



ETC ISSUANCE GMBH
COMPANY NUMBER HRB 116604

INTERIM REPORT

FOR THE PERIOD 1 JANUARY 2020 TO 30 JUNE 2020

INTERIM BALANCE SHEET as at 30 June 2020

ETC Issuance GmbH, Frankfurt am Main

ASSETS

	EUR	Financial year EUR	Previous year EUR
A. Current assets			
I. Receivables and other assets			
1. Trade receivables	511,72		0,00
2. Other assets	<u>2.640.711,81</u>		<u>0,00</u>
		2.641.223,53	0,00
II. Cash-in-hand, central bank balances, bank balances and cheques		0,00	24.519,00
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		2.641.223,53	24.519,00
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INTERIM BALANCE SHEET as at 30 June 2020 (continued)

ETC Issuance GmbH, Frankfurt am Main

EQUITY AND LIABILITIES

	EUR	Financial year EUR	Previous year EUR
A. Equity			
I. Subscribed capital		25.000,00	25.000,00
II. Accumulated losses brought forward		-6.457,00	0,00
III. Net loss for the financial year		-4.454,31	-6.457,00
B. Provisions			
1. Other provisions		5.000,00	5.000,00
C. Liabilities			
1. Bonds	2.616.387,09		0,00
- of which due within one year EUR 2.616.387,09 (EUR 0,00)			
2. Trade payables	976,00		976,00
- of which due within one year EUR 976,00 (EUR 976,00)			
3. Liabilities to affiliated companies	<u>4.771,75</u>		<u>0,00</u>
- of which due within one year EUR 4.771,75 (EUR 0,00)			<u>976,00</u>
		2.622.134,84	
		<u>2.641.223,53</u>	<u>24.519,00</u>

London, September 29, 2019

ETC Issuance GmbH
The Executive Director

Bradley Duke

INCOME STATEMENT from 01.01.2020 to 30.06.2020

ETC Issuance GmbH, Frankfurt am Main

	Financial year EUR	Previous year EUR
1. Sales	<u>512,87</u>	<u>0,00</u>
2. Gross revenue for the period	512,87	0,00
3. Other operating expenses		
a) Miscellaneous operating costs	<u>4.967,18</u>	<u>6.457,00</u>
4. Net income/net loss after tax	-4.454,31	-6.457,00
	_____	_____
5. Net loss for the financial year	4.454,31	6.457,00
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London, September 29, 2019

ETC Issuance GmbH
The Executive Director

Bradley Duke

CASHFLOW STATEMENT from 01.01.2020 to 30.06.2020

ETC Issuance GmbH, Frankfurt am Main

Pos. Cashflow Statement	EUR
CASH FLOWS FROM OPERATING ACTIVITIES	
1. Net Profit/(Loss) for the year before tax	-4.454,31
2. Increase/Decrease in trade and bills receivables	-540,22
3. Increase/Decrease in trade and bills payables	4.771,75
4. Net cash inflow from operating activities (CFO)	-222,78
CASH FLOWS FROM INVESTING ACTIVITIES	
5. Payments due to financial investments within the scope of short-term financial planning	-2.616.387,09
6. Net cash outflow from investing activities (CFI)	-2.616.387,09
CASH FLOWS FROM FINANCING ACTIVITIES	
7. Proceeds from issue of debentures	2.616.387,09
8. Net cash inflow/(outflow) from financing activities (CFF)	2.616.387,09
9. Changes in cash and cash equivalents	-222,78
10. Cash and cash equivalents at the beginning of the period	24.519,00
11. Cash and cash equivalents at the end of the period	24.296,22

STATEMENT OF CHANGES IN EQUITY from 01.01.2020 to 30.06.2020

ETC Issuance GmbH, Frankfurt am Main

	Issued capital	Share premium	Retained earnings/ (Accumulated losses)	Foreign currency translation reserve	Total Equity
At 1 January 2020	25.000,00	0,00	-6.457,00	0,00	18.543,00
Net income/ (loss) for the year	0,00	0,00	-4.454,31	0,00	-4.454,31
At 30 June 2020	25.000,00	0,00	-10.911,31	0,00	14.088,69

INTERIM BALANCE SHEET ACCOUNTS as at 30.06.2020

ETC Issuance GmbH, Frankfurt am Main

ASSETS

Account	Description	EUR	Financial year EUR	Previous year EUR
1210	Trade receivables Trade receivables		511,72	0,00
1300	Other assets Other assets	2.616.387,09		0,00
1406	Deductible input tax, 19%	28,50		0,00
1460	Cash in transit	<u>24.296,22</u>		<u>0,00</u>
			2.640.711,81	0,00
1800	Cash-in-hand, central bank balances, bank balances and cheques Bank		0,00	24.519,00
	Total assets		<u>2.641.223,53</u>	<u>24.519,00</u>

EQUITY AND LIABILITIES

Account	Description	EUR	Financial year EUR	Previous year EUR
2900	Subscribed capital Subscribed capital		25.000,00	25.000,00
2978	Accumulated losses brought forward Accumulated losses before appropriation net profit		-6.457,00	0,00
	Net loss for the financial year Net loss for the financial year		-4.454,31	-6.457,00
3095	Other provisions Provisions period-end closing/ audit costs		5.000,00	5.000,00
3100	Bonds Non-convertible bonds		2.616.387,09	0,00
	of which due within one year EUR 2.616.387,09 (EUR 0,00)			
3100	Non-convertible bonds			
3310	Trade payables Trade payables, no sep. rec./payables accounting		976,00	976,00
	of which due within one year EUR 976,00 (EUR 976,00)			
3310	Trade payables, no sep. rec./payables accounting			
3400	Liabilities to affiliated companies Liabilities to affiliated companies		4.771,75	0,00
	of which due within one year EUR 4.771,75 (EUR 0,00)			
3400	Liabilities to affiliated companies			
	Total equity and liabilities		2.641.223,53	24.519,00

INCOME STATEMENTS ACCOUNTS from 01.01.2020 to 30.06.2020

ETC Issuance GmbH, Frankfurt am Main

Account Description	EUR	Financial year EUR	Previous year EUR
Sales			
4000 Sales		512,87	0,00
Miscellaneous operating costs			
6300 Other operating expenses	-3.500,00		-1.457,00
6827 Period-end closing and audit costs	0,00		-5.000,00
6830 Bookkeeping expenses	-1.101,66		0,00
6855 Incidental monetary transaction costs	<u>-365,52</u>		<u>0,00</u>
		-4.967,18	-6.457,00
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Net loss for the financial year			
Net loss for the financial year		-4.454,31	-6.457,00
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ANNEX to the interim financial report dated 30.06.2020

A. General information on the company and accounting policies

1. Company registry data, structure and previous year'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, 2020.

The half-year financial statements as of June 30, 2020 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 2,616 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).

Other provisions

Other provisions include provisions for costs associated with the financial statements and auditing of kEUR 5.

Liabilities
Liabilities schedule

		as of June 30, 2020 (€)	Remaining term within one year (€)	Remaining term more than one year (€)
1.	Bonds	2,616,387.09	2,616,387.09	
2.	Trade payables	976.00	976.00	
3.	Trade payables to related parties	4,771.75	4,771.75	

Trade payables to related parties amount to kEUR 4.7.

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 29, 2019

ETC Issuance GmbH
The Executive Director

Bradley Duke

ETC Issuance GmbH Management Report

For the Period: 1 January 2020 to 30 June 2020

ETC Issuance GmbH (the “Company”) is incorporated and operates under the laws of Germany and maintains its principal place of business at Gridiron, One Pancras Square, London, N1C 4 AG, United Kingdom. The only activity of the Company is the issue of bonds which are secured by cryptocurrencies and other digital assets. Through the issue of the Bonds, the Issuer intends to satisfy investor demand for regulated, tradeable securities through which an investment in cryptocurrencies and other digital assets is made.

The Company has issued its first securities (“BTCetc” or the “Bonds”, Bloomberg ticker BTCE) on 5 June 2020 following approval from BaFin. BTCetc are secured zero coupon bonds with no fixed maturity date, 100% physically backed by Bitcoin. Each Bond represents the right of the Bondholder to demand from the Issuer a delivery of Bitcoin equal to the Bondholder’s claim against the Issuer in respect of each Bond, expressed as the amount of BTC per Bond, or payment of US dollars (under certain conditions). The Bonds are freely transferable. BTCetc were listed on the Deutsche Börse’s XETRA on 18 June 2020 and passported into several European jurisdictions including the UK, Italy, Spain, the Netherlands, Ireland, Luxemburg, Sweden, Norway, Denmark, Finland and Austria. It is the world’s first centrally cleared Bitcoin ETC, providing investors with one of the safest and most liquid ways to gain exposure to Bitcoin. Each unit of BTCE gives the holder a claim on a predefined amount of Bitcoin (0.001 BTC initially minus management fee of 2.0% p.a. accrued daily).

The Company is entitled to redeem the bond early upon occurrence of certain events. Such events include, among others, the entering into force of any new law or regulation that requires the Issuer to obtain any license in order to be able to fulfil its obligations under the Bonds; or any changes in the tax treatment of Bitcoin; or if the Issuer was ordered by a competent court or otherwise became required by law to arrange for mandatory redemption. The exercise of the mandatory redemption right by the Company leads inevitably to a redemption of the Bonds for the Bondholders.

As a service provider, the Company does not engage in research and development activities. The Company did not have any branches during the period under review.

ETC Issuance GmbH would like to express our gratitude to all BTCetc holders and our shareholders for their trust and support during this period. With the successful launch of BTCetc we will continue to provide the highest level of service and security to our investors. We are pleased that investors have recognized the quality of BTCetc which accounts for the fact that BTCetc surpassed the milestone of \$50 million AUM in under 3 months was, during July 2020, the most traded security on the XETRA ETN segment with trading volumes of more than \$67 million across all available German trading venues.

We look forward to bringing investors not just similar products backed by other major cryptocurrencies, but also some products with genuine innovation.

Risks and uncertainties

The Company groups the mains risk groups as:

- Business risk
- Regulatory risk
- Operational risk
- Financial risk

Because the Company must receive the backing Bitcoin before the Bonds are issued, the Company does not have to source independently this Bitcoin and, as such, is not exposed to risk associated with market price volatility. For operational and accounting purposes, the Company and its administrator uses the daily Bitcoin price reference Bloomberg CFIX.

i) Business risk

Although the Company does not face market risk associated with the Bitcoin backing the Bonds, a severe and sustained drop in the price of Bitcoin could negatively affect the company. Purchasing of the Bond could drop considerably if the attractiveness of the underlying investment were to diminish and an increase in redemptions is also possible. This could lead to a reduction in the AUM and the associated revenues earned by the Company. The Company monitors financial performance variance versus its budget very closely and can take measures in a timely manner to reduce costs to maintain profit-margins at the levels needed.

ii) Regulatory risk

Over the past few years many large and well-established banks and asset managers have become involved in businesses in or around investments in cryptocurrencies. Although this trend has been large and sustained, and regulators have generally accepted that cryptocurrencies as an asset class is here to stay and have adopted a pragmatic stance to accommodate this growing interest in cryptocurrencies from the investment community. It is however impossible to predict how regulatory outlook and policy may change vis-à-vis crypto and a switch towards a more negative view could lead to a curtailment in investor appetite and a downturn in business. The company is executing plans to bring its products to a wider audience geographically in part as diversification strategy to mitigate this risk.

iii) Operational risk

The Company has put in place structures and processes to ensure that operations run smoothly and that AUM is measured regularly, accurately and verifiably. The Company has taking the additional step to put in place an independent administrator to address the increased operational risk associated with cryptocurrencies. Because clearing houses like Clearstream Banking AG do not yet handle Bitcoin as a supported currency for DVP/RVP, the Bonds need to move between the Company and authorised participant brokers on a Free-of-Payment basis and the corresponding movement of cryptocurrencies need to happen independently. Any movement of cryptocurrencies needs to be carefully supervised by not only the operations team at the Company, but also by the independent administrator without whose approval, no transfers of Bitcoin (or other cryptocurrencies) can take place from the Company's account at the Depository. Additional sophisticated measures are in place to maintain the integrity of these processes.

iii) Financial risks

The business and operational model adopted by ETC Issuance GmbH, ensures that the Company does not need to purchase Bitcoin or any other cryptocurrency as in order to issue Bonds, the Company can only receive cryptocurrency and not fiat currency like EUR or GBP. As such the company has hardly any exposure to market risk. Because of this same operational model, the Company faces very limited counterparty risk as it needs to first receive the cryptocurrency before issuing bonds and, for redemptions, the Company first needs to receive the bonds for cancellation before sending the corresponding cryptocurrency.

iv) Outlook

As is best practice, the Company continually assesses its evolving risk. At present, no new or developing risks can be identified which could put into question the Company's survival as a going concern. The Company has analysed and is comfortable with its position vis-à-vis the risks associated with Brexit. With regards to the ongoing Coronavirus global pandemic, no risks can be identified that would put into question the Company's core business.

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, 29 September 2020
ETC Issuance GmbH

The Executive Director

Bradley Duke