



ETC ISSUANCE GMBH
COMPANY NUMBER HRB 116604

INTERIM REPORT

FOR THE PERIOD 1 JANUARY 2021 TO 30 JUNE 2021

INTERIM BALANCE SHEET as at 30 June 2021

ETC Issuance GmbH, Frankfurt am Main

ASSETS

	EUR	Period to 30 Jun 2021 EUR	EUR	Year to 31 Dec 2020 EUR	EUR	Period to 30 Jun 2020 EUR
A. Current assets						
I.	Receivables and other assets					
1.	Trade receivables	1.051.053	-	-	512	
2.	Other assets	587.312.311	289.002.934	2.640.712		
3.	Assets from affiliated companies	525	497	-		
		<u>588.363.889</u>	<u>289.003.431</u>	<u>2.641.224</u>		
II.	Cash-in-hand, central bank balances, bank balances and cheques	1.015.071	214.730	-		
		<u>589.378.960</u>	<u>289.218.161</u>	<u>2.641,224</u>		

INTERIM BALANCE SHEET as at 30 June 2021 (continued)

ETC Issuance GmbH, Frankfurt am Main

EQUITY AND LIABILITIES

	EUR	Period to 30 Jun 2021 EUR	EUR	Year to 31 Dec 2020 EUR	EUR	Period to 30 Jun 2020 EUR
A. Equity						
I. Subscribed capital		25.000		25.000		25.000
II. Accumulated profits/(losses) brought forward		329.475		(6.457)		(6.457)
III. Net profit/(loss) for the financial period		36.991		161.495		(4.454)
B. Provisions						
1. Other provisions	233.258		121.000		5.000	
2. Tax provisions	-		36.367		-	
		233.258		157.367		5.000
C. Liabilities						
4. Bonds	587.311.178		288.358.708		2.616.387	
- of which due within one year EUR 587.311.178,25 (EUR 2.616.386,09)						
5. Trade payables	251.827		258.643		976	
- of which due within one year EUR 251.826,63 (EUR 976,00)						
6. Liabilities to affiliated companies	1.191.231		263.405		4.772	
- of which due within one year 1.191.231,40 (EUR 4.771,75)						
		588.754.236		288.880.756		2.622.135
		589.378.960		289.218.161		2.641,224

London, September 27, 2021

ETC Issuance GmbH
The Management

Leyla Sharifullina

Timothy Bevan

INCOME STATEMENT from 01.01.2021 to 30.06.2021

ETC Issuance GmbH, Frankfurt am Main

	Period to 30 Jun 21 EUR	Period to 30 Jun 20 EUR
1. Sales	7.052.796	513
2. Gross revenue for the period	7.052.796	513
3. Other operating expenses		
a) Miscellaneous operating costs	7.015.805	4.967
4. Net income/(net loss) after tax	36.991	(4.454)
5. Net income/(net loss) for the financial period	36.991	(4.454)

London, September 27, 2021

ETC Issuance GmbH
The Management

Leyla Sharifullina

Timothy Bevan

CASHFLOW STATEMENT from 01.01.2021 to 30.06.2021

ETC Issuance GmbH, Frankfurt am Main

Pos. Cashflow Statement	Period to 30 Jun 21 EUR	Period to 30 Jun 20 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Net Profit/(Loss) for the period before tax	36.991	(4.454)
2. Increase/(decrease) in trade and bills receivables	(585.721.533)	(540)
3. Increase in trade and bills payables	586.483.655	4.772
4. Net cash inflow/(outflow) from operating activities (CFO)	799.113	(222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to financial investments within the scope of short-term financial planning	(587.311.178)	(2.616.387)
6. Net cash outflow from investing activities (CFI)	(587.311.178)	(2.616.387)
CASH FLOWS FROM FINANCING ACTIVITIES		
7. Proceeds from issue of debentures	587.311.179	2.616.387
8. Net cash inflow from financing activities (CFF)	587.311.179	2.616.387
9. Changes in cash and cash equivalents	799.113	(222)
10. Cash and cash equivalents at the beginning of the period	215.958	24.518
11. Cash and cash equivalents at the end of the period	1.015.071	24.296

STATEMENT OF CHANGES IN EQUITY from 01.01.2021 to 30.06.2021

ETC Issuance GmbH, Frankfurt am Main

	Issued capital	Share premium	Retained earnings/ (Accumulated losses)	Foreign currency translation reserve	Total Equity
At 1 January 2021	25.000	-	329.475	-	354.475
Net income/ (loss) for the period	-	-	36.991	-	36.991
At 30 June 2021	25.000	-	366.466	-	391.466

INTERIM BALANCE SHEET ACCOUNTS as at 30.06.2021

ETC Issuance GmbH, Frankfurt am Main

ASSETS

Account Description	EUR	Period to 30 Jun 2021 EUR	EUR	Year to 31 Dec 2020 EUR	EUR	Period to 30 Jun 2020 EUR
Trade receivables						
1210 Trade receivables		1.051.053		-		512
Other assets						
1300 Other assets	587.311.703		289.003.431		2.616.387	
1406 Deductible input tax, 19%	1.133		-		29	
1460 Cash in transit	-		-		24.296	
		<u>587.312.836</u>		<u>289.003.431</u>	<u>2.640.712</u>	
Cash-in-hand, central bank balances, bank balances and cheques						
1800 Bank		<u>1.015.071</u>		<u>214.730</u>		<u>-</u>
Total assets		<u>589.378.960</u>		<u>289.218.161</u>		<u>2.641.224</u>

EQUITY AND LIABILITIES

Account Description	Period to 30 Jun 21 EUR	Year to 31 Dec 20 EUR	Period to 30 Jun 20 EUR
Subscribed capital			
2900 Subscribed capital	25.000	25.000	25.000
Accumulated profits/(losses) brought forward			
2978 Accumulated profit/(losses) before appropriation of net profit	329.475	(6.457)	(6.457)
Net profit/(loss) for the financial period			
Net profit/(loss) for the financial period	36.991	161.495	(4.454)
Other provisions			
3095 Provisions period-end closing/audit costs	233.258	157.367	5.000
Bonds			
3100 Non-convertible bonds of which due within one year EUR 587.311.178,25 (EUR 2.616.387,09)	587.311.178	288.358.708	2.616.387
Trade payables			
3310 Trade payables, no sep. rec./payables accounting of which due within one year EUR 251.826,63 (EUR 976,00)	251.827	258.643	976
Liabilities to affiliated companies			
3400 Liabilities to affiliated companies of which due within one year EUR 4.771,75 (EUR 0,00)	1.191.231	263.405	4.772
Total equity and liabilities	589.378.960	289.218.161	2.641.224

INCOME STATEMENTS ACCOUNTS from 01.01.2021 to 30.06.2021**ETC Issuance GmbH, Frankfurt am Main**

Account Description	EUR	Period to 30 Jun 21 EUR	EUR	Period to 30 Jun 20 EUR
Sales				
4000 Sales		7.052.796		513
Miscellaneous operating costs				
6300 Other operating expenses	(163.831)		(3.500)	
6827 Period-end closing and audit costs	-		-	
6830 Bookkeeping expenses	(47.182)		(1.102)	
6855 Incidental monetary transaction costs	(5.101)		(365)	
XXXX Trader Charges	(624.271)		-	
XXXX Legal and professional costs	(5.741.415)		-	
XXXX Foreign exchange movement	557		-	
XXXX Staff costs	(201.304)		-	
XXXX Management fees	(233.258)		-	
		<hr/> 7.015.805		<hr/> (4.967)
Net profit/(loss) for the financial period		<hr/> 36.991		<hr/> (4.454)
Net profit/(loss) for the financial period		<hr/> <hr/>		<hr/> <hr/>

ANNEX to the Interim Financial Statements dated 30.06.2021

A. General information on the company and accounting policies

1. Company registry data, structure and previous period's figures

Pursuant to Article 115 WpHG (German Securities Trading Law), ETC Issuance GmbH has become obligated to prepare and to publish half-year financial statements as of June 30, 2021.

The half-year financial statements as of June 30, 2021 of ETC Issuance GmbH, Frankfurt am Main (registered at the Local court Frankfurt am Main under the HRB no. 116604) have been prepared pursuant to Article 242 et seq. HGB and supplementary provisions applicable to corporations in section 264 et seq. HGB.

The profit and loss account was prepared using the total cost (nature of expense) method.

General information on the accounting and valuation methods

In the trade accounts receivable and other assets, recognizable risks are allowed for by making individual value adjustments. General credit risks are taken into account by means of an adequate lump sum provision on trade accounts receivable.

Cash in hand and bank deposits are shown at their nominal value.

The share capital is stated at its nominal value.

Based on reasonable commercial assessment, a liability for provisions was established for settlement.

Liabilities are recognized at settlement value.

Transactions in currencies other than the Company's currency are recognized at the rates of exchange prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies, which are due for settlement in less than one year, are translated at the average spot exchange rate prevailing on the balance sheet date. In other cases, potential falls in the exchange rate will be taken into account.

Pursuant to Article 274 HGB, deferred taxes are not being recorded.

B. Additional information on the balance sheet

I. Receivables and other assets

Receivables and other assets include receivables from the Bitcoin depository BitGo Trust Company, Inc., of kEUR 587.311 which is registered as a qualified and regulated depository for crypto currency in South Dakota, USA. The receivables were a result of a deposit of bitcoins at the depository in accordance with the issued (Secured Bonds).

Liabilities
Liabilities schedule

		As of June 30, 2021 (€)	Remaining term within one year (€)	Remaining term more than one year (€)
1.	Bonds	587.311.178	587.311.178	-
2.	Trade payables	251.827	251.827	-
3.	Trade payables to related parties	1.191.231	1.191.231	-

Trade payables to related parties amount to kEUR 1.191.

The bonds shown under the liabilities - BTCetc Bitcoin Exchange Traded Crypto („BTCE“) – are bearer bonds according the German law and are secured with deposited Bitcoins at a depository. The product has no fixed expiration date.

C. Other information

The abridged financial statements and the interim Management Report of ETC Issuance GmbH were neither reviewed nor audited pursuant to section 317 of the German Commercial Code (HGB).

London, September 27, 2021

ETC Issuance GmbH
The Management

Leyla Sharifullina

Timothy Bevan

ETC Issuance GmbH Management Report

For the Period: 1 January 2021 to 30 June 2021

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 Gridiron, one Pancras Square, London, N1C 4 AG, 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 23 February 2021 the company issued Ethereum-backed bonds ("ETHetc", ISIN DE000A3GMKD7, securities code A3GMKD, Bloomberg-Ticker ZETH), and on 15 March 2021 the company issued Litecoin-backed bonds ("LTCetc", ISIN DE000A3GN5J9, securities code A3GN5J, Bloomberg-Ticker ELTC, together with Bitcoin-backed bonds issued in 2020 ("BTCetc", ISIN DE000A27Z304, securities code A27Z30, Bloomberg ticker BTCE) the "bonds" or "securities"), subject to approval by the Federal Financial Supervisory Authority (BaFin). All securities are secured bonds, which are fully backed by the respective cryptocurrencies. 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.

ETHetc was listed on Deutsche Börse's XETRA on 9 March 2021, on SIX on 25 May 2021 and on Euronext Paris and Euronext Amsterdam on 1 June 2021. LTCetc was listed on Deutsche Börse's XETRA on 14 April 2021 and on SIX on 25 May 2021. BTCetc was additionally listed on SIX on 13 January 2021, on Euronext Paris and Euronext Amsterdam on 1 June 2021 and on Aquis on 7 June 2021. The notification procedure on BTCetc was carried out in several jurisdictions, including Austria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Norway, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden ("passporting"). ETHetc and LTCetc were passported in Finland, France, Poland, Spain and Sweden.

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 economic environment for the company in the past financial year was mainly influenced by the effects of the spread of the Coronavirus (SARS-CoV-2) and the associated national and international public measures to contain the pandemic.

However, as a capital-market-oriented company, the company benefited from the fact that, unlike in the service sector and in the brick-and-mortar trade, the protective measures introduced did not have a direct impact on the company's business activities.

There was much volatility in cryptocurrencies over the first 6 months of 2021. Bitcoin started the year at around the EUR 25 thousand mark but by mid April it had more than doubled in value before slipping back down to around EUR 28 thousand at mid year. There appears to be a growing appetite among investors for securities that offer exposure to cryptocurrencies evidenced by a proliferation of issuers in Europe and new products being listed.

The company's results of operations

Management considers the position of the company after the 6 months of 2021 to be extremely satisfactory. In 6 months 2021, the company generated revenue of EUR 7.1 million (previous year: EUR 1 thousand), 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 6.9 million (previous year: EUR 1 thousand). 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 164 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 37 thousand (previous year: Loss of EUR 4 thousand).

Financial position of the company

As of 30 June 2021, the company had cash and cash equivalents of EUR 1 million (31 December 2020: EUR 215 thousand) held in the receivables accounts at banks.

The company's equity amounted to EUR 391 thousand as of 30 June 2021 (31 December 2020: EUR 180 thousand), comprising EUR 25 thousand in share capital (31 December 2020: EUR 25 thousand) a retained earnings of EUR 329 thousand (31 December 2020: loss of 6 thousand) and the realised net profit for the 6 months 2021 of EUR 37 thousand (31 December 2020: EUR 161 thousand).

Cash flow from operating activities amounted to EUR 799 thousand in 6 months 2021 (financial year 2020: EUR 0 thousand). Cash inflow from investing activities amounted to EUR 587 million in 6 months 2021 (financial year 2020: outflow of EUR 2.6 million) and cash outflow from financing activities in 6 months 2021 amounted to EUR 587 million (financial year 2020: inflow of EUR 2.6 million). In this context, it should be noted that, in the context of bond issues, which have a balance sheet value of EUR 587 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 increased from EUR 289.2 million as of 31 December 2020 to EUR 589.4 million as of 30 June 2021, due to the increase 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 2021 comprise mainly EUR 587.3 million (31 December 2020: EUR 289 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 has also analysed the risks associated with Brexit and is satisfied with its position against these risks. With regard to the ongoing global coronavirus pandemic, no risks can be identified that would call into question the company's core business.

ETC Issuance GmbH thanks all ETC Group bondholders 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 2021, the assets under management of ETC Issuance GmbH amounted to EUR 587.3 million.

London, 27 September 2021

ETC Issuance GmbH

The Management

Leyla Sharifullina

Timothy Bevan

ETC Issuance GmbH
Responsibility Statement
By the Executive Director

To the best of my knowledge, I confirm that in accordance with the applicable accounting principles for the preparation of financial statements, the interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company. and describes significant risks and uncertainties faced by the Company.

London, 27 September 2021
ETC Issuance GmbH

The Management

Leyla Sharifullina

Timothy Bevan