



ETC ISSUANCE GMBH
COMPANY NUMBER HRB 116604

INTERIM REPORT

For the Period 1. January to 30. June 2024

ETC Issuance GmbH

Balance Sheet Oath of the Company's legal Representatives

To the best of our knowledge, we confirm that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards and that the management report gives 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 the principal risks and uncertainties the Company faces.

London, 24 September 2024
ETC Issuance GmbH

Signed by:
Leyla Sharifullina
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Leyla Sharifullina

DocuSigned by:
Paul Fusaro
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Paul Fusaro

DocuSigned by:
Katherine Dowling
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Katherine Dowling

STATEMENT OF FINANCIAL POSITION**ETC Issuance GmbH****AS AT 30 JUNE 2024**

Assets	Notes	June 30, 2024	December 31, 2023	June 30, 2023
Current Assets				
Non financial assets	2.5/3.1	1.321.773.936	1.151.937.099	676.454.386
Cash and cash equivalents	2.4	9.215.274	2.959.373	1.042.824
TOTAL ASSETS		<u>1.330.989.210</u>	<u>1.154.896.472</u>	<u>677.497.209</u>
SHAREHOLDER'S EQUITY				
Share capital		25.000	25.000	25.000
Retained earnings/ (Accumulated losses)		-1.028.498.586	-857.874.678	-383.552.582
Other comprehensive income		1.029.740.132	858.661.964	384.167.209
TOTAL SHAREHOLDER'S EQUITY	5.	1.266.546	812.286	639.627
LIABILITIES				
Current Liabilities				
Financial liabilities valued at fair value	3.1	1.316.735.809	1.147.020.673	671.474.280
Trade and other payables	2.5/6.1	12.482.724	6.571.686	4.871.146
Acruals and other provisions		229.036	334.200	412.034
Income taxes	2.6/6.2	275.096	157.627	100.122
TOTAL LIABILITIES		1.329.722.665	1.154.084.186	676.857.582
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>1.330.989.210</u>	<u>1.154.896.472</u>	<u>677.497.209</u>

STATEMENT OF COMPREHENSIVE INCOME**ETC Issuance GmbH****AS AT 30 JUNE 2024**

	Notes	June 2024	December 2023	June 2023
Revenue	2.8/6.3	13.554.640	12.020.681	4.728.876
Other Income		494.898	444.720	152.364
Other expenses	6.4	-13.454.414	-11.944.260	-4.601.246
Gain/(Loss) on fair value movements of liabilities to bondholders	6.5	-171.078.168	-848.141.639	-375.009.916
Finance incompe/(expense)		10.557	-14.210	-3.204
Income tax	6.2	-151.420	-126.733	-69.250
Net Income/(Loss)		-170.623.908	-847.761.440	-374.802.376
Other comprehensive Income				
Net Gain/(Loss) arising on fair value of digital assets		171.078.168	848.141.639	375.009.916
Total income		454.260	380.199	207.540

STATEMENT OF CASH FLOWS

ETC Issuance GmbH

AS AT 30 JUNE 2024

NET CASH FLOWS FROM OPERATIONS	Note	June 2024	2023	June 2023
Total income for the year		454.260	380.199	207.540
Changes in working capital (Decrease)/ Increase in trade receivables and payables		5.801.642	2.131.897	388.006
NET CASH FLOWS FROM OPERATIONS		6.255.902	2.512.096	595.547
Change in cash and cash equivalents		6.255.902	2.512.096	595.547
cash and cash equivalents at the beginning of the period		2.959.373	447.277	447.277
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.4	9.215.275	2.959.373	1.042.824

STATEMENT OF CHANGES IN EQUITY**ETC Issuance GmbH****AS AT 30 JUNE 2024**

	Issued Capital	Retained earnings/ (Accumulated losses)	Other comprehensive income	Total Equity
At 1 January 2023	25.000	-8.750.206	9.157.293	432.087
Net Income/(loss) for the year	0	-849.124.473	0	-849.124.473
Other Comprehensive Income for the period	0	0	849.504.671	849.504.671
At 31 December 2023	25.000	-857.874.679	858.661.964	812.286
At 1 January 2024	25.000	-857.874.679	858.661.964	812.285
Net Income/(loss) for the year	0	-170.623.908	0	-170.623.908
Other Comprehensive Income for the period	0	0	171.078.168	171.078.168
At 30 June 2024	25.000	-1.028.498.586	1.029.740.132	1.266.545

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

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.

The Company's objective is to offer cryptocurrency backed bonds to investors.

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, 2023. Additionally, no significant updates to the standards effective as of December 31, 2023, have been introduced during the reporting period that would affect the company's accounting policies. These interim financial statements for the period ended June 30 2024 were therefore also prepared in accordance with IAS 34 (Interim Financial Reporting).

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

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

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

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

New standards, interpretations and amendments to existing standards:

The Company has early adopted several standards in prior years. Therefore in 2024 there are no new standards, interpretation or amendments that are adopted by the company.

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

New regulation	Published by the IASB	Effective for annual periods beginning on or after	Adopted by the EU	Company's assessment of the regulation
IFRS 17: Insurance Contracts	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	Yes	No material impact
IAS 1: Disclosure of Accounting Policies	February 12, 2021	January 1, 2023	Yes	No material impact
IAS 8: Definition of Accounting Estimates	February 12, 2021	January 1, 2023	Yes	No material impact
IAS 12: Deferred taxes on leases and decommissioning and restoration liabilities	May 7, 2021	January 1, 2023	Yes	No material impact

The recent amendments to IAS 1 (Classification of Liabilities as Current or Non-Current), effective from January 1, 2024, were assessed and determined not to have a material impact on the presentation of the company's liabilities.

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.

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

2.3 Foreign currency translations

These financial Statements are presented in Euro ("EUR"), which is the functional currency of the Company.

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

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

The foreign exchange gains and losses resulting from the Settlement of transactions in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

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

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

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

2.4 Cash and cash equivalents in the Statement of financial position

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

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

2.5 Non financial assets / Trade and other payables

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

Non-financial assets include digital assets (kEUR 1.316.736; 31 December 2023 kEUR 1.145.658; 30 June 2023 kEUR 672.526) and receivables from primarily accrued management fee income and intercompany loans (kEUR 5.038; 31 December 2023 kEUR 6.279; 30 June 2023 kEUR 3,928).

For details of digital assets, please see note 3.1.

2.6 Current income tax

The current income tax Charge is determined in accordance with the relevant tax regulations in respect of the taxable profit. The current income tax Charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in countries where the Company operates and generates taxable income.

Income tax payable represents the amounts payable at the balance sheet date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognised in the Statement of financial position as income tax receivables. The Company has no timing differences for tax purposes and as such does not recognise any deferred tax assets or liability.

2.7 Revenue recognition

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

Note 3 - Critical accounting estimates and judgements

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.

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

3.1 Fair value estimation

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate to their fair values.

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

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

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

Note 4 - Financial risk management

4.1 Financial risk factors

The Company's overall risk management program focuses on minimising the potential adverse effects of the financial risks on the performance of the Company. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements. There has been no change in the types of risk facing the Company versus the prior periods nor in the way those risks are managed.

4.2 Currency risk

As at June 30, 2024, most of the assets and liabilities refer to the cryptocurrency and therefore are not related to any currency in the traditional sense. The remaining balance sheet items are in USD, EUR or GBP and do not bear any significant currency risk. The Company converts its cryptocurrency entitlement into the above currencies according to working capital needs. It does so on a regular scheduled basis in order to minimize its exposure to price volatility in the underlying cryptocurrencies.

4.3 Liquidity risk

Liquidity risk management implies maintaining sufficient cash as well as availability of funding through an adequate amount of committed debt facilities. The Company reviews its

NOTES TO THE ACCOUNTS

ETC Issuance GmbH

AS AT 30 JUNE 2024

cash balances on a regular basis as well as its forecast cash requirements in order to ensure it has sufficient cash to meet its operating needs.

All trade payables are due within one year from the end of the reporting year.

4.4 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 requirement purposes and the Company utilises funds provided by related parties to fund its activities as well as the revenue generated from the management of the bonds.

4.5 Fair Values

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

4.6 Collateralisation of bonds

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

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

Note 5 - Equity

5.1 Share capital

As at June 30, 2024, the Company's share capital is composed of 25.000 ordinary shares, issued and fully paid up with a nominal value of EUR 1 each.

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

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

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

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

Note 6 - Notes to the Financial Statements

6.1 Trade and other payables

As of 30 June 2024, trade and other payables include kEUR 12.287 (31 December 2023 kEUR 6.401; 30 June 2023 kEUR 0) payables to related parties for Services received and kEUR 195 for other Services received (31 December 2023 kEUR 171; 30 June 2023 kEUR 1.058).

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 mainly related to services received for the management of the bond in the amount of kEUR 766 (31 December 2023 kEUR 1.126; 30 June 2023 kEUR 507), expenses from a related party in an amount of kEUR 12.288 (31 December 2023 kEUR 10.063; 30 June 2023 kEUR 3.651) and expenses related to legal, audit, marketing and other services in an amount of kEUR 366 (31 December 2023 kEUR 667; 30 June 2023 kEUR 424).

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

6.5 Movement in Fair Value of Bonds and Digital Assets

The fair value movement of the bonds and the digital assets move in inverse correlation to one another. The change in fair value is due both to the change in number of units in issue and also the price of the bonds/underlying assets. The underlying creations and redemptions are denominated in cryptocurrency and converted to USD at the spot rate ruling at the date of transaction. The USD are then converted to EUR at the rate per XE.com as at June 30 2024 (1€/ \$1.0868) for 2024, December 31 2023 (1 €/ \$1.0723) for the fully year of 2023 and as at June 30 2023 (1€/ \$1.0868).

	June 2024	December 2023	June 2023
Opening Balance	1.145.657.641	297.516.002	297.516.002
Creations	238.645.481	887.429.833	383.507.722
Redemptions	-605.784.858	-566.655.136	-220.681.122
Management fees	-13.554.640	-12.020.631	-4.728.876
Realised (loss)/gain in fair value of digital asstes	106.693.476	128.402.343	434.165.762
Unrealised (loss)/gain in fair value of digital asstes	445.078.709	410.985.230	-217.253.569
Closing Balance	1.316.735.809	1.145.657.641	672.525.918

Note 7 – Audit fees

The audit fees for the interim financial year ended June 30, 2024 amounts to kEUR 134.

NOTES TO THE ACCOUNTS
ETC Issuance GmbH
AS AT 30 JUNE 2024

Note 8 – Subsequent events

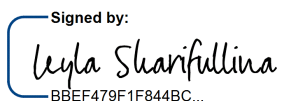
No material events or transactions occurred after the reporting date that would require adjustment or disclosure in these financial statements.

Note 9 – Audit

The interim financial statements were not audited or reviewed by an auditor.

London, 24 September 2024

ETC Issuance GmbH

Signed by:

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Leyla Sharifullina

DocuSigned by:

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Paul Fusaro

DocuSigned by:

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Katherine Dowling