

**ETC Issuance GmbH
Frankfurt am Main**

“Testatsexemplar”

Annual financial statements for the financial year
from 1 January to 31 December 2022
as well as independent auditor’s report

ETC ISSUANCE GMBH
FINANCIAL STATEMENTS
31 DECEMBER 2022

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ETC ISSUANCE GMBH

COMPANY INFORMATION

31 DECEMBER 2022

DIRECTORS: Mrs L Sharifullina and Mr T Bevan

REGISTERED OFFICE: Thurn und Taxis Platz 6, 60313, Frankfurt am Main

REGISTERED NUMBER: The company is registered in the commercial register of the local court of Frankfurt am Main under number HRB 116604

AUDITOR: Deloitte GmbH Wirtschaftsprüfungsgesellschaft
Europa-Allee 91, 60486 Frankfurt am Main, Germany

LEGAL ADVISORS: White & Case LLP
Bockenheimer Landstrasse 20, 60323 Frankfurt am Main, Germany

ETC ISSUANCE GMBH

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	31 December 2022 EUR	31 December 2021 EUR
ASSETS			
Current Assets			
Non financial assets	3.1/2.5	300,765,546	1,014,513,779
Cash and cash equivalents	2.4	447,277	3,704,770
TOTAL ASSETS		301,212,823	1,018,218,550
SHAREHOLDER'S EQUITY			
Share capital	5	25,000	25,000
Retained earnings / (Accumulated losses)/		(8,750,206)	(721,414,802)
Other comprehensive income		9,157,293	721,679,591
TOTAL SHAREHOLDERS' EQUITY		432,087	289,789
LIABILITIES			
Current liabilities			
Financial liabilities valued at fair value	3.1	297,516,002	1,010,038,300
Trade and other payables	2.5/6.1	2,850,083	2,437,371
Accruals and other provisions		357,739	5,394,454
Income taxes	2.6/6.2	56,912	58,636
TOTAL LIABILITIES		300,780,736	1,017,928,761
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		301,212,823	1,018,218,550

ETC ISSUANCE GMBH

STATEMENT OF COMPREHENSIVE INCOME

FOR PERIOD ENDED 31 DECEMBER 2022

	Notes	2022 EUR	2021 EUR
Revenue	2.8/6.3	10,027,867	17,351,373
Other income		213,404	694,759
Other expenses	6.4	(10,067,997)	(17,907,707)
Gain/(Loss) on fair value movements of liabilities to bondholders	6.5	712,522,298	(721,679,591)
Finance income / (expense)		6,072	(6,906)
Income tax	6.2	(37,049)	(21,768)
Net income/(loss)		712,664,596	(721,569,840)
Other Comprehensive Income:			
Net Gain/(Loss) Arising on Fair Value of Digital Assets		(712,522,298)	721,679,591
Total income		142,298	109,751

ETC ISSUANCE GMBH

STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2022

NET CASH FLOWS FROM OPERATIONS	Notes	2022	2021
Total income/(loss) for the year		142,298	109,751
Non Cash reconciling items:			
Net gain arising on Fair Value of Digital Assets		-	-
Changes in working capital (Decrease)/Increase in trade receivables and payables		(3,399,791)	3,380,288
NET CASH FLOWS FROM OPERATIONS		(3,257,493)	3,490,039
CASH FLOW FROM FINANCING			
Proceeds from issue of capital		-	-
NET CASH FLOW FROM FINANCING		-	-
Change in cash and cash equivalents		(3,257,493)	3,490,039
Cash and cash equivalents at the beginning of the period		3,704,770	214,731
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.4	447,277	3,704,770
Income tax paid		-	-
Financial expenses and income paid		-	-

ETC HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2022

	Issued Capital	Retained earnings/ (Accumulated losses)	Other comprehensive income	Total equity
At 1st January 2021	25,000	155,038	-	180,038
Net income/(loss) for the year		(721,569,840)		(721,569,840)
Other Comprehensive Income for the Period			721,679,591	721,679,591
At 31st December 2021	25,000	(721,414,802)	721,679,591	289,789
Net income/(loss) for the year		712,664,596		712,664,596
Other Comprehensive Income for the Period			(712,522,298)	(712,522,298)
At 31st December 2022	25,000	(8,750,206)	9,157,293	432,087

Note 1 - Corporate information

ETC Issuance GmbH (hereinafter the "Company") was incorporated on 27 August 2019. The Company is registered in the commercial register of the local court of Frankfurt am Main under HRB 116604. ETC Issuance GmbH is a 100% subsidiary of ETC Management Limited which in turn is a 100% subsidiary of ETC Holdings Limited, the ultimate parent company, the three entities together making up the 'ETC Group'.

The Company's financial year begins on 1 January and ends on 31 December. Its 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, 2022.

These financial statements were approved for issuance by the Board of Directors of the Company on 31st August 2023.

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

- The bonds issued by the company are valued according to IFRS 9 at fair value through profit and loss at balance sheet date.
- The digital assets which collateralise the bonds are also revalued at fair value in accordance with IAS 38

New standards, interpretations and amendments to existing standards

The Company has adopted several standards early in prior years. Therefore in 2022 there are no new standards, interpretations or amendments that are adopted by the company.

The following standards, interpretation or amendments have been issued by the IASB, but the company does not consider these to be relevant to the presentation of its financial statements.

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 17: Insurance Contracts	18 May 2017	01 January 2023	Yes	No material impact
IFRS 17: Insurance Contracts - several amendments	25 June 2020	01 January 2023	Yes	No material impact
IAS 1: Classification of liabilities as current or non-current	23 January 2020	01 January 2023	Yes	No material impact
IAS 1: Disclosure of Accounting Policies	12 February 2021	01 January 2023	Yes	No material impact
IAS 8: Definition of Accounting Estimates	12 February 2021	01 January 2023	Yes	No material impact
IAS 12: Deferred taxes on leases and decommissioning and restoration liabilities	07 May 2021	01 January 2023	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. The statements are translated into EUR using the appropriate exchange rates determined by the European Central Bank ("ECB").

At year end the income statement is translated to EUR using the average exchange rate during the year of £1/€1.17266 and the balance sheet is translated using the exchange rate on December 31, 2022 of £1/€1.13134.

Share capital is presented at historic rates, i.e. rates as at the date of equity contribution.

Individual foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the time of the transactions which might comprise:

- i. the average spot exchange rate for a given currency as determined by XE.com as at the date of transaction - in case of settlements of receivables and payables and other transactions or,
- ii. the actual spot rate applied as at the 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.

Digital assets are priced in USD according to prices published by CryptoCompare or Bloomberg. The USD values are then translated to EUR at balance sheet rates as determined by the European Central Bank ("ECB") as described above.

The directors consider there to be an active market in the digital assets held by the Company. Both CryptoCompare and Bloomberg represent accepted industry benchmarks reflecting an amalgamation of prices on the leading exchanges. As such the directors consider there to be minimal judgement required in the application of the prices.

The price reflects the closing price at 4pm and is updated daily based on the number of digital assets held net of any creations or redemptions.

2.4 Cash and cash equivalents in the statement of financial position

Cash and cash equivalents include cash in hand and cash at bank.

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

2.5 Non financial assets / Trade and other payables

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

Non-financial assets include digital assets (kEUR 297,516) and receivables from primarily accrued management fee income and intercompany loans (kEUR 3,250).

For details of digital assets, please see note 3.1.

2.6 Current income tax

The current income tax charge is determined in accordance with the relevant tax regulations in respect of the

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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.

The Company has no timing differences for tax purposes and as such does not recognise any deferred tax assets or liability.

2.7 Revenue recognition

The company derives revenue from the management of its issued bonds. The recognition is recognised over time according to the terms of the individual bonds and the management fees are deducted directly from the recognised bondholder liabilities in accordance with the terms of the individual bonds. The fees are calculated on a daily basis according to the diminishing entitlement of the bond holders as set out in the terms of the individual bonds.

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 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 (see 2.5) is determined by using the market value of these cryptocurrencies and therefore a level 1 valuation. Given there is an active market, the uncertainties in this valuation are very low. Please see note 2.3. Increases in fair value are reflected in Other Comprehensive Income. Decreases in fair value are recognised through the face of the profit and loss account. However any decrease in gains previously recognised in Other Comprehensive income are also recognised through Other Comprehensive Income.

The bonds derive their value from the entitlement of the bondholder to the relevant digital asset and as such are directly correlated to the fair value of those assets as described above.

The company does not separate out the embedded derivative but treats the bonds as single discrete instruments as again the derivative acquires its value from the underlying assets redeemable for cash in a liquid market.

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. There has been no change in the types of risk facing the company versus the prior periods nor in the way those risks are managed.

4.1.1 Currency risk

As at December 31, 2022, 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 USD, EUR or GBP and do not bear any significant currency risk. The company converts its cryptocurrency entitlement into the above currencies according to working capital needs. It does so on a regular scheduled basis in order to minimize its exposure to price volatility in the underlying cryptocurrencies.

4.1.2 Liquidity risk

Liquidity risk management implies maintaining sufficient cash as well as availability of funding through an adequate

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amount of committed debt facilities. The Company reviews its cash balances on a regular basis as well as its forecast cash requirements in order to ensure it has sufficient cash to meet its operating needs.

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 as well as the revenue generated from the management of the bonds.

4.3 Fair values

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate to their fair values. Prices of the digital assets themselves and corresponding bonds are inherently volatile but given there is an active market to which we benchmark without adjustment via industry recognised data providers such as CryptoCompare, the risk is deemed to be low.

4.4 Collateralisation of bonds

Per the terms of the bonds, each bond is 100% physically backed by the relevant cryptocurrency. All cryptocurrencies are held in cold storage with a regulated custodian under the oversight of both an independent third party administrator and security trustee. Cryptocurrency holdings are independently reconciled by both the Company and the third party administrator. No new bonds are issued until the underlying collateral has been lodged with the custodian.

Given the bonds are fully collateralised, there is no liquidity risk. All bondholder liabilities can be met through redemption of the underlying digital assets.

Note 5 – Equity

5.1 Share capital

As at December 31, 2022, the Company's share capital is composed of 25,000 ordinary shares, issued and fully paid up with a nominal value of EUR 1 each.

100% of the share capital is owned by its parent company ETC Management Limited.

There is only one class of share and there have been no movements in the share capital during the course of the year.

Beyond maintaining its paid up share capital, the Company is not subject to any capital requirements.

Note 6 – Notes to the Financial statements

6.1 Trade and other payables

As of 31 December 2022, trade and other payables include kEUR 2.799 payables to related parties for services received, kEUR 50,9 for other services received and kEUR 358 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

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The other expenses are related to services received for the management of the bond in the amount of kEUR 1,721, expenses from a related party amount of kEUR 5,716, realized cryptocurrency losses kEUR 1,876, In addition expenses related to legal in an amount of kEUR 372, bank fees in an amount of kEUR 94, bookkeeping and auditing in the amount of kEUR 116 and other expenses in the amount of kEUR 173 are recognised.

6.5 Movement in Fair Value of Bonds and Digital Assets

The fair value movement of the bonds and the digital assets move in inverse correlation to one another. The change in fair value is due both to the change in number of units in issue and also the price of the bonds/underlying assets. The underlying creations and redemptions are denominated in cryptocurrency and converted to USD at the spot rate ruling at the date of transaction. The USD are then converted to EUR at the rate per XE.com as at December 31st 2022 (1€/ \$1.0723) for 2022 and December 31st 2021 (1€/ \$1.1322) for 2021.

	2022	2021
	€	€
Opening Balance	1,010,038,300	288,358,708
Creations	727,163,606	1,784,169,861
Redemptions	(810,751,011)	(1,280,286,458)
Management fees	(10,027,867)	(17,351,373)
Realised (loss)/gain in fair value of digital assets	(318,268,407)	231,855,442
Unrealised (loss)/gain in fair value of digital assets	(300,638,619)	3,292,120
Closing Balance	297,516,002	1,010,038,300

The collateral underpinning the bonds is fungible.

Note 7 - Audit fees

The audit fee for the financial year ended December 31, 2022 amounts to kEUR 80.

Note 8 - Subsequent events

None



Leyla Sharifullina
7/09/2023



Timothy Bevan
7/09/2023

INDEPENDENT AUDITOR'S REPORT

To ETC Issuance GmbH, Frankfurt am Main

Audit Opinion

We have audited the annual financial statements according to IFRS of ETC Issuance GmbH, Frankfurt am Main, which comprise the balance sheet as at 31 December 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the IFRS as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements.

Other Matter – Prior Period Financial Statements Not Audited

The annual financial statements according to IFRS of the Company for the prior period from 1 January to 31 December 2021, on which the comparative figures in the annual financial statements for the financial year from 1 January to 31 December 2022 based, was not audited. Our audit opinion on the annual financial statements for the financial year from 1 January to 31 December 2022 is not modified in respect of this matter.

Responsibilities of the Executive Directors for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with IFRS as adopted by the EU and that the annual 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 executive directors are responsible for such internal control as they have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility 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.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB 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 annual financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective audit

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.

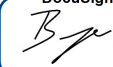
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRS as adopted by the EU.

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.


Frankfurt am Main, 8 September 2023

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

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(Mathias Bunge)
Wirtschaftsprüfer
(German Public Auditor)

DocuSigned by:

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(Bernhard Haas)
Wirtschaftsprüfer
(German Public Auditor)