH FLOWS FROM OPERATIONS	Note	2021	2020
total income for the year		109,751	161,495
Changes in working capital (Decrease)/Increase in trade		<u>3,380,287</u>	<u>28,717</u>
NET CASH FLOWS FROM OPERATIONS		<u><u>3,490,039</u></u>	<u><u>190,212</u></u>
Cash FLOW FROM FINANCING			
Proceeds from issue of capital		<u>0</u>	<u>0</u>
NET CASH FLOW FROM FINANCING		<u><u>0</u></u>	<u><u>25</u></u>
Change in cash and cash equivalents		3,490,039	190,211
cash and cash equivalents at the beginning of the period		<u>214,731</u>	<u>24,519</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.5	3,704,770	214,730
Income tax paid		0	0
Financial expenses and income paid		0	0

ETC Issuance GmbH

Statement of Changes in Equity

	Issued Capital	Retained earnings/ (Accumulated losses)	other comprehensive income	Total Equity
At 1 Januar 2020	25,000	-6,457	0	25
Net income/(loss) for the year		159,190	2,305	-6,457
At 31 December 2020	25,000	152,733	2,305	180,038
At 1 Januar 2021	25,000	152,733	2,305	180,038
Net income/(loss) for the year		92,793	16,958	109,751
At 31 December 2021	25,000	245,526	19,263	289,789

Notes to the Statements for the period from 01 January 2021 to 31 December 2021

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 which started on 27 August 2019.

The Company's objective is to offer to investors cryptocurrency backed bonds.

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, 2021.

These financial statements were approved for issuance by the Board of Directors of the Company on 4th April 2022.

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 several standards in prior years. Therefore in 2021 there are no new standards, interpretation or amendments that are adopted by the company.

The following standards, interpretation or amendments are issued by the IASB, but not yet effective and therefore the company did not apply.

New regulation	Published by the IASB	Effective for annual periods beginning on or after	Adopted by the EU	Company's assessment of the regulation
IFRS 3: Updating a Reference to the Conceptual Framework	May 14, 2020	January 1, 2022	Yes	No material impact
IFRS 17: Insurance Contracts	May 18, 2017	January 1, 2023	Yes	No material impact
IFRS 17: Insurance Contracts - several amendments	June 25, 2020	January 1, 2023	Yes	No material impact
IAS 1: Classification of liabilities as current or non-current	January 23, 2020	January 1, 2023	No	Assessment in progress
IAS 1: Disclosure of Accounting Policies	February 12, 2021	January 1, 2023	No	Assessment in progress
IAS 8: Definition of Accounting Estimates	February 12, 2021	January 1, 2023	No	Assessment in progress
IAS 12: Deferred taxes on leases and decommissioning and restoration liabilities	May 7, 2021	January 1, 2023	No	No material impact
IAS 16: Property, Plant and Equipment: Proceeds before intended use	May 14, 2020	January 1, 2022	Yes	No material impact
IAS 37: Onerous contracts – cost of fulfilling a contract	May 14, 2020	January 1, 2022	Yes	Assessment in progress
Annual Improvements (IFRS 1, IFRS 9, IFRS 16, IAS 41)	May 14, 2020	January 1, 2022	yes	No material impact

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 Euro ("EUR"), which is the presentation currency of the company. The functional currency is GBP.

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.

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 recognised in the profit or loss.

At year end the income statement is translated to EUR by using the average exchange rate during the year and the balance sheet is translated by using the exchange rate on December 31, 2021. Any difference is recognised in other comprehensive income and will be released when the business is closed or if there is a change in the functional currency of the company.

Equity items are presented at historical rates, i.e. rates as at the date of equity contribution.

2.4 Fair value hedging

The Company's objective is to offer to investors cryptocurrency backed bonds in different cryptocurrencies ("the bonds"). The non-interest-bearing bearer bonds are secured by a wallet of underlying cryptocurrencies. The bonds are subject to market risk with regard to the market valuation of the cryptocurrencies. This risk is designated by the company as a hedged risk within the framework of a fair value hedge. The bonds are shown as "Financial liabilities valued at fair value".

The wallet of cryptocurrencies is designated as a hedge instrument concerning the fair value changes in the bonds. The investment in the wallet of cryptocurrencies is overseen by a trustee and shown as "Non financial assets, designate in a fair value hedge" and recognised at fair value of the liabilities. The effectiveness of the hedge is proved by critical term match and therefore no gain or loss is booked to net income.

2.5 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.

2.6 Trade and other payables

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

2.7 Current income tax

The current income tax charge is determined in accordance with the relevant tax regulations in respect of the taxable profit. The current income tax charge is calculated based on 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 recognised in the statement of financial position as income tax receivables.

2.8 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are also recognised 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 utilised.

Deferred tax liabilities are recognised 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.

2.9. Revenue recognition

The company recognises revenue mainly in connection with the management of the cryptocurrency investment done. The recognition is done over the time. Management fee is deducted directly from the recognised liability in the amount of 2% p.a.

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 recognised 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 utilised. 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 recognised 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.

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 to their fair values.

The fair value of the cryptocurrencies is determined by using the market value of these cryptocurrencies and therefore a level 1 valuation. The uncertainties in this valuation are very low.

Note 4 - Financial risk management

4.1 Financial risk factors

The Company's overall risk management program focuses on minimising 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, 2021, most of the assets and liabilities refer to the cryptocurrency and therefore are not related to any currency in the traditional sense. The remaining balance sheet items are in EUR or GBP and do not bear any significant currency risk.

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, 2020, the Company's share capital is composed of 25,000 shares with a nominal value of EUR 1 each.

Note 6 – Notes to the Financial statements

6.1 Trade and other payables

As of 31 December 2021, trade and other payables include kEUR 1,363 payables to related parties for services received, kEUR 684 for other services received and kEUR 4.533 accrued expenses.

6.2 Income taxes

The company recognises only current taxes. A tax reconciliation is not done as it is not considered material.

6.3 Revenue

Revenue is recognised only for the period in question and is related to the management of the bond portfolio of the company.

6.4 Other expenses

The other expenses are related to services received from a related party in relation with the management of the bond in the amount of kEUR 873. In addition expenses related to consulting in the amount of kEUR 15,255, insurance in an amount of kEUR 464, account fees in an amount of kEUR 141 bookkeeping and auditing in the amount of kEUR 63 and other expenses in the amount of kEUR 1,112 are recognised.

Note 7 - Audit fees

The audit fees for the financial year ended December 31, 2021 amounts to kEUR 32.

Note 8 - Subsequent events

The impact of the war currently taking place in Ukraine on the global economy in general and the international capital markets cannot be estimated. Based on current knowledge, we assume that the Company will continue to trade successfully despite this existing crisis.



Leyla Sharifullina



Timothy Bevan