

**Company Registration No. FC037269 (United Kingdom)**

**Registration Number. HRB 116604 (Germany)**

**Date: 20 October 2021**



**ETC Issuance GmbH**

**("ETC" or the "Company")**

**UNAUDITED INTERIM RESULTS FOR THE SIX  
MONTHS ENDED 30 JUNE 2021**

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## 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: nil), 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 217 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 185 thousand (31 December 2020: loss of 153 thousand) and a currency translation reserve of EUR 7 (31 December 2020: EUR 2 thousand). Retained earnings has increased by 32 thousand in the 6 months to 30 June 2021.

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, 20 October 2021  
ETC Issuance GmbH  
The Management

Leyla Sharifullina

Timothy Bevan

## **Directors' Responsibilities**

The Directors are responsible for preparing the Interim Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

### **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|   | Notes    | Six months ended<br>30 June 2021<br>(Unaudited)<br>€ | Six months ended<br>30 June 2020<br>(Unaudited)<br>€ |
|---|----------|--|--|
| <b>Revenue</b>  | <b>4</b> | 7.052.796  | -  |
| Cost of sales   |          | (624.783)  | (170)  |
| <b>Gross profit</b>   |          | 6.428.013  | (170)  |
| Administrative expenses                                       |          | (6.390.785)  | (4.601)  |
| <b>Operating profit</b>                                       | <b>5</b> | <b>37.228</b>  | <b>(4.771)</b>                                       |
| Finance costs   |          | (5.101)  | (196)  |
| <b>Profit/(Loss) on ordinary activities before taxation</b>   |          | <b>32.127</b>  | <b>(4.967)</b>                                       |
| Income tax expense  |          | -  | -  |
| <b>Profit/(Loss) for the period</b>                           |          | <b>32.127</b>  | <b>(4.967)</b>                                       |
| <b>Items that may be reclassified to profit or loss</b>       |          |  |  |
| Currency translation differences                              |          | 4.864  | -  |
| <b>Total items that may be reclassified to profit or loss</b> |          | <b>4.864</b>   | -  |
| <b>Total comprehensive income/(loss) for the period</b>       |          | <b>36.991</b>  | <b>(4.967)</b>                                       |

The income statement has been prepared on the basis that all operations are continuing operations.

The statement of comprehensive income should be read in conjunction with the Notes to the financial statements on pages 12 - 18.



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

|                                  | Notes | As at<br>30 June 2021<br>(Unaudited)<br>€ | As at<br>31 December 2020<br>(Audited)<br>€ |
|----------------------------------|-------|---|---|
| <b>Current assets</b>            |       |   |   |
| Trade and other receivables      | 8     | 588.363.889                               | 289.003.431                                 |
| Cash and cash equivalents        |       | 1.015.071                                 | 214.730                                     |
| <b>Total current assets</b>      |       | <b>589.378.960</b>                        | <b>289.218.161</b>                          |
| <b>Total assets</b>              |       | <b>589.378.960</b>                        | <b>289.218.161</b>                          |
| <b>Current liabilities</b>       |       |   |   |
| Trade and other payables         | 9     | 589.161.931                               | 289.001.756                                 |
| Current tax liabilities          |       | -   | 36.367                                      |
| <b>Total current liabilities</b> |       | <b>589.161.931</b>                        | <b>289.038.123</b>                          |
| <b>Net current assets</b>        |       | <b>217.029</b>                            | <b>180.038</b>                              |
| <b>Total liabilities</b>         |       | <b>589.161.931</b>                        | <b>289.038.123</b>                          |
| <b>Net assets</b>                |       | <b>217.029</b>                            | <b>180.038</b>                              |
| <b>Equity</b>                    |       |   |   |
| Share capital                    | 10    | 25.000                                    | 25.000                                      |
| Currency translation reserve     |       | 7.169                                     | 2.305                                       |
| Retained earnings                |       | 184.860                                   | 152.733                                     |
| <b>Total equity</b>              |       | <b>217.029</b>                            | <b>180.038</b>                              |

The statement of financial position should be read in conjunction with the Notes to the financial statements on pages 12 - 18.

London, 20 October 2021  
ETC Issuance GmbH  
The Management

CONDENSED INTERIM STATEMENT OF CASH FLOWS

|   | Notes     | Six months ended<br>30 June 2021<br>(Unaudited)<br>€ | Six months ended<br>30 June 2020<br>(Unaudited)<br>€ |
|---|-----------|--|--|
| <b><i>Cash flows from operating activities</i></b>                                      | <b>15</b> |  |  |
| Interest paid   |           | 804.214<br>(5.101)                                   | (418)<br>(196)                                       |
| <b>Net cash outflow from operating activities</b>                                       |           | <b>799.113</b>                                       | <b>(222)</b>   |
| <b><i>Cash flows from investing activities</i></b>                                      |           |  |  |
| Payments due to financial investments within the scope of short-term financial planning |           | (587.311.178)  | (2.616.387)  |
| <b>Net cash outflow from investing activities</b>                                       |           | <b>(587.311.178)</b>                                 | <b>(2.616.387)</b>                                   |
| <b><i>Cash flows from financing activities</i></b>                                      |           |  |  |
| Proceeds from issue of debentures   |           | 587.311.178  | 2.616.387  |
| <b>Net cash inflow from financing activities</b>  |           | <b>587.311.178</b>                                   | <b>2.616.387</b>                                     |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                           |           | <b>799.113</b>                                       | <b>(222)</b>   |
| Cash and cash equivalents at beginning of period  |           | 215.958  | 24.518   |
| <b>Cash and cash equivalents at end of period</b>                                       |           | <b>1.015.071</b>                                     | <b>24.296</b>  |

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

|                                    | Share Capital | Currency Translation<br>Reserve | Retained earnings | Total          |
|------------------------------------|---------------|---------------------------------|-------------------|----------------|
|                                    | €             | €                               | €                 | €              |
| <b>Balance at 31 December 2019</b> | <b>25.000</b> | -                               | <b>(6.457)</b>    | <b>18.543</b>  |
| Loss for the period                | -             | -                               | (4.454)           | (4.454)        |
| <b>Balance at 30 June 2020</b>     | <b>25.000</b> | -                               | <b>(10.911)</b>   | <b>14.089</b>  |
| Profit for the period              | -             | -                               | 163.644           | 163.644        |
| Currency translation differences   | -             | 2.305                           | -                 | 2.305          |
| <b>Balance at 31 December 2020</b> | <b>25.000</b> | <b>2.305</b>                    | <b>152.733</b>    | <b>180.038</b> |
| Profit for the period              | -             | -                               | 32.127            | 32.127         |
| Currency translation differences   | -             | 4.864                           | -                 | 4.864          |
| <b>Balance at 30 June 2021</b>     | <b>25.000</b> | <b>7.169</b>                    | <b>184.860</b>    | <b>217.029</b> |

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION

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 financial information has been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out below.

The condensed interim financial information for the period ended 30 June 2021 has not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory accounts for the period ended 31 December 2020. The figures for the period ended 31 December 2020 have been extracted from these accounts, which have been delivered to the Registrar of Companies, and contained an unqualified audit report.

The condensed interim financial information contained in this document does not constitute statutory accounts. In the opinion of the Directors the financial information for this period fairly presents the financial position, result of operations and cash flows for this period.

This Interim Financial Report was approved by the Directors on 20 October 2021.

#### *Statement of compliance*

These condensed company interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union with the exception of International Accounting Standard ('IAS') 34 – Interim Financial Reporting. Accordingly, the interim financial statements do not include all of the information or disclosures required in the annual financial statements and should be read in conjunction with the Company's 2020 annual financial statements.

### 2 ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim financial statements of the Company.

#### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform*

The amendments in Interest Rate Benchmark Reform – Phase 2, introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduces disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

#### *Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021*

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification.

These amendments had no impact on the interim financial statements of the Company.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

#### *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 recognized 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 utilized. 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 recognized 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.

#### *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 their fair values.

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

## **4 REVENUE**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

|  | <b>6 months to<br/>30 June 2021</b> | <b>6 months to<br/>30 June 2020</b> |
|--|-------------------------------------|-------------------------------------|
|  | €                                   | €                                   |
| Revenue from management of Bitcoin investments | 7.052.796                           | -                                   |
| <b>Contract balances</b>                       |                                     |                                     |
| Trade receivables                              | 1.051.053                           | 512                                 |

Revenue is wholly attributable to management fees charged on Bitcoin investments. Revenue is wholly attributable to external customers in Europe and is recognised from services provided over the course of time.

## **5 OPERATING PROFIT/(LOSS)**

|   | <b>6 months to<br/>30 June 2021</b> | <b>6 months to<br/>30 June 2020</b> |
|---|-------------------------------------|-------------------------------------|
|   | €                                   | €                                   |
| <b>Operating profit/(loss) for the period is stated<br/>after charging:</b>               |                                     |                                     |
| Exchange losses   | 3.794                               | -                                   |
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 10.535                              | -                                   |

## 6 EMPLOYEES

The average number of persons (including directors) employed by the Company during the 6 months to 30 June 2021 was 1 (2020: 1).

|                        | 6 months to<br>30 June 2021<br>(unaudited)<br>€ | 6 months to<br>30 June 2020<br>(unaudited)<br>€ |
|------------------------|---|---|
| Directors remuneration | 167.199   | -   |
| Social security costs  | 18.413  | -   |
| Pension costs          | 15.693  | -   |
|                        | <u>201.304</u>                                  | <u>-</u>  |

## 7 TRADE AND OTHER RECEIVABLES

|   | 30 June 2021<br>€  | 31 December 2020<br>€ |
|---|--------------------|-----------------------|
| Trade receivables                         | 1.051.053          | -                     |
| Other receivables                         | 587.312.311        | 289.002.934           |
| Amounts owed by related parties (note 11) | 525                | 497                   |
|   | <u>588.363.889</u> | <u>289.003.431</u>    |

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

## 8 TRADE AND OTHER PAYABLES

|   | 30 June 2021<br>€  | 31 December 2020<br>€ |
|---|--------------------|-----------------------|
| Trade payables                            | 251.827            | 258.643               |
| Other payables                            | 587.311.178        | 288.358.708           |
| Amounts owed to related parties (note 11) | 1.191.231          | 263.405               |
| Accruals                                  | 407.695            | 121.000               |
|   | <u>589.161.931</u> | <u>289.001.756</u>    |

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 9 SHARE CAPITAL

|   | Number of<br>shares | Nominal value<br>€ |
|---|---------------------|--------------------|
| <b>Called up, allotted, issued and fully paid: Ordinary shares of €1 each</b> |                     |                    |
| As at 31 December 2020 and 30 June 2021                                       | 25.000              | 25.000             |

## 10 FINANCIAL INSTRUMENTS

### *Categories of financial instruments*

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics; and
- The carrying amounts of financial instruments

|   | 30 June 2021<br>€ | 31 December 2020<br>€ |
|---|-------------------|-----------------------|
| <b>Financial assets at amortised cost</b> |                   |                       |
| Trade receivables                         | 1.051.053         | -                     |
| Cash and cash equivalents                 | 1.051.071         | 214.730               |
|   | <u>2.102.124</u>  | <u>214.730</u>        |

|  | <b>Book value<br/>30 June 2021</b> | <b>Fair value<br/>30 June 2021</b> | <b>Book value<br/>31 Dec 2020</b> | <b>Fair value<br/>31 Dec 2020</b> |
|--|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
|  | €                                  | €                                  | €                                 | €                                 |
| <b>Financial assets at fair value</b>          |                                    |                                    |                                   |                                   |
| Other debtor – BitGo receivables               | 587.312.311                        | 587.312.311                        | 289.002.934                       | 289.002.934                       |
|  | <b>587.312.311</b>                 | <b>587.312.311</b>                 | <b>289.002.934</b>                | <b>289.002.934</b>                |
|  |                                    |                                    | <b>30 June 2021</b>               | <b>31 December 2020</b>           |
|  |                                    |                                    | €                                 | €                                 |
| <b>Financial liabilities at amortised cost</b> |                                    |                                    |                                   |                                   |
| Trade payables                                 |                                    |                                    | 251.827                           | 258.643                           |
|  |                                    |                                    | <b>251.827</b>                    | <b>258.643</b>                    |
|  | <b>Book value<br/>30 June 2021</b> | <b>Fair value<br/>30 June 2021</b> | <b>Book value<br/>31 Dec 2020</b> | <b>Fair value<br/>31 Dec 2020</b> |
|  | €                                  | €                                  | €                                 | €                                 |
| <b>Financial liabilities at fair value</b>     |                                    |                                    |                                   |                                   |
| Other payables – BitGo payables                | 587.311.178                        | 587.311.178                        | 288.358.708                       | 288.358.708                       |
|  | <b>587.311.178</b>                 | <b>587.311.178</b>                 | <b>288.358.708</b>                | <b>288.358.708</b>                |

The table below analysis financial instruments carried at fair value, by valuation method.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values for the Company's assets and liabilities are not materially different from their carrying values in the financial statements.

The following table presents the Company's financial assets and liabilities that are measured at fair value:

|                                  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|----------------------------------|----------------|----------------|----------------|---------------|
|                                  | €              | €              | €              | €             |
| Other debtor – BitGo receivables | 587.312.311    | -              | -              | 587.312.311   |
| Other payables – BitGo payables  | (587.311.178)  | -              | -              | (587.311.178) |
|                                  | <b>1.133</b>   | <b>-</b>       | <b>-</b>       | <b>1.133</b>  |

There have been no transfers in to or transfers out of fair value hierarchy levels in the period.

#### *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

#### *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. No investments are valued using level 2 inputs in the period.

### *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Following the guidance of IFRS 9, these financial instruments have been assessed to determine the fair value of the instrument. In their assessment, the Directors have considered both external and internal indicators to decide whether an impairment charge must be made or whether there needs to be a fair value uplift on the instrument. No investments are valued using level 3 inputs in the period.

The carrying value of the Company's financial assets and liabilities measured at amortised cost are approximately equal to their fair value.

The Company is exposed through its operations to one or more of the following financial risk:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Capital management risk
- Market risk
- Expected credit losses

Policy for managing these risks is set by the Directors. The policy for each of the above risks is described in more detail below.

### *Fair value and cashflow interest rate risk*

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.

### *Foreign currency risk*

As at December 31, 2020, most of the assets and liabilities refer to the Bitcoins and therefore are not related to any currency in common sense. The remaining balance sheet items are in EUR or GBP and do not bear any significant currency risk.

### *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.

### *Capital management risk*

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.

### *Market risk*

As the Company is now investing in Bitcoin, the market risk will be that of finding suitable investments for the Company to invest in and the returns that those investments will return to investors given the markets in which investments are made.

### *Expected credit losses*

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

For trade and other receivables which do not contain a significant financing component, the Company applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Company applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits for the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

The majority of the Company's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Company's clients and the nature of the services provided. As lifetime expected credit losses are not expected to be significant the Company has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade



receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. In assessing for significant changes in credit risk the Company makes use of operational simplifications permitted by IFRS 9. The Company considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Company continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date, additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Company considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Company monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only written off when there is no reasonable expectation of recovery.

A provision matrix can be used based on historical data of default rates adjusted for a forward-looking estimate. The history of default rates needs to be accessed in conjunction with the aging of the trade receivable balance. The aging of a balance alone does not require a provision but can be used as a structure to apply the rates calculated. The historical default rates are used in accordance with forward looking information.

In order to determine the amount of ECL to be recognised in the financial statements, ETC is using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates and establishes that ECL should be calculated as:

|                      |                       |
|----------------------|-----------------------|
| None-past due        | 0% of carrying value  |
| 30 days past due     | 1% of carrying value  |
| 31-60 past due       | 2% of carrying value  |
| 61-90 past due       | 5% of carrying value  |
| 90-365 days past due | 10% of carrying value |

The simplified approach enables ETC to make an estimate of ECL as they are unable to track the credit worthiness of customers.

The total outstanding amount is €1.051.053 at 30 June 2021 which is all less than 30 days past due resulting in an ECL of €nil in the current period.

## 11 RELATED PARTY TRANSACTIONS

The Company had the following amounts outstanding from related parties at the balance sheet date.

|   | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
|   | €            | €                |
| Related party receivable – ETC Holdings Limited | 525          | 497              |
| Related party payable – ETC Holdings Limited    | (31.489)     | -                |
| Related party loan – ETC Management Limited     | (1.159.742)  | (263.405)        |

Details of Directors' remuneration, being key personnel, are given in Note 7.

## 12 ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no controlling party.

### 13 COMMITMENTS

As at 30 June 2021, the Company had no material commitments (31 December 2020: €nil).

### 14 CASH GENERATED BY OPERATIONS

|   | 30 June 2021<br>€ | 30 June 2020<br>€ |
|---|-------------------|-------------------|
| <b>Profit/(loss) for the period</b>     | 36.991            | (4.967)           |
| <i>Adjustments for:</i>                 |                   |                   |
| Finance costs                           | 5.101             | 196               |
| <i>Movements in working capital:</i>    |                   |                   |
| Increase in trade and other receivables | (585.721.533)     | (540)             |
| Increase in trade and other payables    | 586.483.655       | 4.893             |
| <b>Cash absorbed by operations</b>      | <b>804.214</b>    | <b>(418)</b>      |

### 15 EVENTS AFTER THE REPORTING DATE

The Directors do not consider any post balance sheet events to exist at the date of signing the interim financial statements.

16 A copy of this interim statement is available on the Company's website [www.etc-group.com](http://www.etc-group.com).

Signature of the legal representatives  
London, 20 October 2021  
ETC Issuance GmbH  
The Management

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