Basic company information

ETC Issuance GmbH ("the company") is registered under the law of the Federal Republic of Germany and has its principal place of business in Quality House, 5-9 Quality Court, London WC2A 1HP United Kingdom. The company's only business activity is the issuance of bonds secured by cryptocurrency and other digital assets. By issuing the bonds, the company intends to meet investors' demand for tradable securities through which an investment in cryptocurrencies and other digital assets is made.

On 2 February 2022 the company issued four new physically backed cryptocurrency bonds

- "UNIetc", ISIN DE000A3GWNR0, Bloomberg-Ticker USWA),
- "ATOMetc", ISIN DE000A3GWNQ2, Bloomberg-Ticker ATME),
- "AVAXetc", ISIN DE000A3GWNN9, Bloomberg-Ticker AVAL),
- "MATICetc", ISIN DE000A3GWNP4, Bloomberg-Ticker MTCE)

On 7th April 2022, the company issued a further bond

- "XRPetc", ISIN DE000A3GYNB0, Bloomberg-Ticker GXRP)

All securities are secured bonds, which are fully backed by the cryptocurrencies Uniswap, Cosmos, Avalanche, Polygon and Ripple respectively. The bonds have no fixed maturity date. The bonds are not subject to interest. Each bond securitises the right of the bondholder to demand the delivery of the respective cryptocurrency from the company, in accordance with the bondholder's claim in respect of each bond, expressed as the amount of the respective cryptocurrency per bond ("cryptocurrency claim"). In certain circumstances, bondholders may instead be required to pay a certain amount of cash in USD.

ATME, AVAL and MTCE were listed on Six on 24th March 2022. In addition, all four bonds were listed on XETRA on the 6th April 2022.

The Company has also exercised passporting rights to distribute the notes across Europe.

Should certain events occur, as described in more detail in the terms of each bond, the company may at any time, at its own and absolute discretion (but it is not obliged to do so), decide to terminate all the bonds in a series and pay them back at their compulsory repayment price. These compulsory repayment events include, among other things, the entry into force of new laws or regulations requiring the acquisition of licenses for the company to meet its obligations under the bonds, changes in the tax treatment of respective cryptocurrencies, or the case that the company is instructed by a court of competent jurisdiction or otherwise required by law to arrange for a mandatory repayment. Such a termination necessarily results in the repayment of the bonds for bondholders.

As a service provider, the company does not conduct research and development activities. The company had one branch in the United Kingdom during the period under review.

Report on the economic position

Economic framework conditions

The impact of Coronavirus (Sars-CoV-2) has diminished as there has been a gradual return to normality. However the broader economic situation with the hostilities in Ukraine and the onset of ‘Crypto winter’ have made for a challenging trading environment.

Cryptocurrency as a whole has been depressed throughout the majority of 2022 so far. Both Bitcoin and Ethereum have fallen dramatically from their highs at the end of November 2021 with a consequent impact on our Assets under Management. Nonetheless there appears to be continued appetite among investors for securities that offer exposure to cryptocurrencies as well as increasing interest from institutional investors.

The company's results of operations

Management considers the position of the company after the 6 months of 2022 to be satisfactory despite the tough trading conditions. In the 6 months to 30 June 2022, the company generated revenue of EUR 6.4 million (previous year: 7.1 million), which is mainly due to income from administrative fees. Administrative fees are the company's main source of income and are determined by the amount of assets held and the price of cryptocurrencies.

The revenue generated was offset by expenses for purchased services amounting to a total of EUR 6.2 million (previous year: EUR 7.0m). These included, in particular, the costs of personnel provision by the shareholder and expenses for the consulting and service companies that had been used.

Operating expenses amounted to EUR 146 thousand in 6 months 2021 (previous year: EUR 4 thousand). They mainly include accounting costs, the costs of annual financial statements preparation and audits, as well as legal and advisory costs. As a result, the annual net profit for the 6 months 2021 amounted to EUR 280 thousand (previous year: EUR 37 thousand).

Financial position of the company

As of 30 June 2022, the company had cash and cash equivalents of EUR 2.1 million (31 December 2021 EUR 3.7 million) held in the receivables accounts at banks.

The company's equity amounted to EUR 570 thousand as of 30 June 2022 (31 December 2021: EUR 290 thousand), comprising EUR 25 thousand in share capital (31 December 2021: EUR 25 thousand) a retained earnings of EUR 265 thousand (31 December 2021: 155 thousand) and earnings of 280 thousand in the 6 months to 30 June 2022.

Cash outflow from operating activities amounted to EUR 1642 thousand in 6 months 2022 (financial year 2021: inflow EUR 3490 thousand). Cash outflow from investing activities amounted to EUR 642.8 million in 6 months 2022 (financial year 2021: inflow of EUR 723 million) and cash inflow from financing activities in 6 months 2022 amounted to EUR 641.1 million (financial year 2021: outflow of EUR 721.7 million). In this context, it should be noted that, in the context of bond issues, which have a balance sheet value of EUR 368.8 million as of 30 June 2021, the company did not receive cash and cash equivalents but the equivalent value in cryptocurrencies.

Net assets

The company's total assets decreased from EUR 1018.2 million as of 31 December 2021 to EUR 372.8 million as of 30 June 2022, due to the decrease in total cryptocurrency holdings held in custody to secure the bonds issued and the rise in the Bitcoin price.

Other assets as at 30 June 2022 comprise mainly EUR 368.8 million (31 December 2021: EUR 1010 million) in Bitcoin holdings held by BitGo Trust Company, Inc., the company's regulated custodian, and Bitcoin holdings from billed administrative charges.

Overall, both the company's results of operations, financial position and net assets in 6 months 2021 are assessed as positive and stable, and the company has always been able to meet its payment obligations in the 2021 financial year.

Forecast, opportunities and risk report Risk report:

Risks and uncertainties

The company classifies the main risk groups as follows:

- • Business risks
- • Regulatory risks
- • Operational risks
- • Financial risks

Since the company receives the cryptocurrencies to back all the bonds issued before the bonds can be issued, the company does not have to procure these cryptocurrencies on its own and is therefore not exposed to any risk associated with the volatility of market prices. For operational and accounting purposes, the company and its administrator use the Bloomberg CFIX daily cryptocurrency price reference for the relevant cryptocurrencies.

i) *Business risks*
Although the company is not exposed to market risk associated with the coverage of the bonds with the underlying cryptocurrencies, a strongly negative performance and a persistent fall in the price of one or more of the underlying cryptocurrencies could have a negative impact on the company. Demand for the bonds could fall significantly if cryptocurrencies attractiveness as underlying assets declines. It is also possible to increase redemptions (for repayment of the cryptocurrency claim of the bonds). This could lead to a reduction in the company's assets under management and related revenues. The company carefully monitors and analyses deviations in financial performance from the budget and can accordingly take timely action to reduce costs and maintain profit margins at the required level.

ii) *Regulatory risks*
In recent years, numerous large and established banks and asset managers have invested in cryptocurrency companies or have invested in cryptocurrency. This trend seems to be significant and ongoing today, and many financial regulators have generally accepted that cryptocurrencies are likely to remain as an asset class and have taken a pragmatic stance to address this growing interest of the investment community in cryptocurrencies. However, it is clearly difficult to predict how the regulatory outlook and policy on cryptocurrency could and will change. A shift to a generally more negative view could lead to a reduction in investor appetite and a decrease in relevant business activities. The company's goal is to make its products partially accessible to a wider audience as a diversification strategy to mitigate this risk.

iii) *Operational risks*
The company has implemented structures and processes to ensure that the operations run smoothly and that the assets under management are presented regularly, accurately and verifiably. The company has taken the additional step of appointing an independent administrator to counter the increased operational risk associated with cryptocurrencies. Since clearing houses such as Clearstream Banking AG do not (yet) treat any cryptocurrencies as accepted and supported currencies for DVP (Delivery Versus Payment) / RVP (Receive Versus Payment) processes, the bonds must be transferred between the company and authorised participants free of payment (FOP) and the corresponding transactions of cryptocurrencies must accordingly take place independently. Any movement of cryptocurrency, in addition to monitoring by the company's operational team, must also be carefully monitored and approved by the company's dedicated independent administrator, without whose consent no transfers of cryptocurrency to or from the company's account with the custodian can be made. As prescribed in the prospectus, all underlying assets are held in custody without lien and are never lent out or otherwise encumbered. The same applies to the transfer of bonds from the company's issuing account. In addition, strict measures have been carefully implemented to fully maintain the security and integrity of these operational processes.

iii) *Financial risks*
The business and operating model pursued by ETC Issuance GmbH ensures that the company does not have to procure Bitcoins or other cryptocurrencies in relation to the issue of the bonds, since the company can only receive cryptocurrency and not a fiat currency such as EUR or GBP for issuing bonds. As a result, the company is exposed to barely any market risk. Due to the same operating model, the company is exposed to a very limited counterparty risk, since it must first receive the cryptocurrency, which is deposited at the custodian before issuing the bonds. The same applies to redemptions, since the company must first have received the bonds intended for redemption by the bondholder for termination before the corresponding repayment of the cryptocurrency (cryptocurrency claim by bond) can take place. Furthermore, the company issues only the bonds to the aforementioned authorised participating brokers (authorised participants).

iv) *Outlook*
Through best practice, the company continuously evaluates and assesses potential developing risks. Currently, no novel or evolving risks can be identified that could jeopardise the operation and economic survival of the company. The company continues to monitor the risks associated with Brexit and is satisfied with its position against these risks.

ETC Issuance GmbH thanks all holders of ETC issued bonds for their trust and support during the past year. We will continue to provide our investors with the highest level of service and security and will develop cryptocurrency- based exchange-traded products that are made available to investors on regulated stock exchanges. As of 30 June 2022, the assets under management of ETC Issuance GmbH amounted to EUR 368.8 million.

London, 30 September 2022

ETC Issuance GmbH
The Management

Leyla Sharifullina   Timothy Bevan

ETC Issuance GmbH, Frankfurt am Main

Statement of Financial Position

Assets	Note	30 June 2022	31 December 2021
Current Assets			
Non financial assets, designate in a fair value hedge	2.4	370,696,212	1,014,513,779
Cash and cash equivalents	2.5	2,062,630	3,704,770
TOTAL ASSETS		**372,758,842**	**1,018,218,550**
SHAREHOLDERS' EQUITY			
Share capital		25,000	25,000
Accumulated profits brought forward		245,526	152,733
other comprehensive income		43,373	19,263
Net gain for the financial year		256,239	92,793
TOTAL SHAREHOLDERS' EQUITY	5.	**570,138**	**289,789**
LIABILITIES			
Current Liabilities			
Financial liabilities valued at fair value	2.4/3.2	368,787,100	1,010,038,300
Trade and other payables	2.6/6.1	3,315,741	7,831,825
Income taxes	2.7/6.2	85,864	58,636
TOTAL LIABILITIES		**372,188,704**	**1,017,928,761**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**372,758,842**	**1,018,218,550**

ETC Issuance GmbH, Frankfurt am Main

Statement of Comprehensive Income

	Notes	30 June 2022	31 December 2021
Revenue	2.9/6.3	6,405,992	17,351,373
other Income		122,466	677,801
Other expenses	6.4	-6,206,118	-17,907,707
Finance income		-2,040	-6,906
Income tax	6.2	-64,060	-21,768
Net Income		256,239	92,793
Other comprehensive Income		24,110	16,958
thereof income that could be reclassificated		*24,110*	*16,958*
total income		280,349	109,751

ETC Issuance GmbH, Frankfurt am Main

Statement of Changes of Equity

	Issued Capital	Retained Earnings/ Accumulated losses)	Other comprehensive Income	Total Equity
At 1 January 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**
At 1January 2022	**25,000**	**245,526**	**19,263**	**289,789**
Net income/(loss) for the year		256,239	24,110	280,349
At 30 June 2022	**25,000**	**501,765**	**43,373**	**570,138**

ETC Issuance GmbH, Frankfurt am Main

Statement of Cash Flows

CASH FLOWS FROM OPERATIONS	Note	30 June 22	31 December 2021
total income for the year		256,239	109,751
Changes in working capital (Decrease)/Increase in trade		-1,898,379	3,380,287
NET CASH FLOWS FROM OPERATIONS		-1,642,140	3,490,039
Cash FLOW FROM FINANCING			
Proceeds from issue of capital		0	0
NET CASH FLOW FROM FINANCING		0	0
Change in cash and cash equivalents		-1,642,140	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 PERIOD	2.5	2,062,630	3,704,770

Notes to the Statements for the period from 01 January 2022 to 30 June 2022

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.

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 2022 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 decommis-sioning 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 contact	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 June 30, 2022. 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 June 30, 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 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 June 30, 2022, 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 30 June 2022, trade and other payables include kEUR 40 payables to related parties for services received, kEUR 245 for other services received and kEUR 3.031 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 consulting in the amount of kEUR 2.944, exchange rate losses in the amount of kEUR 1.935, fees in the amount of kEUR 881, insurance in the amount of kEUR 185, bookkeeping in the amount of kEUR 41 and other expenses in the amount of kEUR 220.

Note 7 - Audit fees

The audit fees for the financial year ended December 31, 2021 amounts to kEUR 41.

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.

London, 30 September 2022

ETC Issuance GmbH
The Managing Directors

Leyla Sharifullina   Timothy Bevan